

Bob Coleman: John Brandow, Principle, Founder, BizMiner. John, you're a big data guy, aren't you? I'm looking at these numbers, 200,000 data points. Actually, it's more than that. What is BizMiner and tell us about your big data.

John Brandow: Well, the company's been around per say for over 20 years now and we've been selling data analysis online since 2000, 2001 primarily at first to small business owners directly and increasingly through licenses to accountants, valuation professionals, a small number of banks, insurance companies, et cetera. But we have content in two very different areas. One, we started as and continue to be a financial benchmarking analyst. We cover about 5,000 lines of business which really dwarfs most of the other data vendors out there and financial analysis work and maybe 12 sales classes for most of those 5,000 segments. We cover them at national, state, and local levels and we have full financial reporting available, 22 line, P&L 16 line, balance sheets, 33 financial ratios in each one of our corporate reports. We also have a whole set of sole proprietorship reports to benchmark those micro firms as well. That content is available online in a variety of formats with all sorts of custom formatting and scoring and inputting available to those who desire it.

Bob Coleman: But it's very robust, the information that's available. So you listed a number of different entities, but let's just talk about pure marketing. What could a pure marketing person wanting to get into a specific NAISC code in a specific geographic territory – how can they use your data?

John Brandow: Okay, well, our data is good to look at industry performance in some of the larger geographic areas, state, metro, any zip or combination of zips. We have content that displays in reports and spreadsheets, total market sales volume, average sales, establishment firms, small business and startup counts, failure rates, growth trends in any of those [unintelligible 00:03:04] and even more detail the size of different firms and the performance of those firms. We also have a new platform that allows the same analysis for any market radius in the US, so that if you're looking for Chinese restaurants in a particular city within a radius of 2.3 miles you can just plug that in. A report will come up with a graphic map display of Chinese restaurants only as well as an aggregated analysis and individual enterprise sales and distances from your market center point in that area.

So to use that in terms of trying to assess the competition or to assess a given location for a particular real estate loan, for example, or to work with a client to give that client information that he or she probably does not already have about their market area, it's a real good talking point and a real good way to create opportunities to discuss bank products and services that would be available to meet any kinds of needs. That would be along with the efficiency ratios and the sales per employee metric that we offer in all of those reports which is also good for comparison and can lead into discussions for what cash or loan needs might be useful to improve efficiency in an operation.

Bob Coleman: Oh, the data that you have is wonderful and is amazing. As you said you can slice and dice it to sales per employee. It's revenues, expenses, who they're doing

business with. I love the logistics, I love being in the weeds. Give me some of your sources of the data. I'm not asking for the secret sauce, I know you're not going to share that, but give us a hint of how you derive some of your statistics.

John Brandow: Sure, we use dozens and dozens of different data sources. We use a number of government sources particularly to help with projecting out sales currently for the future down to the individual enterprise level. We do use a lot of IRS data and we also purchase literally billions of data points in the private sector from the big data services. We do a lot of the work on our end as you say, the secret sauce is the secret sauce, but it's not very glamorous, romantic. It involves cleaning, filtering.

Bob Coleman: Scrubbing.

John Brandow: Adjusting a lot of data based on algorithms that we developed in-house. People often ask us whether it's any good, whether it comes out as junky as it comes in and I'm happy to say that I'm pretty sure the answer is no. That over the years we found that **[unintelligible 00:05:57]** content has found wide market acceptance, but that it's also in use by taxing agencies in multiple countries including the US and foreign countries and that it's also been accepted and continues to be accepted in US tax court.

Bob Coleman: Great. Now I know that, John, the audience that we have today are predominantly small business lenders. You talked about using this as a marketing tool, but you also have a whole stream of data on financial analysis and financial benchmarks. Tell me about that and tell me about how small business lenders could use their data in their underwriting schemes.

