



Seven Tips for Selling to Direct Marketers

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Direct marketing delivers the growth graphic communications providers need and the results marketers crave. Here are seven tips to help you win the business, supported by stories of graphic communications providers who are growing by attracting new customers and building loyal followings for themselves and their clients.



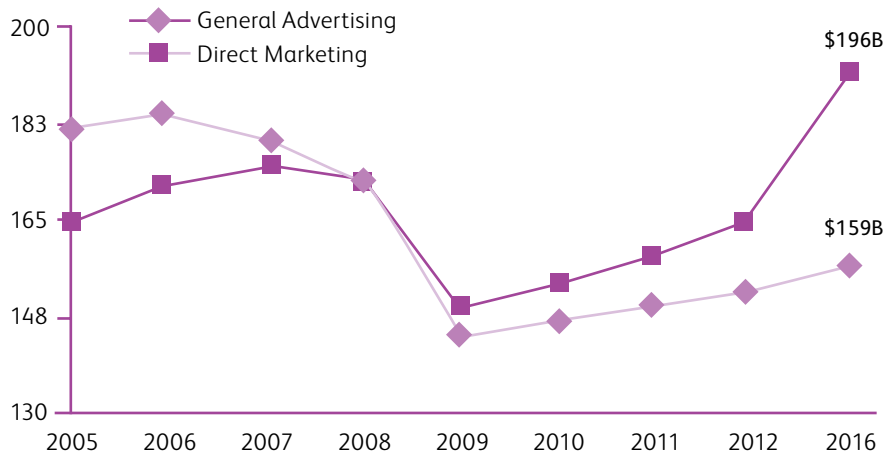
For years, it was enough to simply deliver attractive printed collateral pieces or advertising promotions. However, the economy has changed the landscape. Today, there are higher expectations and a confusing array of media choices for marketers and their customers.

One trend is clear. The momentum has dramatically shifted from budgets allocated to general advertising to budgets allocated to direct marketing. According to the economic research of IHS Global Insight, commissioned by the Direct Marketing Association, investment in direct marketing has continued to rise since 2009 in comparison to general advertising year over year.

The economy's effect on marketers has required them to be more efficient, presenting wonderful opportunities for graphic communications providers who provide data-driven marketing programs. However, marketers are vastly different from traditional graphic communications contacts. Winning their business requires understanding their business objectives and personal motivations. The best opportunities come to those who can establish a consultative relationship, in which the graphic communications provider helps to develop campaign strategies.

This brochure offers seven tips for developing successful relationships with marketers—and examples of graphic communications providers who have had success applying them.

All Media Spend



Source: The Power of Direct Marketing 2011–2012 Edition, Direct Marketing Association

The tips are:

1. Target the right prospects.
2. Demonstrate your market knowledge.
3. Communicate your value proposition.
4. Overcome objections from prospective customers.
5. Leverage data to drive results.
6. Capture powerful synergy by integrating multimedia campaigns.
7. Build windows of opportunity.

Current trends present new opportunities.

The marketing department and its surrogate creative agencies have long been the greatest source of corporate opportunities for graphic communications providers. While that's still true today, the marketer's needs are changing, due to three converging trends.

- More consumers use “always-on” electronic media.
- The media landscape is increasingly varied and complex.
- Marketers have an increased need to show return on their investment (ROI).

In this environment, marketing budget allocation has shifted dramatically from general advertising to direct marketing. One reason: Because direct-marketing campaigns seek responses, they are measurable at the individual ad unit, enabling marketers to track ROI and justify their spend. According to the Direct Marketing Association 2011–2012 Power of Direct Marketing Report, every \$1 spent in direct marketing delivers \$12 in sales revenue, compared to a little more than \$5 delivered per dollar of advertising. And according to the same report, direct mail delivers greater ROI than social media. Specifically for direct mail (non-catalog), it states that for every \$1 spent, it is forecasted to generate an average of \$15.40 in revenue across all industries.

Direct-marketing campaigns that use digital media, such as email, the Web and social media, play well in this world. Not only are they trackable, but with the right tools, results can be presented in real time. What's more, digital media—including pieces printed on

digital presses—can be highly personalized with relevant messaging that has been shown time and time again to boost results.

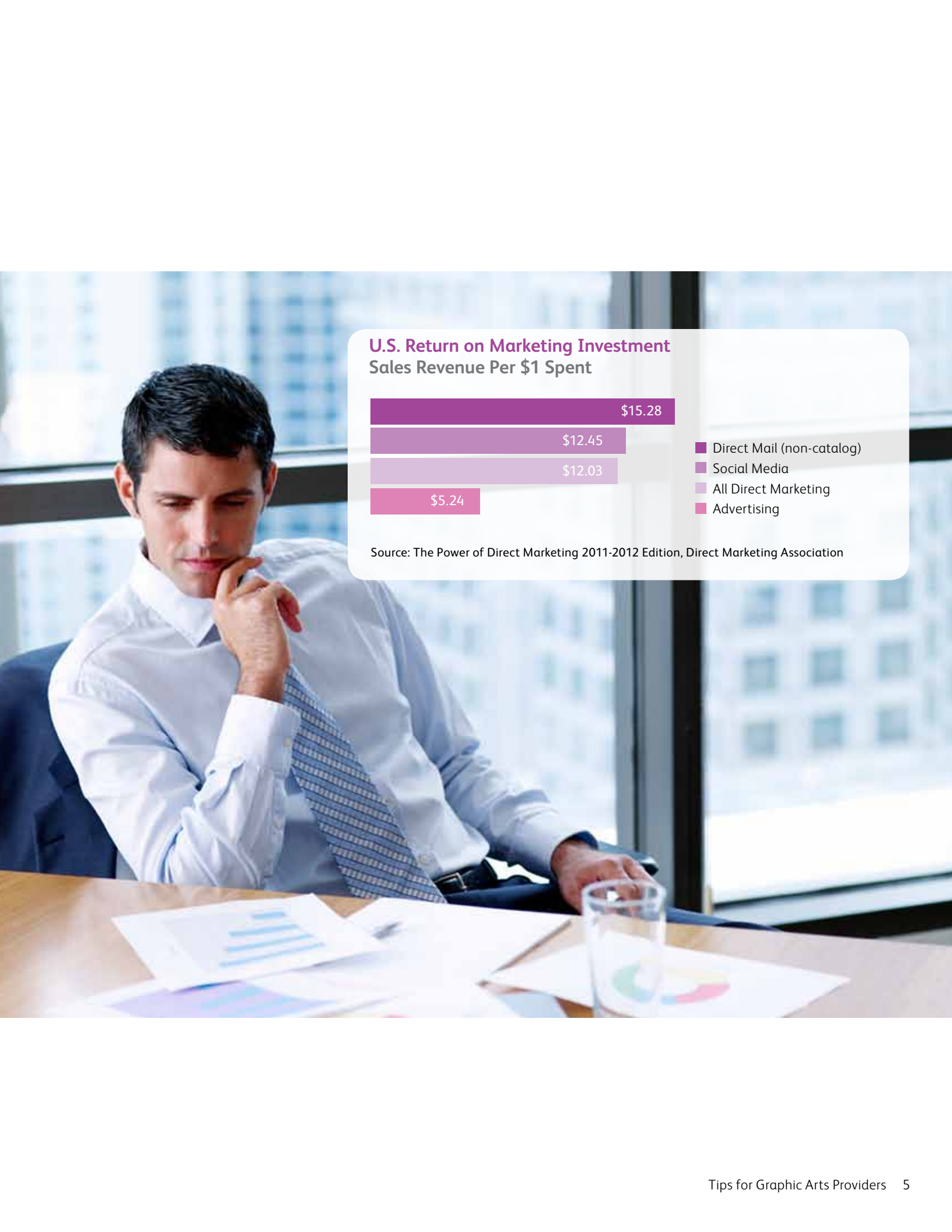
According to the recently published DMA 2012 Response Rate Report, direct mail is 10 to 30 times more effective than email and other digital channels. As reported by AdAge in an interview with DMA's Director of Marketing and Media Insights, “The continued effectiveness of direct mail has a lot to do with the quality of data and the ability to target mail more effectively.”

