APQC

Calculating and Reporting Customer Profitability at:

FedEx Services

Site Visit Summary

Site Visit Date: September 22, 2005

Site Visit Location: Memphis, Tenn.

Site Visit Hosts:

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- Jie Sun—senior strategic project marketing analyst
- Tom Wicinski—managing director, customer management analytics

I. General Overview of Calculating and Reporting Customer Profitability

Company Snapshot[1]	
Industry:	Transportation
Revenue:	$29 billion (2004)
Employees:	250,000 (2004)
Headquarters:	Memphis, Tenn.
Web Site:	www.fedex.com

Company Profile[2]

Operate independently, compete collectively.
—FedEx corporate philosophy

Since its founding in 1971, FedEx has been providing transportation solutions while organized as a collection of companies. These companies provide specialized global shipping solutions to millions of customers. The FedEx network of companies is led by FedEx Corp, which is responsible for providing strategic direction and financial reporting. Express is the largest of the networking companies, handling approximately 3.2 million packages per day. By contrast, Ground is a small-package carrier operating a network of automated facilities shipping more than 2.6 million small packages per day. Freight provides "less-than-a-truckload" (LTL) freight forwarding services. Kinko's was acquired in 2004 to expand services to FedEx customers while continuing to grow the company. Kinko's has more than 1,450 locations in 11 countries. Custom Critical provides moving services for high-value[3] vehicles. Trade Networks provides global customers with end-to-end transportation and customs clearance solutions. Supply Chain Services, formerly known as Global Logistics, was realigned under FedEx Services and provides transportation and logistics management consulting and other customized supply chain solutions. Services provides information technology, sales, marketing, and customer management analytics support for FedEx Corp.

FedEx began acquiring companies in 1998 when it acquired Caliber System Inc. This company consisted of several operating companies in the transportation industry, which complimented FedEx Express. FedEx also acquired RPS, a small package ground delivery service, and Viking Freight, an LTL carrier in the western part of United States.

[1] Source: www.fedex.com (June 2005)
[2] Source: www.fedex.com (June 2005)
[3] Shipments that require unique or specialized handling

Caliber Logistics and Roberts Express (a specialty transportation service) were both acquired as well. FedEx acquired and rebranded these companies as part of the FedEx Corporation. The eight operating companies today, including the original Federal Express are:

- FedEx Corporation (Corp),
- FedEx Express,
- FedEx Ground,
- FedEx Freight,
- FedEx Kinko's Office and Print Services,
- FedEx Custom Critical,
- FedEx Trade Networks,
- FedEx Supply Chain Services, and
- FedEx Services.

FedEx tries to ensure that it has an integrated view of the customer across all eight of its operating companies rather than a fragmented, operating-level view of the customer.

This case study focuses on the customer management analytics department (CMA) within FedEx Services. CMA is heavily involved in providing customer management analytics to support Express and Ground and is now branching off into also providing such support for Kinko's, Trade Networks, and Freight.

Governance and Structure

The structure of CMA within FedEx Services begins with the vice president of marketing planning and analysis, as shown in Figure 1, page 4. Under the vice president are four key functions: (1) customer management analytics, (2) forecasting, (3) economic and industry analysis, and (4) strategic market analysis. As the title implies, the forecasting director analyzes the future of the FedEx operating companies, which is closely tied to the U.S. economy. The economic and industry analysis director is well-respected and well-regarded in the financial markets. The director of strategic market analysis analyzes the external market and finds opportunities for FedEx, whereas the director of customer management analytics focuses on FedEx's existing customer base. Customer valuation resides in customer management analytics.

