

Direct Marketing
ROI Planner
Brochure

The Xerox® ProfitQuick® Direct Marketing ROI Planner

Your advanced marketing
business companion.



**ProfitQuick®
Direct Marketing ROI Planner**

Key Campaign Data: Enter your values for quantity and desired price.

Quantity	Unit Price
100,000	100,000
\$0.82	\$0.75
4.00%	\$792.00
\$792.00	\$250.00
\$250.00	\$1.00
10.00%	\$2,900
\$1.00	

Key Results

- No. of Mail Pieces Sent
- Cost per Mail Piece
- Total DMT Campaign Costs
- Total Cost of Sold Items
- Total Campaign Revenue
- Total Campaign Profit
- Total Campaign ROI

Acquisition and Conversion Results

Quantity	% Response	% Conversion	Value	% Profit
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%
4,500	5.00%	25.00%	15,000	10.00%

Break Even Point For Incremental Cost Justification

- Prospects Response Rate (%)
- Total Number of Responders (Prospects)
- Conversion Rate
- Number of Clients Acquired
- Final Client Response Rate
- Acquisition Cost per Prospect
- Acquisition Cost per Client
- Profit per Sales
- Incremental Asset Value of Prospects

Value: 4,277
BEP - Percent: 428
BEP - Price: \$2.00

Response Tuner: Tune to the desired rates

Estimated Conservative Response Rate (Prospects): 5%
8%
10%

Calculate

At last, a simple, quantifiable planning resource

Taking full advantage of the Direct Marketing ROI Planner is simple.

You only need to enter a few important pieces of data for the ROI results to be calculated and instantly populated in the Key Results window. The Direct Marketing ROI Planner is impressive in its results, yet is amazingly easy to navigate. The only data you need to add is in the Key Campaign Data section. You will then spin the Tuner Wheels to customize your opportunity scenarios prior to simply pressing the green Calculate button.

The **Direct Marketing ROI Planner** is a powerful Xerox® marketing tool designed to demonstrate and project the complete Return on Investment (ROI) of a direct marketing campaign or program. It is not just another ROI calculator but an advanced provider of true projections and results to evaluate the effectiveness of your direct marketing projects, giving you the ability to compare campaigns and evaluate risk.

The **Direct Marketing ROI Planner** is the business partner of marketers to forecast and report results to their board of directors. An instant score card and a true campaign enabler that not only presents standard statistics, but also outlines the overall profitability of the products or services sold.

The **Direct Marketing ROI Planner** enables you to see all the figures and results of your direct marketing campaign to an impressive level of business detail. It is also a great forecasting tool that allows marketers to compare different campaigns. Now you can quantify your risk of transitioning from conventional marketing to 1:1 direct marketing.

“What a fantastic tool this will be for marketers! I have seen a few ROI calculators, but never one this complete for one to one campaigns and never one that is this easy to understand. You have taken what one to one marketers have been telling their customers for years, and you have turned it into a quantifiable resource. This will make it so easy to tell the story!”

– Bob Pente
President
Wired Pente Inc., Canada



Have you ever tried to justify new marketing projects?

If you wish to compare a current campaign that you are running with one that you are planning using 1:1 marketing*, now you can use this Xerox® ProfitQuick® Direct Marketing ROI Planner as a comparison and forecasting tool.

1. Let's Get Started!

Follow these steps to enter your data in the Direct Marketing ROI Planner.

No. of Mail Pieces Sent: Enter in this field the number of direct mail pieces that you have sent or plan to send, e.g. 100,000 pieces. If you plan to send the same number of pieces for your 1:1 marketing campaign, enter the same number in both Current and 1:1 Campaign columns.

If you plan to send fewer or more mail pieces in your new 1:1 campaign, simply add the new quantity.

Cost per Mail Piece: In this field it is important to enter the total cost of your campaign including design, printing, postage and all related costs. Prior to entering the data, you must divide your total amount by the number of pieces sent to achieve a unit cost per piece. Then, enter the unit cost per piece.

If you compare two campaigns, it is also important to enter in the 1:1 Campaign field the new cost (or the estimated new cost) of this campaign. For an accurate comparison, be sure you are calculating all the same components in each column (e.g., do not include design or postage in one column but forget to include it in the other, etc.).