For graphic communications providers, these trends present new opportunities to establish sustainable differentiation by becoming trusted advisors on new media, on effectively mixing new and traditional services, on optimizing ROI and on reporting results in boardroom friendly ways that justify the programs.

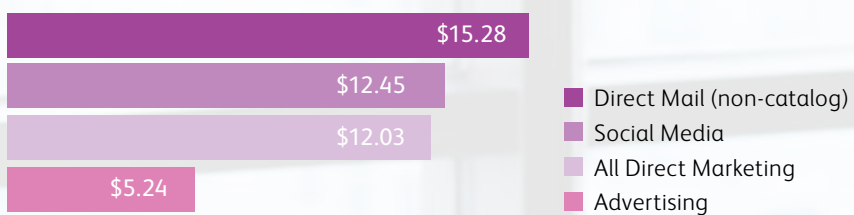
However, working effectively with marketers requires not only the print and design problem-solving skills for which

graphic communications providers are known but business problem solving as well. The top providers understand their customers' sales and marketing programs, and recognize areas of opportunity from their customers' point of view. Often, their involvement in projects begins with strategy discussions, further upstream than traditional print procurement at the end of the creation process.

The following are seven tips to help graphic communications providers succeed working with marketers in today's dynamic direct-marketing world.



U.S. Return on Marketing Investment Sales Revenue Per \$1 Spent



Source: The Power of Direct Marketing 2011-2012 Edition, Direct Marketing Association

One: Target the right prospects.

A wide range of business-to-business marketers, consumer marketers and non-profit and membership organizations use and benefit from direct marketing programs. How do you decide which targets are right for you?

First, be clear about what direct marketing can do for an organization:

- Drive measurable results in the form of sales (orders, donations and subscriptions), sales leads or traffic to a Web or social media site
- Extend the reach of a sales force to cost-effectively service lower-value customers, cover orphaned territories or markets, help nurture or shorten long sales cycles or simply produce more qualified leads
- Develop a relationship with the customer to nurture that customer's loyalty and lifetime value, while growing "share of wallet"

Then begin to think about how these services can be applied on behalf of your current customers—and prospects. Four guiding rules can help you through this process.

Know your customers.

Which customers are your most profitable? Which generate the most revenue? Which are your least profitable—the ones that regularly eat up an unjustified share of your resources?

Ranking your customers in these easily tracked categories provides a fact-based means for prioritizing them as targets for new services. It may also lead you to scale back relationships with your least profitable clients, freeing resources for the more profitable work you seek.

Knowing your customers also means understanding their world—their industry, their challenges, their competitors and the ways their competitors communicate with the targeted audience. Joining an industry association can help you to better understand their industry, making you more valuable to them.

Sell more to your customers.

Selling more to current customers is almost always easier and less expensive than initiating a new relationship. By taking good care of customers and becoming experts in their markets, you give your firm the strong reputation that often leads to referrals.

Take it to the next level by sitting down with your top customers to learn more about them. Ask them what their business objectives are and where they want to take the business. Work on solving their problems to help them get there.

Your current customers also are the most logical targets for beginning sales of new services. Offer incentives to segments of your customer base to make them feel "special." This is a great way to test and refine your offerings, based upon their candid feedback.

Target prospects like your high-value customers

When you begin targeting new business, try to find prospects who resemble your highest-value customers. With them, you can leverage your good reputation and relevant skill set to establish immediate credibility as an experienced partner who can add value right out of the gate.

Be smart when prospecting outside your comfort zone.

In selecting new areas to target, consider industry segments that are natural fits for direct-marketing services. Who are the biggest mailers in your markets? Which industries are the healthiest and the most recession resistant? Which are just emerging and have strong potential upsides? Focus on the areas that offer the greatest potential return.

Also consider your company's resources. Do you or your staff have contacts in particular industries? Does work you currently perform have any similarities to work done in other industries? For example, if you ran a successful direct-marketing campaign for a retail establishment based on membership, you can apply those same services to hospitality, airline or non-profit membership businesses. Just be sure to tailor your examples to the targeted industry.



Lead generation campaign lands new business for insurance firm.

Renaissance Insurance finds fortune in a dimensional mailer with customized fortune cookies.

Customer: Renaissance Insurance

Providers: AlphaGraphics, Cornerstone Promotional Products and GoodFortuneCookies.com

Challenge:

- Generate leads from large commercial prospects
- Increase sales

Strategy: Use dimensional mailer to break down traditional gatekeeper barriers; strong offer to spur response

Audience: Owners, CEOs and principal decision makers at prospective commercial business clients

Offer: \$50 gift card to Best Buy, Target or dys, a local BBQ restaurant, for making an appointment with an agent

Creative theme: Based on Chinese take-out food and fortune cookies

Media:

- Dimensional mailer containing Chinese food take-out container, fortune cookies with customized messages, booklet
- PURL

Process: Dimensional mailer drives target to a PURL to set up an appointment with an agent

Use of data: Name personalization, customized messages in fortune cookies; very clean list (only one return out of 126 pieces)

Results:

- 35% response rate (appointment made with agent)
- More than \$100,000 in new business in first six months
- Projecting a 5% increase in commercial sales



Most successful providers focus initially on a few industries and expand as their success warrants. Much of the information you need for deciding which industries to target is readily available from trade associations and publications.

For example, the DMA publishes information on direct-marketing ad spends by vertical market in its annual *Direct Marketing Statistical Fact Book* and its biennial *The Power of Direct Marketing*. They project that the vertical markets with the highest direct-marketing ad spend compounded annual growth rates from 2011–2016 will be manufacturers, healthcare, utilities, financial services, construction and retail. The highest spend in 2011 was for banks and credit institutions, retail and wholesale trade, professional and technical management services, communications, security and

commodity brokers, insurance, automotive and manufacturing.

