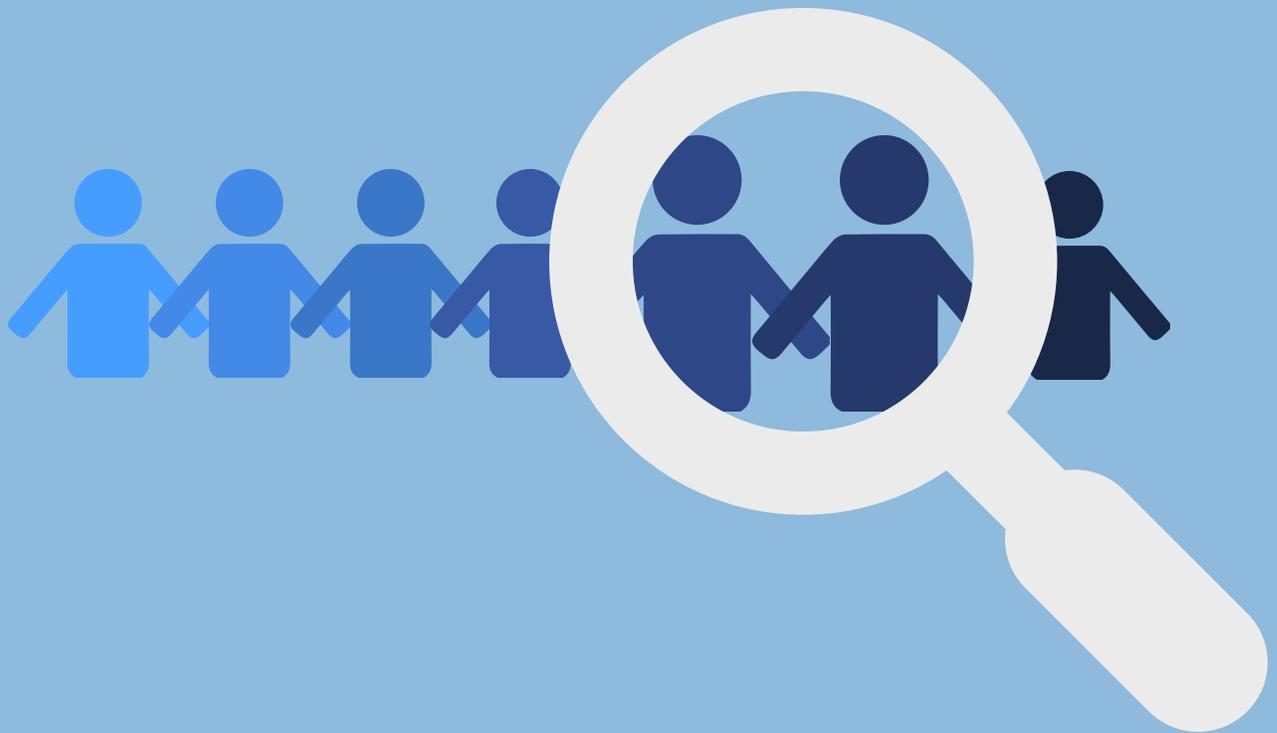# PREDICTIVE MODELING

The Big Data Solution to

## UNDERSTAND YOUR CUSTOMERS

Like Never Before

HOW IT WORKS

STEP 1

We identify people or households who match a single known trait, and then perform advanced analyses on that subset of the population to identify other key characteristics and behavioral patterns that they exhibit. We then repeat this process for each additional trait that needs to be incorporated into the model.

STEP 2

We take the results from Step 1 and perform a second layer of analysis that enables us to identify and remove people and households who will not be responsive to marketing efforts, ensuring your marketing budget is only spent where it will be effective.
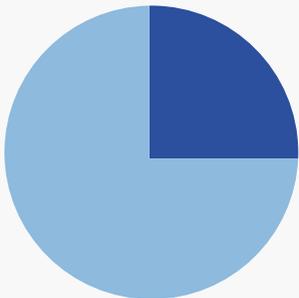
STEP 3

The various analyses from Steps 1 & 2 are cross-referenced and distilled to find common patterns and characteristics shared by that audience. Our predictive modeling software then assigns a "Probability Score" to each characteristic, which tells us the importance of that trait in determining their likelihood of buying. This algorithm can then be used to compile highly-targeted mailing lists.
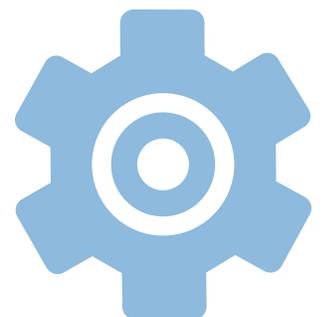
KEY BENEFITS

