

# Integrating Direct Marketing Into The Advertising Mix and Measuring ROI



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Dave M<sup>c</sup>Sweeney, Vice President  
World Marketing Integrated Solutions, Inc.  
630.734.9900



# WHAT ARE THE CORPORATE TRENDS?

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- Increasing pressure to consolidate and divest non profitable businesses
- Meeting operating budgets through fixed cost containment
- Need to create a one-to-one dialog with your customers
- Overall cost of sales rising from \$1,250 to \$2,000+



# WHAT ARE THE SALES & MARKETING IMPLICATIONS?

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- Web has created expectations for Just-In-Time, efficient delivery, and service
- Multiple sales channels offer lower cost/sale
- Justify & quantify financial return on every dollar
- Acquire profitable customers, not just any new customer

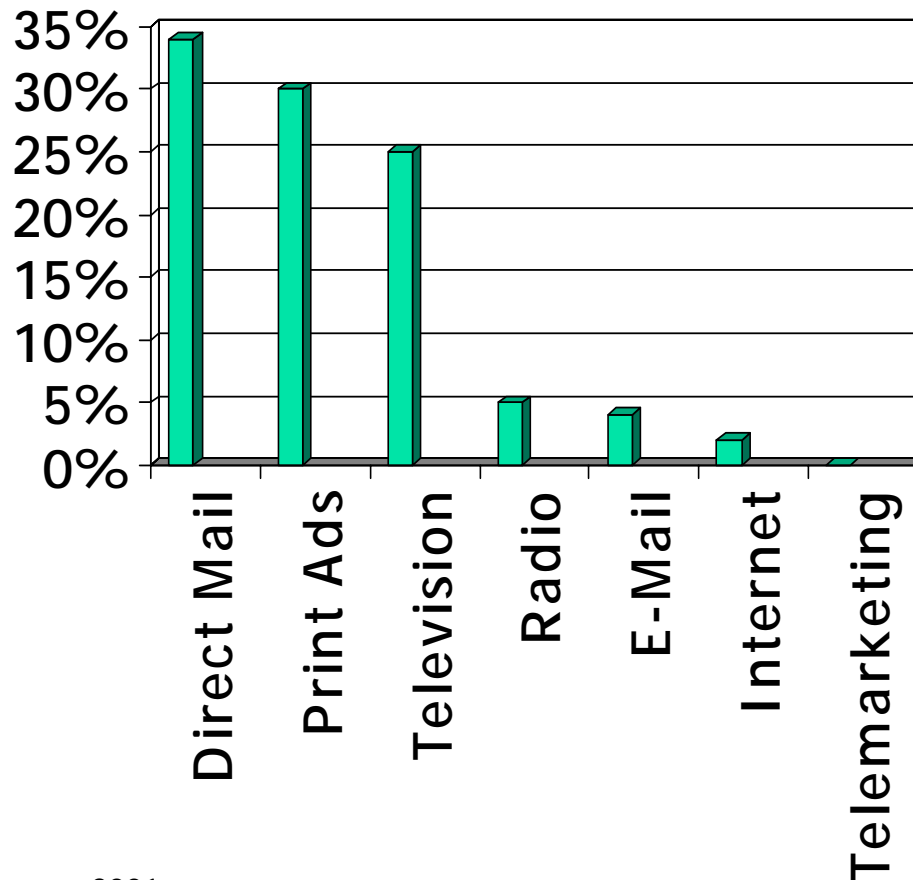


# HOW DO THESE TRENDS AFFECT MY CUSTOMERS?

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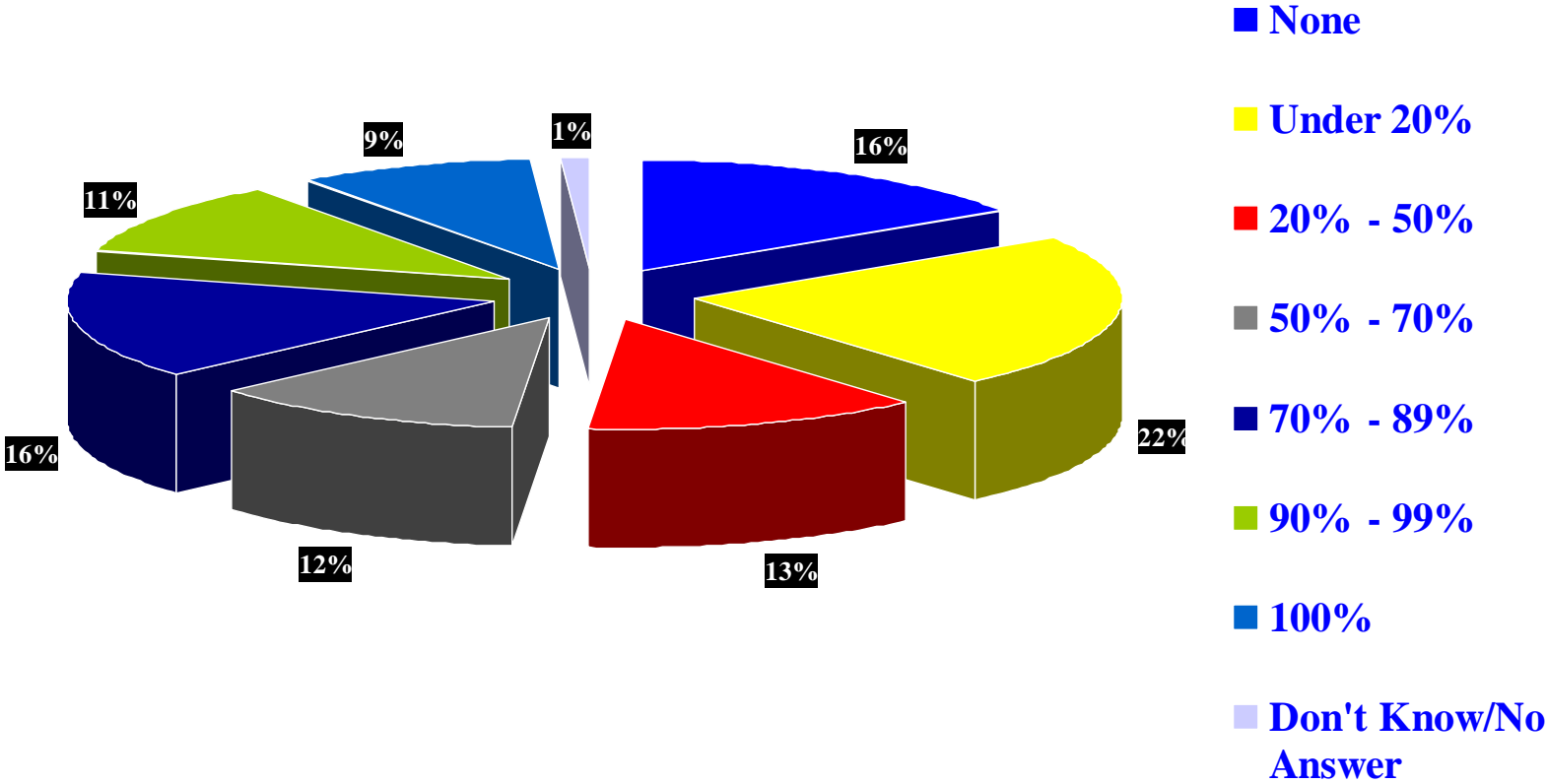
- Expect high touch with high tech
- Expect you to know more about them
- Suffering from information overload
- Relationships have become more valuable as the world becomes less personal

# HOW TO COMMUNICATE



Source: Pitney Bowes, 2001

# PERCENT OF MARKETING BUDGET SPENT ON DM FOR 2002



Source: DIRECT Magazine, December, 2001



# WHAT IS THIS DATABASE STUFF?

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Interactive System By Which Information Is  
Stored And Retrieved On Customers And  
Prospects With The Intent Of Generating  
Specific Communications And Action



# WHY IS IT A STRATEGIC ADVANTAGE?

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- Takes us away from mass marketing to targeted communications and one-to-one marketing
- Leverages existing customers across multiple channels and products
- Creates relationships not just sales
- Provides the foundation for true CRM (Customer Relationship Management) and loyalty



# WHY DOES IT WORK?

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Database Marketing Works Because  
Customers Want It to Work.

It Makes Customers Loyal Because  
They Want to Be Loyal.



