

Direct Mail:

Get the Highest Response Rates

Great Direct Mail Starts with Great Data

A WHITEPAPER BY



Effective & Efficient Direct Mail, Print & Integrated Media

Great Direct Mail Performance Starts with Great Data

The highest performing campaigns are loyalty programs and other efforts aimed at selling more to and retaining customers. Customers who have already shown some predisposition to do business with a firm will consider doing business with them again, as long as they are satisfied with their previous encounters and engagements.

There is another reason why customer campaigns can be super effective—data. A good point of sale system that captures what customers are buying, how much they buy and when they buy can be leveraged to produce outstanding results. That knowledge can be analyzed and repurposed to drive direct mail to showcase the right offer, to the right person at the precise moment. If you are not capitalizing on your customer intelligence, start doing so to jumpstart your business or organization.

The Auto Service business employs database marketing techniques and variable data print with high levels of effectiveness. Campaigns with response rates in the 11-35% range and ROI as high as 10:1 are not uncommon. Auto Service transactions are not big-ticket purchases, so in a way, they buck the concept that direct mail works only for firms with high-value transactions. In fact, Auto Service customers have an ongoing need to service their vehicles and often own more than just one, they become high-value customers.

Auto Service facilities know the following information about their customers including:

- Make/Model/Year of their Vehicle(s)
- Number of Miles Driven
- Previous Auto Services Performed
- Services Needed
- Manufacturer's Service Recommendations

They leverage this information to present highly-tailored offers in their campaigns.

We should point out that this industry has received a ton of attention from database marketing firms. Auto Service firms are usually associated with a manufacturers, like GM or Toyota, or a parts label, such as NAPA or AC Delco. Most individual auto service dealers could never conceive these highly complex data gathering and marketing processes on their own. These programs are typically conceived by the manufacturer.

We see more and more specialty retailers employing solid database marketing techniques. More companies are acquiring sophisticated data gathering systems and the knowledge of how this data can be employed.

If you are not capturing purchase information on your customers yet, consider implementing systems that will allow you associate purchases with specific consumers.

Direct Mail Drives New Customer Acquisition

If a company does not continually bring in new customers, that business will decline. A rule to remember is that a business must replace 20% of their customers annually to replace its loss. In the absence of a solid retention program, we have seen account turnover reach as high as 30-40% annually. Regardless of where you're at, you need new customers.

Good prospecting requires great data and great offers. The highest component cost on direct mail is typically postage. To achieve high ROI it's important to mail to people who are the most likely to buy. We see a lot of campaigns where lots of money is being wasted mailing to the wrong people. So, how can you find the right people?

There are a few interesting ways to learn more about your prospects or execute prospect campaigns that have a higher likelihood of success by using the following concepts:

- Modeling
- Info Gathering Campaigns

A Key Metric: Lifetime Customer Value

In the retail realm, it is not unusual for new customer acquisition cost to exceed the initial sale. Auto manufacturers frequently offer significant discounts to recent college graduates, who will typically purchase lower margin entry level models. Why would a company take a sale at a loss or break even?

Because the goal, in some cases, is to gain a recurring customer, not just a single sale. Do you know what the lifetime value of a customer is?

Here's how to calculate the Lifetime Value of a Customer (LVC):

- Average Sale
- Number of Sales Made Per Year
- Number of Years the Average Customer Remains a Customer
 - This is calculated by dividing 100 by your current attrition rate. If your annual loss rate is 20%, the average customer would remain a customer for 5 years.

LCV Example: If a customer spends \$30 each time they shop and they buy 20 times per year, they spend \$600 annually. If they remain a customer for 5 years on average, the LCV would be \$3,000.00

The new customer acquisition cost should be measured against LCV.

We should also add there seems to be a myopic focus on the use of email and other forms of mass marketing due to low outbound costs per thousand. However, when response rates are evaluated, direct mail frequently outperforms those tactics from a total revenue standpoint and a cost per new customer perspective.

To make an analogy, it would be like buying penny stocks because they're cheaper versus buying a more expensive stock like Berkshire Hathaway A. The per unit purchase cost isn't what's important. It's all about the ROI and incremental margin dollars.

Modeling

There are a handful of large consumer data providers in the US who maintain large compiled databases on virtually every person in the United States. They have 1,000 + columns of data that include demographics, financial data, purchase data, survey data, housing data, and more. They access land use records, magazine subscription data, warranty registrations, consumer sales data and more and develop ever-expanding consumer profiles.