Among trade magazines, *Target Marketing Magazine* publishes an annual list of the top 50 mailers other than catalogs. There are four companies in 2012 that were not on the list in 2011 (JP Morgan Chase & Co., Sprint/Nextel, Dish Network and Discover Financial Services). The top industries vary and include Financial Services (JPMorgan Chase & Co., Citigroup, Discover Financial Services, Mutual of Omaha), Telecom (Sprint/Nextel), Media (Hearst Magazines, The New York Times, Reader's Digest Association, Meredith) and Nonprofits (American Red Cross, AARP, Smithsonian, American Cancer Society). Being an election year, the list shows an increase in nonprofits with political associations such as Democratic Congressional Campaign Committee and Obama for America.

Consumers think direct mail is the right medium for most markets.

Recent research in the United States, Canada and Europe shows that consumers of all ages prefer and trust direct mail over email and social media for receiving most offers.¹ Similar research in the United Kingdom conducted by the Institute of Promotional Marketing, which queried both consumers and marketers, found that marketers were out of touch with consumers' media preferences.²

¹ The Consumer Channel Preference Study conducted in December 2011 by Epsilon Targeting, the data services division of Epsilon, a 30-year industry leader in marketing services and the world's largest permission-based email marketer.

² 2011 fast.MAP Marketing

Target Marketing Magazine's 2012 Top 50 Mailers

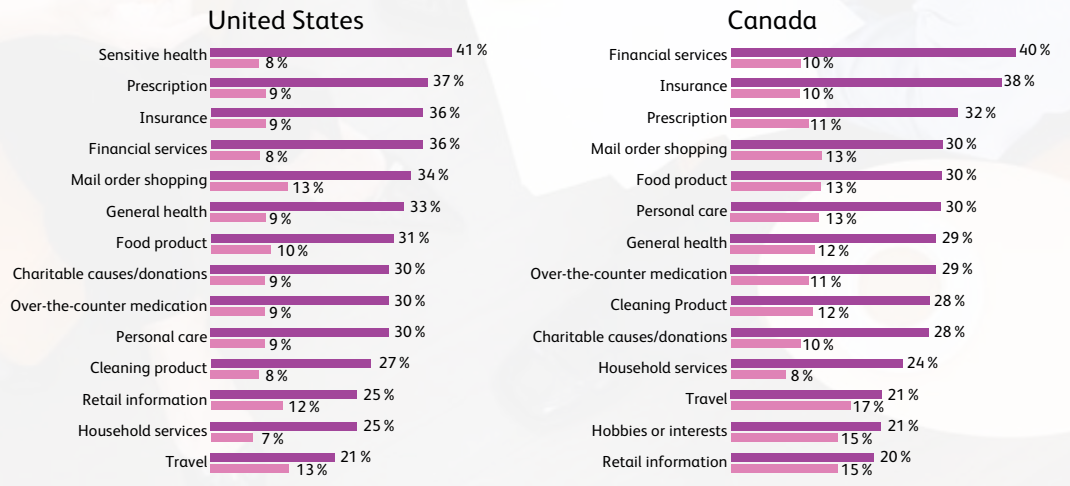
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|--|--|--|
| 1. JP Morgan Chase & Company* | 18. American Cancer Society* | 35. Smile Train |
| 2. Citigroup, Inc. | 19. Time, Inc. | 36. National wildlife Federation |
| 3. Sprint/Nextel* | 20. American Heart Association | 37. Special Olympics* |
| 4. Dish Network* | 21. ALSAC/St. Jude Hospital | 38. Highlights for Children |
| 5. Discover Financial Services* | 22. Dow Jones | 39. Publishers Clearing House |
| 6. Mutual of Omaha | 23. The Economist Group | 40. Democrat Congressional Campaign Committee* |
| 7. American Red Cross | 24. Public Broadcasting Service | 41. AAA* |
| 8. The Salvation Army | 25. National Geographic Society | 42. Omaha Steaks |
| 9. Memorial Sloan-Kettering Cancer Society | 26. The Leukemia & Lymphoma Society | 43. The Arbor Day Foundation |
| 10. Hearst Magazines | 27. Consumers Union | 44. American Health Assistance Foundation* |
| 11. The New York Times Company | 28. National Rifle Association | 45. North American Membership Group |
| 12. Reader's Digest Association | 29. March of Dimes | 46. Premier Bathrooms, Inc. |
| 13. Meredith Corporation | 30. Disabled American Veterans | 47. Obama for America* |
| 14. AARP | 31. Humane Society of the United States | 48. The Bradford Group |
| 15. Smithsonian Institute* | 32. American Society for the Prevention of Cruelty to Animals* | 49. Forbes Magazine* |
| 16. GEICO | 33. United Service Organization | 50. Condé Nast |
| 17. Bose Corporation | 34. Heifer Project International* | |

* New to the list in 2012.



Consumers prefer direct mail.
Consumer Channel Preference by Category

Postal Mail
 Email



Source: Consumer Channel Preference Study, Epsilon Targeting 12/1/11

Two: Demonstrate your market knowledge.

Knowing that offering relevant insights is the best way to get a prospect's attention is one thing. Finding those insights is another.

But you can. On a deadline, targeted research can unearth the nuggets that make you sparkle in front of a client. Longer term, getting involved in the industry enables you to continually enhance your market knowledge and form insights on trends.

Plenty of resources are available to help you build and nurture your industry knowledge.

Where do I find information to be more relevant to a prospect?

Much can be learned via simple Web searches. The Web puts an amazing amount of information at your fingertips. Many industry participants—including trade associations, postal services and service providers—present valuable research data on their websites. Some of the most valuable sites, along with some key trade publications and books, are listed in the Appendix.

On the Internet, you can also learn a lot about your clients and targets. And by observing how they use the Web and social media, you may learn where they need marketing help.

A number of organizations conduct and publish original research, some free, some fee based. The DMA and the Winterberry Group do research on media spending for direct marketing and offer other research-based insights. Synovate conducts thousands of interviews and focus groups

WIIFM: What's in it for me?

When marketers were asked about the most effective way for agencies to engage them in sales discussions...

92% said they might respond if the agency had produced some research or insights in their vertical category

85% said they would respond positively if the agency wanted to inform them about a recent case study in their category

55% said they would never respond to an approach focused primarily on the agency's creative awards

Source: MediaPost, The Winterberry Group



annually to predict actual business results from various techniques. Print in The Mix aggregates credible research and information on the role and effectiveness of print in the marketing media mix. Websites for these and others are listed in the Appendix.