# EARLY DATABASE MARKETERS

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- **INSURANCE COMPANIES**

- Northwestern Mutual Life
- Transamerica
- Mutual of Omaha

- **OFFICE PRODUCT MANUFACTURERS**

- Quill
- Reliable
- Staples

- **FINANCIAL SERVICES COMPANIES**

- American Express
- Discover Card Services

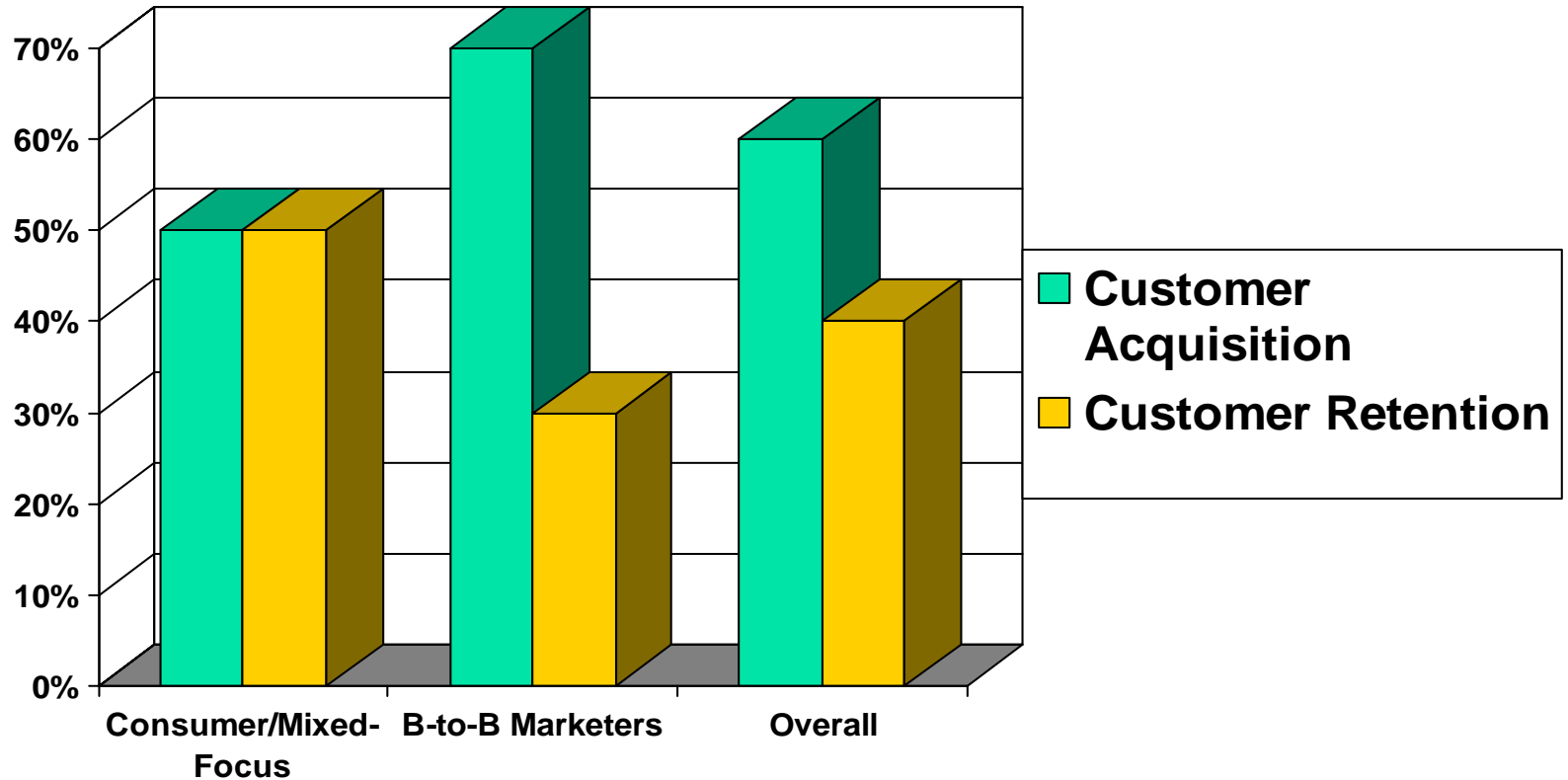


# WHO ELSE IS IN THE GAME?

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- Telecommunications
- Technology Companies
- Hospitality – Airlines, Hotels, and Gaming
- BTB is Evolving

# WHAT ARE THE MAJOR MARKETING ACTIVITIES?





# TYPES OF LISTS

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- Subscriber Lists/Non Subscriber
- Customer Lists
- Consumer Lists
- Business-to-Business Lists
- Compiled Lists
- Vertical Lists
- Email Lists
- Co-op Database



# THE THREE "C"'S OF TARGETING

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- **DEMOGRAPHICS**
  - Who they are and where they live
- **PSYCHOGRAPHICS**
  - What they buy and what they like
- **INFOGRAPHICS**
  - What they read and how they communicate



# TYPE OF INFORMATION USED IN TARGETING

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Individual \$ Amount of Purchase

