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# Accurate Delivery

James Lawson discovers how FedEx employed state-of-the-art b2b data modelling to reap huge dividends in its marketing operations.

**F**edEx is huge. This \$16 billion company delivers more than 3.3 million packages daily, runs the world's second-largest fleet of aircraft and its satellite communication network is bested only by the US government's. Adept at tracking its parcels as they crisscross the globe, FedEx is famous for its ability to tell customers exactly where in its journey their urgent parcel presently is. But this operational excellence does have limits and, when it came to delivering an accurate postcode-level view of its customers and prospects in the UK, a new approach was needed.

## Changing times

Direct mail and telemarketing were – and are – of key importance for FedEx, both in the UK and across its Northern Europe region. Prospects would be passed to either direct or telesales teams using the in-house SMART CRM system. “We do a lot of telemarketing,” says Jeremy Elder, marketing manager for Northern Europe. “In fact, until three months ago, we really did a huge amount of it.”

The traditional marketing process involved validating leads acquired either as bought-in lists or through direct mail response. To drive the sales pipeline, FedEx bought tens of thousands of names each year using broad indicators like SIC. With only 15 per cent of records being identified as contactable prospects using

outsourced telemarketing services, this was an expensive business. “85 per cent of it was wastage,” says Elder. “So much of the additional cost of external telemarketing was straight out of the window.”

And, when it came to working with the company's own customer data, achieving a clean mailable file was an arduous task. “Our systems use a bespoke US-based record format which means that we can't hold addresses in a mailable form,” he adds. “These are used worldwide and it would be extremely expensive to change them. Whenever we wanted to use the data for marketing, we had to pull it out, clean it, and move it to a local database. That took time.”

In November 2001, the marketing team took the decision to start a programme to clean the UK customer data and hold it locally for marketing work. This would allow easier data maintenance, enable rapid campaign deployment and offer the opportunity to quickly measure marketing effectiveness. The second half of the project involved building a demand model to help predict which businesses would be most likely to take up FedEx's services. As well as marketing applications, using this model with the reliable postcode and customer-referenced data for strategic business planning was an equally high priority for the company.

Because much of its business is driven by the latest time a package can be picked up for next-day delivery

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to destinations like New York, FedEx serves UK customers that lie reasonably close to its main airport hubs of London, Dublin, Manchester and Glasgow directly using its fleet of familiar white vans sporting the purple and orange FedEx logo; this covers 80 per cent of UK GDP. Service partner Business Post caters for those further from the main hubs. Raising income from direct-served areas by gathering new customers on existing van routes, deciding on locations for new delivery stations in all parts of the UK and evaluating sales territory performance were the most important applications.

“They were using regional-level GDP for forecasting and planning station locations as these figures are not available at postcode level,” explains Simon Lawrence, joint managing director of Information Arts, the b2b data consultancy that ran the project for FedEx. “Strategic objectives are based on volumes shipped into the UK so they also had to develop a way of budget forecasting based on outbound volumes. This was actually the original purpose of the model, so it was in effect tested on finding new business through direct channels.”

The first priority was to build a base of clean, structured and accurate business data on which more advanced work could be performed with confidence. Initial checks found that 25 per cent of the data was undeliverable, with a high level of duplication and poor contact name quality – a common situation with business data. Both tele-verification and Information Arts’s own specialised b2b cleansing software was used to pound the data into shape.

We started to educate groups internally about data input and format

The consultancy also came up with a standard “master and slave” data structure that could take account of corporate linkages and used its software to identify the relationship between duplicate accounts – should they be merged with other records, deleted or logged as a different company? A unique reference number (URN) was applied to each record for analysis and administration use.

### New methods

As the work progressed, strict in-house data entry processes were also introduced by Elder to help raise the overall standard of accuracy at FedEx. “We started to educate groups internally about data input and format,” he says. “We had to make sure that they put the right details in the right boxes in a consistent fashion.” Buy-in to the new database was also sought and gained from important future users such as the field sales teams who quickly realised its potential benefits.

The base data was in place by January 2002, and FedEx then worked with Information Arts to build the



As well as informing the choice of prospect data, the demand model helps optimise delivery routes.

