

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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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?

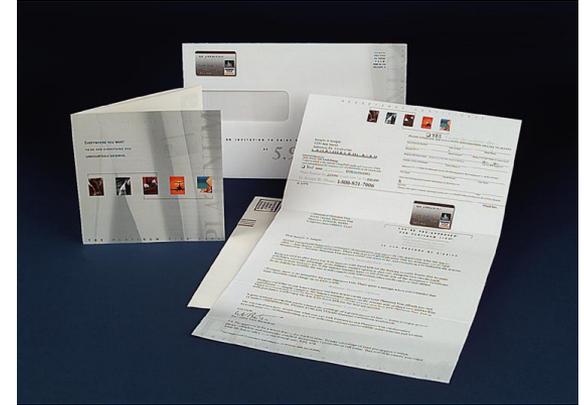
Knowledge is Power!

- 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.

The Plan in Writing ... Cont'd

Your Mailer

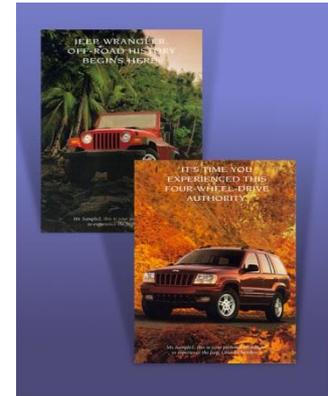
- Testing plays a crucial role.
- Without testing your mailing list, offer, or mailpiece design, you will never know if the campaign's success was due to a compelling offer, eye-catching graphics, and enticing copy with a strong call to action, or a great list.

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

<u>Test Elements</u>	<u>(-) Control</u>	<u>(+) New idea</u>
A Campaign appeal	Stand-alone appeal	Campaign branded appeal
B OE postage	NP indicia	Live NP stamp
C Insert	No insert	New insert
D Voucher	No voucher	Premium voucher
E Gift array	Control array	New gift array
F Reply envelope	No handwriting on RE	Handwritten reminder on RE
G Response channels	Mail-in response only	Multiple response options: mail-in, phone & e-mail
H Salutation	"Dear Friend" salutation	"Dear First Name" salutation
J Copy message	Control message	New message
K Package type	# 10 envelope	6 x 9 Envelope





“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		Return On Investment Survey	
Quantity of Mailing <input type="text" value="25,000"/>		Quantity of Mailing <input type="text" value="25,000"/>	
Total Production Costs <input type="text" value="\$ 12,500"/> <i>or</i>	Total Developmental Costs <input type="text" value="\$ 12,500"/> <i>or</i>	Campaign Costs <input type="text" value="\$ 25,000"/>	
List Acquisition (per 1000) <input type="text" value="\$ -"/>	Administrative and Planning <input type="text" value="\$ -"/>	Projected Response Rate <input type="text" value="1%"/>	Conversion to Sale <input type="text" value="1%"/>
Printing (per 1000) <input type="text" value="\$ -"/>	Creative <input type="text" value="\$ -"/>		
Seperation and Proofs <input type="text" value="\$ -"/>	Photography <input type="text" value="\$ -"/>	Profit per Sale <input type="text" value="\$ 5,000"/>	
Data Processing <input type="text" value="\$ -"/>	Legal <input type="text" value="\$ -"/>	Net Profit <input type="text" value="\$ 12,500"/>	ROI % <input type="text" value="50%"/>
Lettershop <input type="text" value="\$ -"/>	Other <input type="text" value="\$ -"/>		
Postage Costs <input type="text" value="\$ -"/>			
Shipping Costs <input type="text" value="\$ -"/>	TOTAL CAMPAIGN COSTS <input type="text" value="\$ 25,000"/>		



Sample Test Matrix

List	Control Group	Creative Format 1		Creative Format 2
	No Action	Offer A	Offer B	Offer A
Segment Group 1	5K	--	--	--
Segment Group 2	--	5K	5K	5K
Segment Group 3	--	5K	--	--
Segment Group 4	--	--	5K	--

Results

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

	Control Group	Creative 1	Creative 1	Creative 2		Response	Response	Response	Response
List/Segment	No Action	Offer A	Offer B	Offer A		Rate	Rate	Rate	Rate
Group 1	+	-	-	-		28%			
Group 2	-	+	+	+			13%	15%	11%
Group 3	-	+	-	-			12%		
Group 4	-	-	+	-				14%	

Sample Test Matrix

		Mailed	Responded	Response Rate	Lift
Segment 1	Test	90,000	1,800	2%	9.09% significant
	Control	30,000	550	1.83%	
Segment 2	Test	50,000	800	1.6%	1.27% insignificant
	Control	50,000	790	1.58%	
Segment 3	Test	140,000	2,600	1.86%	10.9% Significant
	Control	80,000	1,340	1.68%	

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.

