

Data Mining Technologies Inc.
Knowledge Discovery From Databases

Data Mining in Direct Marketing

White Paper

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Data Mining Technologies, Inc. (DMT) provides complete predictive modeling services to the direct response industry using state-of-the-art, proprietary data mining technology to help marketers target highly responsive prospects and customers. DMT will extract customer data, append it with extensive demographic, financial and lifestyle information, then identify hidden, profitable market segments that are highly responsive to promotions. Based on its findings, DMT will score and deliver to the client the best prospects identified from a U.S. consumer database of 115 million households or from a business database of 11 million. For customer promotions, DMT will score the client's list to select the most responsive customers for in-house campaigns.

DMT provides three types of modeling services:

- Prospect Segmentation Modeling
- Customer Segmentation Modeling
- Customer Cloning.

Each type of modeling is briefly described below

➤ **Prospect Segmentation Modeling**

The objective of this modeling effort is to determine the character traits that identify highly responsive prospects. This knowledge gained from Sophisticated data mining techniques are then used to select responsive prospects from a U.S. consumer database of 115 million households or from a business database of 11 million.

The process starts with a list of prospects, which is separated into those who actual bought something and became customers and those who did not. This data is enhanced with demographic, financial and lifestyle information, which is then analyzed to identify market segments that are highly responsive. Each household or business in the U.S. is then scored, from the most responsive to the least responsive segments, and the top performing segments are selected for promotions or the poor performing segments used for suppression.

The market segments are defined in terms of the demographic, financial and lifestyle information appended. For example, we may find that 65 year old people living in Florida with low income who show interest in collectibles are very responsive to sweepstakes promotions.

➤ **Customer Segmentation Modeling**

The objective of Customer Segmentation is to find patterns in customer transactions, and demographic, financial and lifestyle character traits that help identify highly responsive customers. The process is similar to the Prospect Segmentation Modeling, except that we also make use of the customer transaction data in addition to the demographic, financial and lifestyle overlays. After finding the patterns and traits that help distinguish the responsive and profitable customers from the rest, we then analyze the entire customer file and then develop segments. We can then select the responsive groups for promotions or the non-responsive groups for suppression.

The segments developed by this type of modeling use both transaction history, and appended data. For example, we may find that those customers who bought an average of \$50 worth of clothing along with decorative products, returned products less than 5% of the time, contacted the company fewer than once a year, live in New York, have a college degree and reside in a predominantly a white-collar area will be twice as likely to buy from catalog promotions as the average customer.

➤ **Customer Cloning**

The objective of Cloning is to find character traits that help identify the profitable customers. We develop a predictive model using numerous potentially valuable traits to find clones of these potential customers from a U.S. database of over 170MM individuals (or 11MM businesses). That is we find the combinations of traits that are useful for cloning. This often yields a large universe for profitable promotions. The process starts with a customer list, which is appended with additional data. This list is then processed through a data mining computer program to find hidden patterns that help identify prospects that are clones of customers. These patterns are then used to score the U.S. consumer or business database, resulting in a database with each record showing how closely it resembles the customer. Your company can select prospects for contacts based on the score we develop.