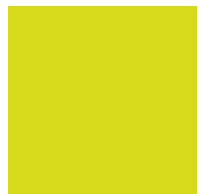




Direct Mail Essentials: How to Improve Your Response and Generate More Business

By Ruth P. Stevens





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Direct mail is one of the most productive marketing communications vehicles in the world. It allows infinite variety of formats and messages; you can find mailing lists in almost any consumer or business category; and it's a personal, powerful medium that is ideal for persuasive selling.

Compared with other media channels, like print advertising, inserts and Internet ads, direct mail is relatively expensive on a cost per touch basis. But, if it's managed well, direct mail can provide the lowest cost per response and the highest ROI.

In fact, direct mail is particularly useful for small and medium businesses that are looking to extend their marketing dollars by making a very persuasive case to exactly the right prospective customer with minimum waste and maximum impact.

This white paper is intended to help you get the most value from direct mail to meet your marketing objectives.

The power of direct mail

Direct mail derives its power from the principles of direct marketing. In direct marketing, the art and the science of marketing communications intersect. Direct marketing communications are designed to generate a measurable response which is tracked and recorded. This allows the results to be analyzed and continuously refined and improved.

The secret to measurement

If you're wondering how direct marketing communications are so measurable, the answer lies in the *keycode*, a unique identifier that connects the inbound response to the outbound promotion. Keycodes can take the form of numbers, letters or pixels, and are typically pre-populated on response devices. For example:

- An alphanumeric code pre-printed on the direct mail reply form
- A special 800 number for the respondent to call
- A "department" code or operator name
- A unique URL



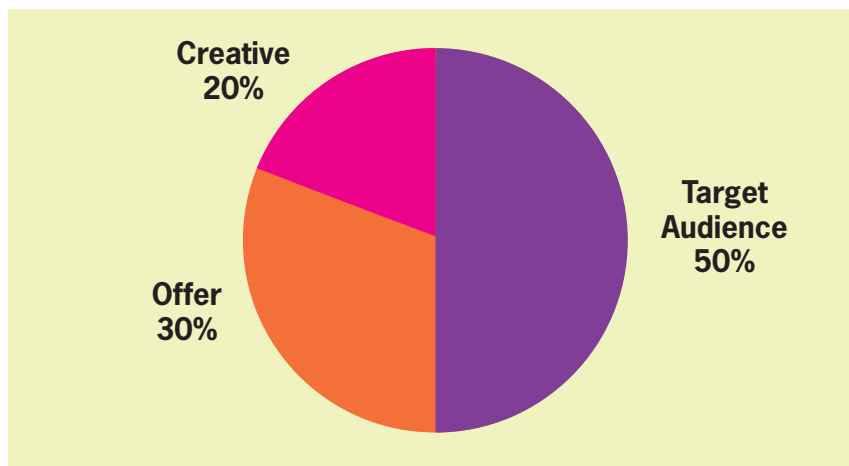
Smart direct marketers plan every campaign with the expectation that it will drive tangible value for their company or organization. They carefully consider each of the three key points of leverage in the direct marketing campaign:

- The **target audience** – selecting the most likely prospects for the campaign.
- The **offer** – the motivator that drives the response.
- The **creative** – the copy, design and communications format that delivers the offer in a clear and compelling way.

Each of these elements of a direct marketing campaign has an essential role to play. Direct marketers seek to optimize each element, in turn, and thus maximize the results of their campaigns.

But the three elements are not equally important. While you might think the copy and art are critical to the success of your campaign, in fact it's the target audience and the offer that are responsible for the bulk (80%) of your results.

Not all direct marketing elements are created equal



So, before you worry about your font size and the color of your outer envelope, be sure you spend sufficient time on audience selection and offer development. This is where much of your leverage lies.

Avoiding the biggest mistake in direct mail

Do not confuse direct mail with general advertising. For success with direct mail, it's essential that you apply the principles of direct response communications – meaning, you target the most likely audience for your message, and you include an offer, a call to action and a response vehicle. If you simply use direct mail to blanket the marketplace with awareness messages, you are wasting the power of the medium – and also wasting money due to mail's relatively high cost per contact.



Audience selection

Targeting the most likely audience is Job One in direct marketing. If you're not talking to the right person, then nothing you can say or do will be effective.

Most direct marketers select audiences based on a combination of two factors: what they've done (behavior) and who they are (demographics). Of these two, behavioral characteristics will always be the more powerful predictors of response.

But sometimes, when the data is not available, direct marketers are forced to rely on audience selection based on demographic factors, like age, income and gender or business type and size, as well as geographic location. The ideal approach is to combine the two – find prospects with demographic characteristics similar to your best customers who have also responded to you or to someone else in the past.

