

Data Trends

Turning Data Into a Strategic Asset

..... Data Mining ◆ Competitive Analysis ◆ Business Intelligence Tools

David Chereb Group, Inc.

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Striking Hidden Gold

Uncovering Valuable Information in Your Database

If you're Bill Gates or Michael Eisner you are utilizing data mining today. Data mining is beginning to help many businesses find valuable information hidden in their existing data. With millions of customers and billions of transactions every week, companies need massive 'data warehouses' and specialized 'data mining' tools to store and make use of this information. "We are drowning in information and starved for knowledge," is a quote from John Naisbitt that is right on target. Data mining is the light at the end of the data tunnel for companies who find themselves in this situation.

What is Data Mining?

Data mining is currently defined as: "the process of finding hidden relationships in large databases. For instance, consider a mass mailing. An untargeted mass mailing receives less than a two percent response rate (i.e. 1000 letters might yield 20 replies). If I target the mailing based on data

mining discoveries the response rate could jump to five percent or more. This means 1) fewer letters can save money, or 2) more sales from each mailing. Either way it makes good sense. That's why smart companies turn to data mining.

An important part of data mining is finding hidden relationships, such as the basket of products that different customer segments buy. Discovering these patterns quickly requires data mining. "... data mining is a technology with incredible potential. If I know specific patterns faster, I have a competitive advantage. That's all there is to competition: knowledge and speed," as quoted by **Andy Grove, Intel Corp.** Data mining finds relationships that are valid and can be utilized to increase profits.

When Does It Work?

When you have large databases containing

customer history, data mining is an excellent tool for finding buying patterns. It does not however, guarantee your profits will increase. Two cases in which data mining would not be very helpful 1) you don't have the right data and 2) the results do not find anything interesting or anything you don't already know.

Unknown Relationships—The definition says that data mining searches and finds 'hidden' relationships. That is true and is the standard way data mining is viewed.

In reality the main benefit of this entire process is using your data as an asset, instead of a cost item. Don't let the data just sit there, analyze it! ◆

"We are drowning in information and starved for knowledge."

—John Naisbitt—



Think about the possibilities...

- An **85% response rate** to your direct mail advertising!
- A **\$30 billion increase** in your market value!

Both possibilities above are the result of Data Mining. Your results may vary, but Citibank and many others are investing in Data Mining to *maintain a competitive advantage!*

About Us...



David Chereb specializes in data mining, market assessment for acquisitions, and Decision Support Systems. His most recent

article "Does Data Mining Improve Business Forecasting?" was presented at the 18th Annual International Symposium on Forecasting in Edinburgh Scotland. Dr. Chereb focuses on structural change and designs strategic planning systems. His forthcoming book, "Strategy and Evolution: Profiting from Business Intelligence Tools," provides companies with a framework for managing rapid business change. Dr. Chereb was a member of the Air Force space team designing NASA Space Shuttle requirements. He holds a B.S. from the USAF Academy, an M.A. from UCLA in econometrics and a Ph.D. from USC in economics.



John Mercer comes to the David Chereb Group as an independent consultant. He has literally trained thousands of employ-

ees in computer operations and principles. John is an analyst and accomplished database designer. His varied work experience includes: naval flight officer; manager of operations, production and marketing areas; and business owner. John holds two Bachelors degrees from the University of California at Irvine and a Masters of Business Administration from the University of South Dakota.



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Don't Get Left Behind

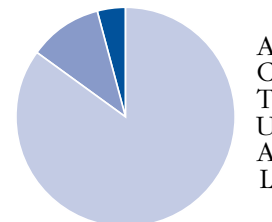
Do You Know What the Competition is Up To?

Structural change and competitive analysis go hand in hand. Rapid, frequent structural change comes from the modern, complex environment companies must operate in today. You know that, and you know that you should monitor and analyze the external environment. But evaluating the external environment is not carried out at most companies. They simply do not have the time or the resources to handle it on their own..

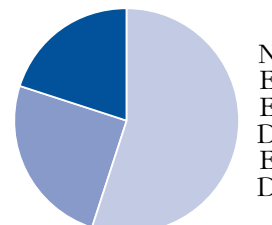
The top chart illustrates that most of us give the external environment only a few minutes thought, most likely during the nightly news hour. The bottom chart illustrates how it should be done. Treat the task of analyzing the external environment as important as knowing what the competition is up to. For instance, the Asian economic crisis will impact every metro area and every company in the US before the year 2000.

To quote Peter Drucker, "The single biggest challenge you face is to organize outside data, because change occurs from the outside." This typifies competitive analysis. Our most threatening challenges will come from products that do not yet exist today. Bill Gates' epiphany a few years ago about the challenge (and opportunity) of the Internet is a great example of the value of thinking about the external environment. Gates siphoned cash away from his most profitable products, and into new, risky, Internet products. Fortunately, Microsoft has the financial muscle to take that risk. While your own situation may not be so well known, it is just as critical for your survival. ♦

Management Focus



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Internal
Competition
External

How To Analyze the External Environment

- Make it part of your quarterly review
- Add external threats and opportunities to your competitive tracking system.
- Identify one new competitive product or technology each month
- Create a decision support system using SWOT (Strengths, Weaknesses, Opportunities, Threats)

Visualize What Business Intelligence Tools Can Do For Your Company

This Free Offer Will Open Your Eyes to the Possibilities!