# of Annual Purchases

Recency, Frequency, \$ Value of Annual Purchases

Source of Original Lead/Contact

Competitive Products Used

SIC Code, Demographic Overlays

Promotional History



# SOURCES OF INFORMATION USED FOR TARGETING

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- Accounts Receivable Records
- Shipping and Order Information
- Credit Files
- Sales Leads
- Inquiries/Referrals
- Channel Marketers End User Data
- Web Data



# INTEGRATED CAMPAIGNS

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- Built on a database marketing foundation
  - Rule of Three
- Integrate all channels
  - Every contact is an opportunity
  - Increase response with synergy
- Leverage Brand Identity
  - Sum of logo, tagline, message, tone, colors
- Consistent positioning across all campaigns



# INTEGRATED CAMPAIGN A CASE STUDY

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- Identify Target Market
  - Consumer, Business
  - Demographics, Firmographics
- Build Prospect Data Mart
  - Customer supplied targeted account list, sales force contacts & prospects
  - Supplementary Sources
    - Compiled Files, Vertical Files
    - List Brokers



# INTEGRATED CAMPAIGN A CASE STUDY

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- Combine database, direct mail, print and telephone marketing to qualify prospects and set appointments
  
- Contact Strategy
  - Direct Mail
    - Frequency Strategy for 2 Different Audiences
  - Contact Strategy (appointments)
    - Different Strategy for Different Audiences
  
- Follow up Call Program to set Appointments



# TESTING

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- Testing to measure impact on:
  - Sales/Revenue
  - Marketing Cost
  - Contribution/Profitability
- What's your objective for this test...
  - Which offer drives more revenue?
  - Can you lower the acquisition cost and maintain the response?
  - Or, is it both, for improved profitability of each sale?



# Testing: Specific Ideas

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- Channel/Media
  - Print, TM, DM, Email, TV, Radio, POS
- Timing
  - Seasonality, Contact Strategy
- Offers
  - Free trial, Continuity, \$\$ savings, % off, Premium, 2 for 1



# Testing: Specifics Ideas

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- Testing Lists

- When selecting test lists, look for a match with the demo- and psychographics of profitable customers...
  - Rented lists, vertical lists, directories
  - Names appearing on more than one list are ideal prospects
  - A/B Split in publications
  - Regional Audience Splits in TV/Radio - take care to have similar distribution



# Testing: Get Your Ducks in a Row

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- Identify or Estimate
  - anticipated response
  - anticipated pay-up
  - anticipated cost per lead/order
  - breakeven point
    - revenue per order
    - cost of goods
    - fulfillment/premium/billing costs
    - overhead - initial concept/creative cost