UK demand model. Multiple external datasets were used to enhance the base data with standard fields such as SIC, turnover and company size, while two years of aggregated customer transactions showing value and volume by time, service and route provided the “real” evidence of the buying behaviour of different customers in a variety of sectors and locations. Other variables were also used to make the model as predictive of shipping demand as possible.

For example, a mixture of Experian and D&B data was used to flag a business as an importer or exporter; this was used as a proxy for international shipping activity. Information Arts own Geodemographic Industry Classification (GIC) was also used as part of the model. “GIC was helping proxy the density of businesses,” explains Lawrence, “and was definitely delivering extra uplift to the model. You need to keep sight of why you are profiling. Modelling will deliver the greatest benefit when you use the right attributes.”

As well as an accurate way to apply existing customer profiles to the buying and building of prospect lists, the GIC code was also the main way of extrapolating historical transactional data through to non-directly served areas where no transactional data was available, meaning that a demand estimate was available for every UK postcode. “Similar types in different areas would deliver similar business,” says Lawrence.

The first version of the model was built and validated against actual accounts to check how predictive it was of demand, and was then rolled out at the end of the third quarter of 2003. Information Arts now hosts the marketing database on a customised SQL Server

platform at its High Wycombe headquarters where it is refreshed monthly from FedEx's operational systems; feeds are taken from multiple operational systems with other data, such as campaign response, also piped in. Lists for campaigns, be they existing customers or prospects, are typically selected on value and (predicted or actual) destination and delivered back in normal bureau fashion.

This demand-led approach has meant a complete change in marketing mindset. Rather than seeing the UK market as a limitless pool of prospects, the company had to recognise that there is a finite number of companies that will take up its services. "Our old view was, 'keep mailing and we will keep getting customers,'" says Elder. "Now, with our current service offer, we have a limited market to go for. We know how many

destination", according to Lawrence, but the results of the hard work have outstripped all expectations. Prospect identification has rocketed from 15 to 65 per cent by using the potential model to select lists. Results are so good that qualification using external telemarketing was recently discontinued, with large amounts of budget saved as a result.

"Before there was too much error in the prospect data to give it straight to telesales," says Elder. "You had to pre-qualify first." Missing out this stage has had another benefit. "It's actually better not to call twice, you get better sales results if you only call once."

With five pan-European campaigns now carried out in addition to tactical work in the UK, FedEx's marketing ambitions have grown over the last two years. With bimonthly e-newsletters, email is a growing channel for

### Tweaks to the UK demand model should soon achieve a 70 per cent prospect identification level

contacting existing customers, and recent work has also involved banner ads linked to microsites. Direct mail is still an important part of the mix, while the demand model also informs above-the-line work such as the selection of sites for poster campaigns, radio and page advertising. "We use common creative and messages across 13 markets in Europe," says Elder. "One agency does this with one print run of 100,000 copies in eight languages. It's very quick and the commonality gives us cost savings."

The database and model are now in full use for new station location planning as well as drive route optimisation. Cross-sell work is due to begin in earnest soon while evaluation of sales effectiveness is now considerably more accurate with a demand potential figure to use as a yardstick.

"If we have an empty van on one route, we can identify potential extra customers on that route to fill the van," adds Elder. "By looking at sales potential versus performance, we can get a much better idea of how a sales team is doing."

Work to improve the database is continuous, with teleresearch used to fill any gaps in coverage of key field like turnover and SIC that external datasets cannot, and it is now central to both the company's marketing and its business planning. Information Arts has just completed an Irish version of the demand model and similar initiatives are underway in other Northern European countries using a variety of methodologies. Tweaks to the UK demand model should soon achieve a 70 per cent prospect identification level.

"It's a simple model but complex because of the amount of data involved. We've made the base as wide as possible and have invested in continual data improvement and enhancement," says Elder. "We should be referring to it for any strategic decision." ■



are out there, their value and roughly which destinations they should be shipping to. We can look at the market demand model and say, 'we only have 30 per cent of that customer.'"

Better intelligence also means that each customer can receive the most appropriate treatment. "If we think they are a potentially big account then we can arrange a visit from a field sales rep straight away, where previously they might have had a telesales call once a quarter," says Elder. "We can invest the sales effort as it is needed."

#### Stunning success

The project has not been a quick, cheap or easy fix. Maintaining data quality is "a journey rather than a