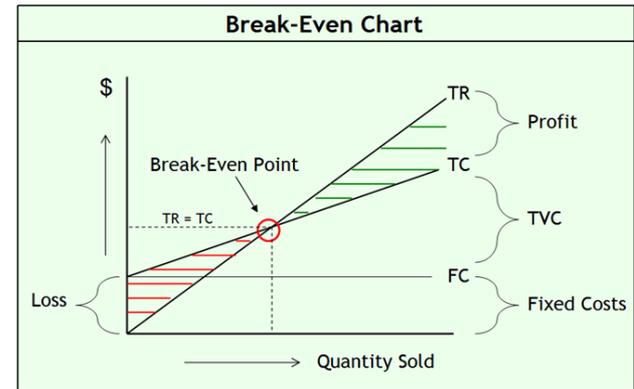
- Apply change-of-address (COA) as part of campaign processing in addition to the normal schedule of updating customer files/databases with COA.
- The payback on this is significant, since mailing a piece to a person's old address normally reduces response by at least 75%.

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

	Response Rate	Cost per Response	Value per Response	Delta
Good Address	0.517%	\$ 96.69	\$ 240.00	\$ 143.31
Bad Address	0.175%	\$ 285.71	\$ 240.00	\$ (45.71)

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

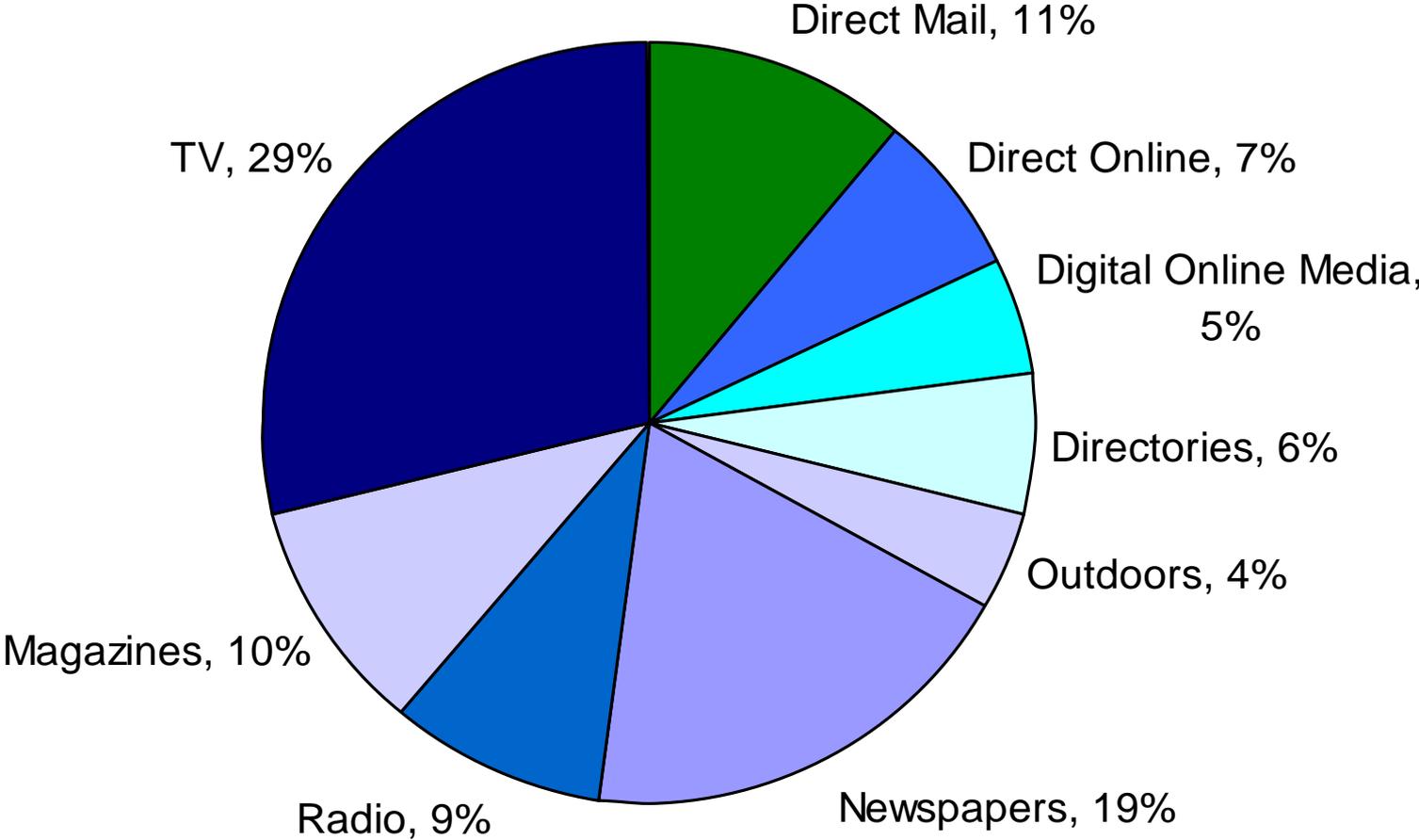
- Accurately identify in-home dates at the record level
- Coordinate additional touch points such as email or mobile messaging around in-home dates
- Analyze response times based upon in-home dates
- Confirm that mail reached it's intended targets
- Compare and trend delivery times for different classes of mail