John Brandow: Right, again the advantage of our content I think is its granularity. As you say we not only have benchmarks for plumbing contractors, 238220 in the NAICS system, but we have developed a proprietary taxonomy that allows us to get to HVAC specialists, for example, 220.02. And we would have financial content benchmarks available for those – both in the format of corporate reporting and the microform reporting in addition to the market analysis. It has special small business breakouts. Our financial statements have sales class, great detail for firms of up to 500,000 sales, 500 to a million, a million to 2.5 million, et cetera, going up the ladder there. So these can be used with the ratios that are developed with every report to concretely compare the risk and the more favorable sides of operation of any small business that is being considered for a loan, for incorporation into a business plan, or for an analysis of a company that may be interested in expanding its operations as well.

Bob Coleman: John, I'm a community banker out of Omaha and I use RMA, so what's going to motivate me to switch from RMA to your platform?

John Brandow: Well, I don't like to badmouth the competition, but –

Bob Coleman: That's my job, you don't have to do that.

John Brandow: – a quick review of what’s out there shows us that RMA at any given point in time covers about 800 to 900 industries in their financial benchmark and we cover 5,000. They have a limited number of sales class breakouts. We have a dozen which is substantially more. They have a very limited P&L where we have a very detailed 22 line balance sheet. They have some regional breakouts for the financials. As I said before we have US state metro-breakouts for virtually every industry and every specialty segment that we cover, so in terms of the actual content that’s offered there’s not a whole lot of comparison.

I think that we really have a much, much more robust granular set of deliverables for people. Our pricing is certainly competitive. We have an entire set of market research analysis that I mentioned that RMA does not even begin to cover. They bring in a very expansive offering from IBISWorld in some cases, so for their most expensive mentor product. But we have it all in one package and unlike IBISWorld we don’t just report on very broad down views of an industry, we have very localized content, so that market research can be done down to a tenth of a mile if necessary.

Bob Coleman: John?

John Brandow: For any kind of loan analysis.

Bob Coleman: Cool, I was going to say a number of my listeners are SBA lenders and SBA requires business valuations above I think it’s \$350,000, but what the listeners – if you’re an SBA lender and you don’t know and you’ve received one of these business valuations you’ve already been exposed to BizMiner’s data because the business valuation people use their data, so I just wanted to put that plug in. You’re probably using John’s product without even knowing it.

John Brandow: Yeah, I do a number of [unintelligible 00:10:19] I should say.

Bob Coleman: Let’s see. Now you were scaring me a little bit. You were running off plumbing NAICS codes and other codes. How many of these codes do you know, just curiosity?

John Brandow: Not all of them. There are a few that we use for examples. I have a general familiarity with the system though. We’ve had to because we found that the standard NAICS system just was not working in terms of the granularity that we wanted to and could offer. So, oh, maybe seven years ago I spent with my colleagues here a lot of time and a lot of resources moving that NAICS system from about 1,000 industries out to 9,000 industries, which is what we report on in the market research side of the business.

We did that by categorizing and sub-aggregating a lot of various categories that we saw from different sources, from the raw data providers that are out there around the country and unifying a lot of that information into a proprietary taxonomy that we developed which begins with a NAICS six coding and, of course, rolls up to the NAICS, too, to the

sectors, but also has up to six digits after the decimal point which differentiates an **[unintelligible 00:11:58]** taxonomy, reports for Italian restaurants, Chinese restaurants, Pakistani restaurants, et cetera, from full-serve restaurants or fast-food restaurants just as an example.

Bob Coleman: I love it, I love where the data's going. John, I'm a member of a trade organization, **[unintelligible 00:12:14]** publishers and a friend of mine publishes in the oil and gas industry. I love talking about changes and trends and don't worry, I'm going to tie this back into you. But what he does, he tracks gasoline prices, and you can have a local gasoline station operator tie into his data and you can have your pricing match your competitors by what variance that you want online and you can change your pricing several times a day. That's coming to gasoline stations near you, so the question is for the loan underwriters out there. Give us a glimpse into the future, how's this data going to affect my job five, seven years down the line?

John Brandow: You're asking me a question **[unintelligible 00:13:00]** given any consideration to.

