

database marketing

Alternative approach

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**BUILDING A
RELATIONSHIP**

**GOING BEYOND
COST IN BUREAU
SELECTION**



First ScotRail's direct marketing programme and card-based loyalty scheme shows what a small, dedicated team with the right systems and support can do. James Lawson reports.

Passenger Profile

First ScotRail, whose network handles in the order of 66 million passenger journeys each year, operates the vast majority of Scotland's 340 passenger stations. When First Group took over the franchise in October 2004, it had great ambitions to improve its customer management processes. But database marketing to train passengers has the same challenges as any other sector: a clean single customer view, the right systems and processes, and much more besides.

Gathering members

As it took over the franchise, the company was tendering for the customer management system that would support all aspects of its marketing efforts. Within the short timescales available, it had to bring together its customer data from around the organisation and to get some kind of system up and running.

"We held our data disparately across the company and at a number of different agencies," says Graeme

Macfarlan, marketing manager at First ScotRail. "The lack of a central dataset made the data difficult to manipulate and impossible to integrate."

Supplier Market Developer was selected at the start of 2005 to provide its hosted system and to undertake all the data management. It pulled together a merged database, instituted a regular updating process and had its hosted platform working in-house within a matter of weeks. The system now underpins all aspects of the company's data-based work.

Data collection in general, and email in particular, has high priority at First ScotRail. Customers can register to receive offers on the website – their details populate the central database directly – or when buying tickets online, or they can fill out a panel on leaflets. Respondents to previous promotions and customers acquired through customer service enquiries also make up many of the 330,000 records.

With a host of indicators covering previous responses, ticket purchases, journey purpose, leisure

interests and demographic information, the customer database has strong target marketing potential. Customers are grouped by acquisition source, and marketers can run what-if counts of target lists directly on the system, though in practice, Market Developer does that work based on briefs, as well as performing regular cleansing and verification of names and addresses.

“Our service level agreement covers the running of all our data against the suppression and preference files at agreed intervals,” explains Macfarlan. “So the data is downloaded, cleaned and uploaded without us having to do anything apart from pay the match charges when the invoice arrives.”

The company has also run some profiling tests using a geodemographic classification; this will be extended to the whole database in the near future. “We want to improve our knowledge of our customer base and we do this in any way we can,” says Macfarlan. “Many of the records only have the name, address and source listed, hence our interest in Acorn.”

Direct mail has worked extremely well and continues to do so using the company’s new customer database: one mailing offering discounted tickets pulled in a return of £102,000 on a campaign cost of £22,000. The company is running more and more cross-sell campaigns, for example, to those likely to have children to offer them reduced-price weekend family tickets.

For both these campaigns and for regular scheme communications, the marketing team are eager to make the most of the increasing number of email addresses they hold; there are now a healthy 75,000 opted-in email addresses on the database. A recent email campaign achieved an opening rate of 40 per cent, and email campaigns have generated 47 per cent returns in one recent case.

The Market Developer system also supports a “Preference Centre” module which allows email recipients to click through and view their own record on the database. They can make any changes they want right there and then on the live database, including their data protection opt-ins and opt-outs. This is an effective self-service tool through which customers can fill in any missing fields and it also means that those records are effectively self-cleaning.

Maintaining high value

The introduction of a loyalty club was a contractual commitment for First Group. There was already had a very basic loyalty scheme in place called Select which formed the basis for the development of the new scheme. Before going any further, the company ran research with existing Select members to understand what the new scheme – branded as Advance –

should look like. Commuters account for around 35 per cent of current income. These customers were and are the Advance target market, with membership of Advance restricted to regular train travellers holding discount passes and season tickets.

“What we wanted to do was protect this vast segment of regular travellers by adding tangible value to their ticket purchase through membership of the Advance scheme,” says Macfarlan.



The first challenge was to recruit existing Select members and other qualifying customers to the new scheme. Shortly after the franchise handover, two campaigns went out offering Advance membership to Select members. Initially, the main channel was targeted mail, with an incentivised mail piece used to encourage existing members to reapply.

At the same time, the company ran an extensive recruitment campaign, targeting new members through the website and using posters, leaflets and promotion in the free newsletter offered on trains. All applicants were issued with a membership card and a unique membership number to quote when taking up offers through the scheme, providing a tracking and evaluation mechanism. At the end of this initial recruitment phase, the database totalled 22,500 members, comfortably exceeding the target of 20,000.

As in the previous scheme, three printed newsletters go out every year, but there will now be an additional four e-newsletters to members. “This is to fill the gaps between the physical printed newsletter and keep up the contact frequency,” says Macfarlan.

With the Select scheme purely mail- and voucher-based, making Advance more “web-centric” was a priority. Using web pages and web forms to offer benefits and collect membership details is by far the

A powerful customer management system well-integrated with the website means that both ScotRail and its customers can get the information they need on rail travel.

Those records are effectively self-cleaning

most cost-effective and efficient way to run loyalty schemes. With the membership card providing a unique reference for matching back to the offer made on the database, much fulfilment and data entry work has been cut out of the process while what remains is more efficient.

"Many of the feeds are now automated from our ticketing and reservations systems, and the campaign channels are 'closed loop,'" says Macfarlan. "When we mail out, the undelivered mail goes to external data capture and the data is fed directly onto the system."

The website has a personalised password-protected microsite for Advance members only, offering news and information on weekday and weekend travel. Updated daily, the site presents members with tailored offers for accommodation, tickets and many other deals from affinity partners. Often these are only redeemable with the card, encouraging members to keep it in their pocket. Ongoing surveys inform product development, and the research data is then held against the client record within the database.

"Free upgrades to First Class at the weekend and on-train special catering deals have already been made available to members on presentation of their card," says Macfarlan. "Increasing the utility of having the card will reinforce membership status."

Flying Scotsmen

First ScotRail has built an effective data-based marketing operation in a single year, shifting from marketing mostly above-the-line to a more direct approach. It aims to increase the scheme's membership figures further, bringing more of the best customers into regular contact and increasing the revenue potentially gained through cross selling. "It's going in the right direction but our objective is for a membership of 30,000 by the end of 2006," says Macfarlan.

To this end, Macfarlan will shortly open membership up to Caledonian Sleeper service and business class customers. "We've got around 60 per cent of season ticket holders which is very high," he says. "Hence the need to expand the qualifying criteria." Besides the geodemographic profiling exercise, the company is planning drivetime analysis of its customer catchment areas to inform future list buying and campaign targeting.

"One of the great liberations of the way we have organised ourselves is that we don't have to involve ourselves in the time consuming nitty-gritty of preparing and maintaining the database," says Macfarlan. "This blend of systems and services really does allow us to concentrate on what we do best – marketing." ■

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Database Marketing is the only UK magazine that covers the tools and techniques used for both business-to-consumer and business-to-business customer management today. Every month, it addresses critical topics like customer retention, profiling and segmentation, data selection, site location and campaign management through a combination of regular software reviews, articles and opinion. If you want to know more about tools like data cleansing packages, OLAP analysis software and GIS, this is the magazine to read.

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