



Todd Wermerson
Vice President of IT

NORTHERN TOOL BOOTS UP MARKETING WITH SAS

By eliminating a \$500,000 bill for outsourcing data analysis and improving its customer segmentation, Northern Tool and Equipment Co. paid for its purchase of SAS® Marketing Automation with the first three different catalog mailings it sent out. Since then, response rates for the retailer's mailings have increased by double digits.

Business Issue

Northern Tool wanted to bring marketing automation in-house and merge data from its retail, catalog and Internet operations.

Solution

SAS® Marketing Automation allows Northern Tool to incorporate data from multiple sources, analyze it in real time and seamlessly get the right product information out to customers who are anxious to buy their merchandise.

Benefits

The company realized cost savings over its outsourced process within the first three campaigns. Response rates to mailings have increased by double digits, and the company has a unified view of customers who use multiple sales channels.

Platform

Unix/AS400

Northern Tool and Equipment Co. began as a mail order catalog for the construction trades. It has evolved to include 14,000 products available by mail and through 58 retail stores and online. It has 10.4 million customers and sells \$750 million in merchandise annually. As it has grown, the company couldn't link information from its three sales channels. Because many of its customers shop through more than one sales channel, Northern Tool thought it was missing opportunities to market effectively.

"We had very good knowledge about our catalog customers. What we didn't have was any good data on the retail customer. We have about 22 million retail transactions, and we didn't know who those people were," explains Todd Wermerson, Vice President of IT. Marketing for each sector – retail, Internet and catalog – was managed in a vacuum, he says.

Before using SAS, the company outsourced its campaign management functions. The data was two months out of date by the time it arrived. The reports were static and the marketing department was restricted in what questions it could ask. "When you outsource, you really pay for every question that you want to answer," explains Terry Knoploh, Vice President of Marketing for Northern Tool. "Sometimes we would want to know something, but we thought we couldn't afford to ask the question."

With SAS Marketing Automation, Northern Tool has consolidated customer information from all its channels and made it available in real time. The company

is able to market to specific customer segments more successfully than ever. "If we've got a customer that's interested in log splitters, they're going to get a promotion that pertains to log splitters," Wermerson says. "And we can see trends that we couldn't before. For instance, we might discover that log splitter purchasers also shop at our retail stores for certain items, so we can market more successfully to them."

And with data available on a daily basis, the company isn't likely to accidentally segment a customer incorrectly and miss a sales opportunity. When reports were two months out of date, customers who ordered during the time the company was waiting for its report – but hadn't placed an order in the last 13 to 18 months – would sometimes get dropped off the catalog list because of the time lag.



The company also discovered that for some customers the catalog drives their visit to the retail stores. "With our previous system, if you didn't buy from the catalog, you stopped getting it. With SAS, we discovered customers who requested the catalog and then visited the retail store and bought something. By integrating our retail and catalog data and using SAS to analyze it, we put it together and can now keep those retail customers on the catalog list," Knoploh says.



“SAS has been fabulous to work with. We couldn’t achieve these cost savings without this product.”

Terry Knoploh
Vice President of Marketing

After a smooth SAS implementation, Northern Tool dropped its \$500,000 outsourced campaign marketing vendor. Between that savings and the incremental revenue the company achieved on the first few mailings after implementing SAS, Northern Tool had more than regained its investment. “We covered the investment that we put into SAS,” Knoploh says. “And we saw double-digit improvements in response rates to campaigns.”

Another way SAS saves Northern Tool money: locating customers that buy so little that it costs more to send them the catalog

than the company gets back from them in sales. And Northern Tool has dropped the \$150,000 in additional expense on custom marketing reports.

Using SAS, Northern Tool is working on life-time value models of customers to further refine its marketing efforts. “Does the customer who buys a compressor have a better lifetime value than the customer who buys a wrench set? We’re accumulating this data and starting to analyze it,” Wermerson says.

Ultimately, Northern Tool feels it can speak to customers in a way that is consistent and

personalized because the marketing staff now knows what types of marketing campaigns work for which clients. “We can talk to them in the way they want to be talked to,” Knoploh says.

“SAS Marketing Automation is a rock-solid product. SAS continues to provide performance and functionality improvements to support our growing needs,” Wermerson says. “We would not be able to grow our retail and mail order business as quickly with a third-party as we can with SAS.”



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