Get a **free overview** of Business Intelligence Tools. This no obligation offer gives you an up-to-date overview of these exploding technologies. What's more, we'll come to your site. All we ask for is twenty minutes of your time and a minimum of two managers in attendance. Don't miss this opportunity to see what these tools can do for your business.

Call or e-mail us today to schedule your no obligation presentation.
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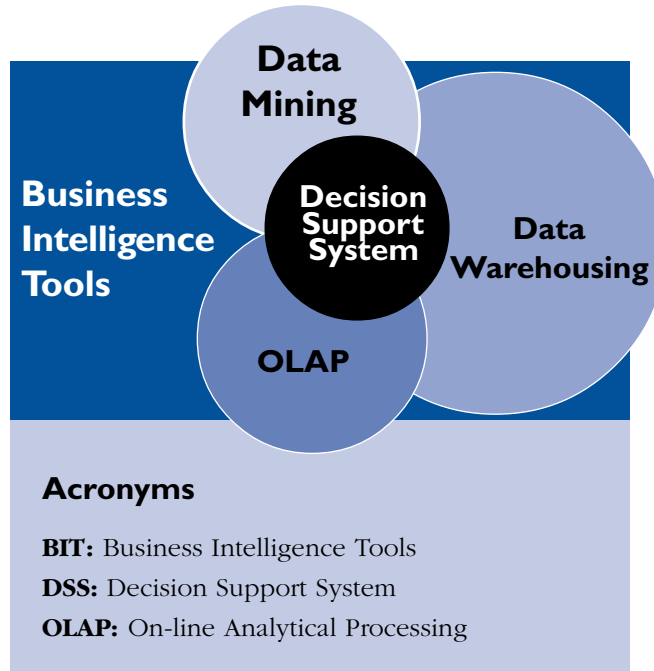
Only a few presentations are available each month and only within a limited geographic area, so don't wait. Call Today!



BIT Turns Information Into Profit

Data Mining, Data Warehousing, and OLAP are Business Intelligence Tools which are evolving into strategic information systems. Together they make-up a companies Decision Support System used to attack competitors in their most vulnerable areas. They allow companies to get control of their mountains of data. For a long time companies have been trying to get ahead and make use of the reports, databases, charts, field reports, etc. that come from unmanageable databases in order to get a competitive advantage. **Using these tools together moves data from the liability/cost side of the ledger into the asset/profit side.**

Today those businesses who employ these tools are reaping large rewards. Tomorrow it will be a necessity to stay in business. ♦



From the Outside Looking In

Unbiased Information Specialists Tell It Like It **Really** Is.

No one wants a rosy picture painted of a bad idea. When millions of dollars are at stake, hiring a consultant who can see through the fog, independently evaluate the data available, and provide an unbiased opinion of the idea is a small investment for avoiding potential problems. At David Chereb Group we do just that.

“Some of the best investments are those you don’t make.”

Our Services

The David Chereb Group, Inc. offers:

- **Strategic Planning**
- **Business Modeling**
- **Executive Training**
- **Due Diligence**
- **Market Research**

IN THE NEWS

Recent Developments In Business Intelligence

MicroSoft Releases SQL Server v7.0—This version adds OLAP capabilities (Plato) and will tie into the new Office2000. Together these tools will make low cost data analysis available to everyone.

MicroStrategy Issues IPO—A leader in decision support systems. MicroStrategy goes public and is a roaring success. The stock price more than doubles within a few days. Their ‘active’ warehouse is the analyst’s equivalent to the accountant’s general ledger.

Find Out Why, Not Just What—The new BIT tools are allowing managers to spend more time determining why things are happening, instead of spending most of their time just determining what has happened.

Do you spend more time asking for data, than analyzing information?

If you answered yes, then you should invest in Business Intelligence Tools. See our offer on page 2.

Match Up Answers

(From page 4)

- V = 5
- B = 4
- D = 3
- E = 2
- C = 1



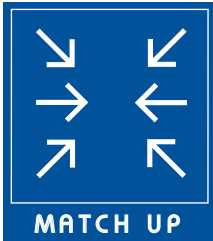
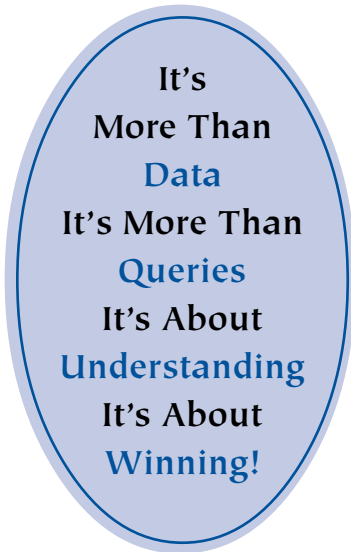
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Place
Stamp
Here



Match the first column of **DataTrends** words to their correct definition.

- | | |
|--------------------------------|--|
| 1. PLATO? | A. A tool for combining and translating company strategy into performance measures. |
| 2. Golden Age? | B. A decision oriented tool associated with databases. |
| 3. Complexity? | C. MicroSoft's nomenclature for its new OLAP server embedded in SQL Server v7.0. |
| 4. OLAP? | D. An emerging new science that analyzes behavior at the edge of chaos. |
| 5. Balanced Score Card? | E. The view that the world has entered into a new high growth era of capitalism. |

"...data mining is a technology with incredible potential"

—Andy Grove, Intel Corporation—

"The single biggest challenge you face is to organize outside data, because change occurs from the outside."

—Peter Drucker, Claremont College—

See Match Up Answers on page 3.