When marketing via direct mail, businesses can target their prospects with great precision. Direct mail lists vary widely in their responsiveness, ranked in the following order:

1. Your own database, known as your “house file.” These are the customers and inquirers with whom you have a prior relationship, and they are 5-10 times more likely to respond to your campaign than any other list.
2. Response lists. These are people who have responded to some other marketer, like magazine subscribers, event attendees, charitable donors or mail order buyers. These lists will respond at 3-5 times the rate of compiled lists.
3. Compiled lists. These are names of prospects that have been culled from directories, government records or other sources. The best example is names from telephone records, whether the White Pages or the Yellow Pages. Compiled names respond at somewhat lower levels than the first two categories, but they can still be effective when an appropriate offer is made, and they offer the advantage of wider market coverage.

How to access excellent mailing lists

The first step in developing and selecting productive lists to mail is to focus on your own database by recording every interaction with a customer or inquirer and updating the information to keep the file as clean as possible.

Then, develop a relationship with a list broker who specializes in your category. You can find brokers online or through referral. When making your selection of a broker, be sure to ask about his or her experience and check references carefully.

4

The broker's job is to represent you, the mailer, by recommending the best lists to test. The broker's fee, typically 20%, is paid by the list owner at the time of rental, not by you. One key question to ask about any recommended list is: “Who else has mailed and re-mailed this list?” If the list has worked for your competitors or others in your category, then it is very likely to work for you. This valuable data is not always available, but be sure to ask.



How direct mail compares to other media

Direct response communications can work in almost any medium. But some media are more suited to driving a measurable response than others. Direct mail is one of the most effective media for direct marketing, especially for small and medium businesses, due to its flexibility, ubiquity and personalization.

Today's Direct Marketing Media: What To Consider

| Medium | Strengths | Considerations |
|-------------------------------|--|--|
| Direct mail | <ul style="list-style-type: none"> Highly personal Wide availability of mailing lists Flexible formats and selling space Easily measured | <ul style="list-style-type: none"> Try various format options: flat mail, postcards, dimensional mail, catalogs, self-mailers, co-op mail |
| Email | <ul style="list-style-type: none"> Inexpensive Easy to test offers and creatives | <ul style="list-style-type: none"> Not suited to cold prospecting Make sure your "from line" is a name that is recognized and trusted Severe deliverability problems in business markets due to corporate filters |
| Magazines | <ul style="list-style-type: none"> Good medium for split testing | <ul style="list-style-type: none"> Long lead times Test a variety of units: page, page fraction, page and card, cardstock insert |
| Telephone | <ul style="list-style-type: none"> Intrusive and flexible Good for combining with mail or email for multi-touch campaigns | <ul style="list-style-type: none"> Do Not Call rule limits consumer telemarketing to targets with a prior business relationship |
| Inserts | <ul style="list-style-type: none"> Highly targetable Negotiable rates | <ul style="list-style-type: none"> Limited selling space requires a simple message Test a variety of media: package inserts, co-ops, take-ones, card decks |
| Search Engine Marketing (SEM) | <ul style="list-style-type: none"> Performance-based pricing (pay per click) Audience is already researching the category | <ul style="list-style-type: none"> Key word bidding can be hard to manage Prices are rising regularly Best to combine it with Search Engine Optimization (SEO) |



Characteristics of a great offer

The job of your offer is to motivate the respondent to take action. Without a compelling reason to respond, your target is most likely going to do nothing.

A great offer has high perceived value to the prospect. This does not necessarily mean it costs you much to give, but that your target thinks it's valuable. It is simple, easy to explain and can be grasped quickly.

An effective offer is delivered with a sense of urgency. You can create urgency by limiting the time or the number available to stimulate an immediate response. It appeals to your target audience, but is not so generous as to attract an unqualified, unprofitable customer.

“Power locations” for your offer

Your offer will work harder if you place it in the power locations of your communications. Here are some spots where readers are most likely to see your offer and take the action you want them to take.

- Outer envelope
- Email subject line
- In your letter as an opener
- In your letter as a closer
- In your P.S.
- Johnson box (a block of copy above the salutation on the letter's front page)
- Lift note or insert
- On a burst in your brochure or catalog
- Upper right on your Web site's home page

Offer ideas you can take to the bank

Develop offer strategies by talking to your sales people and your customer service reps and by keeping an eye on your competition.