Response Rate per Prospect: To be accurate, enter the percentage of responses you have received by mail, through your website and/or call centers; whichever way you have asked the prospect to contact you. As an example, a multi-channel campaign that generated 1,000 calls, 2,000 coupons or responses by mail and 1,000 clicks on your website (using a Personal URL to track) would be considered as 4,000 prospects, which converts into a 4% response rate. You would enter 4% in the current Response Rate field section.

Note: You will notice that you cannot enter a response rate for the 1:1 campaign, this is simply because we will use the Tuner Wheel below for forecasting different scenarios. For accurate measures, ensure that your response rates are only the ones related to your campaign and not the regular traffic of the call center or the web.

ProfitQuick® Direct Marketing ROI Planner		
Key Campaign Data - Enter your values in numbers and decimal points		
	Current	1:1 Campaign
No. of Mail Pieces Sent	100,000	100,000
Cost per Mail Piece	\$0.62	\$0.75
Response Rate (Prospects)	4.00%	
Revenue per Sold Item	\$792.00	\$792.00
Total Cost of Sold Items	\$250.00	\$250.00
Conversion Rate (Prospect to Client)	10.00%	
Estimated Value per Prospect	\$1.00	\$1.00
Cost Savings / Extra Costs		\$2,000

Here is an example of the fields you could include:

Design	\$15,000
Printing and fulfillment	\$29,000
Data processing	\$ 6,000
Micro site development	\$12,000
<hr/>	
Total	\$62,000
divided by quantity of	100,000 = Unit Cost of \$ 0.62

(You would enter \$0.62 cents as a cost per mail piece sent.)

*Variable data campaign customized to each individual.

Revenue per Sold Item: If your campaign has only one product offer such as a mobile phone at \$500, enter the amount related to your product. If you have several products, you would enter the average of the products' value per item. In other words, if you have sold one at \$500, one at \$800 and one at \$1,075, you would have an average revenue per sold item at \$791.66 ($\$500 + \$800 + \$1,075 = \$2,375 / 3 \text{ items} = \791.66). The revenue per sold item is also easy to find by taking the total revenue divided by the number of clients who purchased.

For the estimate of the 1:1 campaign revenue, enter the same Revenue per Sold Item amount until your new campaign validates higher revenue per sold item. At the forecasting stage, you do not know yet if the new campaign will generate higher revenue per sold item.

Cost per Sold Item: In reality, the full cost (weighted cost) of a sold item also includes elements such as the cost of the actual product (hard cost), shipping, warehousing, processing the order and other internal costs related to the sale of the product (soft costs). Not all marketers have the full details of their total product cost, so the best cost per sold item is the one you know and use regularly. If you only know the hard cost of your product, enter this value in the relevant field. Taking the example of the same mobile phone at \$500 and giving a cost value of \$250 for the product, you would enter \$250 in the Cost per Item Sold field. A financial or insurance institution, for example, would enter the average unit cost of processing the order in the system, the value of the commission to the broker, management fees, etc., as the cost of the sold item.

For the forecasting of the 1:1 campaign, you would likely enter the same amount as the Current column since the cost of your product

should be the same. Eventually, your cost of product of your new campaign may evolve to new values considering that you may upsell your targeted offer. If you do have the new cost of your product, enter this new cost in the 1:1 Campaign field.

Conversion Rate (Prospects to Clients): The conversion rate is the ratio that is achieved from calculating the number of prospects that became clients, i.e., the ones who purchased the items. If you had 4,000 prospects and you sold 400 phones, you have a conversion rate of 10%. If you never calculated your conversion rate before and wish to do an estimate, you can use industry averages such as closing 1 out of 5 prospects (conversion ratio of 20%). If all your prospects would purchase, you would reach a 100% conversion rate.

You cannot enter a conversion rate for the 1:1 campaign estimate because we will use the Tuner Wheel at the bottom of the window to enter the estimated projections.



Estimated Value per Prospect: It is next to impossible for a prospect or the sum of prospects to have no value to your business. For this reason we have set a minimum amount of \$1 as a default setting in this field. A prospect has more propensities of buying your product in the future or be more responsive to your next solicitation. As well, the names of prospects that you accumulate in your database no longer need to be rented at a cost; hence the minimum value of a prospect is a valid figure that you should consider in your overall tracking. This number will not influence your total ROI calculation and will be provided separately in the Tracking window, but we wanted to show you this figure to make you aware of the importance in value of getting more people responding to your campaigns. When you do your next direct marketing campaign, the value of your prospect can be considered as an economic value to be applied on your next projection.

