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Data Mining – Competitively Smart, or Not Worth the Effort?

By Suzanne Lowe

Data mining is the practice of analyzing raw data in a database to uncover past trends and gain new perspective on critical marketing issues such as client purchase patterns, competitor encroachment, service-line fatigue, and more.

Although it's been used extensively — and effectively — by product companies, retailers and other business sectors, data mining is relatively new to the professional service arena.

And even though the capabilities of today's contact management databases, practice management software and accounting systems could make data mining a competitively smart undertaking, it is largely underused.

Why is Data Mining still so Underused?

The use of data mining — or lack of it — is influenced by:

The nature of a firm's technology platforms and their integration. Many firms are taking clear steps toward the building blocks of data mining, but have not yet invested in the foundation of data mining – an integrated technological infrastructure that would allow powerful analysis of client and marketplace data.

The firm's size. For example, some small firms feel they don't need to formally mine data in order to help them discern patterns about their clients. Said Dick Ostop, the Vice President of Business Development for Connecticut-based [Newfield Construction](#), "For local and regional contractors like us, we already know the best clients [to pursue]. I don't have to go to a computer."

The state of the profession. Don Spetner, chief marketing officer of global executive search firm [Korn/Ferry](#) said, "We do conduct data mining, but it's at the practice level, where we cross reference multiple points of data in order to discern opportunities. When it comes to using data mining to achieve the firm's overall competitive goals, we've not really embraced it, simply because our business is very much driven by personal relationships."

A firm's cultural approach to "disciplined sharing." Data mining requires not just an investment in IT. Members of some firms remain unconvinced that investing their time away from client service will reap an appropriate ROI. And when they don't take time to share their knowledge, they can choke off the collection of pertinent information. Rob Howie, Senior Vice

President of [The Balanced Scorecard Collaborative](#) put it best: “The technology to do data mining is the easy part; the hard part is driving a culture of discipline to capture the data, analyze it shrewdly and use it to effect a competitive advantage.”

Is Data Mining Worth the Effort?

Our research shows that data mining can deliver solid competitive results. For example, firms that practiced data mining were [two to three times more likely to report effectiveness in attracting and retaining clients than those that did not practice data mining.](#)

Korn/Ferry’s Spetner agrees: “Data mining is definitely on our radar screen. The day is coming when firms in our sector will use technology more astutely to detect the nuances and shifts in their business relationships with clients. They’ll build an integrated platform to institutionalize their relationships.”

Our research found numerous examples of how data mining will be practiced in the near future. For example, PSFs will use data mining to glean clients’ readiness for new service offerings, to sniff out clients’ emerging price sensitivities, and to gain new perspectives on the relationship between particular client engagements and the firm’s profit margins. And more.

Making the Investment

[Data mining](#) is a perfect example of “digging deeper,” a practice we discuss in [Marketplace Masters](#). It requires focus, effort, and commitment.

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