



The University of Chicago
Department of Statistics

Master's Seminar

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Cream, Sugar or Black?

Comparison of Several Statistical Classification Methods
in a Target Marketing Application

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ABSTRACT

Target or database marketing has emerged as a major modern business activity in marketing place due to increasing competitions. Target customer is a specific group of customers that a company in a business aims to capture and identified as a potential group to buy the products or service. Database marketing is the use of customer profiles contained in a company database to target those most prospective customers. The benefit of target marketing is its ability to target the marketing efforts. Business units will focus their marketing spending on customers that are most likely to buy. The result is an increased return on the marketing investment.

This paper applied several widely used statistical methods on the same set of marketing dataset. They are classification tree, logistic regression and neural network. Also ensemble methods including Bagging and Boosting are acted upon tree. Random Forest as a rather new ensemble technique is deployed with tree also. The results from each model are compared.