Read to stay current and have relevant conversations. Some excellent sources for getting new ideas include magazines, books and online newsletters. Some examples include:

- Magazines—*Target Marketing*, *Multichannel Merchant*, *Philanthropy* and *BtoB*
- Books—*Made to Stick* by Dan and Chip Heath and *Nudge* by Richard Thaler
- Online newsletters—*WARC* for international marketing focus, *Chief Marketer* and *National Mail Order Association News*

See the Appendix for more recommendations.

Get active in the industry.

A good path to becoming an industry insider is to get involved in industry organizations. Many regularly provide venues for industry experts to speak, as well as networking opportunities, where you can meet with colleagues and potential customers. Generally, the more you put into an industry group, the more you get out of it.

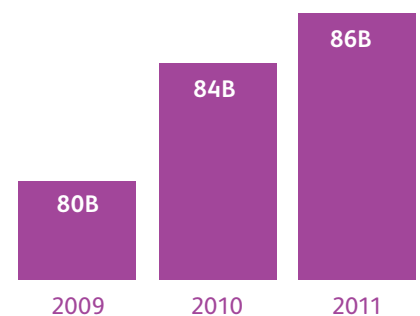
The DMA is a trade association for direct marketing in the United States. Members get free access to online training, reports and conference presentations. Live training can accelerate your path up the learning curve in just a few days. DMA has created an affordable entry-level individual membership designed specifically for small businesses and individuals. Benefits increase with higher levels of membership.

Organizations similar to the DMA can be found worldwide. Canada has the Canadian Marketing Association, and in Europe the Federation of European and Interactive Direct Marketing represents numerous country-based associations. Additional direct-marketing industry organizations are listed in the Appendix.

Many cities have local direct-marketing clubs and associations that meet regularly and offer networking opportunities. And many vertical markets have associations you can join. Links to many of these organizations can be found in the Appendix.

To further refine your knowledge and better understand an industry's challenges and opportunities, participate in or join vertical industry associations. There are associations focused in gaming, automotive, not-for-profit, retail and more. See the Appendix for a list of associations.

Direct mail volume grows by billions of pieces since 2009.



Source: Winterberry Group analysis of U.S. Postal Service data based on estimate of Q4 2011 data

Be your target's customer.

A great way to learn about specific targets is to become their customer before you try to sell to them. You can gain first-hand experience of their sales approach and the benefits of their products and services—a level of knowledge your target will appreciate and, possibly, expect.

You also score points when the target asks the inevitable question, "Are you my customer?"

Three: Communicate your value proposition.

The mark of many successful graphic communications companies is their ability to serve as trusted advisors who lead customers to new and innovative solutions.



So how do you do that?

Start by defining your business with a value proposition that reflects a realistic understanding of what you do well and what you don't. Articulate your identity and skill set on your website and in your marketing materials. Then use your own programs to develop leads. Your cutting-edge techniques should drive superior results—while delivering a positive example of your work to your targets. It's like a car dealer taking a test drive to the recipient's home.

When meeting new prospects, remember that first impressions count. People form a first impression in five seconds and then spend the next 15 or 20 seconds validating that impression, according to Dan Hill in his book *Body of Truth*. If the validation is positive, then they will devote additional time.

Likewise, when marketers take your sales call, they are asking themselves, "Is this going to be worth my time?" Before you get a chance to develop a relationship, you must resolve this question by demonstrating your value.

So don't talk about yourself. Talk about your prospect. Any number of approaches can work, but in all cases, be curious about their business. Some graphic communications providers engage in a series of questions to identify the prospect's pain point or problem as a first step toward proposing a solution.

Begin with broad questions, such as "What is your greatest revenue growth challenge today—new customers, customer retention or customer profitability?"

Other sales consultants begin with a validation process to prove—and fine tune—their knowledge of the client's business, an especially good approach if you have a history of specialization in the client's market.

Avoid showing samples unless they directly support a solution you propose based upon a tested understanding of your target's business. Remember, marketers want ideas that can help them boost the number of leads they generate, the number of sales they win and the amount of ROI they can generate. Showing them how they can do that is the way you begin to develop a relationship.



Outdoor sports outfitters generate store traffic and sales with cross-channel marketing.

Customer: Good Sports Outdoor Outfitters, San Antonio, TX specialists in quality clothing and gear for outdoor activities

Providers: Accu-Print, a full-service marketing service provider offering design, prepress, print, fulfillment, mailing and marketing services and the e.f. group, a full service cross-media marketing solutions company

Challenge:

- Introduce a new outlet store and an online shopping website
- Increase sales
- Attract new customers
- Build relationships with existing customers
- Grow customer database for future marketing
- Build awareness

Strategy:

- Support the opening of a new outlet store and online shopping website and help drive growth, awareness and new business with a multichannel, personalized, direct marketing campaign presenting seasonal offers and producing measurable results, and with ads in the regional *SA Current* publication

- Reinforce “leading-edge” image, foster customer engagement, gain email addresses and other marketing data for future marketing and provide measurable tracking with QR codes in direct mail and magazine ads
- Align branding/messages/offers across all media

Audience: Existing customers and prospects of all ages in South Texas who are engaged in active, outdoor lifestyles

Offer: Special discounts, coupons, gift offers, some for providing name and email address

Media:

- Postcards
- PURLs
- Video
- Print advertising placements
- Email

Process:

- A series of direct mail pieces—some seasonal, some announcing the outlet store grand opening specials—announces pricing specials and other offers; QR codes direct recipients to

PURLs to get coupons and gift offers and view videos in exchange for their name and email address

- Ads in *SA Current* have QR codes linking to a PURL where the reader gets a coupon for providing name and email address
- Periodic emails reinforce the direct marketing and *SA Current* ads

Use of data:

- Name personalization
- Personalized images and other graphics based upon recipient’s gender
- PURL with pre-populated contact form

Results:

- Coupon redemption and seasonal promotions generated \$61,364 in new sales
- QR codes in magazine ads extended the campaign’s reach with 335 unique website hits, 202 email contacts (62% of them new clients) and purchases of more than \$4,800 using QR code coupons
- Ten percent of the new clients have made repeat purchases



Four: Overcome objections from prospective customers.

Marketers own the budgets. They are the decision makers. You need to expand your contacts in an organization to include them.

The world has changed. Marketers need accountability and results. You must be prepared to put some “skin in the game” by helping to deliver results—not just providing design, printing and mailing skills.

Here are a few of the most common questions and objections you are likely to face when talking to marketers.

I use advertising. Why do I need direct marketing?

Advertising and direct marketing are two distinct disciplines that complement one another. Advertising builds the brand image for awareness, recall and loyalty. Direct marketing seeks to generate responses that deliver revenue as well as awareness. It functions like a sales force.

Most successful marketing programs use both advertising and direct marketing.

Why don't I just use email, search advertising or social media?

