Results Rock

Direct Mail Basics…..
Test, Test, Test

“If you can’t measure it, you can’t manage it.”

Peter Drucker

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ENTERPRISE POSTAL CONSULTING
PITNEY BOWES MANAGEMENT SERVICES

June 14, 2012
Agenda

- Why Test at all?
- What's my Goal?
- What to test
- Calculating ROI
- The Devil is in the Data!
- Things to Consider
Why Test At all?

Knowledge is Power!

- Opportunity to increase Sales, Donations, Visits, Response
- Every marketing campaign should be founded in research
- Measurable. Testing ensures your marketing efforts are cost-effective

Get the RIGHT message to the RIGHT person at the RIGHT time
“The more you test, the more profitable your direct mail will become. Innovations, provided you test them, can work wonders.”

(David Ogilvy, Ogilvy on Advertising, 1983)

Any mailing yields lessons for a marketer or fundraiser…

What lists or creative efforts pulled best?
What messages generated the most response?
Analyze, adjust, and re-mail.
Put Your Plan in Writing

Campaign Goal:

What is the goal of your campaign?
- Generate leads, close sales, raise awareness, donations, drive traffic to store or website?
- Once you decide on your goal, establish a baseline and track responses against that baseline.

The Mailing List
- Who are your best customers?
- Identify who they are and then get lots more exactly like them and market to them.
- The list can make up 60 to 70 percent of your response rate.

The Offer
- Whatever your direct mail campaign offers the target audience - a free premium, a gift for visiting a trade show booth
- Concentrate on selling the benefits of responding and receiving the offer.
Your Mailer
- Testing plays a crucial role.
- Without testing your mailing list, offer, or mailpiece design, you will never know if the campaign’s success was due to a compelling offer, eye-catching graphics, and enticing copy with a strong call to action, or a great list.

Campaign Cost
- Take the total cost of your mailing (including creative, printing, postage and labor) and divide that figure by the revenue generated from an average sale.
What to Test

- Product or Services
- Media (list, print, broadcast, electronic)
- Offer (the proposition)
- Package/Format/Creative
- Reply Device
  - BRE vs CRE
  - Stamped vs. No Stamp
  - Single Stamp vs. Multiple
- Fundraising Premiums
  - Address labels, greeting cards, calendars
- Copy Platform
- Timing of Promotion
When is the best time to test?

- Yesterday
- Today
- Tomorrow
- Always

Test something with every mailing.

Otherwise you're wasting valuable opportunities to learn and, therefore, cut costs and boost profits.
How Many Elements Should You Test at a Time?

One. Testing more than one element will make it impossible for you to know what makes a difference in results.

- You can certainly have more "cells" in your test to test other elements simultaneously.
- But each cell must only test one thing.
- Lastly, remember to reserve a sample that won't receive a promotion at all for control-analysis purposes.
## Test Element Examples

<table>
<thead>
<tr>
<th>Test Elements</th>
<th>(-) Control</th>
<th>(+) New idea</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Campaign appeal</td>
<td>Stand-alone appeal</td>
<td>Campaign branded appeal</td>
</tr>
<tr>
<td>B OE postage</td>
<td>NP indicia</td>
<td>Live NP stamp</td>
</tr>
<tr>
<td>C Insert</td>
<td>No insert</td>
<td>New insert</td>
</tr>
<tr>
<td>D Voucher</td>
<td>No voucher</td>
<td>Premium voucher</td>
</tr>
<tr>
<td>E Gift array</td>
<td>Control array</td>
<td>New gift array</td>
</tr>
<tr>
<td>F Reply envelope</td>
<td>No handwriting on RE</td>
<td>Handwritten reminder on RE</td>
</tr>
<tr>
<td>G Response channels</td>
<td>Mail-in response only</td>
<td>Multiple response options: mail-in, phone &amp; e-mail</td>
</tr>
<tr>
<td>H Salutation</td>
<td>&quot;Dear Friend&quot; salutation</td>
<td>&quot;Dear First Name&quot; salutation</td>
</tr>
<tr>
<td>J Copy message</td>
<td>Control message</td>
<td>New message</td>
</tr>
<tr>
<td>K Package type</td>
<td># 10 envelope</td>
<td>6 x 9 Envelope</td>
</tr>
</tbody>
</table>
“Special assignment, Chaswick, I need you to test our severance package.”
Valid Sample Sizes

- Have some idea of the level of response you expect or need.

- Decide what confidence level you will live with in testing.

- Decide what level of variance you can live with in the test generated responses.
Response Vehicle & Call to Action

- Phone
- Fax
- Email
- PURL (Personalized URL)
- QR Code
- Business Reply Mail (BRM)
- Courtesy Reply Mail (CRM)
Ways to Improve Response

- Make a strong call to action – Click Here! Call now!