# MAIL RESPONSE CHARACTERISTICS

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## Response Vs. Compiled

5-10 times higher response

## Recency

Hotline: 30, 60, 90 Days

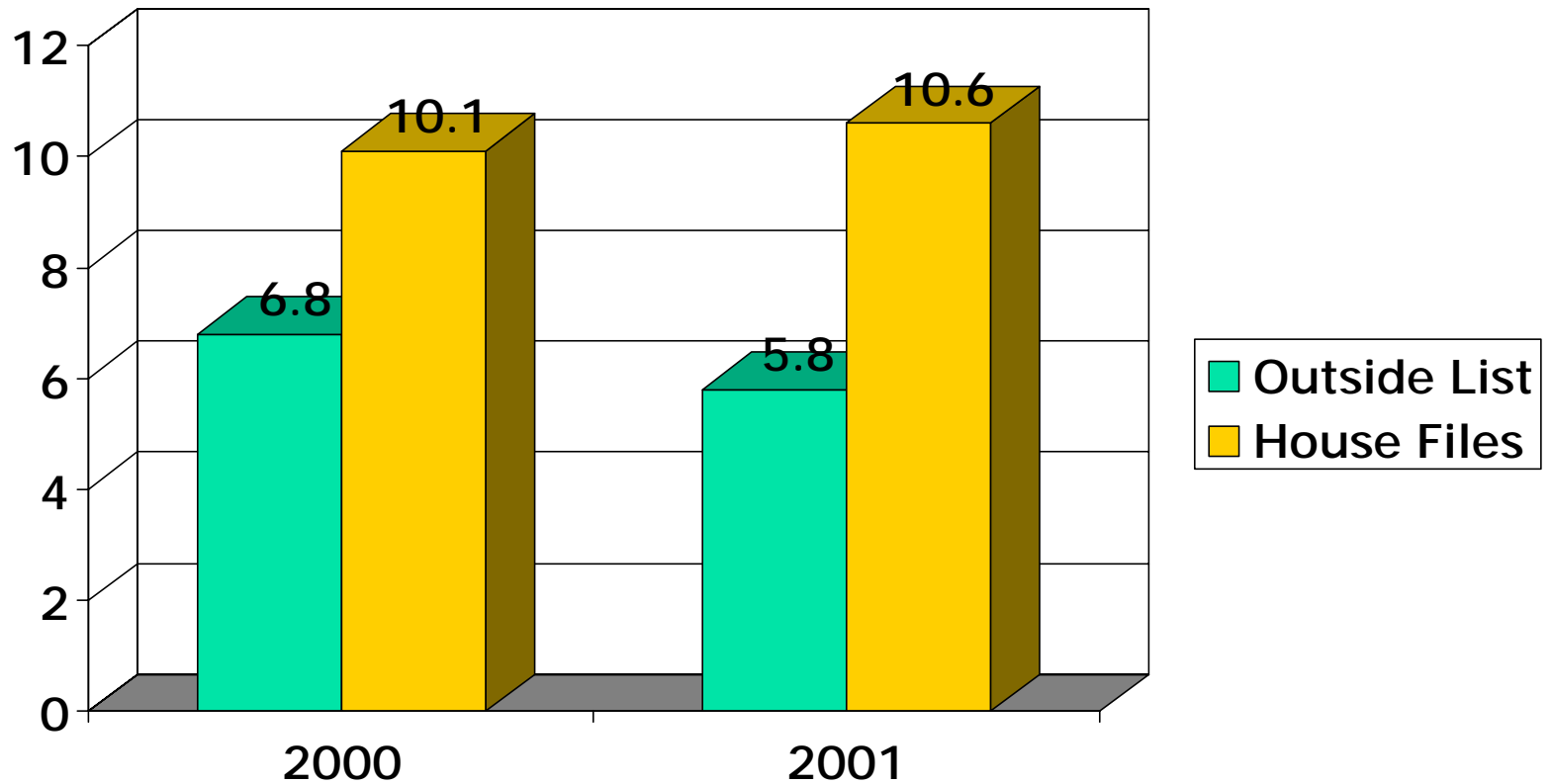
50% higher response than average

Actives/Inactives

## Multi-Buyers

2 times higher response than 1 time buyer

# List Response Rates



Source: DIRECT Magazine, December, 2001



# BENEFITS OF ANALYSIS

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- Increase ROI through more effective targeting and communication
- Increases response rates and conversion rates
- Increases call to close ratio
- Improve results without shifting ad dollars
- Project ROI and plan budget dollars



# SEGMENTATION, ANALYSIS, MODELS WHAT'S THE DIFFERENCE?

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- Targeting
  - Profile
  - Chaid
- Track Response and Results
- Recency, Frequency, Monetary
- Predictive Models
  - Decile or Quintile Model
- Demand Estimation Models



# RETURN ON INVESTMENT

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- ❖ Investment = Cost
- ❖ Return = Revenue
- ❖ ROI = Revenue / Cost



# ROI EXAMPLE - INVESTMENT

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- 580,000 Prospects @ 5% Resonse
- 29,000 Sales @ \$350 - 1st year  
**= \$10,150,000**
- Program costs 580,000 @ \$0.75 \$435,000
- COGS 29,000 @ \$10 \$290,000
- Total \$735,000
- **ROI 13.8 : 1**



# VARIATIONS ON MEASURING ROI

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- ROI =  
(Annual revenue – Annual Costs)/Investment cost
- Annual costs should include:
  - Maintenance costs (including internal IT Dept.)
  - Cost of upgrades to hardware & software
  - Ongoing consulting, training
  - Initial hardware/software for all users



# ADDITIONAL RESOURCES

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- Chicago Association of Direct Marketing
  - Monthly luncheons, 11-week Basic Course
  - 10 Special Interest Groups, DR Broadcast
  - 312-849-2236, [cadm.org](http://cadm.org)
- Direct Marketing Association (DMA)
  - 212-768-7277
  - [the-dma.org](http://the-dma.org)
  - WEFA Study



# WORLD MARKETING INTEGRATED SOLUTIONS

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- ❑ Strategy-Driven integrated marketing consulting company
  - Database, Telemarketing, E-marketing, and Direct Mail
  
- ❑ Our primary focus is in using data to help clients create and execute profitable integrated marketing strategies.
  
- ❑ Dave McSweeney, 630-734-9900