Email, search advertising and social media are great marketing tools, but they fall short of results direct mail generates in audience targeting, new customer acquisition and lead generation from high-value business and consumer audiences. As the economy continues to recover, many marketers are going back to the medium they trust—direct mail. Furthermore, the *2011 DMA Statistical Fact Book* revealed that while email response rates had declined precipitously from 2006 through 2010, direct mail response rates had been constant for acquisition and even increased for house-list mailings (of customers, donors, subscribers, etc.). Superior response rates are a key reason why direct

mail is still the largest single channel in direct-marketing spend (see charts at right).

My agency says it doesn't recommend direct mail—it's too old-fashioned and not the way to reach customers who are increasingly online.

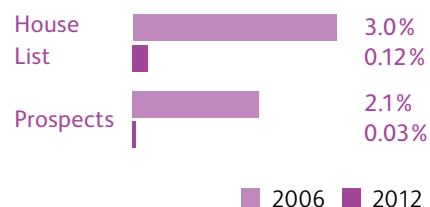
Not all age groups have equally adopted new media. And no single new medium has replaced its traditional media counterpart.

Even the leaders in online and technology-based businesses recognize this. Google, Dell, Microsoft, eBags, Zappos and many other famous online marketers all use direct mail.

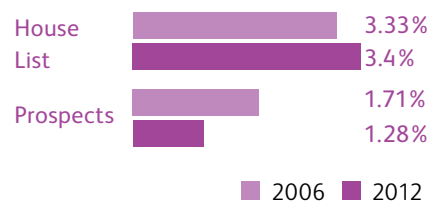
As reported in *The New York Times*, “Different people respond to different media,” said Aaron Magness, director for brand marketing and business development at Zappos.com in Henderson, NV. And according to Cameron Brown, president at King Fish in Salem, MA and quoted in the same article, “So far an average order from the catalog is more than twice the size of an average order that began on Zappos.com.”



Email Response Rate Trend



Direct Mail Response Rate Trend



Note: Does not include catalogs or dimensional mail.

Source: 2012 DMA Response Rate Report

For instance, for every 1,000 existing customers receiving a direct mail piece, 34 will respond on average.

For email, the average response—measured by taking the click-through rate and multiplying the median conversion per click—is 0.12%, which means that only one customer in a thousand will end in a new sale. Other digital channels have similarly low rates.



Relevant fundraising helps Christian ministry achieve exponential growth.

Customer: Push The Rock, a Christian organization whose ministry combines Christian values and athletic excellence

Provider: Pacesetter, a full-service marketing services provider in Allentown, PA

Challenge:

- Run a fundraising campaign to fund summer camps, missions and other services
- Specific goals include increasing fundraising campaign participation rates of people with relationships to the organization, increasing gift amounts from past donors, and streamlining the fundraising process to improve efficiencies and focus staff and volunteer fundraising efforts on larger gifts

Strategy:

- Orchestrate a highly relevant, personalized, multichannel, direct-marketing giving campaign
- Collect relevant information on all constituents to make future communications more relevant

Audience: Families of camp participants, previous and prospective donors

Offer: Fundraising banquet, opportunity to learn more about specific parts of the organization and to direct donated funds to specific purposes

Media:

- Direct mail
- PURL
- Email
- Video

Process: Four multitouch campaigns perform separate functions: to build attendance at the annual fundraising banquet, highlight organizational successes and probe recipients' interests, offer more information in the areas recipients indicated and make a final push for donations

Use of data:

- Personalized messages based upon recipients' relationship to the mission, past giving record and areas of the organization they expressed interest in
- PURLs

Results:

- Overall donations increased by 15.9%
- Annual fund donations increased by 94%
- Overall fundraising participation grew by 27%
- The campaign achieved a 200% return on the marketing investment



We tried direct mail and it didn't work for us. Why should we try it again?

As in most human endeavors, direct-marketing campaigns are not created equally. Some are better than others.

Ask to learn more about the campaign, and offer to analyze it. If you can see a sample of the promotion, pay particular attention to the strength of the offer (reason to respond), the call to action and the use of personalization. To prompt a response, pieces need compelling offers that are relevant to the recipient.

Ask about the distribution list. Poor data and poor targeting are two common downfalls of direct mail campaigns.

You can also review with your prospect the three key elements that are the foundation of successful direct marketing:

- **The list or target audience.** Common industry wisdom holds that 40% of a campaign's success is based upon the quality of the list. Customer lists generally generate five to 20 times as many responses as rented prospect lists, according to Frederick Reichheld, author of *The Loyalty Effect*. And not all prospect lists are created equally. Lists that have proven behavioral traits—such as lists of buyers, subscribers, donors and members—will

almost always outperform lists compiled from multiple sources, which nonetheless can be valuable in specific situations, such as targeting specific geographies or vertical markets. Best practice calls for testing different lists or list segments to determine which audiences actually generate the highest response rate.

- **The offer.** The quality of the proposal or proposition in the promotion is generally believed to account for another 40% of a campaign's success. The offer is intended to melt away inertia, to compel the recipient to act. Offers consist of four key elements: the product; the price or payment terms; the incentives, such as free shipping, a gift or bonus, and sweepstakes contest opportunities; and other conditions, such as a free trial, automatic billing, guarantees and deadlines.
- **The creative execution.** The quality of the copy, design and format of the mailing accounts for about 20% of a campaign's success, according to industry wisdom. Good creative is important, but its impact will be muted if the piece targets the wrong audience or if the offer is weak.

I'd love to do one-to-one marketing, but it costs too much.

While one-to-one marketing campaigns do typically cost more than comparable promotions that use little or no personalization, they often deliver a higher return on investment to more than cover the extra cost.

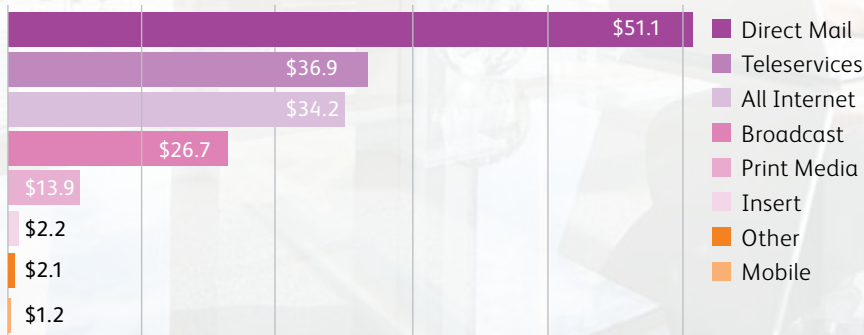
To provide proof points, create your own customer success stories, or rely on those created by vendors and third parties. For example, the Xerox 1:1 Lab is a marketing initiative that has completed tests comparing the results from a traditional direct-marketing campaign to the same campaign with customized content that is relevant to each recipient. In tests run in multiple industry vertical markets, the more relevant approaches have consistently delivered positive results. Even highly regarded direct-mail leader Reader's Digest Canada doubled response rates with the 1:1 Lab's more personalized approach.