Some marketers have calculated a defined value of what a prospect is worth for their business and should enter that real number in the Estimated Value Per Prospect field. Enter the same number in each of the two fields from the Current and 1:1 Marketing columns until you know the exact value of a prospect coming from a 1:1 campaign.

Cost Savings/Extra Costs: This field was created for special one time costs that you need to track. Examples could include a Campaign Coordinator or a Data Mining Consultant that you perhaps never had to use before, etc. Use this space to add these one time costs as a lump sum (not cost per unit) such as \$2,000 or \$4,000. This cost will be reflected accordingly in your total cost of campaign in the Key Results window. If you wish to enter a cost saving value, enter “-” (minus) before the amount. Enter “0” if there are no extra costs.

“Not only will this be invaluable for planning campaigns, but I can see it being very valuable for post-analysis and even more importantly, for scenario planning. I want one!”

– Bob Pente
President
Wired Pente Inc., Canada

“First, this is a terrific tool, best I’ve seen. I deliberately did what most blokes do to really test its user friendliness. I did not read the detailed instructions first!”

– Geoff Collins
Managing Partner
Wunderman, Thailand



2. Using the Tuner Wheels

You have three Tuner Wheels to spin to finalize your data input. The first wheel allows you to estimate a conservative scenario for the new 1:1 campaign. The second Tuner Wheel is for you to create a second forecast using an optimistic scenario. The third wheel is provided to give you the flexibility of changing the Estimated Conversion Rate simply because when you customize and personalize your campaign, it is likely that you will achieve a higher conversion of prospects to clients rate.

Estimated Conservative Response Rate

(Prospects): Drag your mouse pointer to the top of the Tuning Wheel and spin it clockwise to set the Estimated Conservative Response Rate desired. For instance, if you entered 4% in your Current campaign column, turn the wheel to 5% for the conservative estimate scenario. The number you choose is the one

you should feel comfortable with. If you want a very high number, turn the wheel higher (the wheel can reach 100%).

Note: The tuner is indicating a response rate value and not an incremental value of response. If you enter 5%, the Xerox® ProfitQuick® Direct Marketing ROI Planner will calculate your Estimated Conservative Response Rate at 5%.

Estimated Optimistic Response Rate

(Prospects): Again, drag your mouse pointer to the top of the wheel and spin it clockwise to the desired Estimated Optimistic Response Rate you wish to forecast in your second scenario.

Estimated Conversion Rate (Prospects to Clients)

We have created this wheel to enter a new estimated conversion rate. If you wish to keep the same conversion rate that you previously entered for your current

campaign, spin the wheel to the same number. Now you have the flexibility to enter a different conversion scenario simply because it is very plausible that you would hit a higher conversion rate with a customized 1:1 campaign vs. that of a generic one.

Calculate: You are now ready to click the green Calculate button to get your comprehensive set of statistics and ROI. It will be displayed instantly in the Key Results window.

3. Key Results

All the important Direct Marketing ROI Planner data for your campaign is now displayed in the Key Results window. Note that your Total Number of Mail Pieces Sent is repeated for each scenario. The Cost Per Mail Piece is also repeated and if you previously added a Cost Savings/Extra Cost, this amount would be displayed as a unit cost in the Total Cost per Piece.

Response Tuner : Tune to the desired rates

Estimated Conservative Response Rate (Prospects) **5%**

Estimated Optimistic Response Rate (Prospects) **8%**

Estimated Conversion Rate (Prospect to Client) **10%**

Clear **Calculate**

Result Summary

Current Result | Customized Campaign Results

	Current	Conservative	Optimistic
ROI	249.88%	251.95%	403.12%
Total Profit	\$154,800	\$194,000	\$356,800

Key Results United States \$ (USD)

	Conservative Scenario			Optimistic Scenario		
	Current	Value	% Increase	Value	% Increase	
• No. of Mail Pieces Sent	100,000	100,000		100,000		
• Cost per Mail Piece	\$0.62	\$0.77	24.19%	\$0.77	24.19%	
• Total DM Campaign Costs	\$62,000	\$77,000	24.19%	\$77,000	24.19%	
• Total Costs of Sold Items	\$100,000	\$125,000	25.00%	\$200,000	100.00%	
• Total Campaign Costs	\$162,000	\$202,000	24.69%	\$277,000	70.99%	
• Total Campaign Revenue	\$310,000	\$390,000	25.00%	\$533,000	100.00%	
• Total Campaign Profit	\$154,800	\$194,000	25.32%	\$356,800	130.96%	
• Total Campaign ROI	249.88%	251.95%	0.91%	403.12%	85.48%	

The Total Campaign Cost is a reflection of your cost per mail piece multiplied by your quantity sent. The Total Cost per Sold Item is calculated considering the number of clients who have purchased your product times your cost per sold item.

