



## BBBT Podcast Transcript



### About the BBBT

The Boulder Business Intelligence Brain Trust, or BBBT, was founded in 2006 by Claudia Imhoff. Its mission is to leverage business intelligence for industry vendors, for its members, who are independent analysts and experts, and for its subscribers, who are practitioners. To accomplish this mission, the BBBT provides a variety of services, centered around vendor presentations.

For more, see: [www.bbbt.us](http://www.bbbt.us).

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**Host:** Claudia Imhoff, President, BBBT  
**Guest(s):** Andrew Savitz, VP, Worldwide Marketing  
Marco Casalaina, VP, Product Management  
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Claudia Imhoff: Hello, and welcome to this edition of the Boulder BI Brain Trust, or the BBBT. We're a gathering of leading consultants, analysts, and experts in business intelligence who meet with interesting and innovative companies here in a beautiful Boulder, Colorado. We not only get briefed on the latest news and releases, but we also share our ideas with the vendor on where the BI industry is going, and help them with their marketing direction and messaging. The BBBT Podcasts are produced by my company, Intelligent Solutions.

CI: I'm Claudia Imhoff, and I'm very pleased to introduce my guests today, Andy Savitz and Marco Casalaina. Andy is the Vice President of World Marketing, and Marco is the Vice President of Product Management for KXEN. So welcome to you both.

Andrew Savitz: Thanks, Claudia.

Marco Casalaina: Thank you.

CI: Good to have you on the call. Let me start off, Andrew, with you. Boy, a lot of interest in predictive analytics, a lot of questions about it. Let me start with a question to you about an overview. If you could, give me an overview or an explanation of predictive analytics.

AS: Sure, Claudia. Predictive analytics is really what it sounds like. It's about predicting a behavior or answering some type of business question that's going to take place in the future, as opposed to traditional business intelligence, where you may be doing an analysis of your historical information to understand things that happened in the past. With predictive analytics, we're doing exactly what we're saying. We're predicting something in the future. Will someone churn or attrit from my company to go to another vendor? Would they buy a promotion if I extended it to them or buy from a catalog if I sent it to them? Would they be interested in a product that I may recommend on our website?

CI: Really interesting things. I love predictive analytics, but sometimes it's hard for people to see how they relate to their particular situations. You started off with some very good examples from your customers. Who is using your technology and what kinds of business problems are they solving today?



AS: Sure. Let me say at a high level, the business problems that typically are solved with predictive analytics, both with KXEN customers, as well generally, fall into four different categories. Those are CRM, risk, fraud, and operations. When we talk about customer relationship management, we're talking about the scenarios, some of the scenarios I mentioned before. How do we retain this customer? How do we cross sell or upsell to them? How do we win someone back after we've lost their business?

When we talk about things like risk, we're talking about reducing risk within the organization. An example of that would be, Discover Card is a customer of KXEN, that analyzes their consumers, their card holders, to determine what's the likelihood that someone may miss a payment. They save millions of dollars on an annual basis, determining if you look like you may miss a payment in the future, that they proactively can do things like lower your spending limit. While a lot of us aren't comfortable or may not have had that happen to us in the past, that's something that proactively a credit card company needs to do in order to make sure that they preserve that revenue within their business.

When we talk about fraud, we're talking about, like, the European Commission uses KXEN to determine who should they pull aside and really audit as they're crossing borders. You don't have the capacity or the bandwidth to stop each person. But you need to determine who's the most likely candidate that may be fraudulently carrying something across the borders that we need to have a discussion with.

Likewise, on the fraud side, we recently had a press release about a company called Monex, which is one of the largest clearing houses of credit card transactions in Europe. What Monex does, they look at the credit card transactions, like you're familiar with when maybe your card has been stopped before when you're traveling to determine if something's fraudulent. That's the exact activity, not just to preserve revenue and make sure that you don't have fraudulent activity, but to make sure that you preserve those customer relationships. That you don't do things that people are going to be very sensitive to if, in fact, they're frequent travelers or their wife or their children have a copy of their credit



card. There are reasons that these things are transpiring that they could have been able to detect using intelligent mechanism like predictive analytics.

On the operations side, AAA is a customer of ours. They determine how many trucks they need in the field for emergency roadside service at any given time and do a great job of forecasting what that number is.

CRM, as I mentioned before, largely because predictive analytics is based on analyzing lots and lots of big data, which we'll talk about. It's often used by B2C companies. Therefore, for KXEN, we typically work with companies in the industries of telco, or communications, financial services, retail, and largely -- very growing for us -- is e-business.

But these are the companies that interact with you on a daily basis either through a call center or through direct mail or through email or in social channels. They want to be able to predict things like, if you will churn, if you will accept an offer, what products you may be interested in, and always being able to, for most companies, taking the next best activity they can take with you at any given time, to make sure that they preserve that relationship or make that relationship more profitable.

