



We Share Our Knowledge

Article no. 18

Modeling – Successful Implementation

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1. Background

In the past few years, many organizations around the world have learned to appreciate the importance of customer-targeted marketing.

More and more marketing managers are exploring the possibility of using advanced tools for campaign market segmentation, and utilizing Data Mining models in order to adapt the marketing message to the customer.

This article will provide a brief review of the advantages of such models, though it is not its main objective.

While it is obvious that the importance of using such models has already been recognized in most organizations, only a few know how to properly utilize these models to their advantage.

The main objective of this article is to demonstrate how to properly set the ground for the application of these models, and shorten the process that starts with planning the infrastructure and ends with creating an organization model lab.

2. Why Use Models?

Using models in order to select the right target audience for marketing activities, contributes to the organization in several aspects:

- Identifying customer needs.
- Making marketing activities more effective.
- Improving distribution measures.

3.1 Identifying Customer Needs

Statistic models enable the organization to determine the customer's needs, consequently helping to create a personalized marketing offer for each customer.

Using the model's outcome, each customer can be offered the exact product suited to his needs, in the channel and timing preferred by said customer.

3.2 Increasing Marketing Activity Effectiveness

By using model outcomes for marketing purposes, the organization can increase customer response rates, thus improving the marketing activity of that specific marketing channel.

Personalizing the offer enables to organization to reduce marketing costs usually allocated towards targeting audiences irrelevant to that offered product/service.

3.3 Improving distribution Measures

Often, a massive, untargeted marketing offer is sent to the same customer base (referring to 30% of the most active customers).

Using these models will enable the organization to extend the offer to other customers, normally not contacted by the organization.

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3. Why It Might Not Work

Often times, organizations who have successfully implemented such models believe that the models simply don't achieve their purpose. The marketing teams have studied the tools and listened to the presentations, but eventually:

- They can't seem to create a simple, effective foundation upon which to base the models as needed.
- They can't seem to successfully use the models to improve the effectiveness of marketing activities.
- They can't ensure that all required information be available in-house.

We chose to describe a few causes for the above problems:

Cause	Description
Lack of proper planning	Lack of: <ul style="list-style-type: none"> • Predefining which models are required to the organization. • Preplanning of the marketing offers appropriate for said models. • Proper planning of pilot runs to test and apply the model.
Required skills	The organization doesn't possess the knowledge required to create the model. Thus, it needs to hire a statistician, a fact which delays model application and increases costs.
Complex tools	The more complex the tools required to create the model are, the fewer there are people who are familiar with said tools. Thus, the resources for creating the model within the organization diminish.
Lack of data	Lack of sufficient data required for creating the model. An intricate process of data planning is required prior to the construction of any model.
Data quality	The data stored in the databank is inaccurate. It's possible that the data is acquired / received from many sources, and each source sends different / contradicting information.
Time required for model construction	It takes a long time to create a model, and many times the pressure to launch the campaign is so strong, the organization decides to choose the easier way out and use business rules rather than a model.
Converting models to assembly lines and reusing the models	Even after the model is constructed, it is a long and complicated process to convert it for production.
Lack of measuring	<ul style="list-style-type: none"> • Marketing activities are not monitored. • No evaluation is done of marketing activity feedbacks.

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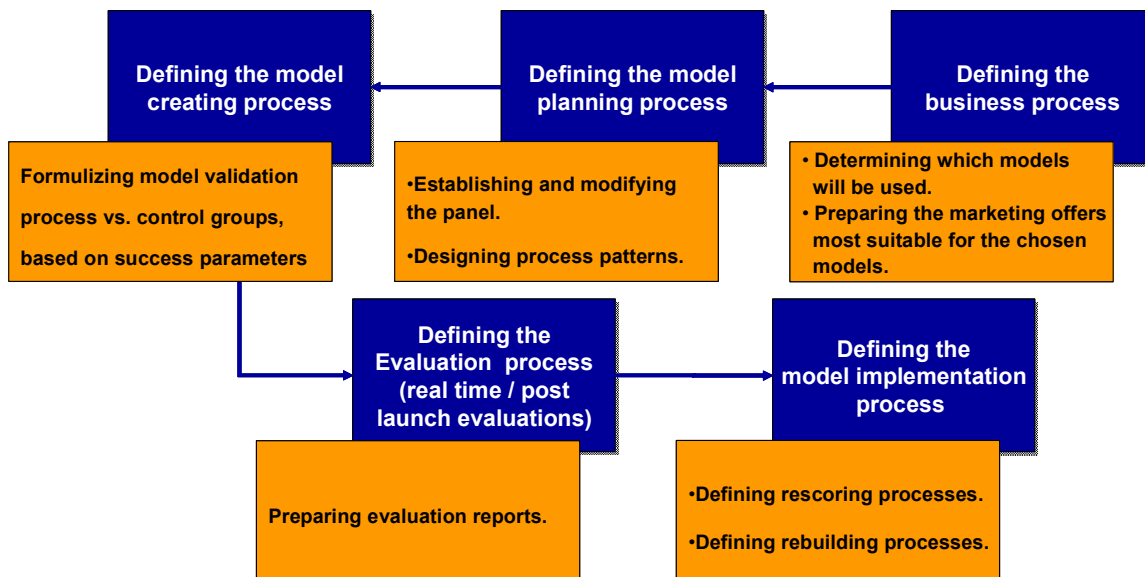
4. What Can Be Done?

It is important to understand that succeeding in the creation and usage of data mining models does not depend entirely on technology.

One may even say that creating the proper foundation for these actions is much more important than the technological tools used for the actual creation and usage.

As ever, in order to resolve this issue, the organization must first complete a thinking process, the result of which will be an organized, structured protocol of creating models.

This process is comprised of a few stages:



5. The Results

After formalizing the process we can start implementing it. We believe that with the right process, we can create a true model lab in the organization, and succeed in effectively creating many practical models for the organization.

About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

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