Proven Offers

| Discount offers | Payment term offers | Promotions | Valuable Information (B2B Marketers) |
|--|---|--|---|
| <ul style="list-style-type: none"> • Buy one, get one free • % off • Dollars off • Rebate • Introductory price • Seasonal discount | <ul style="list-style-type: none"> • Free trial • Bill me later • Installment billing • Money-back guarantee • Free shipping | <ul style="list-style-type: none"> • Premium on inquiry • Premium on order • Premium on payment • Free sample • Sweepstakes, contests • Free downloads | <ul style="list-style-type: none"> • Best practices white paper • Research report • Subscription to newsletter (Print or email) • Case study • Cost calculator |



Direct mail rules of thumb

You can jump start your campaign by learning from the experience of the pros. Here are the key principles that have emerged from years of direct mail testing by veteran direct marketers:

- ✓ Put your address, phone and Web site on every component of your direct mail in case any piece gets separated from the response card.
- ✓ If you re-mail the same list within a few weeks of the original mailing, you can expect the second mailing to respond at half the rate of the first.
- ✓ Direct mail in an envelope will always out-pull a self-mailer.
- ✓ Personalization almost always pays for itself.
- ✓ A weak offer to a well-targeted list will outperform a powerful offer to a poorly targeted list.
- ✓ A trial offer averages a high acceptance rate.
- ✓ A letter that opens with a benefit and comes right to the point will drive the best response.
- ✓ Never end a letter page with a period. Always add “Over, please” to the lower right hand corner.
- ✓ The most effective signature on a letter is by a real person, in blue ink.
- ✓ The most powerful words in direct mail copy are: free, you, your, new, bonus, satisfaction guaranteed, order now, success.
- ✓ If the copy is compelling and succinctly written, long copy persuades better than short copy.
- ✓ Create your response device first. Restate the offer on the response device.
- ✓ January is the best-responding month for consumer direct marketing offers.
- ✓ Late summer/early fall are good times for large dollar B2B offers.

5 essential creative principles

Over years of testing and refinement, the rules of direct marketing copy and design have emerged. Break these rules at your peril.

Rule 1: Copy trumps art. Direct marketing is more about selling and less about creating an impression or being memorable. So, great direct marketing communications focus on persuasive copy. The role of the illustrations and design is to deliver the message clearly.

Rule 2: Use a friendly, me-to-you tone. Avoid formality. Avoid jargon. Write the way you speak. This is not mass advertising. This is one person talking to another. What is the most powerful word in direct marketing copy? “You.”

Rule 3: Keep it clear and simple. Focus on only one thing. Sell the offer, not the product. Don’t introduce choice into your offer. Don’t try to sell two ideas at once. You confuse, you lose.



Rule 4: Be credible. People won't respond to someone they don't trust. So your offer must be believable. And your messaging must be warm and personable. Eliminate risk by adding testimonials and guarantees.

Rule 5: Stress the benefits versus the features. Explain why the customer should care. "What's in it for me?" Don't talk so much about the product per se. Talk about what it can do for the customer.

How to get noticed in the mail

Tips for making your direct mail piece stand out from the mailbox clutter:

- Put teaser copy on the outer envelope, front and back.
- Use an oversized format, like a giant postcard or a 9 x 12 envelope, to stimulate the reader's curiosity.
- Use a cartoon on the outer envelope.
- Create a sense of urgency: Open immediately!
- Add an involvement device, like a survey question or peel-off stickers, that show through the outer envelope.

Test, test, test

The true secret to direct marketing success is continuous testing and improvement. Testing helps you identify the strongest lists, the most powerful offers and the most compelling copy and design treatments for your direct mail. Plus, testing allows you to find out what works in the marketplace based on a minimal marketing investment.

Here's an example. Let's say a restaurant has been using an offer of "two entrees for the price of one" but is wondering whether it would be stronger if they offered "15% off your entire check." Both are good offers. Who knows how the market will respond? The only way to find out is to set up a test.

First, you identify a variable that you want to test. For example, you might want to see which lists are most productive for you. Or you might want to test two different offers against each other, and see which one produces the highest ROI.

8 Just be sure you test the most important variables first. List and offer testing is the best place to begin. Once you have made progress in that area, then you can test package formats and copy platforms.

Then, you need to determine the size of the test. Your objective here is to ensure that the test provides "statistical significance," meaning that the results from the test sample will be replicated when you mail again to the rest of the audience.



Don't worry. It's not hard to calculate the sample size needed for a reliable test. Just use any of the many "sample size calculators" available online. The calculator will ask you for 3 things:

1. The response rate you expect. This you can estimate from past experience or by using the rate you would need to break even on the campaign.
2. The margin of error you can afford. The more error you can accept, the smaller the test size you can get away with. Most direct marketers use 10-20% for this number. Here's how the math works: If you expect a 2% response, and you won't be in too much trouble if the result comes out to be 1.6% (i.e., 20% less than 2%), then 20% is the margin of error you can afford. Of course, there's an equal chance that the result will be 20% better than your estimate which would be a nice thing!
3. Your required degree of confidence. Direct marketers usually work at 90-95% confidence in testing.