Even with this proof, some marketers will hesitate. For them, run a free or at-cost test on one of their campaigns. It's your chance to shine, so take advantage of it, and you'll likely win a new client.



2012 U.S. Direct and Digital Marketing Spend by Channel Forecast (Billions \$)

Total 2012 Spend = \$168.5 Billion



Note: Internet includes Search, Internet Display, Email, Social Media, Apps and Affiliate Services

Source: The Power of Direct Marketing 2011-2012 Edition, Direct Marketing Association

Five: Leverage data to drive results.

“The future of advertising is not about social, not about viral videos, not about mobile, not about any new medium or any new ad unit—but about data...

Why is this so? Because the impression by itself is becoming worthless. The critical component that makes this new world work is data—not simply general research data, but data about you.”

– Michael D. Andrew of MediaSmith, as published in *MediaPost*

Data on targets has far-reaching consequence in direct-marketing campaigns. It underlies decisions about shaping the list, the offer and the creative content. Tracking the results, in turn, generates new data for reporting on the

quality of the campaign and for reaching individual targets in future initiatives. And in the digital world, everything can be tracked in real time, adding to the quantity, quality and timeliness of the data.

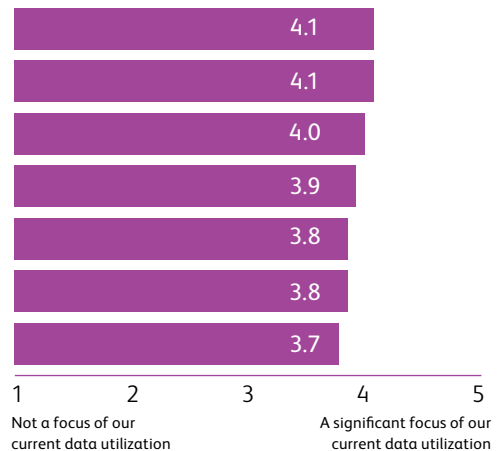
That’s why common industry wisdom holds that “Data is king.” With the right data,

marketers can identify the precise target population, deliver variable messages that are relevant to each recipient, and track each individual response step by step as each individual opens, clicks through, responds and buys.



To what extent do you believe each of the following are driving deeper interest/investment in marketing data?

- Growing ability to derive insights from deep first-party data assets
- Growing understanding of the tactical needs of “multichannel integration”
- Pressure from “C-suite” to exploit high-ROI potential of direct/digital channel
- Pressure from “C-suite” to deliver quantifiable performance/performance improvement
- Availability of better/more focused analytics tools and processes
- Availability of improved marketing automation technologies
- Growing availability of actionable third-party data



Source: From Information to Audiences: The Emerging Marketing Data Use Cases, Winterberry Group January 2012

Identifying High-Value Targets

Direct mail works best when audiences are segmented by potential value and promotions are targeted.

Customer value is established by measures of RFM—recency, frequency and monetary value of purchases. According to the Pareto Principle—also known as the 80-20 Rule—a relatively small number of customers deliver most of the enterprise’s income. Typically, 20% of the customers deliver 80% of the revenue.

RFM is one of several measures used for effective segmentation. Others include geography, behavior, target audience and

other characteristics. By using these measures to match the right media and campaign strategy to the right audiences, marketers can optimize return on their budgets.

Marketers generally put more effort into engaging their top customers. Some assign the sales force or telemarketing sales force to target their largest prospects, using direct mail to fill out the coverage cost effectively. Some contact higher value segments more frequently than lower value audiences.

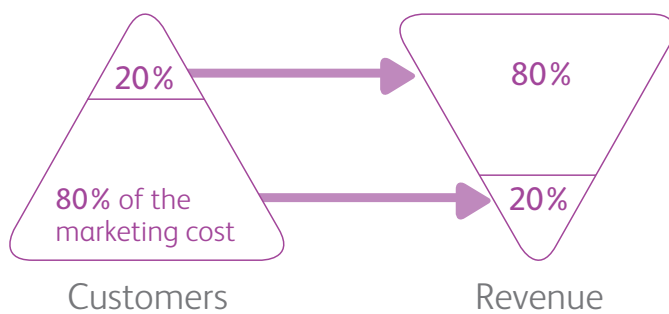
A strategy of boosting response rates from these higher value audiences can improve ROI significantly. In contrast, forgoing segmentation in favor of a “one-size-fits-all” strategy over-invests in low-value audiences and underachieves the potential of the high-value segments.

A marketplace that delivers an average response rate of 1%, as shown in the Average Response Rates graphic below, is likely to have segments that deliver much higher—and much lower—response rates. The marketer’s job is to find the high-potential segments and not to be fooled by aggregated averages that can obscure the particulars of segment performance.

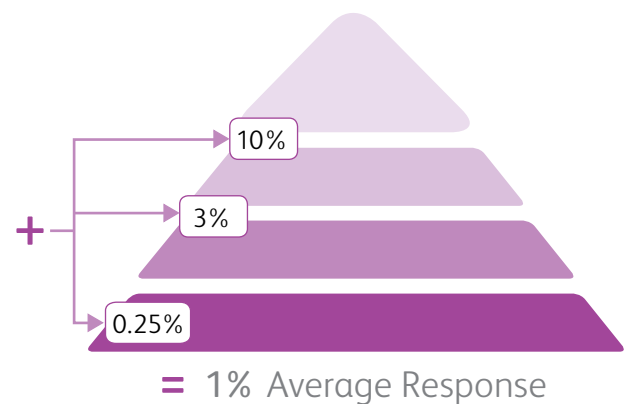
And even within a clearly targeted segment, the circumstances of individual recipients can vary widely. So a one-size-fits-all messaging strategy and budget allocation is far less effective than using personalization and format to make each delivery relevant.

Pareto’s Law—The 80/20 Rule

If everyone gets the same promotion, budgets are wasted and ROI suffers.



Average Response Rates





“Getting Capitol College to embrace 1:1 marketing, and move away from conventional segment marketing, was the key to reaching their goals, and XMPie (software) makes it practical.”

— Robert Blakely
Vice President of Business
Development, Echo Communicate

Here again, effectiveness is dependent in part on data quality. Typically, customer data resides in multiple places: your client’s billing, customer and marketing databases, and a range of third-party lists. Find, acquire, merge and mine this data. Cleansing (verifying) ensures the data accuracy that drives results.

What gets measured gets managed.

“I know I’m wasting half my marketing budget,” goes a well-traveled, widely attributed marketing quote. “I just don’t know which half.”

Business management visionary Peter Drucker prescribed that problem’s antidote when he said, “What gets measured, gets managed.” That’s why maintaining a marketing database tracking customer behaviors, such as purchases and campaign responses, is vital to honing campaign strategies that lead to direct-marketing success.