CI: Excellent. Good examples. I really like those.

Let me go ahead and bring Marco into the conversation, then, today as well. A lot of what you talked about was big data and big data analytics, predictive analytics for big data. It's certainly a very timely topic. It seems like everybody is talking about big data and how do I use it, what do I do with it. The other point you made is that it's really not new to companies like KXEN. You guys have been working with billions of rows of data for years. This isn't suddenly news to you. Is that right?

MC: Well, KXEN has been in business for about 14 years, and big data has been our bread and butter since long before the term "big data" was coined. People today tend to associate, I think, big data with these newer technologies, like Hadoop and the NoSQL databases and things like that. A lot of the companies that we work with, the big telcos like Vodafone or some of the big retailers, have traditional relational data warehouses, and, yeah, they have many billions of rows, but even more





so, they have thousands and thousands of pieces of information about each individual customer.

When KXEN talks about working with big data, we're talking not only about the number of rows, the number of individual pieces of information that you have, but also, let's say you're doing predictive modeling about customers, how much information do you have about each customer? If you have thousands of pieces of information about each customer, how do you take that all into account when you're making your prediction? That's how KXEN differentiates itself.

CI: Certainly, like I said, a very timely topic. Marco, let me continue with you. There's something else that generated a great deal of discussion, I think. Your product offers the ability to automate modeling. Such a good discussion around that. It does have the potential to provide real data science capabilities to a lot of companies who either can't find these data scientists or simply can't afford them, a small company, for example, that couldn't afford a data scientist. It also leads to some problems in terms of how skilled do you have to be to understand what's being presented to you and so forth. What are your thoughts, and what skills does a business user have to have to use your technology and understand the results?

MC: Absolutely. One of the things about predictive analytics is that it can be a little scary. It sounds like this sort of voodoo math, I think, as one of your questioners asked earlier. It does. That scares people. A lot of folks don't really know what predictive analytics is, what it can do, but they kind of have a feel for what they need. Maybe they need to predict churn, they need to predict what the next best action's going to be, or whatever the case may be. KXEN automates a lot of that process. As a result of that, our target user is not the traditional predictive analytics user. Traditionally, predictive analytics packages, even the open source ones or also a lot of the paid ones, really focus on the statistician and focus on things like algorithms and all that stuff. KXEN really focuses on what I call the business user.

We have a couple of different products now, also, and we'll talk about those more later. Our product that is our predictive analytics toolkit,



which is called InfiniteInsight, I think our target user is what I would call the power user. This is somebody who is not necessarily a statistician, but somebody who knows how to write a SQL query or knows how to operate a BI tool like BusinessObjects. This is somebody that has some technical capability, but is not a heavy quant or a math person.

Then, increasingly, we have these applications, some of which are delivered via the cloud. The applications target a different type of user altogether. This is somebody who doesn't even know what a SQL query is, somebody who doesn't know what predictive analytics is. The apps are more about prepackaging one distinct functionality.

Our products are increasingly targeting different levels of users, but we don't require a statistician or heavy knowledge of statistics to use these products.

CI: All right. Andy, let me bring you back into the conversation a little bit here. What are the strengths of KXEN? I know that you've got this whole process whereby you do all sorts of things. Maybe you can talk about the five steps that are involved. How does KXEN make it a) easier and b) faster?

AS: Great. If I were to quantify the strengths of KXEN I would say first, we have made predictive analytics easy, or much easier, meaning that you don't necessarily need a team with data scientists or statisticians, but like Marco said I am just touching on that, someone that is analytically oriented but potentially part of a marketing department can go ahead and build predictive models and get acquainted with the KXEN technology to be able to build predictive models to support their business.

Because of that we have made predictive analytics productive and agile, meaning that you can build more and more models to support your business in a format that makes sense for the business. If you are looking at "Which customers of mine are going to churn and go to another telco provider in the next two months?", if it takes you two months to build the model, then your model is already out of date.

If you are doing digital campaigns across the business and you are doing lots and lots of email, or lots and lots of campaigns to social channels, you



need some way to be able to support the number of models to be able to optimize each of those campaigns, so that you are not flying blind when you are marketing to your customers.

But by having it to be automated means that we can meet the needs of the business at the pace of the business, and then the third thing is that as Marco said, we were built for big data before big data was big.

That means that we have always been able to, because of the way that our company was founded in building automated solutions from predictive analytics, that we are able to interpret and analyze volumes of data, not in terms necessarily of the billions of rows, that's not a problem in scaling, but in handling very wide data sets, meaning you can introduce the data that may potentially be predictive and that will determine if it's predictive in your business for the type of business question you are trying to solve. And that includes things like omniture data, that could be sensor based data like RFI date, whatever it may be, by allowing KXEN to take a look at it and analyze it, we can determine if it's predictive for you without you having to understand what that data means or using you're a priori knowledge to determine if you think it will be predictive.

