



Sabine Zwinscher, Vice President Mail Order Europe

The world's largest office products supplier relies on SAS® for customer intelligence.

Industry

Retail

Business Issue

Increasing customer spend and driving higher profits across multiple pan-European sales channels.

Solution

SAS Marketing Automation for campaign management to segment and target customers with personalized offers.

Benefits

Reduce marketing spend by knowing more about customers.

The largest office supplies reseller worldwide, Office Depot has a significant market presence in European countries including the Netherlands, UK, Belgium, France, Germany, Italy and Spain. Through its mail order channel alone the company has more than 2.5 million active customers.

To support its continued growth, Office Depot has developed a Europe-wide customer contact strategy based on individualized offers, customized pricing and selective promotions – and at a frequency designed to maximize both share of wallet and customer profitability. SAS has played an integral part in driving this strategy forward. According to Sabine Zwinscher, Vice President Mail Order Europe, “We have achieved virtually one-to-one customer contacts through the use of consistent pan-European processes and procedures, supported by SAS. We have reduced our advertising spend enormously.”

A market leader

With annual sales of US\$13.5 billion and operating brands such as Viking Direct, Guilbert and 4Sure.com, Office Depot employs 50,000 people worldwide. It's also the world's No. 2 online retailer. Success on this scale is based on various factors, not least an ability to execute effective marketing strategies through multiple sales channels. To support this, the company is a longtime SAS user. In 2002 Office Depot implemented SAS Enterprise Miner™ to provide more advanced analytics and modeling, while recent investments have resulted in the implementation of SAS Marketing Automation. The objective

was to create a Web-based solution to evaluate the financial and logistical impacts of different communications plans, streamline campaign management and reduce costs. Following a successful pilot in Germany, SAS Marketing Automation is being rolled out to businesses in various countries.

Zwinscher says, “Customers want our service to be hassle-free, friendly, fast and reliable – and that's what we do. We strive to be very successful at an operational level and complement this with analytical approaches. We have a fanatical dedication to service, which means having motivated people with the right tools to deliver such a service.” This approach is necessary because, she says, the last few years have seen the office products sector become increasingly competitive. “More people want to sell these goods because they are considered easy to sell. But achieving excellence in execution is a different matter. How you market products and approach customers, through differentiated marketing strategies and responding to their needs, is a critical differentiator.”

Gaining the ability to effectively target specific segments, such as the self-employed and office-at-home users, means the mail order business has the potential to sell goods to a far bigger consumer market – if it can do so efficiently and cost-effectively. “This is exactly the sort of thing we're aiming to achieve,” says Zwinscher. “If you go look at what we're doing with SAS, we're profiling customers to explore what they are likely to buy in the next six months, their order frequency, average order value, and more, and so better manage

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Vice President Mail Order Europe

our advertising dollars and offer promotional prices, once we understand a customer’s sensitivity to such offers.

“Our customers communicate with us and order products in different ways, through our contract business, the Web, mail order catalogs and telephone. We need to support these different approaches. We looked at SAS Marketing Automation as a way to achieve a multichannel, multibrand, multiorder optimization of our companywide processes.” She says a key strength of SAS is its flexibility: a customizable solution founded on proven capabilities and functionality.

Reduced marketing spend

A major business cost is advertising and in particular catalogs, of which 50 percent is postage costs. “This is one of the top lines in our profit and loss accounts,” explains Zwinscher. “Where you can influence your P&L is on the merchandising side and what you spend in marketing. Product, price, customer and service all need to be treated as one in order to get the right offers out. Otherwise it doesn’t fit, and you risk confusing the customer.” To support its contact strategy and keep customers buying, at the right frequency and linked to their potential to buy, the mail order business needs to get the right catalogs and offers to the right people at the right time.

Zwinscher says this activity has two sides. The first is using SAS to profile customers and understand their purchasing behavior in order to better allocate advertising spend: executing the right contact strategy at the right frequency to gain a response. The second is including the right content and promotions, an activity that must be carefully managed to enable Office Depot revenues to continue growing. “Our company is aiming for profitable growth, so you need to look at all the various dimensions,” she says. “It’s a complex environment.”

Knowing more about customers

“Mail order companies are privileged in that we know what products our customers buy, at what price, and so on. The question is how you use this information. We started out by ranking customers, then identifying and prioritizing the best segments, adding lifecycle analyses and so on. Over time, this approach became increasingly integrated to describe our customer base. Once you can describe your customers you can move into predicting their future behavior and make investment decisions based on that knowledge. This naturally led us to increased business intelligence to support our marketing strategy, reduce costs and individualize offers. In the latter we started by including targeted messaging on catalogs, then moved into digitally printing catalog covers with a customer’s preferred products and special

offers. Now, we’ve extended this approach to telephone account management. Business intelligence provided by SAS means we can make the customer a really specific offer for a longer term period, if that customer has the potential and we have an opportunity to grow our share of wallet. To make that work, you need to look at a lot of people, in our case 2.5 million active customers around Europe – that’s a huge data resource and you need to be able to manage that.” In essence, Office Depot has been able to achieve an approach to cost-effective mass marketing that is also highly personalized.

Developing a data warehouse was a key aspect, while the business case for a new approach to customer intelligence included a commitment to reduce advertising costs by one percent across Office Depot’s European operations, measured on the basis of marketing costs divided by sales. In practice, the reduction in costs is expected to be double that. Zwinscher adds, “With the help of SAS we’ve developed and strengthened our business models rapidly in all the markets in which we operate. It’s all about looking at customers. And the closer you get to one to one marketing with a customer, the better your relationship becomes with them. Every year we can keep a customer, that’s of a much higher value than having to acquire lots of new customers.”



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