Tracking responses provides data that can help marketers manage on many levels, from tweaking campaign messaging to adjusting strategies and tactics on a program level. For example, studies from the U.S. Postal Service and catalog experts J. Schmid & Associates

have shown that although 70% of catalog purchases can occur online, 65–70% of those purchases are driven by direct mail. Knowing this, catalog producers thought twice about mailing fewer catalogs to high-value audiences, which might have cut costs during the economic downturn but also would have reduced revenue dramatically.

Managing the Customer Lifecycle

Still, focusing exclusively on the top 20% of customers can be risky. Promotional fatigue and attrition will ultimately turn this into a losing strategy.

That’s why you need to complement your campaigns with efforts to identify the best prospects for upselling, cross-selling and relationship development. This approach—called predictive modeling—expands the effective market universe.

The net-net: Frequency of contact, type of offer and promotional investment should be determined based on customer value and audience segment. Different strategies should be deployed for a prospect who has never bought from a company and a loyal customer—as well as for new, knowledgeable and lapsed customers.



Cross-media campaign boosts college admissions for Maryland institution.

Customer: Capitol College, a private institution in Laurel, MD with programs in engineering, computer sciences, information technologies and business

Provider: Echo Communicate, Inc., a print and marketing services provider based in Baltimore, MD

Challenge:

- Improve Capitol College's traditional student recruitment direct marketing, which consisted of static direct mail with response cards
- Specific goals included increasing inquiries, response rates, campus visits, meaningful engagement and enrollment, while lowering or maintaining direct marketing costs

Strategy: Show prospective students what Capitol College has to offer and motivate them to apply for enrollment through a relevant, interactive 1:1 marketing campaign

Audience: Prospective college students

Offer:

- An open house
- Various interactive ways to get more information, apply for enrollment, etc.

Media:

- Direct mail
- Email
- PURL and GURL
- Video
- SMS text

Process:

- Send prospective students a personalized direct mailer, paired with an email, inviting them to visit a PURL
- Use static version of the mailer at college fairs with a general URL (GURL), which led interested students to a website where they could create their own PURL
- Enable prospective students when visiting their exclusive website to view a personalized campus tour video, apply for financial aid and/or enrollment, sign up for SMS text updates on admissions deadlines and register for an open house
- Follow up with any of 20 distinct messages based upon the visitors' actions at the PURL

Use of data:

- Personalized messages and images based upon name, gender, hometown and academic interests
- Pre-populated response cards
- PURLs

Results:

- Exceeded Capitol College's expectations
- Quadrupled applications and doubled enrollment over the previous year
- Motivated 29% of recipients to visit their PURLs
- Raised the student body quality by building a deeper pool of applicants from which to select
- Freed up more counseling time for admissions counselors by having Echo's automated system handle many administrative tasks
- Cut campaign costs to 10% less than the previous static campaign



Six: Capture powerful synergy by integrating multimedia campaigns.

Synergy is the interaction of two or more agents or forces whose combined effect is greater than the sum of their individual effects. Whatever your segmentation and frequency strategies, a consensus has emerged that the most effective direct-marketing campaigns integrate multiple media with a common look and feel and a shared objective. Numerous studies have shown that this approach works synergistically to consistently deliver superior results, better than any single channel on its own.



As proof of multimedia's widespread acceptance, market research and strategic consulting firm InfoTrends reports the mean number of media used in today's direct-marketing campaigns is three. And revenues for cross-media direct marketing are expected to increase from \$3.2 billion in 2009 to more than \$5.2 billion in 2014, a 10% compound annual growth rate over the forecast period.

The migration to multimedia is driven in part by user preference about how businesses communicate with them. Any digital medium can be incorporated in a cross-media campaign—from email to micro websites, to social media and SMS text—so direct marketers can communicate in the media that best suit the audience. By integrating the communications, marketers can speak with one consistent voice across multiple channels to reach all their customers' touchpoints. And many targets receive multiple touches, reinforcing the campaign's messages.

A closer look at the various individual channels reveals a surprise for some—far more direct-marketing dollars are spent on traditional media than on newer digital channels.



Yes, digital has grown rapidly and will continue to grow. And after the recession hit in 2008, digital growth was spurred by direct marketers who appreciated the lower distribution costs of search, email, social marketing, mobile, display and other forms of online marketing. But as the economy has recovered, many marketers have returned to the traditional media they have long trusted.

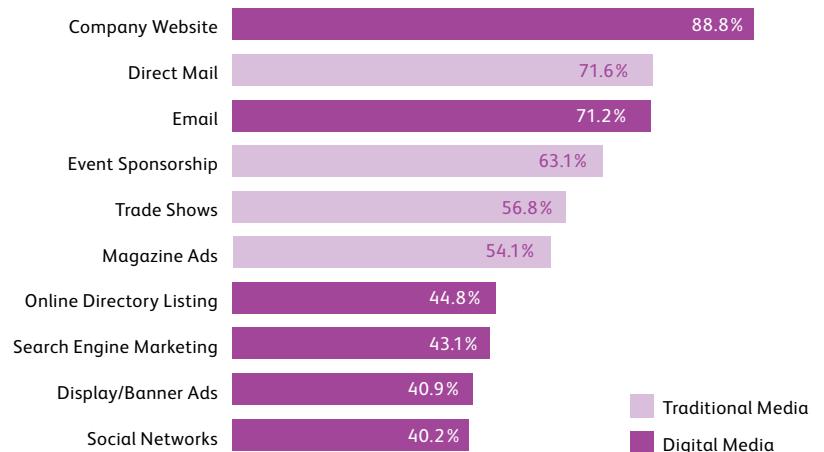
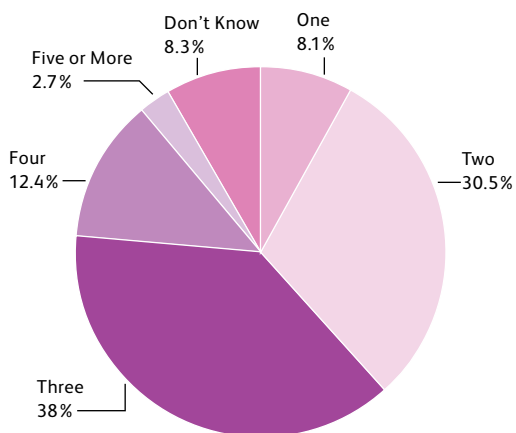
While some marketers have shifted media spending to digital media as a lower-cost alternative to their traditional campaigns,

most have found that online channels demonstrate greater value as a complement to direct mail applications, reinforcing the value of integrated programs. The level of acceptance in various industries of direct mail's value as a complement to digital is indicated by the InfoTrends cross-media study on this page.