FedEx Services Organization Chart

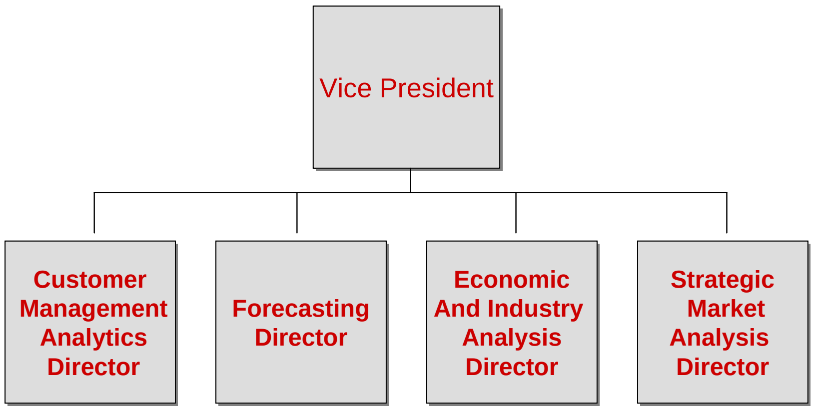

Figure 1

Customer Management Analytics

The customer management analytics mission focuses on strategic and tactical quantitative analysis and decision support. FedEx Services gets involved in high-level projects at the strategic level as well as execution projects at the tactical level. Employees possess a high level of analytical, technical, and business skills and are known within the FedEx organization as objective assessors of how programs are performing and of the organization's capabilities. FedEx Services works very closely with the IT organization to leverage leading technology. Most of the analysts are equally adept in analytics and marketing. This presents a challenge when recruiting from universities because, while the organization is interested primarily in marketing students, it must find candidates that have strong technical skills as well.

We will provide strategic and tactical quantitative analysis and decision support to FedEx Services, the FedEx Operating Companies, as well as to FedEx Corporation senior/executive management. Our ultimate goal is the creation and maintenance of competitively superior services that maximize revenue, volume, and yield from each market we serve while achieving corporate profitability targets. Our measurement yardstick will be the delivery of appropriate recommendations based upon objective customer analysis to support profitable growth and market development. We will leverage leading-edge technology to deliver this in a fast cycle, innovative, accurate, and objective fashion. We will accomplish the above mission by attracting and retaining a diverse workforce with world-class talent and by maintaining the finest environment for individual professional learning and growth.

—CMA Mission Statement

Figure 2 below illustrates how the CMA role impacts the company's operational CRM. It starts with an integrated view of the customer. From this, CMA does analysis to segment/profile customers, determine their life cycle and value to FedEx, assess the effectiveness of marketing campaigns (direct mail and e-mail), analyze product and service usage, etc. All of these efforts support how FedEx deploys its sales force, markets to customers, provides customer service support, etc.

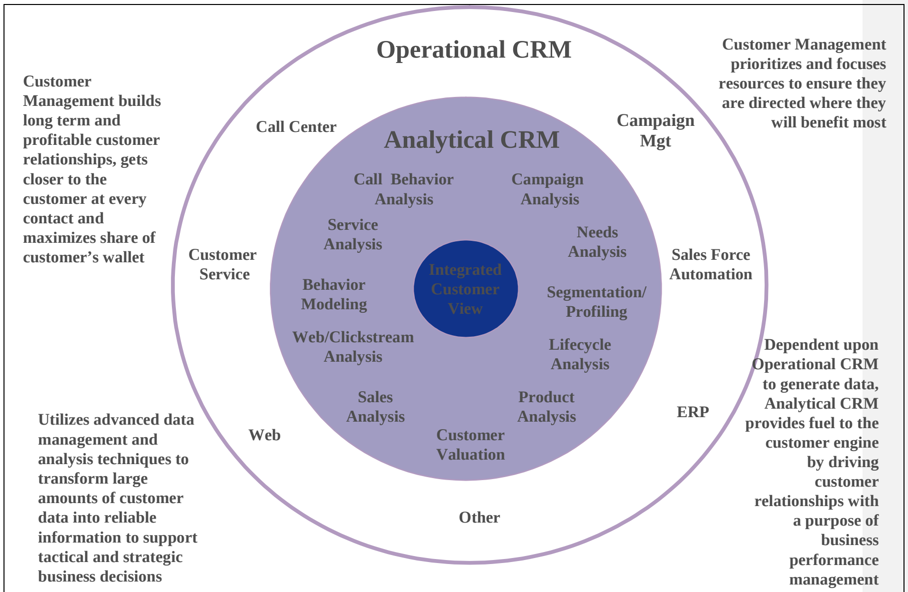

Figure 2

II. Customer Segmentation

Segmentation Overview

> *No one measure for segmentation is complete and comprehensive in and of itself.*
> —FedEx site visit representative

FedEx is a pioneer in customer segmentation. CMA drives the organization's segmentation strategy; it determines the overall potential of all customers. While there is data to support all of the potential calculations, there are always exceptions. Therefore, FedEx Services employs several means to make adjustments for non-quantifiable inputs. They recognize that there is no one measure for segmentation that is complete and comprehensive in and of itself.