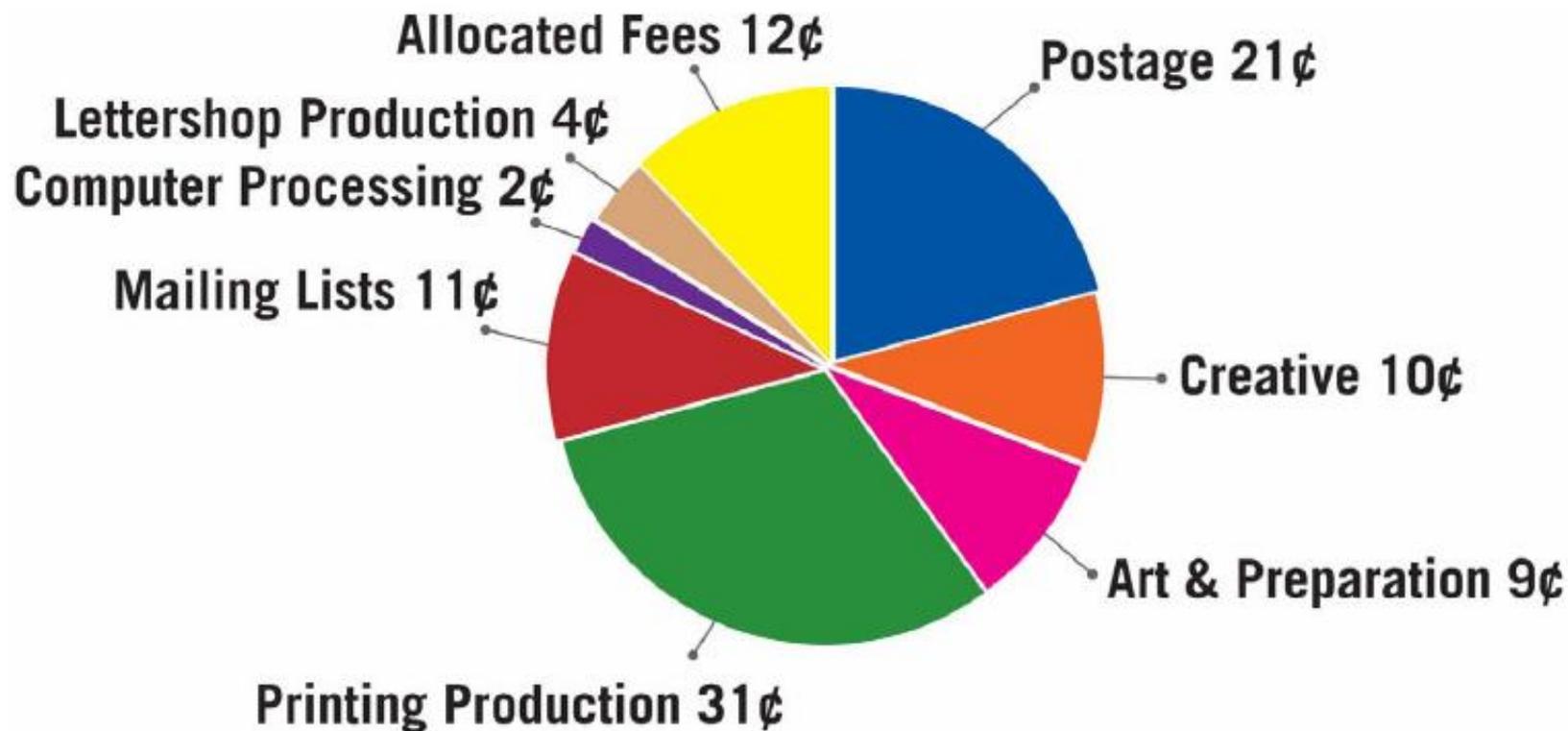
THINGS TO CONSIDER

Market Landscape – Market Share

2009 Media Spend = \$162 B

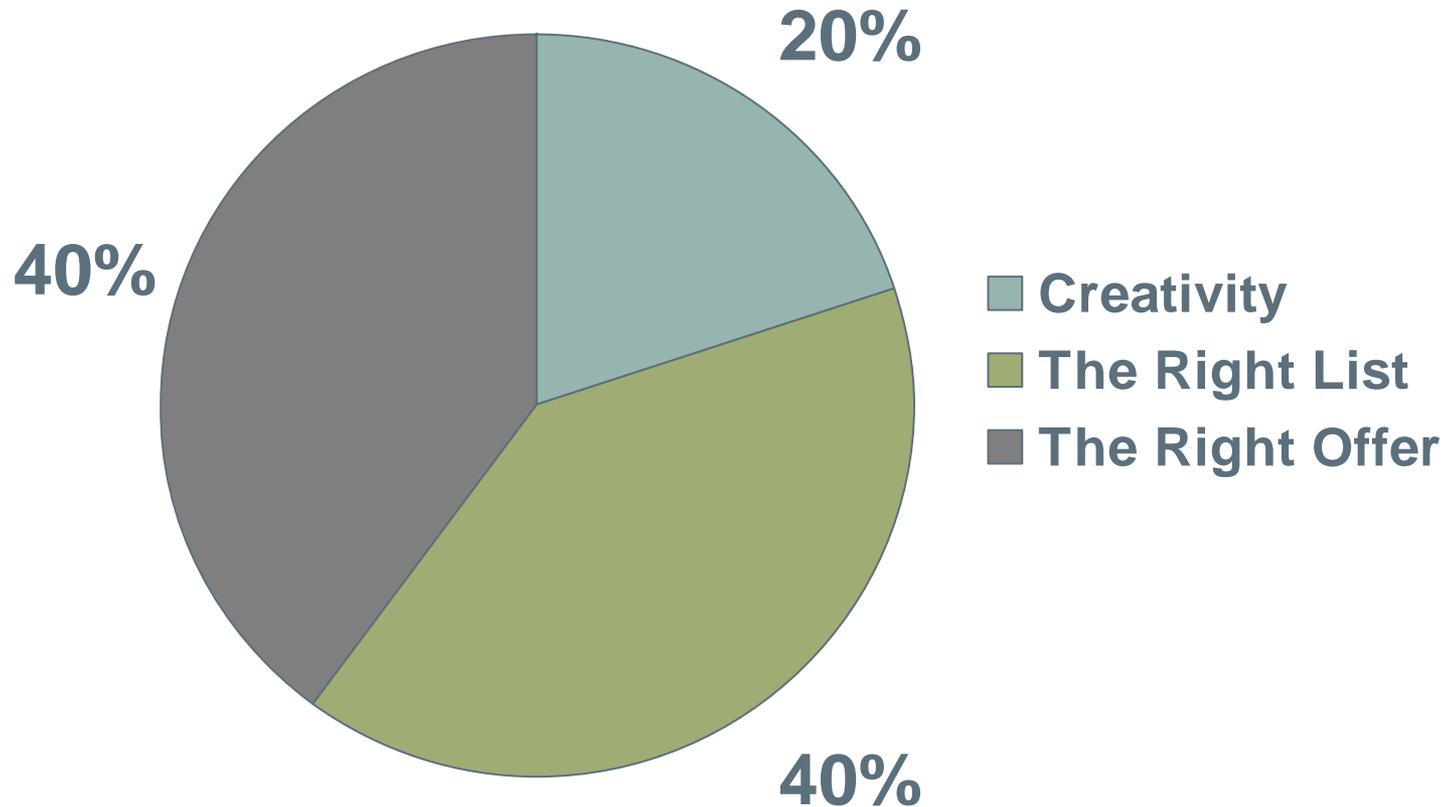


Approximate Direct Mail Costs



Source: DMA Statistical Fact Book 09

Direct Mail Basics - The DM Formula



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

*TARGET, TEST,
LEARN AND
CONTINUE.
ALWAYS.*

Questions and Answers

For more information:

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THANK YOU.



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