

Data Mining for B2B By Jeff Josephson



If your company operates in the business-to-business (B2B) market today, you probably have a marketing problem. This is because virtually all of the promotional tools available today are either optimized for consumer product companies, or they're so expensive or ineffective that only the biggest or best-funded competitors in your industry can afford them.

Data mining, however, can level the playing field, and provide a cost-per-lead that is at least an order-of-magnitude lower than traditional methods.



The Problem

While it has virtually destroyed many traditional advertising media like print and trade advertising, the Internet has provided the B2B world with a vast new medium in which to get its message out. Unfortunately, with now 15+ years of experience under our belts, most B2B business owners have come to the conclusion that the Internet is mostly just a "siren song," often leading to nothing more than disaster in the market.



Too often we read about investors who poured millions of dollars into a venture that fails, or a small business owner who can't grow past his or her initial sales. Daily we hear complaints about skyrocketing pay-per-click rates that only deliver tire-kickers, and telemarketing firms that book bogus appointments. Or we meet salespeople who can't – or won't – make cold calls, while they point their fingers at marketing departments who can't generate actual sales leads. And then there are the so-called "marketing experts" who preach the virtues of content marketing, or SEO, or this or that technology, while ducking even the remotest accountability for results.

It's no wonder that turnover among marketing and sales people is so high. The B2B marketing industry is in a war of attrition, and everyone is simply running away from their most recent failure.

What's Missing?

When Philip Kotler wrote his seminal textbook on marketing management, among its highlights were the discussions on market segmentation and target marketing. And the idea of concentrating your marketing resources on likely buyers made tremendous sense for B2B companies. For example, a business that sold mostly to construction companies could invest their ad budget in Construction News, or companies that sold mostly to car manufacturers could advertise in Automotive Week – and avoid the waste of advertising in mass market journals like Life magazine or Look.

Today, however, such targeting has taken a perverse turn. On the one hand, putting up a Web site makes your message available to the whole world. At the same time – while it incurs no extra expense – it also means its message is diluted by billions of other Web sites. Similarly, while inbound marketing (which is ultimately nothing more than advertising) alleges to bring pre-qualified buyers, it does so at a Darwinian cost, and mostly doesn't bring in pre-qualified buyers anyway.



Techniques such as email marketing, telemarketing or direct marketing that can actually employ target marketing, however, are rarely able to do so in practice because the quality of the data (manifested by their infinitesimal response rates) is usually so bad as to make the effort and the investment worthless.

There are, in our view, three reasons this happens. First, most data sources, such as email or company lists, are so old and inaccurate as to be little more than junk. For example, we've found that a commonly used database of "sales leads" is over 60% inaccurate at the company level, and over 90% inaccurate at the contact level. This occurs, of course, because the vendor simply can't afford to invest in the quality of research necessary to maintain accuracy while still being price competitive in their data market.

At the other end are premium services that do charge enough to compensate for the cost of research, but most SMBs can't afford their cost – which often rises into the multiple tens of thousands of dollars.



And then there are the social sources where you can trade your data for access to others' data. This minimizes the cost of the data, and improves its quality. But it ultimately misses the whole point of market segmentation and target marketing. That is, it isn't the contact information that matters; what matters is whether the people you're targeting actually need your product or service.

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In other words, having accurate contact information on people who have no need for your product doesn't help; waste itself will ultimately doom the program economically. But the real problem is that most targets simply don't have a need for your product or service. So in addition to waste is the cost of trying to develop accounts that never close – which condemns not only the marketing program but the sales program as well.

The Solution: Data Mining

Fortunately, Kotler gives us a solution. While largely a lost art today, or simply viewed as a luxury, secondary market research – of which data mining is the modern form – is the fastest, best and least expensive way to improve the efficiency and effectiveness of your marketing programs. It can enable you to virtually eliminate waste, and it can enable you to target only people who need your company's products or services. As a result, it can dramatically reduce your cost-per-lead while increasing your revenues, your sales margins and your Marketing ROI.



The key to effective data mining, if there is one, is to recognize that a consequence of the over-sharing rampant in today's society is the virtual ocean of data available on the Internet. One only needs the right tools and analytical techniques to sift through it in order to find prospects who need your company's products or services.

Therein, of course, is the "secret sauce." But recent campaigns by LeadGen.com employing the technique have produced dramatic and early results:

- A lead generation program for a financial services firm saw a reduction in qualified cost-per-lead through data mining of over 90%: from nearly \$1,000 per appointment to less than \$100 per appointment.
- A lead generation program for a consulting company saw its cost-per-appointment drop by almost 2/3 due to data mining; while it also enabled us to penetrate a new market for the company in less than two months – instead of the nearly 12 months it had previously taken to open a new territory.
- And for a software company, we were able to generate dozens of new, qualified sales leads in less than a month using data mining – after they had floundered in the market for over a year, burning through multiple salespeople, and hundreds of thousands of dollars in marketing expense.

And in all three cases, close rates are on track to be *double* what they had been before.

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Conclusion

If your current marketing strategy includes “throwing as much s*** against the wall as possible and hoping something sticks,” you should consider secondary market research instead – in the form of data mining. B2B companies today can’t afford the waste in their marketing program – either of money or time.

But with all the data that’s out there, not taking advantage of it is tantamount to marketing suicide.