FedEx Services views segmentation as a marketing technique that targets a group of customers with specific characteristics, opportunities, or needs. This identification groups customers with similar buying propensities. Customer segments are defined along various dimensions like current revenue, total potential, needs, buying tendencies, industry, and customer value. The company runs programs to focus on customers in specific industries, specific value propositions, or precise distribution models. FedEx Services keeps its segmentation schemes organic and nimble so that they can change over time as the market changes.

Defining Customers

FedEx has roughly 8 million customer account numbers. It has three ways to describe its customers:

1. by entity (enterprise),
2. by facility (location), or
3. account number (shipping account).

A customer for FedEx is not just an account number; it is a company. At the transactional level, FedEx looks at account numbers and aggregates them by location and then by entity (Figure 3). It uses outside data to create the enterprise view so it can focus on the right data and try to do the best matching with its account number to identify which company location will be assigned. The FedEx entity in these terms includes the Express and Ground services, and in the near future, it will include Freight as well.

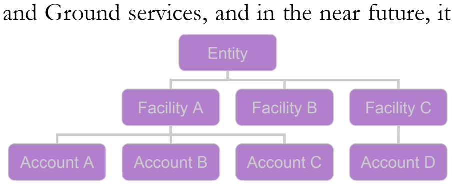

Figure 3

Enterprise Segmentation at FedEx

FedEx Services receives feedback from its sales teams regarding segmentation decisions. To streamline the process, FedEx has created a tool to capture feedback from sales. By employing carefully structured business rules, this input is used to supplement sales data and modeled data to fine tune the segmentation process.

FedEx Services uses multi-tiered segmentation to drive sales and marketing activities. Tier 1 segmentation (Figure 4 below) is used to align the efforts of the sales force based on potential customer value/revenue. Services determines how much revenue to expect based on the entirety of its customers. The company asks the question, "How much revenue can we get from a customer if we are the only supplier of transportation services?" The potential revenue is gauged on a high-to-low scale, which corresponds to the various sales organizations. World Wide sales are focused primarily on Fortune 500 companies. Corporate sales focuses on location-based large companies worth well more than a million dollars. Field sales have geography-based territories. The next tier customer would be assigned to inside (tele-) sales. The lowest level contains pre-sales and marketing customers.

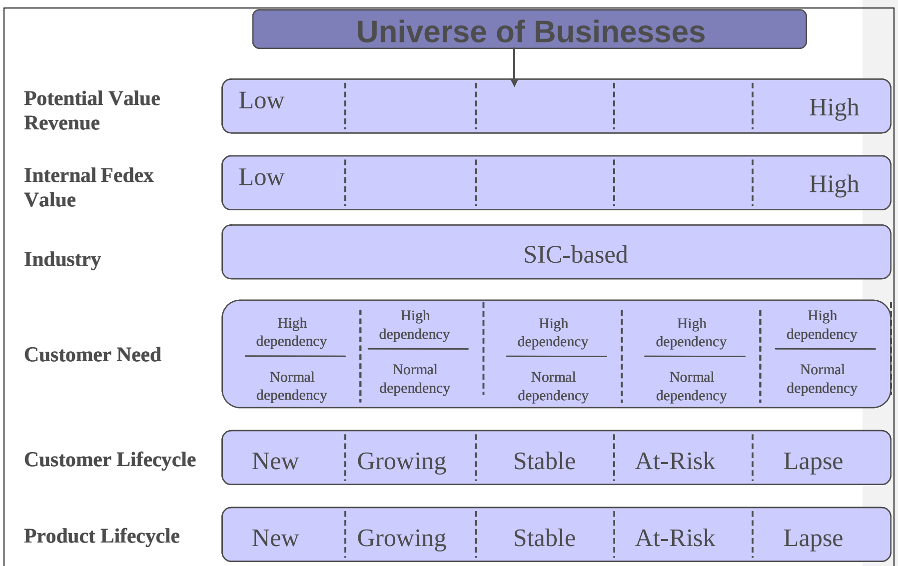

Figure 4

FedEx Services realizes that a customer might have many different locations, and so a secondary segmentation is done on the different locations for secondary sales coverage.

