



## FROM THE FORD “SCI LAB”

### **April 11, 2011: FORD PREDICTION MARKET**

**FROM THE LABS OF FORD MOTOR COMPANY** researchers are using a series of analytical and modeling tools, including a new prediction market model, to identify new consumer trends and behaviors and then apply lessons learned to future product plans.

**HOW IT WORKS:** The prediction market is a simulated stock market that leverages the wisdom of crowds by asking members to comment on topics and issues through trades.

- More than 1,300 Ford employees in the U.S. and Europe participated in company-run prediction markets in 2010, weighing in on topics ranging from future features, sales volume, electrification and economic issues such as gas and commodity prices
- Participants or traders were presented with posted questions, asked to pick an answer and then asked about chances of that choice being rated highest. If other traders thought the pick had a 59 percent chance of being rated highest, for example, the price was \$59 a share

**POTENTIAL CONSUMER BENEFIT:** Early tests with Ford prediction markets have resulted in real-time shifts in future product planning strategies due to forecasted consumer perception and demand. Examples include:

- After low trading in the prediction market, early development of an in-car vacuum was abandoned by Ford Global Feature Planning, and other higher-traded potential features are now under advisement
- A Ford-specific bike carrier under review with the Ford Exterior Trim team has been removed from future planning as a result of extremely low trading in the prediction market, saving time and development costs
- 93 percent of participants in the Ford prediction markets claim lessons learned, creating better informed, engaged employees

**WHAT'S NEXT:** Ford researchers are identifying additional ways to incorporate the prediction market model in the company's business practices to help forecast future consumer and market trends and develop relevant products and features.

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