Data mining versus data base marketing

Business, Marketing

Data mining can be described as a tool enabling data base marketing. For a marketing manager however, all things not necessarily start at a data mining level. The marketing manager as a part of his CRM strategy might want to send across direct mailers to a specific target segment. For this, he might have bought a mailer list from a third party vendor. The manager will undertake data base marketing as a part of his CRM strategy. Tracking the source of the data provided by the third party vendor would provide a clear understanding about the scope and depth of data mining. The vendor might have done some data mining on a customer data mart.

He might have used query tools to extract data containing certain variables that depict the target segment the marketing manager wishes to reach out. Hence data mining in this instance is related to the task of extraction of data based on certain criteria whereas data base marketing refers to usage of data to communicate to the right set of customers as a part of the CRM strategy. In another instance, a museum might want to increase the footfalls at the museum, serve the underprivileged sections of the society by educating them and yet generate revenues to support massive expenditures in exhibits.

The museum might have certain membership level data of frequent customers. The museum can use this data to identify the behavioral characteristics of its most loyal segment. The museum can additionally conduct surveys to find from people who have visited the museum on what they have experienced. Combining all this information data mining can reveal interesting insights about the target population. But first, analysts

would have test the data for its statistical significance. For decisions can be made only if the data has certain confidence level and confidence interval.

Segmentation can be done using statistical tools that support clustering methodology. Clusters that define different facets of customers can be found. Using member level data the behavioral fit of these customers can be studied. Variables that define the variable fit can be used to purchase data from third party vendors. The data can be purchased asking the vendor to issue a list of people who reside in a particular city, have a particular ethnicity, family composition, income level and read and watch certain television programs. All this can be achieved by data mining.

What follows this exercise is data base marketing. Once the data from the third party vendor is received, the marketing manager will devise a communication strategy for the target segment. He will put together the product proposition and try and cater to the needs of the target segment. This is known as data base marketing. Data mining is the extraction, testing, processing and validation and maintenance of data whereas data base marketing deals with using the data to meet marketing goals. There are a few overlaps between the too. However, the above definition and examples explain the differences between the two.