- Make it easy to respond – pre-populate order form or response card

- Include testimonials
Calculating ROI

- Let's assume you're doing a two-step mailing to generate leads for your sales force. You're going to mail to 25,000 prospects and you assume a 1% response, giving you 250 leads. You know your sales force can usually turn 10% of leads into sales, so 10% of 250 gives you 25 sales.

- Now, let's say you know your average sale is $5,000. Multiply 25 sales by $5,000 and you end up with $125,000 in gross sales. If your margin is 30%, your net sales are $37,500.

So far, so good.
Calculating ROI

- But now you have to subtract your initial investment in writing, designing, printing, postage, list rental, etc. If you spend $25,000 up front, you subtract this from your net sales of $37,500 to arrive at your net profit of $12,500.

- What is your return on investment? Simply divide your net profit by your total investment ($12,500 / $25,000) and multiply by 100 to get your return on investment, which in this case is 50%. All things considered, not bad.
# Calculating ROI

## Production Worksheet

<table>
<thead>
<tr>
<th>Total Production Costs</th>
<th>Total Developmental Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>List Acquisition (per 1000)</strong></td>
<td><strong>Administrative and Planning</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Printing (per 1000)</strong></td>
<td><strong>Creative</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Separation and Proofs</strong></td>
<td><strong>Photography</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Data Processing</strong></td>
<td><strong>Legal</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Lettershop</strong></td>
<td><strong>Other</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Shipping Costs</strong></td>
<td><strong>TOTAL CAMPAIGN COSTS</strong></td>
</tr>
<tr>
<td>- $12,500</td>
<td>- $25,000</td>
</tr>
</tbody>
</table>

## Return On Investment Survey

<table>
<thead>
<tr>
<th>Quantity of Mailing</th>
<th>Campaign Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>List Acquisition (per 1000)</strong></td>
<td><strong>Projected Response Rate</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- 1%</td>
</tr>
<tr>
<td><strong>Printing (per 1000)</strong></td>
<td><strong>Conversion to Sale</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- 1%</td>
</tr>
<tr>
<td><strong>Separation and Proofs</strong></td>
<td><strong>Profit per Sale</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- $5,000</td>
</tr>
<tr>
<td><strong>Administrative and Planning</strong></td>
<td><strong>Conversion to Sale</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- 1%</td>
</tr>
<tr>
<td><strong>Creative</strong></td>
<td><strong>Net Profit</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- $12,500</td>
</tr>
<tr>
<td><strong>Photography</strong></td>
<td><strong>ROI %</strong></td>
</tr>
<tr>
<td>25,000</td>
<td>- 50%</td>
</tr>
</tbody>
</table>

**TOTAL CAMPAIGN COSTS**: $25,000 **Net Profit**: $12,500 **ROI %**: 50%
# Sample Test Matrix

<table>
<thead>
<tr>
<th>List</th>
<th>Control Group</th>
<th>Creative Format 1</th>
<th>Creative Format 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Action</td>
<td>Offer A</td>
<td>Offer B</td>
</tr>
<tr>
<td><strong>Segment Group 1</strong></td>
<td>5K</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Segment Group 2</strong></td>
<td>--</td>
<td>5K</td>
<td>5K</td>
</tr>
<tr>
<td><strong>Segment Group 3</strong></td>
<td>--</td>
<td>5K</td>
<td>--</td>
</tr>
<tr>
<td><strong>Segment Group 4</strong></td>
<td>--</td>
<td>--</td>
<td>5K</td>
</tr>
</tbody>
</table>
### Results

The goal in testing should be to try new testing elements to beat the tried and true “Control” package..

<table>
<thead>
<tr>
<th>List/Segment</th>
<th>Control Group</th>
<th>Creative 1</th>
<th>Creative 1</th>
<th>Creative 2</th>
<th>Response</th>
<th>Response</th>
<th>Response</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Action</td>
<td>Offer A</td>
<td>Offer B</td>
<td>Offer A</td>
<td>Rate</td>
<td>Rate</td>
<td>Rate</td>
<td>Rate</td>
</tr>
<tr>
<td>Group 1</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 2</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>13%</td>
<td>15%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Group 3</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Group 4</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td></td>
<td></td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>
## Sample Test Matrix

<table>
<thead>
<tr>
<th>Segment</th>
<th>Test</th>
<th>Mailed</th>
<th>Responded</th>
<th>Response Rate</th>
<th>Lift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment 1</td>
<td>Test</td>
<td>90,000</td>
<td>1,800</td>
<td>2%</td>
<td>9.09% significant</td>
</tr>
<tr>
<td>Control</td>
<td>30,000</td>
<td>550</td>
<td>1.83%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment 2</td>
<td>Test</td>
<td>50,000</td>
<td>800</td>
<td>1.6%</td>
<td>1.27% insignificant</td>
</tr>
<tr>
<td>Control</td>
<td>50,000</td>
<td>790</td>
<td>1.58%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment 3</td>
<td>Test</td>
<td>140,000</td>
<td>2,600</td>
<td>1.86%</td>
<td>10.9% Significant</td>
</tr>
<tr>
<td>Control</td>
<td>80,000</td>
<td>1,340</td>
<td>1.68%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Direct Mail Testing Tips

