

Wireless data mining is watching you

Summary: *DigiMine rolls out a service that provides real time snapshots of how people use the wireless Web. Will a marketing renaissance follow, or just tons of cell phone spam?*

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Data mining company DigiMine introduced a service Monday to track the behavior of people who surf the Web from wireless devices, an innovation experts say could result in more targeted advertisements--or an overdose of annoying marketing pitches.

Executives at Bellevue, Wash.-based DigiMine say their Wireless Business Intelligence (WBI) service is the first to crunch data contained in log files for wireless Internet content providers, service providers and carriers. The software analyzes data in real time to provide a snapshot of how individuals use the wireless Web.

WBI can determine the sites that are most popular with handheld computer users, the promotions that work best for cellular phone users or the products that will probably be purchased from a wireless pager. For example, it could show that people trying to make a purchase from an electronics e-tailer generally give up only one or two steps away from closing the deal--in part because certain aspects of the site are inconvenient for cell phone users.

WBI is part of a suite of DigiMine-hosted data mining services. Data mining is the use of statistical analysis to uncover hidden patterns in otherwise random information. The science is expected to revolutionize the Internet during the next decade, resulting in a "personal Web"--both wired and wireless--tailored to an individual's preferences.

Through data mining, marketers can target customers with personalized stock quotes, news updates, special promotions and other information they are most likely to use, dramatically reducing advertising budgets and boosting revenue. It is also entirely automated, reacting instantly to changes in a customer's behavior, unlike the vast majority of personalized services on the Web today that require people to fill out questionnaires.

Location may play a part

Technology currently found in cell phones and handheld computers makes it difficult to determine precisely where a person is located. But executives say WBI may soon be paired with location-based technology to determine where customers are when they check e-mail, download software or purchase items from Web sites. By the end of the year, advertisements could be targeted according to where people are located at a specific moment, whether they are commuting to work or traveling far from home.

"Eventually we will be able to provide location-based data analysis," said John Samuel, director of product planning and new business development for DigiMine. "The new 911 location technology makes us optimistic about that opportunity."

According to regulations passed last year by the Federal Communications Commission, wireless carriers have until Oct. 1 to begin selling new cell phones that provide 911 operators a wireless caller's phone number and nearest cell site. According to the new rule, all phones sold after Dec. 31, 2002, must be equipped with 911 location technology.

That makes some analysts nervous that DigiMine's corporate clients could use the data to spam people--sending unsolicited e-mail or advertisements--with targeted ads whenever their devices are turned on. They

envision a scenario where an individual's handheld computer flashes a coupon for a half-price espresso shot at Starbucks precisely as the person is intentionally walking toward a competing café.

DigiMine and San Francisco-based Telephia, which are partnering on the WBI initiative, say they do not intend their data to be fodder for spam-happy marketers. In fact, they say, customers would be able to turn on or off any sort of location-based promotion.

They say the targeted analysis means that consumers will be the target of fewer ads that are better suited to an individual's desires, not an overwhelming cascade of blanket ads for a general audience. Others say it could help detect fraud based on non-conforming behavior of someone who steals a cell phone or handheld computer.

Customers get what they want

"What it's going to do for consumers of wireless data is put them in a more positive relationship with their carriers--so the carriers know what data they'd like, want to get more of on the Web," said Andy Fessel, vice president of the Wireless Internet Intelligence division of Telephia. "The whole goal of the service is to understand what's popular and what's not...It's a content usage mechanism, not an advertising delivery mechanism. If you don't have a feedback loop, you don't know what people want."

WBI will provide clients with a secure, hosted data warehouse to house gateway log files and content server log files, the electronic records of how subscribers use their wireless devices and access wireless Internet content. Every day, DigiMine will analyze this data and deliver Web-based reports to business users. The 115-person company has already finalized contracts with several large carriers, but it would not specify which ones.

The reports will allow corporate clients to identify subscriber groups with common demographics and behavior. They will also be able to correlate subscriber segments with content or products and determine their most profitable services and offerings. When DigiMine analyzes information about how wireless consumers use a Web site, it can also contrast that information with similar data from people who access the Web from desktop or laptop computers.

It is tough to say exactly how many people access the Web through non-PC means or how fast the number is growing. AT&T Wireless has 15 million wireless customers, but only about 600,000 of them subscribe to and pay an extra fee to receive a limited collection of wireless Web content.

Experts say DigiMine will not be the only player in the wireless data mining niche for long. About a dozen other data mining companies in the United States, in addition to larger players such as IBM and Oracle, may be mulling similar initiatives as more people access the Web through cell phones, handheld computers or wireless pagers.

"From a telecommunications perspective, the wireless community has been substantially underserved in terms of data mining," said Bob Moran, managing director for Boston-based Aberdeen Group. "The announcement of DigiMine's intent to serve this market could be viewed as a signal that other data mining suppliers are gearing up to rush in."