Some of the Fortune 500 customers might have more than 100 locations across the country, for example. FedEx can't expect its World Wide sales team to call each of those locations, so it asks the Field sales representative to call some of the smaller locations. FedEx is starting to look at customers from a more global perspective: It realizes that it has a lot of customers that have offices in the United States but are headquartered elsewhere.

Tier 1 segmentation drives the FedEx Services sales organization and determines the specific tactics employed. The focus of Tier 1 is on the holistic customer entity and determining entity-level limitations. Tier 2 segmentation is used to supplement Tier 1 segmentation. There are various forms of Tier 2 segmentation that are used in combination to support different corporate strategies and tactics. For example, a specific marketing campaign might be built around winning back small and medium customers who have lapsed (stopped using FedEx services). The campaign might utilize several levers, and those might be offered to different customers based on the customer's relative value to FedEx. This example uses two versions of Tier 2 segmentation (life cycle and FedEx internal value) in conjunction with Tier 1 (small and medium) segmentation. This application follows the premise that no one measure for segmentation is complete and comprehensive in and of itself; rather, segmentation filters are applied in layers to address each new challenge.

Among the various forms of Tier 2 segmentation used at FedEx are customer life cycle, industry, customer needs, and customer value. According to FedEx Services site visit representatives it is difficult to determine some of the metrics for Tier 2 segmentation when looking across all Tier 1 segments (customers of widely varying sizes). Therefore, some of the Tier 2 segmentation is done within the framework of the Tier 1 segments. For example, customer value is a metric applied only across customers of similar size.

Segmentation and Business Strategy

Potential-based segmentation was first developed as a theoretical concept at FedEx. Its key principle focuses on the holistic customer entity. FedEx believes that the "right" sales resource is determined by the potential revenue of the account. This potential value is based upon the total Express and Ground spending. This also ensures that the call cycle leverages the right opportunities. The overriding goal of potential-based segmentation is to use performance (FedEx internal metrics), business potential (sales survey process), and firmo-graphic (Duns) data to arrive at potential customer value (Figure 5, page 10).

When FedEx Services first moved to enterprise segmentation, there was a lot of negotiation between the sales department and the CMA group. It has been a couple years since the implementation of segmentation, and the dialog now resembles a process of fine tuning. Each fiscal year, FedEx Services realigns the segmentation. When this is done, a strong presence from the senior management is felt in both sales and marketing, which drives accountability.

While segmentation is an ongoing process, changes are released to the field on a quarterly basis, with changes for any one customer being limited to a frequency of no more than one change during any 12 month period. This helps to reduce the stress of changing sales representatives for customers.

The segmentation process consists of various steps designed to determine what a customer spends for all of their annual shipping. From FedEx transaction data, they can determine what each customer spent with FedEx during each of the past several years. The peak revenue generated by the customer, calculated by comparing each of the years included in the analysis, becomes the starting point. This is generally considered to be the minimum potential for any given customer. The theory is that if they spent that much once, they have the potential to ship that much again.

The challenge then becomes determining if a customer spends shipping dollars with another carrier. If they do, how much? This information would allow FedEx to calculate their market share, or share of wallet, with any given customer.

To help determine the missing customer spend data, FedEx employs two techniques. The first, and most preferred, is by acquiring this directly from their sales force. While a salesperson is calling on customers, they naturally try to determine the net worth of the customer to FedEx, or "How much can I sell to this customer if I were to get all of their business?"

In order to collect this data from sales, CMA built an interactive Web site that sales can access to provide the information by answering a few basic questions. The survey process takes less than one minute to complete.

To ensure data quality, CMA has developed several business rules around survey validation. These include such checks as making sure that sales doesn't enter potential revenue amounts that are lower than what a customer is currently spending with FedEx. Understanding that there will be exceptions to certain business rules, CMA asked sales to finish the survey by providing a "reason" for any changes to the potential that is currently assigned to the customer.

Given the large number of FedEx customers, it is unreasonable to expect that sales will be able to provide revenue expectations for each of them. To further supplement the potential calculations, CMA has employed the use of customer models, whereby they use a combination of internal FedEx data and external data provided by Dun & Bradstreet to predict how much a customer might spend on transportation services (Figure 5, page 10). This methodology also works well for businesses that do not already have a relationship with FedEx. These businesses are known as "prospects."

