

By Jack Shea

ANALYZE

Everyone is familiar with the term "information system" in business, but most people think of it as a synonym for "computer system." The term actually encompasses much more than that. An information system is essentially a conduit where raw data travels from a computer system into human hands and becomes meaningful in the process.

That process starts with the large reservoir of data that is collected by a rental computer system in the course of doing business. When you organize some of that data into a report, it becomes information. Information, analyzed for a specific purpose, becomes knowledge.

The process is called data mining and it's a blockbuster concept that is almost universally underused by rental operators. Other industries spend millions of dollars collecting large volumes of data about customer behaviors. In a rental business, that data is captured automatically as a standard part of transactions.

As an example, measure the information captured by a typical supermarket card against an average rental transaction. In both cases, the business captures the customer's identity, the product, the price of that product and the date it was acquired. The supermarket tries to infer additional information from this data, such as the duration of use (how often does the customer buy toothpaste) and the location (assumed to be the address on record). The data is somewhat compromised because customers are not required to use the card when purchasing.

In a rental business, more information is captured as a matter of course — and it's captured consistently as a requirement of the transaction. In addition to the supermarket's information, you also know the exact duration of use (rental term), and probably the exact

location of use (job or event site).

Not all of the potentially useful information is captured automatically when a contract is opened. There is a lot more interaction between the employees and customers in a rental store than in a supermarket. Employees can recognize important data when it comes up in conversation and note it in the system. Manual capture can benefit both you and your customers, but only if the data is entered accurately and in a way that can be analyzed later.

High profit, high value and low risk are the customers you want, no matter what type of rental business you're in. With rental, where rates and therefore

*Don't be put off
by the sheer amount
of data in your
rental system
and don't try to
extract it all.*

margin can fluctuate, it makes sense to identify your top segment by cross-analyzing revenues with profitability, frequency or other criteria.

That's the fundamental level of data mining: identify your best existing customers. Communicate with customers who are spreading their needs across several rental suppliers and offer them incentives to earn a bigger share of what they spend. Capturing more business from existing accounts also can be as simple as bringing donuts to job sites or creating a special area of your front counter for contractor transactions.

The key lies in targeting the

right customers with these efforts. Once you have identified where your best business is coming from, mine deeper to determine where it could be coming from. Start with revisiting your customer data before looking outside your business. For example, if analysis shows that your top revenue-producing commercial customers typically rent lifts and painting equipment together, look for other customers in your base who rent painting equipment and scaffolding. Sell them on the safety and productivity value of switching to lifts for certain applications.

You can employ a similar approach to capture new business. Do a little homework and create a profile for each of your top customers. Determine the company size, business description, type of ownership and footprint of operation. Add qualitative information such as if it is a second generation running the business, if the owner is active in civic/charitable organizations or is ex-military. Your best customers are likely the ones who share attributes with you or who have similar business cultures.

These profiles are essentially a marketing roadmap for your next series of moves. To find "clones" of your best customers in your market area, seek out related trade organizations, use the Internet or go to the Yellow Pages. You also can buy prospecting lists from sources such as www.experianb2b.com that allow you to narrow your targets by different criteria. Track your marketing efforts in your rental system by coding these targets as prospects, complete with marketing activity notations, until they earn customer status by renting from you.

There are two sides to the geography coin. First, when you mine your rental database for business-building targets, locale is important, both in terms of absolute revenue dollars and trends. If several good customers

this

*Data mining transforms
customer information
into knowledge*

come from a zip code with robust construction and industrial activity, could you be getting more business from that zip code? If business is trending upward in a certain zip code, why is that happening? Should you be putting more sales energy there?

Focus your marketing attention on a promising market area and track the results. If prospects voice objections to doing business with you — for example, if there are congested roadways between their business and yours — at least you'll be able to develop a game plan. Find out why these same things are not obstacles to customers you serve from that same area. Armed with this information, you can craft marketing messages and

incentives that surmount the obstacles. You can even alter your Yellow Pages content by directory to get more impact from your advertising budget.

Geography adds another dimension to data mining for multi-location operations. There is a trend in many vertical industries to decentralize sales and marketing strategy in response to the availability of localized data. In the rental business, branches can become more strategically valuable to the company by tapping into their own local markets more knowledgeably. Rental data mining can be particularly effective here, especially if the software is capable of drilling down to analyze customer transactions by branch.

The concept of data mining is fluid

enough to address any objective or set of criteria as long as your software supports the data extraction. Don't be put off by the sheer amount of data in your rental system and don't try to extract it all. A deluge of information is not the same as knowledge. Focus on the data that will help grow your business — high profit, high value, low risk customers and prospects. **RM**



Jack Shea is president of Solutions by Computer, Springfield, Mass. For more information, call (800) 950-2221 or visit www.solutionsbycomputer.com.