



Five Common Misconceptions About B2B Data Mining

1. Data Mining doesn't really work in B2B environments

Often, managers believe that data mining doesn't work in the B2B environment because of the unique differences in the business model. Among these differences are account managers for designated accounts, larger swings in product gross margin, sometimes longer and more infrequent purchase cycles, and often, a proliferation of product line specific catalogs.

What matters more in successful data mining is the data you are working with, rather than the uniqueness of the business. Data generated from account level transactions is particularly good to work with. These include what the customer bought, when they bought it, sales amounts, and so on. Data elements that reflect longevity such as time on file, total sales, and total profit, add analytical value. Lastly, promotional history such as total number of catalogs received and total number of mailings received can also add value. Data mining can work well in B2B environments by leveraging the data you probably already have.

2. I don't have enough data to develop good models for my campaigns

There is a common misbelief that good database marketing requires analyzing millions of customers. This is simply not the case. Developing good models depends more on the quality of the data than the quantity of data. For example, if you are developing a predictive response model to determine who is most likely to respond to your catalog mailing, a key metric is how many responders you had from the last catalog mailing. If you have more than a few thousand responders, chances are you can develop a good predictive model. Some data mining products require even fewer data points. For example ASA's ModelMAX predictive modeling and segmentation software requires as little as 400 positive cases to perform well.

3. New and better techniques are needed to mine B2B data effectively

The science of data mining has been evolving for quite some time and has reached a level of maturity and stability. Many of the products commercially available do a very good job of analyzing B2B data. The difference however, often lies in whether the products have been refined for the practicalities of the business world. Vendors who have kept up are continually improving their products to appeal to a wider audience of marketers and managers. The products, for example, should handle the realities of missing and bad data, and provide understandable and usable output. Also, pay attention to whether your data mining software vendor or service provider has a substantial history of commercial work. If they do, they will know the ins and outs of dealing with corporate data and should have a solid experience base of where data mining can provide the greatest ROI.

4. You really need to be a statistician to perform data mining

This is partially true but only because many data mining software and service vendors make it more complicated than it has to be. Knowing how a neural network is constructed, or the difference between a regression model and conjoint analysis, is interesting, but is not required to generate successful results. While many products in this area are very complex to use, there are products that focus on the needs of business users, such as speed and convenience, while delivering very robust results. For example, ASA automates a “hybrid” of data mining technologies in its products including regression and neural networks. This approach shields the user from having to interact with complex statistical processing steps.

5. The cost is too high for the expected return

You might be surprised to find out how far a small investment can take you. In the B2B world, customer acquisition costs, total lifetime value, and product margins generally run higher than in the consumer world. It doesn't take much improvement in your solicitations or cross sell efforts to create significant ROI. If you are still wary, take small steps to prove that data mining works for your business. Have an experienced vendor build a few predictive models and test them out. Often this can be done for \$10K – \$15K, but the results could be worth \$100K or more. Data mining can easily generate returns of 5X to 10X.

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