Prior to the start of each quarter, CMA sets a cut off date at which time they freeze each customer's potential. The potential for each customer at this point in time is used to align customers to the segments mentioned earlier—Tier 1 segmentation. These are then the customers that each sales organization owns for the next three months. Since the process began several years ago, customers have settled into their segments and movement across segments, on a relative basis, is low.

Potential-based Segmentation at FedEx

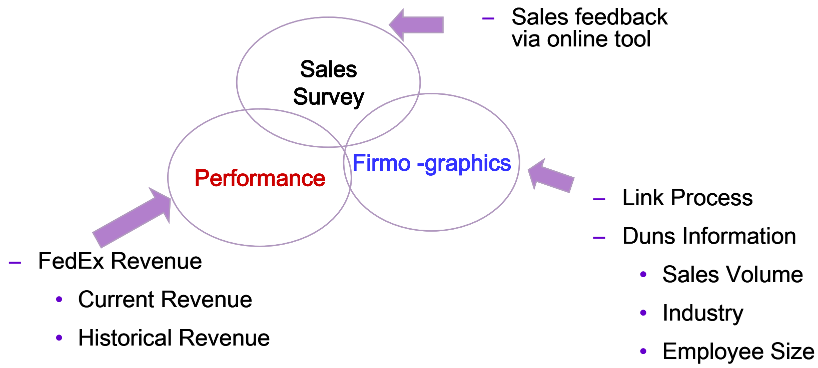

Figure 5

FedEx developed the concept of potential-based segmentation and a holistic view of customers a few years ago. Since then it has gone through several iterations, which included input from sales as well as adjustments to meet special needs. The implementation process was lengthy, but the organization felt that accuracy was more important than speed. The year prior to implementation was spent extensively piloting the program. The first nine months of implementation was still a time for learning and increasing the accuracy of potential-based segmentation. FedEx went quickly from a 70 percent accuracy rate to rates in the high 80s or low 90s. This required a lot of feedback and a little bit of pain, but FedEx was prepared for it. The feedback tool worked well because the sales team owned it, and FedEx considers this ownership a key element of successful execution. Sales team input and validation is critical to ensure that the model is maintained and updated with accurate information. Processes are in place to validate, communicate, and accept changes to customer potential and correct errors.

One of FedEx's key learnings from the implementation of potential-based segmentation is the need to be flexible. Although the need for change was strong, FedEx instituted a system of checks and balances to ensure that change was driven from (and would benefit) all parts of the organization. This included the feedback from the sales people. FedEx needed to create something that was easy to work with and could adapt to the needs of different segments.

FedEx also learned that there is only one thing that makes a customer valuable: the right balance of revenue, opportunity, profit, and so on. For example, a customer may have had negative margins, but FedEx still needs to fill its airplanes and so will continue to do business with the customer. Otherwise, the cost to transport the goods of profitable customers will increase, and then those customers will be in negative margins, too.

Commented [k3R2]: Rachele, to address this concern about the placing of the paragraph, I inserted a comment in the Lessons Learned section where this paragraph might fit in. I'll leave it up to you where to put it, though.

Because a customer with negative margins may still have value, FedEx examines all elements of customer value: user sales, advanced marketing, and potential. FedEx uses a list of metrics to communicate customer value at the entity level because a lot of decisions are made at that level. The relative rankings of customer value are in the Tier 1 segment, and this helps drive investment options beyond sales resource allocation, such as decisions around problem resolution.

III. Understanding the Cost to Serve Customers

Customer management analytics works to build long-term and profitable customer relationships. The goal is to get closer to the customer at every contact so that the company will maximize wallet share. To support this strategy, FedEx developed the OneCall Program for its high-value customers.

OneCall Program: The Catalyst for Customer Valuation at FedEx

The FedEx OneCall program is a premier program designed for FedEx's preferred customers. It is an easy-to-use personalized service. It provides each customer with direct access to a designated FedEx OneCall representative with detailed knowledge of the customer's shipping history and requirements. Although the program is very effective and has gotten great reviews from customers, it is expensive to run. Therefore, FedEx must choose only the most valuable customers to participate in the program.