The Total Campaign Cost is the cost of your direct marketing campaign + the Total Cost per Sold Item.

The Total Revenue is displayed as well as the Total Profit, which was achieved by subtracting the Total Campaign Cost from the Total Campaign Revenue. The Total Revenue reflects the number of clients who purchased your product or service at the average price you had determined in your Revenue per Sold Item field.

The Total Campaign ROI is calculated as a percentage of your return on investment in achieving the targeted campaign results. The same logic applies in the forecasting of the conservative and optimistic scenarios. You can see the ROI percentage of each scenario.

Acquisition and Conversion Results

In this window you will find very useful information that smart marketers will take under consideration in their decision making process and particularly to validate the ROI of a campaign. For example, as you use the Xerox® ProfitQuick® Direct Marketing ROI Planner, you will sometimes notice that you may increase your marketing production cost for a 1:1 marketing campaign and yet reduce significantly your cost of acquiring a prospect and/or a client.

The Acquisition Cost of a Prospect is the cost of your campaign divided by the number of respondents (prospects). This value is the true cost of each person who responded to your campaign. It is the cost of getting them to react. The same logic applies for the Acquisition Cost of a Client. The acquisition cost is a key metric of success when evaluating the ROI of a campaign. One of your goals would be to reduce this cost. The more people react, the lower your acquisition cost will be.

4. Break Even Point for Cost Justification

The results displayed in the Break Even Point for Incremental Cost Justification window are key to evaluate your risk in converting your current way of doing direct marketing campaigns to the new 1:1 campaign model. The numbers displayed demonstrate how many prospects and how many clients you would need to acquire in your new scenario to break even and achieve the same profit as your current campaign. It also displays the percentage of prospect response rate you would need to break even with the new incremental cost of the 1:1 campaign. For example, if you entered a 4% response rate in your current campaign and the Break Even Point percentage shows 4.5%, it would mean that you need an incremental 0.5% response rate to justify the new cost of the campaign; hence, you have a very low risk. It also helps you understand if your conservative estimate at 5% was a good estimate.

If your current campaign was attracting 4,000 prospects and the Break Even Point window displays 4,100, you will need only 100 more prospects to break even in your ROI scenario; this is another low risk opportunity. The same logic applies for the number of acquired clients and the final client response rate.

Acquisition And Conversion Results

	Current	Conservative Scenario		Optimistic Scenario	
		Value	% Increase	Value	% Increase
Prospect Response Rate(%)	4.00%	5.00%	25.00%	8.00%	100.00%
Total Number of Respondents(Prospects)	4,000	5,000	25.00%	8,000	100.00%
Conversion Rate	10.00%	10.00%	0.00%	10.00%	0.00%
Number of Clients Acquired	400	500	25.00%	800	100.00%
Final Client Response Rate	0.40%	0.50%	25.00%	0.80%	100.00%
Acquisition Cost per Prospect	\$15.00	\$15.40	-0.85%	\$9.63	-37.90%
Acquisition Cost per Client	\$155.00				
Profit per Sale	\$387.00				
Incremental Asset Value of Prospects					

Break Even Point For Incremental Cost Justification

	Value	Percentage
BEP - Number of Acquired Prospects	4,277	4.20%
BEP - Prospect Response Rate		4.20%
BEP - Number of Acquired Clients	428	0.43%
BEP - Final Client Response Rate		0.43%

Proven.

Xerox® ProfitAccelerator® Digital Business Resources help you grow your profits, revenues and success every step of the way.

The ProfitAccelerator Collection offers something for everyone in the organization. The Collection helps support executives, sales and marketing and operations throughout the entire business development process. Xerox® has a team of professionals committed to your success that delivers consulting, sales, marketing, workflow and application development services.

ProfitAccelerator Resources are delivered worldwide through a network of several hundred customer business development professionals, including Xerox® sales and marketing managers, analysts, SmartPress Production Consultants®, business development consultants and external consulting partners.

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