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Understanding Customers through Data: A Data Miner's View

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ABSTRACT

Data mining is often portrayed as the poor stepchild of statistics. This presentation gives a data miner's view of data mining, with particular attention to the different ways that data miners and statisticians approach analyses. Data mining, as discussed here, puts customers at the center of analysis, and because of the prodigious amounts of data collected by business, data mining is less concerned with some typical statistical concerns – such as sample variation and confidence intervals – and more concerned with such things as defining a customer, identifying particular events in the customer lifecycle, and managing large quantities of data. However, the differences are often overstated, and data miners and statisticians are both looking for good, unbiased results that remain stable over time. Survival analysis provides a good example of some differences between the two approaches. The business world uses survival analysis to understand customers, hundreds of thousands or millions of them at once. This presentation includes two examples. The first uses survival analysis to measure the effects of a loyalty program. This example is based on a project for a subscription-based company with over one million customers and a loyalty program that had attracted 5-10% of them. This example quantifies the value of the loyalty program based on increases in customer tenure. The second example uses survival analysis to forecast the number of customers. A survival approach enables “what-if” analysis and an improved understanding of the drivers of business performance.

NOTE

At the time of publication, no paper had been received. Please contact the author. **View the slides**

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