In the OneCall program, the preferred customer dials a toll free number and talks to the same OneCall representative each time. These representatives are wholly at the customer's disposal. This gives a customer direct access to a person knowledgeable about Ground and Express services. These OneCall representatives have access to account history information and get to know the customers on a personal basis. The OneCall customers are tracking packages, making claims—all of which the OneCall representative can help with. FedEx is looking to expand the service but only wants its best customers to participate so that it justifies the cost to start and maintain the program. Customers are beginning to see that if they do more business with FedEx, then FedEx will provide them much better service. The customers also see that they are important. Due to limited capacity in the OneCall program, FedEx must strike a balance between enticing high-value customers to opt into the program and graciously removing low-value customers.

The CMA team supports OneCall from an analytical perspective. This group shows the marketing team which customers are spending more and how the program works from a customer perspective. The sales team nominates which customers go into OneCall. CMA monitors how the customer performs moving forward to make sure the OneCall program increases the customer's value. Because the sales team wants its best customers in OneCall, there is a healthy tension that encourages CMA to find innovative ways to measure customer value within the program.

FedEx definitely sees higher revenues for those customers participating in the OneCall program; however, today, the OneCall program is at capacity. FedEx must determine how to excise low-value customers from the program in order to re-administer that cost toward high-value customers. FedEx has been using OneCall as its loyalty program but is now looking to create other loyalty programs outside of OneCall. FedEx has some loyalty programs for its smaller customers, but there is not anything in between. To this end, the company recently created a new level of customer service that will allow FedEx to take some customers out of OneCall and put them into a middle program. This way the sales people can still give those customers a premium service—just not as premium as the OneCall program. FedEx has also created a program to serve new customers for 90 days; this allows for the customer service team to formally train the customer. FedEx also has some marketing in place to teach its customers how to use fedex.com to answer all of their questions instead of having a customer call its OneCall representative every day to track a package. This drives down the resource utilization of each call, which will allow OneCall representatives to handle additional customers, increasing the overall capacity of the program.

Overall results from OneCall have been very positive in terms of increased customer revenue, customer penetration, and retention. Customer valuation is the main driver behind the success of OneCall.

Mechanics of Customer Valuation

Customer management analytics has an objective to identify FedEx's most valuable customers. The overall objective of the customer valuation model is to maximize FedEx's investment dollars; therefore, the company needs to be able to identify which customers give FedEx the most value in return. The result would be actionable information distributed at the touch point level to various groups within the company. FedEx has not yet leveraged this valuation model beyond OneCall. However, the information is available to marketing and is being incorporated into local segmentation.

> *To get the most out of our investment dollars, we need to be able to identify which customers give FedEx the most value in return. Customer valuation would place a relative ranking on customers based on various measurable metrics. The result would be actionable at the touchpoint level by various groups within the company.*
>
> —FedEx site visit representative

The first thing FedEx had to tackle when creating the customer valuation model was to look at the available metrics and decide which ones determine customer value. Brainstorming produced a number of metrics—such as revenue, profitability, remaining potential, claims, location, account executive and customer service calls, product mix, automation, and the customer's ability to pay—recognizing that customer value is truly a combination of many factors. Although additional metrics were discarded quickly, these were the ones that FedEx gave serious consideration. Revenue and profitability were standard metrics. Claims measures how frequently customers file claims; understandably, the more claims filed, the greater the expense for FedEx. In the transportation business, a customer geographically located close to one of FedEx's hubs or stations is more valuable than a customer located hundreds of miles away; therefore, location is also a key metric. FedEx looked at how often the customer calls customer service or the account executive with issues. Obviously, a customer who constantly calls customer service or the account executive with complaints is going to be less valuable than one who is able to self-serve through Web tools, etc. Product mix is also crucial, as the profit margin varies from Ground to deferred Express to Overnight services. Whether a customer uses automation (e.g., to print out labels rather than handwrite air bills) is a key determinant of value because automation eliminates non-value added FedEx employee time (keying in handwritten information) and decreases error rates. To determine the customer's ability to pay its bill, FedEx reviews the corporate accounting information to see the open balance after the 30-day and 180-day time period. The higher the balance, the less value the customers have.