Bob Coleman: Believe it or not there's a question in there.

John Brandow: Whoa. No, I hear the question, but I'm not that smart.

Bob Coleman: That's fine. The answer is you are. I guess, let me rephrase the question. So, John, data's becoming much more important in our credit memorandums, how we analyze loans, how we analyze franchises, et cetera. We have access to much more information than we did certainly before the recession. We're starting to incorporate that. How much more availability is data going to help us make good credit decisions for Main Street?

John Brandow: Well, for one thing it will help in the efficiency of a decision. For example, let's say someone comes to a bank and wants a real estate loan for a new location. You can look at his financials or her financials, you can look at the business plan in general terms, but in the past those terms are going to be very general. It will all be a paperwork analysis of whether this would be a good loan or a bad loan, but contrast that to when you have a pile of 50 or 100 potential loans on your desk. If you could look very quickly at a map that tells you here's the site where this person wants to put a new location, but there are 14 competitors within a one-mile radius and here's what their market is right now and here's what their market was a year ago and it's declining. Well, that tells you something about that loan that's going to obviate the need for hours and hours of financial analysis.

It's just a straight question and you need to ask your applicant and that's what do you say about this? Is this something that you've even considered? So maybe that's a loan that would or may not work at that time, but it also gives an opportunity for the bank professional to begin to work with this prospective client over their planning process, their business, where else they may be able to go, where else they might be able to look, what else they might be able to do. So it both opens up some new opportunities and, of

course, some additional work, but it also creates potential for some real efficiencies in the work that's already done.

Bob Coleman: Well, what it's going to do is take that loan underwriter and instead of simply being a number cruncher and spitting out the ratios and looking at the bottom-line cash flow it's going to allow them to take a step back and answer the question which I always love to ask is does this loan make sense and I love –

John Brandow: If it's not a loan, if it turns out that there's a need then the communication among the banking departments becomes critical in that regard, sort of to pass off this prospect to another department. Then help the guy gear up to a point where he may be able to come back to the loan department.

Bob Coleman: John, I have to ask this question in looking at your bio. How does a welder of the now defunct General Dynamic Shipyard in Quincy, Massachusetts, become a shop steward and move into big data? Tell me about that.

John Brandow: That's what you call the creative destruction of capital **[unintelligible 00:16:21]**, isn't it? I went into a shipyard after graduating from college because I wanted to be an organizer in the labor movement. I worked at that for ten years and had an incredibly rewarding, difficult but rewarding, experience in doing it. Tough work. Interesting, but tough people both on the management side and the labor side. It's an experience that I'm really happy that I had in my life. Unfortunately, the shipyard industry which was always cyclical took a real downturn and is still significantly down in the dumps. Shipyards all over the country have closed since the time that I worked.

I left the shipyard in '85 when it did close, just a couple of months before it closed and within a few years went back to school, got a professional degree in MGA which is in kin to an MBA. And after a couple of years of working for the state in the economic development policy divisions here in Pennsylvania I wound up developing a consulting firm on my own, which eventually morphed into BizMiner after a few years. If you don't really want to grow a consulting firm and don't want to do a lot of traveling which I didn't want to do, I was raising a young family at the time, you need to look for something else to do because people get tired of looking at the same face and I thought what better to do than to move into online data services. So I just tried to work with what I had not been able to obtain in my years as a consultant and BizMiner developed out of that and here we are today.

Bob Coleman: Well, I think that's a great story. If you can wrangle 6,000 blue collar welders in a shipyard and deal with management and you were the president of these 6,000 –

John Brandow: I was, I was.

Bob Coleman: Men and women.

John Brandow: I went from welder to the steward to the president, yeah.

Bob Coleman: I love it. Then I assume that you can take billions of data points and put them into a format that the lenders can use, so interesting transformation.

John Brandow: No comparison.

Bob Coleman: John Brandow, Principal, BizMiner out of Pennsylvania. John, I've enjoyed the conversation.

John Brandow: Thanks for having me, Bob.