We can take your customer data and have them append it, adding all of the known data characteristics to each customer record. This data is analyzed to determine which characteristics are the most dominant in your customer database. The goal of this process is to create a "data model" of your customers. In a recent model performed for a customer who had been doing saturation mailings, the modeling process produced a model where we found 31% of their customers in a segment of 1.5 of the universe of consumers.

¹The Marketing Relevance Imperative, Marketing Today, www.marketingtoday.com, Peter DeLegge

This knowledge can be used to purchase additional prospect names that fit the profile. Using the model described above can create a scenario where the prospect is 5-12x more likely to become a customer than saturation mailings to the general public. We have seen this process used to dramatically improve list quality and the likelihood of a sale. The additional data characteristics may be valuable in enabling you to make the pieces more relevant.

“By segmenting and targeting prospects based on specific behaviors, marketers can increase open rates by more than 50% and conversion rates by more than 30%.”

– Jupiter Research, 2013

Info Gathering Campaigns

Campaigns that are run specifically to accumulate data are referred to as info gathering campaigns. These campaigns should be viewed as investments since they will be beneficial to your future campaigns.

One of the most successful campaigns we have seen was a pet food company giving away free pet name tags. Pet owners are typically concerned about their pets’ safety, which is why this campaign was so effective. A tag containing the pets’ name, address and phone number has a high interest. Consumers were asked to visit a website to provide information that would be used to create the tag, notice the integration of online technology to track engagement.

While completing their pets’ information, the consumers were asked discovery questions that would help them shape future campaigns, such as:

- Breed
- Number of Pets
- Ages of Pets
- Address
- Pet Owner Name(s)

Those are only some questions they were asking. The collected data was then used to send relevant offers. In this case, it was a birthday card for Fido with a coupon that could be used for a new toy item or treats.

And it all started with that single direct mail piece!

“More than half (51%) of consumers prefer coupons that come in the mail over email or other channels. This rises to 61% of Millennials.”

– 2K14 Shopper Marketing Report (Valassis, 2014)



Postage Costs & ROI

A handful of organizations will bid out all of their direct mail projects to at least three potential providers, but never really put any thought to what their postage will cost. Postage matters and can affect your ROI.

The majority of direct mail projects that we at PrintComm encounter have postage that is several times higher than print and mail costs. If you can save money on postage, campaign ROI will instantly increase.

That being said, low cost pieces arriving after an event or promotion ends don't make any money. There are circumstances where it may be worth paying extra on postage, either to ensure timely delivery to make an impact.

There are several items that can be evaluated to potentially decrease high postage costs. PrintComm looks at automation compatibility, mail piece specifications, list quality, mail entry points, walk sequencing and more to save our clients' money on their postage.

List hygiene is a big issue. When you execute a mailing, your data is run through the National Change of Address (NCOA) database and address standardization software. These processes will correct many of the addresses. USPS and their approved vendors maintain records of address changes.

Most mailers routinely submit databases to the 18 month file. In other words, they are run against a database with a record of all moves that were reported in the last 18 months. Some of the addresses are corrected, some cannot be. That correction file should be migrated backed into the customer's database so the current address is correct. However, we have found that many mailers don't feed back these files which means the customer's database deteriorates. This is just one issue.

Our team sent out 10x15 jumbo postcards, which do cost more to send due to its size. The impression it makes when it arrives at the recipients home can justify the price so you have to weigh pros and cons.

Some firms use priority mail or parcels sent in boxes or cardboard envelopes. These types of mailings give the impression of being important and have a higher success rate making it past mail screening.

If you are producing high volume mailings, let us analyze your mail to determine if any postage savings can be achieved.

The Advantage of PrintComm

Effective & Efficient Direct Mail, Print & Integrated Media

We help our clients execute effective direct mail and print campaigns. Additionally, we can provide project management assistance and direct marketing expertise that help our clients accomplish their direct marketing objectives which can include:

- Lead Generation
- Nurturing Leads into Sales-Ready Leads
- New Customer Acquisition
- Effective Event Marketing

If you would like to schedule a time to talk or set up a demo for any of these concepts, please contact Stephen Naughton at 810-496-1172 or via email at snaughton@printcomm.com

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