To discern the most important metrics, FedEx conducted an extensive evaluation of key measures. FedEx selected only those metrics that it tracks for every customer (ability to pay, revenue, profitability, remaining potential, and claims). It looked at revenue from three perspectives and three operatives—domestic, international express, and ground. Profitability is analyzed in much the same way with one exception: international express. This is the only profitability metric not ready for analysis. FedEx measures potential from two perspectives: How much does the customer spend with FedEx, and how much more business (remaining potential) can FedEx win? Ability to pay is analyzed from both the short- and long-term perspectives. Claims are incorporated into the customer valuation model as a relative measure (the percentage of number of claims to the revenue).

After the evaluation and metric selection, the organization had to identify stakeholders in the various areas that needed to have a say in which metrics determined customer value. CMA reached out to its counterparts in finance and marketing and sales and solicited the teams for names of specific individuals who would objectively represent the division's perspective. CMA then sent out a survey and collected and aggregated the results. FedEx looked at all the metrics and made its decision. From this information, FedEx built a model and applied it to its total customer base to get relative scores for each of its customers. These were translated into a high, medium, and low ranking that is used for actual implementation. In summary, the overall approach that FedEx took toward segmented entity-based valuation is depicted in Figure 6, page 14.

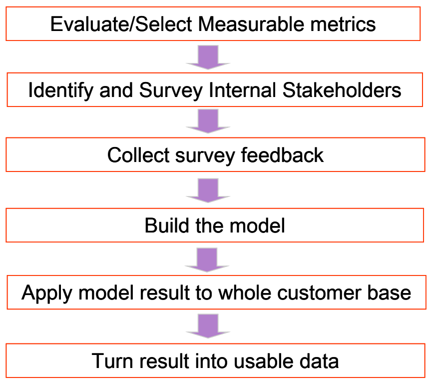

Figure 6

Working with Stakeholders

Customer value is very subjective, and departments within an organization may have differing understandings of customer value. FedEx created a survey to generate a consensus of what makes a customer valuable. In the survey, 50 customers in each segment were identified solely by their performance in the chosen metrics—no other identifying information was provided. Two participants each from the sales team, U.S. marketing group, CMA, finance, and accounting were asked to rank the value (high, medium, or low) of the 50 customers based on the information given. Through this process, key departments were able to express what they valued most in their customers. In this way, FedEx was able to leverage the input of its stakeholders to create and refine its customer valuation model.

Building the Model for Customer Valuation

Once FedEx had evaluated and selected measurable metrics and identified and surveyed its internal stakeholders, it then collected and prepared the survey feedback to feed into the customer valuation model. This involved sorting out and combining feedback results to generate a consensus as to which customers are the most valuable across survey participants (since some of the feedback for the same customer varied across the survey participants). Customers were then ranked based on the survey feedback. One limitation of this process, however, was the sample size for the model (FedEx only had 50 samples for each segment). FedEx feels that a small sample size with more accurate data is better than a larger sample size with many gaps in the data. FedEx chose the logistic regression model because the final output is nominal and used SAS Eminer to develop a model for each segment. After piloting the model with training data, the results were applied to FedEx's customer universe and results were sent to all the survey participants' departments for a final quality check. Once the model building was complete, FedEx was able to obtain a final score for each customer.

Feedback from FedEx Services' business partners regarding the customer valuation model has been very positive.

IV. Reporting Customer Profitability Information/Use of the Information

Communication of Customer Value Information

CMA makes the relative customer value scores available on a limited basis within the organization's database structure. This information is also included in an online sales application to help screen customers for eligibility for special programs.

Implementation of the Customer Value Model in OneCall

FedEx implemented the customer value model with the OneCall program—customers are selected, deleted, or swapped from this program based on their perceived value to the company.

- **Customer selection**: Only high-value customers can enroll in OneCall. FedEx designed a process for enrolling these customers. The first step was to develop a user-friendly Web site where the sales team can insert their comments regarding which customers should be included. If the customers nominated do not meet the value threshold, then CMA e-mails the appropriate director for more information (low-value customers need senior management approval to enroll).
- **Customer deletion:** Another process in place is customer deletion, also run by CMA. If CMA finds a low-value customer in the OneCall directory, it will then "tickle" the appropriate director that the customer should be removed from the program. If the director wants to keep the low-value customer in the program, then CMA requires senior management approval.
- **Customer swap:** Directors have responded well to the customer deletion process because once they removed a low-value customer, the directors were able to enroll a truly high-value customer in a "customer swap."