CI: Yeah, both of which could bias the results and you certainly don't want that. So, it's probably a very good thing that one of the great strengths of KXEN at that point. Now something new that you've got as well, very exciting to hear, and Marco I am going to ask you about this, you now have a Cloud offering. It's been a tough thing to come up with the Cloud offering. Why don't you talk to me a little bit about that? Why has it taken so long do you think, to get a Cloud offering for predictive analytics and how are guys solving that problem?

MC: Yeah, that's a very good question. I think that what was really needed underneath the scenes to make a Cloud offering possible has been the automation. And so really the automation that we already had in the KXEN product has been the basis for what we now provide in the Cloud. So, effectively, you kind of had these building blocks that you need in order to make predictive analytics work. So, you need to be able to build that analytical data set. You need a robust modeling tool that doesn't require human intervention. You need to be able to apply those scores in



place. So, our first Cloud offerings have been on salesforce.com where we can actually do a real time scoring directly in salesforce.com without leaving or without calling at any other system. And that capability is really important.

You need to be able to refresh those models quickly, and again, without human intervention, and finally you need to have APIs. I mean you need to have APIs that can talk back and forth to the Cloud system that you are targeting. And so in order to build the applications that we've built and targeting what I would call a Cloud user, so this is targeting somebody who doesn't necessarily know what predictive analytics is, but they understand what they need as a business result out of it. We needed to have all this automation underneath the scenes to make that happen.

CI: All right. Well let's look at the ROI from some of your customers, what they have received. You put up a slide that just had some tremendous numbers on it. I kind of like to end with that conversation because it's just such a remarkable return on investment that most of your customers are getting. Why don't you give me some examples of those?

AS: Sure, Claudia, thanks. One of the things that we promote with our customers, and mature B-to-C organizations do when they use predictive analytics, is incremental response modeling, which mean that at least in a customer analytics fashion or in any type of model that you are building, no matter what the type of business case, you take the results of a predictive model from KXEN, and you try a sampling of that against a control group, of which is just a random sampling to determine are you getting value. The great thing about predictive analytics, and I have been doing CRM and software for the duration of my career, is the business math-based marketing, meaning that, statistically, we are determining, based on data that you have in your business, what's the right prediction, or what's the likelihood that someone may take a behavior that you are trying to accommodate through your marketing programs or marketing initiatives or whatever it might be, and then you apply that and you can see the results.

For our customers, they are able to quantify those results. So, like you said, when we talk about ROI and results within the business, some examples of





that... Cox in the US has a small team of data miners within the business that need to support 28 different regions within their business to support marketing programs of all types and to be able to model predictive models to support that.

They have increased their conversion rate to their marketing campaigns by 260 percent using KXEN. Tipp24 is an example in Europe. They are the online lottery. They don't have an exclusive privilege to that, but I think they are exclusively the only ones who are really participating in the lottery online in Germany and the UK and Spain. Here is the place that had traditional data miners that were using other tools but are using KXEN to be able to automate lots more programs.

When you look at someone buying an online lottery ticket, how do I keep that person as an active customer? Now we are not trying to make sure that people are gambling their days away. But, if you buy a lottery ticket, they want to reach out to make sure that you continue to do that or you buy a season pass to a lottery ticket or numbers that you might institute across a variety of different lotteries over successive periods of time. They have a 300 percent uplift in targeting accuracy by doing that.

I'll give one another example. The IMDB of Europe is a company called AlloCine. They have a UK website also called Screenrush. They recommend movies to individuals that, as you look on their site, and you're browsing, different movies of interest or actors or genres... Where do you want to go and how do they keep you on that site? Now, for AlloCine, they are a very fast growing company that has a very high demand for advertising on their website, and where they had a basically an overstock inventory, meaning advertisers were asking for impressions that they couldn't serve up because they didn't have enough people looking at those pages.

They were in a real serious position without any data miners on hand to be able to improve the recommendations on their website. Because by doing so, if they can recommend a movie or an actor of interest and you click through that, that's another page you're viewing, meaning that's another page that they can display advertising. As a result of KXEN, they are able to increase their revenues by 10 percent, by opening up that



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available inventory that was asked to be advertised on their website by people looking at more pages.

CI: Boy, that's terrific, it really is remarkable in terms of return on investment. We could talk about that, I'm sure, for another 30 minutes, but unfortunately, we are out of time. That's it for this edition of "The BBBT Podcast." Again, I'm Claudia Imhoff. It's been a great pleasure to speak with Andy Savitz and Marco Casalaina of KXEN. Thanks to both of you for speaking with me.

AS: Thanks for having us on the call, Claudia.

MC: Thank you, Claudia.

CI: I hope you enjoyed today's session. If you want to hear more about the session, please search our hash tag on Twitter, that's #BBBT, and please join me again for another interview. Good bye and good business!