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Retailing Expert Says Internet Data Can Predict When a Customer is Ready to Buy

DETROIT, May 2, 2002 – How can the Internet’s e-tailers predict when a potential customer is ready to buy? In the automotive industry, the answer may be to look at a consumer’s favorite color.

In the process of ‘mining’ data from Internet users, Urban Science, a Detroit-based strategic consulting firm, has discovered very specific indicators of propensity to purchase a vehicle. A consumer entering a color choice or specific option package online is one of the most predictive indicators that he or she is ready to purchase.

“That individual is highly likely to buy the vehicle,” said Rick Jones, managing director of Detroit operations for Urban Science.

Propensity to purchase is just one type of analysis that can be gleaned from data that retailers collect on their customers in their stores and online. Customer data can also predict the likelihood that a previously loyal shopper will defect to a competitor, enabling retailers to offer that customer incentives to retain his or her business. With similar data, retailers can gauge the “lifetime value” of a customer, enabling them to provide the customer special offers.

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Data mining is not reserved solely for the automotive industry. “Any industry can uncover tremendous knowledge from its customer information,” said Jones. “Companies can utilize this wealth of data to enhance their profitability.”

How to use consumer data

Urban Science offers these tips to businesses on ways to use customer data to enhance their profitability:

First, understand the data that is available — and mine it. In every organization, a treasure of information resides on hard drives, in customer application forms, in correspondence files and among employees. “Mine them all for information about customer trends, the influence of changing technology, the recent emergence of competitors, changing customer attitudes, and rumors about your products or company,” said Jones. “Then use that information to predict the future and work to reduce the forces that may impact your company in a negative way.”

Second, Jones said, “Make sure you are confident that your data is accurate. The actions you take will be effective only if the initial data upon which they are based is accurate.” Urban Science has built a business on making sure its recommendations are sound because it questions the data that is put into its solutions. “We consider ourselves data-independent solutions providers,” said Jones. “We will find the best data to solve a problem, rather than merely accepting data from a client and using it blindly. You should maintain the same standards in your own organization.”

Third, use the right tools for the job. “If you’re not confident that your internal information-services staff or your analysts can mine the data to accomplish what you want, find an outside company that can do it for you.”

Urban Science has worked with automotive manufacturers, financial institutions and retailing companies to establish, analyze and/or improve their networks and their relationships with

customers. It has evaluated the networks, the individual locations within those networks and their customer base.

Founded in 1977, Urban Science is a strategic consulting firm that provides customized intelligent solutions to companies seeking to increase the market share and profitability of their retail networks. Urban Science serves its global clientele from offices in the United States, Spain, England, Germany, Italy, Australia, The Netherlands, Mexico and Japan.

For information: www.urbanscience.com.

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