- Add the word “FREE” to your outer envelope teaser copy.
- Put ad headlines in quotation marks.
- Test a phone follow-up to non-respondents.
- Offer a free sample to overcome the “I don’t believe it” objection.
- Say “thank you” to gift-buyers with no-strings-attached gift certificate for them to use.
Direct Mail Testing Tips

- Use the flap side of the envelope as the address driver
- Put your deadline on the outside the envelope.
- Change the color of the outer envelope.
- Include a deadline in your offer
THE DEVIL IS IN THE DETAILS
The Undeliverable Mail Issue

I am your customer

*How quickly can you find me before . . .*

- You suppress me
- You discontinue my service
- You don’t collect from me
- You move me to collections
- I miss an important legal notice
- I don’t respond to your offer
- I call you and complain
- I am lost forever
Deliverability Issues to Consider When Determining Which Records to Mail

- **Non ZIP+4 coded:** 50% to 70% reduction in response.
- **Missing apartment number:** 40% to 50% reduction in response.
- **Invalid apartment number:** 15% to 25% reduction in response.
- **Mailing to an old address:** 70% to 80% reduction in response.
- **Vacant address:** 40% to 60% reduction in response.

- Apply change-of-address (COA) as part of campaign processing in addition to the normal schedule of updating customer files/databases with COA.
- The payback on this is significant, since mailing a piece to a person's old address normally reduces response by at least 75%.
Addressing Print & Mail Decisions
Break Even Analysis

Customer Numbers:
- Mail Pieces - 100MM
- Response Rate - 0.5%
- Address Quality - 95%
- Postage & Print - $0.50 per piece
- Value of a Response - $240

Break-Even Analysis

<table>
<thead>
<tr>
<th></th>
<th>Response Rate</th>
<th>Cost per Response</th>
<th>Value per Response</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Address</td>
<td>0.517%</td>
<td>$ 96.69</td>
<td>$ 240.00</td>
<td>$ 143.31</td>
</tr>
<tr>
<td>Bad Address</td>
<td>0.175%</td>
<td>$ 285.71</td>
<td>$ 240.00</td>
<td>$(45.71)</td>
</tr>
</tbody>
</table>

65% Reduction In Response Rate
Successful Database Management

Get It Clean
- Postal Experts correct and Standardize addresses
  - Clean up undeliverable / suppressed addresses

Keep It Clean
- Continually maintain addresses
  - Postal Experts develop and maintain a best-in-class addressing / return mail process

Keep It Current
- Establish a confidence level for the delivery of each address
  - Enable the mailer to determine if the mail piece will get delivered and decide if the mail piece should be printed
  - Perform address quality functions to maintain postal discounts
  - Improve mail delivery
Tools for Testing Direct Mail

Use IM BC® Tracing™ as a tool to more effectively evaluate test results

- Accurately identify in-home dates at the record level
- Coordinate additional touch points such as email or mobile messaging around in-home dates
- Analyze response times based upon in-home dates
- Confirm that mail reached it’s intended targets
- Compare and trend delivery times for different classes of mail
THINGS TO CONSIDER
2009 Media Spend = $162 B

- TV, 29%
- Newspapers, 19%
- Radio, 9%
- Magazines, 10%
- Outdoors, 4%
- Directories, 6%
- Digital Online Media, 5%
- Direct Online, 7%
- Direct Mail, 11%
Approximate Direct Mail Costs

- Allocated Fees: 12¢
- Postage: 21¢
- Lettershop Production: 4¢
- Computer Processing: 2¢
- Mailing Lists: 11¢
- Creative: 10¢
- Art & Preparation: 9¢
- Printing Production: 31¢

Source: DMA Statistical Fact Book 09
Direct Mail Basics - The DM Formula

- The Right List: 40%
- The Right Offer: 40%
- Creativity: 20%
Direct Mail Basics - Mail Format

Explore formats, find what works for YOU!

- The Traditional DM Package
- Self-Mailers
- Snap-Paks
- Postcards
- Double Postcards
Direct Mail Basics - Mail Format

Or you could try these…

- Flyers
- Newsletters
- Brochures
- Pop-ups
- Three-dimensional mailings
Innovation: Variable Data Printing

Variable Digital Print (VDP)

- Merging database information with digital imaging technology
- Printing unique content on each page
- The end result is a unique, *highly relevant* direct mail message to each individual in a marketing campaign
Innovation: Variable Data Printing

- Increased loyalty with customers thru *relevant* dialogue
- Quick turnaround
- Improved ROI
- Affordable
- One-to-one communications
FINAL THOUGHTS
TARGG, TEST, LEARN AND CONTINUE. ALWAYS.
Questions and Answers

For more information:

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