viewpoint

DATA MINING

Many companies are sitting on a wealth of information about their customers that could be used to sharpen their marketing efforts. But mining the data effectively takes knowhow and the right tools.

Urban Science, a Detroit-based strategic consulting firm, works with clients to unlock insights buried in the information they collect through surveys, Web site activity, point-of-purchase interactions with customers and more—sometimes with surprising results.

Rick Jones, managing director of Detroit operations for Urban Science, explains what companies can expect from successful data mining.

What is the objective of data mining?

There are many. Accurate data mining can help a company determine when a prospect is ready to buy or a customer is ready to defect, which customers are worth keeping and which aren't, and how best to tailor marketing and incentives to specific customers.

Where do you find the data to do this?

The focus is on information about customers—their buying habits and preferences—that they have given, are willing to provide or are inherent in existing sales files. Sometimes useful patterns emerge from sales history data—who bought what, and when. In today's privacy-sensitive environment, it's increasingly important for companies to work under "permission-based" marketing, where you ask customers if it's okay to use their names.

Do most companies already have the right kind of information?

Many do, but often it isn't in a compatible form. One thing we do is standardize all the sources of information and set up a system to ensure that future data acquisition is standardized. For a Web site, this might mean asking visitors to identify their current vehicle from a pull-down menu rather than having them type in a description.

Why is standardization so important?

We've all seen what happens when a database isn't consistent when we receive several pieces of mail from the same retail source, each with a slightly different form of our name or address. In these cases, the database considers each variation a different person. To make intelligent marketing decisions, it's obviously important to aggregate all available information about each customer or prospect.

Acquiring, cleansing and reformatting data is the most intensive part of the process we provide. Once that has been done, the data mining process can be relatively quick.

Does data mining turn up surprises?

It can. Audi hired us recently to look at visitors to their Web site who asked to be contacted by a dealer. They wanted to know which ones were most likely to buy a car.

Their Web site includes a free-form field where a visitor can add comments. We discovered that those who described a vehicle's color using Audi's factory color nomenclature had a significantly higher propensity to purchase an Audi vehicle.

That's a gold nugget that no one would have hypothesized. It emerges only through the technology of data mining, and that's one of our areas of expertise.

How can data mining predict defections?

That's more difficult because a Chevy owner who looks at Ford's Web site won't generate data that goes back to Chevy. But manufacturers can find indications that owners are less than perfectly satisfied in an unusual service repair history or a problematic customer service issue. These tidbits can indicate that a customer is ready to defect.

How important is the Internet?

The Internet makes data all-electronic and in real time. It's easily accessible. Most of the information has been there all along, but it was probably on paper rather than captured electronically where it can be manipulated.

What's the best way to use data mining?

A marketer can ask questions and look at data mining results all day. But the important thing is to take action: make a hypothesis, find out what happens and fine-tune your hypothesis.

In the Audi example, this allows them to match the right incentives to the right customers. For example, you might convince a prospect with an on-the-fence score to buy with a personal phone call or discount.

Learn more about Urban Science's data mining expertise by calling Rick Jones in Detroit at (313) 568-4373.