The goal is to keep the capacity of the OneCall program relatively constant in terms of number of participants. This ensures that the operations and marketing team will only enroll the most valuable customers into the program, which is a key success factor for OneCall.

FedEx's operations employees have determined the average amount of customers a OneCall service representative can reasonably handle along with the average duration of each phone call. The program can then be adjusted accordingly. The company hopes that it will eventually be able to add more customers to OneCall by customer deletion and customer swap processes and by giving the customer more information on the account (thus enabling them to self-serve and thereby decreasing call handle time).

OneCall has been successful for both the company and in the eyes of the customer. From Fedex's standpoint, the high-value customer selection criteria to participate ensures that investment resources are appropriately aligned to the most valuable customers. In addition, customer shipping volume and revenue have increased, customer retention and penetration rates have increased, and the customer attrition rate has decreased.

The program is valued by customers as well: Customers indicate that they are highly satisfied with the program and are more likely to stay with FedEx if they are a participant in OneCall. In addition, participation in OneCall has influenced the majority of customers to shift business to FedEx when cost was not a factor.

Impacts and Benefits of Enterprise Segmentation

FedEx's enterprise segmentation has impacted sales, marketing, pricing strategies, and other areas. For example, in terms of sales, it has made compensation consistent for the sales team. It also allows the sales team to better focus their sales efforts. FedEx's segmentation is fairly easily defined and communicated and is a basic business tool used worldwide. The sales force can focus on selling instead of handling administrative issues.

From a marketing standpoint, FedEx uses enterprise segmentation to focus communication on the most appropriate customers. Segmentation also assists with goal setting and stabilizing the customer base within a territory. When FedEx implemented enterprise segmentation it realized that constantly changing account owners through the years can cloud sales efforts to customers. One of the business rules that it added was not to change the owner of an account for certain time period so that customers get to know their account managers.

From a pricing perspective, pricing has integrated enterprise segmentation into many of its models for specialized pricing in both the Tier 1 and Tier 2 segmentation. Enterprise segmentation offers more leeway in pricing to customers based on their customer values.

Enterprise segmentation has resulted in both process and operational benefits for FedEx. For example, some of the operational benefits of enterprise segmentation include a centralized strategy that enjoys wide buy-in within the organization. Process-wise, customer information is easier to maintain as part of enterprise segmentation. In addition, many processes are Web-based (such as the online sales support tool), which makes implementation and receipt of feedback easier.

Enterprise segmentation is actionable and is easily accessible to sales for information. It is also accurate and relevant for both sales and marketing. Other operational benefits for sales include increasing the focus on sales efforts and enablement through information. For example, the online sales support tool provides sales access to all pertinent information on customers and their interactions at FedEx stores. When a sales person clicks on a customer, he/she is able to see what the customer's shipping habits have been, where they ship to, what other parts of Fed-Ex they are working with and so on. The sales person can also view different programs in place for each customer, along with industry-based programs. The sales team is able to use this tool to discern customers' needs and make appropriate need-based sales calls. The online tool also includes industry descriptions for customers: sales can click on a link, and it will take them to a page that details the industry set-up and a description of the customer supply chain, along with "tips" on how to sell to that customer. The tool is personalized by salesperson and helps sales track their scheduled sales calls and leads as well.

V. Lessons Learned and Critical Success Factors

FedEx believes that the key to successfully integrating differing opinions of what makes a customer valuable is to secure active participation from each stakeholder on the front end. Clear communication on customer value (what does and does not make a customer valuable to the organization) is critical to gaining acceptance and ensuring proper usage of segmentation information throughout the organization, as is obtaining the buy-in of the sales organization to the process and the results.

The next step for CMA in terms of customer valuation is to keep an eye out for additional metrics that it can use to determine value and to discover methods to incorporate those metrics. FedEx hopes to incorporate at least two additional metrics within the next year. FedEx is also investigating the possibility of a cross-segment ranking methodology. Right now, rankings are kept within the general sales force categories (World Wide, Corporate, Field, etc.), but the organization would like to compare customer types. For example, when is a Field sales customer more valuable than a Corporate sales customer?

FedEx's ongoing goal is to update its customer valuation information every six months so as to keep the information fresh for all departments and programs.