- Gain a deeper understanding of your current customers, their behavior, and what motivates them to buy

- Learn what will make your prospects more likely to purchase from you - and, just as importantly, what will decrease their chances of purchasing

- Develop your marketing strategy with the power of concrete, real-world data informing your decisions

- Discover new potential avenues and opportunities based on the insights that emerge from your customer profile

- Increase response rates and return on investment by utilizing lists with a higher degree of targeting precision

LIST RESPONSIVENESS

Lists based on a minimum Probability Score of 88 (PMI 88) or higher consistently produce response rates equal to or marginally better than demographic mailing lists. As the minimum Probability Score increases, the list will become both smaller and more responsive.

WANT TO GET TECHNICAL?

Here are the three types of analytic data models
most commonly used for direct marketing:

CLONE MODELS (ALSO KNOWN AS LOOK-ALIKES)

Clone models analyze the profile of a group of people who share a single known trait. This single trait could, for example, be that they are all your customers, that they all own dogs, or any other single common characteristic. We identify people or households who match this trait in our databases, and then add hundreds of additional known traits to these records. We then run predictive analytic software against this new and enhanced file to identify even more unique qualities on top of the single common trait we began with. These additional common characteristics provide a powerful tool for identifying, within the broader population, individuals or households who demographically match the profile of your original single trait.

CLUSTER MODELS (FOR MARKET SEGMENTATION)

Cluster Models use what is learned from Clone Modeling to separate the general population into broad groups. For example, we know that for any given product, there are parts of the audience that will either:

A) buy in response to stimulus (such as ads, coupons, mailers etc.)
B) buy without any stimulus
C) never buy
D) never buy without stimulus

Dividing our Clone Modeled group into these four clusters would allow us to save marketing dollars by avoiding groups "B" and "C" altogether, since advertising and marketing have no impact on the behavior of those groups.

PROPENSITY MODELS (THE FINAL PRODUCT)

Propensity models are the distilled result of all the data intelligence we've acquired through the Clone and Cluster Modeling processes. Each individual person or household in the broader audience is assigned a "Probability Score," which reflects their propensity to purchase or to behave in some other predictable way. Propensity models not only factor in the traits that identify members of a target group, but also weigh the importance of each of those factors, and even consider attributes that may reduce the probability of success.

FREQUENTLY ASKED QUESTIONS

DOES THIS WORK OUTSIDE OF THE UNITED STATES?

Our Predictive Modeling is available only in the United States and Canada. We use thousands of fields of population data that are collected from an equally large number of providers to create customer, responder, and targeted prospect profiles. On a personally identifiable level, this degree of detail is only available for the U.S. population. A tremendous amount of similar data detail is available in Canada as well, but without any of the personally identifiable information. In Canada, the demographic characteristics are assigned by address instead of being assigned by individual.

HOW DO THE RESPONSE RATES COMPARE TO TRADITIONAL MAILING LISTS?

Building direct mail lists based on only the Clone or Cluster analysis is not recommended. All other factors being equal, either one of those models should improve response rates over mailing lists based on broad saturation or geographical targeting. However, the real magic of Predictive Modeling comes from the targeting provided by Propensity Modeling. Lists based on a Propensity Model Index (PMI) of 88 and higher regularly show at least comparable or marginally improved response rates. The higher the Probability Score, the higher the expected rate of response.

HOW DOES ONE DECIDE WHERE TO DRAW THE LINE
WHEN SELECTING BY PROBABILITY SCORE?

Using a PMI of 88 as a minimum, Propensity Modeled lists are usually larger than traditional compilations. Limiting yourself to higher Probability Scores will enable you to reach a smaller but more responsive audience. Inversely, lowering the bottom boundary of the Probability Score results in a larger audience you can reach.

WHERE DO YOU GET THE ADDITIONAL DATA USED TO MAKE THESE MODELS?

US Data Corporation compiles, aggregates, and licenses data from over 25,000 different sources in the United States. These sources include transactions, surveys, consumer reporting agencies, product evaluations, public records, census data, and more. The result of these compilations is thousands of information categories, covering 320 million people in approximately 150 million US households in the United States. Our data is updated around the clock.

Canada requires that we compile propensity models based on a set of data that includes demographics published by Statistics Canada, as well as publicly available information such as organizational directories and telephone books. Since transactional and personally identifiable data is prohibited for marketing use in Canada, we replace that with additional Clone Model filtering conducted on the known US target audience. All of this allows for effective targeting of over 17 million Canadian households.

READY TO GET STARTED?

Call Us at

(888) 578-DATA

to Learn More

US DATA
C O R P O R A T I O N