You also need to isolate the variables, so you can identify what drove the result. For example, if you are testing two offers against each other, make sure you mail each offer separately to similar audiences using the same mail package. This way, neither the target audience nor the creative treatment becomes a test variable that can muddy your results. The best way to make this happen is to select a random sample of the target audience, divide the sample in half and mail each group the separate offers. Or, if you are doing list testing, be sure to send identical offers and creative treatments to the different lists so you can determine which list performed best.

The benefits of testing are huge for direct marketers. You may be very surprised at how your market responds compared to what you expected. Once you have real market feedback, you can refine your mailing programs, and very quickly improve your response, lower costs and generate more business.

Ways to improve response

- Make a strong call to action: Click here! Call now!
- Eliminate barriers to response: Use Business Reply Mail and provide a toll-free phone number.
- Make it easy to respond: Pre-populated order form, perforated response card.
- State your offer prominently and frequently.
- Add a guarantee.
- Include testimonials.
- Follow up your mail with a phone call or an email.
- Use a P.S. in your letter to restate your offer and your call to action. This is the second-most viewed section of a letter. (The first is the salutation.)
- Use a Johnson Box, which is a block of copy positioned above the salutation in your letter where you can grab attention and persuade people to keep reading.



Conclusion

If it's used to its best advantage, direct mail can be the single most powerful element of your marketing toolkit. So follow the rules of direct response communications, focusing on selecting your most productive target audience and developing a compelling offer to motivate them to respond. That, combined with testing and continuous improvement, spells success in direct mail.

Your reference library

Direct marketers tend to be generous in sharing what they have learned. You can gain a lifetime of experience by reading a few books on the subject. Here are some good ones.

- *Commonsense Direct Marketing*, by Drayton Bird (Kogan Page)
- *Creative Strategy in Direct Marketing*, by Susan K. Jones (Racom Books)
- *Direct Marketing, 4th ed.*, by Ed Nash (McGraw-Hill)
- *Response!*, by Lois Geller (McGraw-Hill)
- *Strategic Database Marketing*, by Arthur Hughes (McGraw-Hill)
- *Successful Direct Marketing Methods*, by Bob Stone and Ron Jacobs (McGraw-Hill)
- *Tested Advertising Methods*, by John Caples (Prentice Hall)
- *The DMA Lead Generation Handbook*, by Ruth P. Stevens (The DMA)

Author's biography



Ruth P. Stevens consults on customer acquisition and retention, and teaches marketing at Columbia Business School. She is past chair of the DMA Business-to-Business Council, and currently serves as president of the Direct Marketing Club of New York. *Crain's BtoB* magazine named Ruth one of the "100 Most Influential People in Business Marketing" in 2002. She is the author of *The DMA Lead Generation Handbook* and *Trade Show and Event Marketing*. Ruth serves as a director of Edmund Optics, Inc. She has held senior marketing positions at Time Warner, Ziff-Davis, and IBM and holds an MBA from Columbia University.



Where Do You Go From Here?

As a marketer of a small or mid-sized business, you are contending with a growing list of challenges – both internal and external – that influence your development of a successful marketing program. Fewer inside resources in people, time and dollars, increased competition in the marketplace and a proliferation of available marketing strategies that produce varying outcomes all seem to work against you when you need to demonstrate results.

Where does a marketer begin?

Direct mail is a proven strategy that generates measurable outcomes when done right. Managing all of the components of a successful direct mail campaign can be time-consuming. Using multiple resources or an agency can be cost-prohibitive. Relying on freelancers is often inefficient. The most effective use of your staff, time and dollars is found in consolidating your program with a single source to develop, produce and deliver your direct mail programs.

Beginning with creative development and design, Allegra works closely with clients to define and refine key messages tailored to target audiences. Taking a concept to creation is the next critical step. It's Allegra's core business to know how to print a direct mail piece in the most cost-effective and time-sensitive ways.

Of course, we all know a great-looking piece will fall flat on its face if it doesn't get into the hands of the right people. That's where Allegra's mailing expertise comes into play. Allegra experts stay current with postal regulations and requirements. That way, dollars aren't lost due to irregularities in your mailers that can add up if you're not careful.

Allegra is locally-owned and operated. Our focus is on small and mid-sized businesses and organizations that need marketing services and print-related communications. Our skills go beyond direct mail and include customer/donor communications, special events support and brand identity – whatever it takes to make an enterprise like yours not just survive but thrive.

Want to learn more? Contact your Allegra representative today.



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