



FEDERATED KNOWS WHAT CUSTOMERS WANT

Macy's nameplate divisions target fashion-conscious customers with SAS®

Industry

Retail

Business Issue

Improve service to targeted consumers through dynamic department stores and direct-to-customer retail formats

Solution

SAS® Customer Relationship Management identifies Federated's most loyal customers and predicts which will respond to campaigns

Benefits

SAS® boosts direct-mail response rates and increases marketing results by millions of dollars

Even if you haven't seen "A Miracle on 34th Street," you've surely heard of the Macy's Thanksgiving Day Parade. Attracting 2.5 million attendees and more than 60 million television viewers every year, the annual celebration has helped ensure brand recognition for the popular department store since 1924.

But for Federated Department Stores — parent company to Macy's East and Macy's West, Bon-Macy's, Burdines-Macy's, Goldsmith's-Macy's, Rich's-Macy's and Lazarus-Macy's — customer relationship management is not about name recognition; it's about customer loyalty.

Using SAS for regression modeling and database marketing, Federated can identify its most loyal customers and predict which customers will respond to the company's direct-mail advertising. According to Paul Coleman, Director of Marketing Statistics, the results of his team's regression models are used to boost results for nearly 400 regional marketing campaigns throughout the United States every year.

"Each of our mailing campaigns uses a unique SAS model that we've developed to predict which customers are likely to respond to that offer," explains Coleman. "We use the SAS models to score customers and select the right campaigns for each customer."

Across the board, Coleman says SAS increases customer response rates with results that translate into huge returns for Federated. "When you consider the scale of our marketing operation, you

realize pretty quickly that applying those increases to hundreds of campaigns that target millions of customers can really improve profits."

After all, for a company that mails millions of advertisements a year, even a small increase in response rates for each campaign can make a significant impact on the bottom line. "Our use of SAS, over the last two years, has improved marketing results by millions of dollars," says Coleman. "Every business must decide whether or not to use analytics. For a company the size of Federated, analytics are extremely practical."

Identify opportunities for incremental growth

Coleman's efforts fall into a broader objective at Federated to enhance communication with customers in order to clarify the company's marketing messages, leverage store brands and provide return on significant advertising investments.

Federated DEPARTMENT STORES, INC.

In fact, Coleman says his use of SAS to target the best customers not only helps to increase revenues but also cuts direct-mail costs. "If we can identify which customers do not respond to direct mail, we can send fewer fliers and redirect those savings to other forms of advertising — like radio or television," he explains.

With the right mix of advertising, Federated is focused on reaching its core customers — a segment of shoppers



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who represent the majority of the company's business. Primarily fashion-conscious women, ages 25 and older, who also work outside the home, these loyal consumers provide the best opportunities for incremental growth.

It's important to realize the incremental benefits of a loyal customer who shops frequently for gifts and apparel, for example, versus the one-time consumer who recently bought a high-ticket item like a sofa or diamond bracelet, explains Coleman. His regression models, built with SAS analytics, focus on targeting and increasing the loyalty of those consumers whose first choice for fashion and value is likely to be the department store.

Saving time, improving creativity

According to Federated's Senior Vice President of Corporate Marketing, Robin Creen,

Federated is a company eager to embrace change. She says, “We are committed to becoming even more aggressive and creative in identifying and serving the needs of our fashion-oriented target customers.”

That commitment has been evident to Coleman from the start. When he began working for Federated two years ago, company executives promised to provide everything he needed to build a successful database marketing program. While they anticipated that Coleman would make considerable resource requests, happily, he said, “We're going to do it all with SAS.”

Today, he says, using SAS, he can accomplish his mission with just two analysts, a handful of PCs and a whole lot of data. “SAS is a powerful solution for data analysis and regression modeling,” says Coleman. “What

takes us a few hours to do with SAS would take days and weeks without it.”

As a result, Coleman says, SAS gives his analysts more time to focus on the creative aspect of building models to achieve business results, such as identifying customers to target for specific merchandise categories or understanding which customers are likely to travel out of town for a big sale.

Consumer buying habits are changing every day, observes Coleman. And within the competitive retail environment, he says, “SAS provides key information that can help us extend our brand and increase revenue.”



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