Support of traditional media is justified by superior performance compared to digital media. Email, for example, has some advantages over direct mail, such as lower distribution costs and easier, faster

distribution. However, it doesn't perform as well as direct mail in acquisition of new customers. Many consumers reject unsolicited email and dislike too frequent contact, leading many to opt out. Nearly 60% of consumers say they don't open advertising email, according to research by TNS that was reported in Canada Post's, *Sort, The Magazine for Direct Success*. And according to a study by Return Path in the same article, only about 80% of 500,000 permission-based email ads reached inboxes.

69% of marketers use 2-3 media.



Source: InfoTrends, The Cross-Media Direct Marketing Opportunity: A Multi-Client Study

The Impact of the Physical World versus the Virtual World

Global research agency Millward Brown compared the impact of physical marketing materials such as direct mail to virtual (or digital) materials presented on a screen. Its study, “Using Neuroscience to Understand the Role of Direct Mail,” proved that brain activity was heightened with tangible physical marketing materials versus digital ones. The report states: “Tangible materials leave a deeper footprint in the brain. This suggests that physical material is more ‘real’ to the brain... Physical material involves more emotional processing, which is important for memory and brand associations.”

At any rate, with the widespread deployment of multichannel campaigns, greater use of traditional media is not necessarily at the expense of digital media. Often, both are deployed. And a number of recently developed technologies improve the development and management of these multimedia campaigns.

For example, cross-media software from XMPie, A Xerox Company, uses a common set of rules and assets to drive creation in multiple media. This also enables results from all media channels to be rolled up into a single marketing console to provide key metrics, such as ROI, across the entire campaign. And increasingly popular QR codes—readily created for print in most

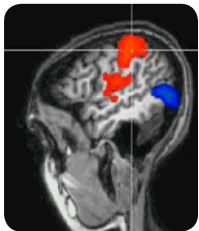
variable software packages—make it easier than ever for consumers to connect to a Web location, by simply scanning the code with a mobile device.

Rules for multimedia synergy success include:

- Speak with one voice.
- Choose the right media for the target audience.
- Have a compelling offer and memorable message.

See the next page for an example of how a fitness chain company targeted its audience to get action.

The physical world is real to consumers.

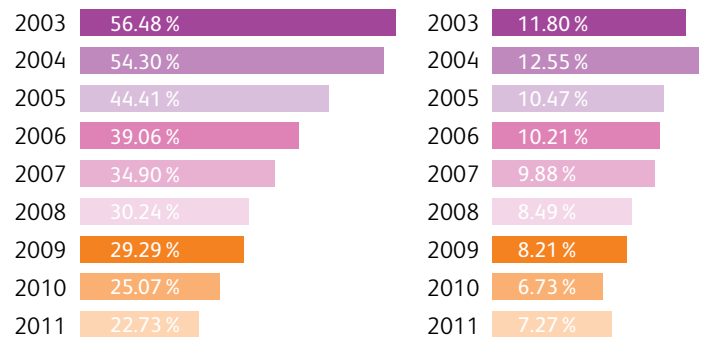


“The red area in the images of the brain represents greater oxygenated blood flow (and hence activation) stimulated by physical ads. The blue areas are regions activated more by virtual ads.

While in no way denigrating virtual media, which clearly has specific benefits in terms of targeting and interactivity, the study does reveal that there is something special about the physical medium.”

Source: Millward Brown: Using Neuroscience to Understand the Role of Direct Mail, Working in Collaboration with the Centre for Experimental Consumer Psychology at Bangor University, Gwynedd Wales

Declining Email Engagement



Open Rate

Click Rate

Source: emarsys Email Benchmark Report 2012
Data collected from over 70,000 B2B and B2C campaigns sent by over 1000 businesses across different countries and industry sectors and analyzed



“The way XMPie (cross-media software) enables campaigns to be managed from a single dashboard is brilliant.”

— Espen Borg Larsen
Assistant Manager of Web Applications, Wittusen & Jensen

Personalized, multimedia referral campaign generates \$2 million in revenue for fitness chain.

Elixia health and fitness chain boosts customer loyalty and new membership in refer-a-friend campaign

Customer: Elixia, a health and fitness center chain in Northern Europe

Provider: Wittusen & Jensen

Challenge:

- Retain customers
- Increase membership

Strategy: Invite members to refer friends, expanding overall membership and motivating members to stay in the club with their friends

Audience:

- Current members
- Their fitness-conscious friends

Offer: Recruit a friend and both get two months free membership

Creative theme: “Get a good friend to become a healthy friend”

Media:

- Postcards
- PURLs
- Email

Process: Postcards drive recipients to PURLs to update account and send email invitations to friends, interact with them and track results

Use of data: Personalized images by age and gender, personalized name and location of club

Results:

- 2,500 new members compared to 37 from the prior campaign
- Annual revenue of \$2 million
- 27.5% response rate



Seven: Build windows of opportunity.

Leaders in direct marketing find ways to stay ahead of the curve in an incredibly dynamic market where timely insights and miniscule adjustments can make the difference between grand success and bland mediocrity.

You need to give your firm every possible chance to compete with—and ultimately become one of—those leaders.

- **Train and educate your staff to be knowledgeable direct marketers.** The insights you need to gain an edge can come from anyone on the staff, so help prepare them to make a contribution. Training is available from associations like the DMA, vendors and adult education programs at colleges and universities.
- **Define your business, identify your targets and stick with the strategy.** Don't be distracted by random opportunities that take you off track.
- **Establish a program of delivering regular communications that demonstrate your value.** Use this marketing vehicle to show how you provide market-specific solutions and communications that solve your customers' problems. Be consistent in sticking to your program, as windows of opportunity can take time to open.
- **Showcase the value of your experience by participating in local and national events** in advertising, marketing and specific vertical markets.

You need to continually develop fresh insights that improve your offerings—or risk losing business to companies that do. You need to see the world from your customers' point of view, to develop services that meet their precise needs. You need to put your business on the line with your customers, to be a partner committed to delivering return on investment and higher revenues.

The reward: Your marketing services can be a source of sustainable differentiation in a growth market. That's a worthy result for any graphic communications provider.

Alphagraphics uses its coconut to generate leads.

Provider: AlphaGraphics in the Cultural District, a franchise in downtown Pittsburgh, PA providing marketing, design, Web, cross-media, print, mail and ecommerce solutions

Customer: Self-promotion

Challenge:

- Improve awareness of the full range of the franchise's multichannel marketing capabilities and of mailing services in particular
- Specific goals included increasing mailing revenue by 25% in the next six months, achieving a 20% response rate to the mailing and converting half of respondents to workshop attendees

Strategy: Promote mailing services and multichannel marketing services with an executive marketing workshop and a compelling multichannel campaign that features a dimensional mailer to invite people to the workshop

Audience: Current clients who had limited or no use of AlphaGraphics mailing services, and prospects

Offer:

- Restaurant gift certificates for filling out a survey
- Workshop on the power of direct mail in multichannel marketing

Creative theme: "Use Your Coconut"

Media:

- Several distinctive mailings, including a dimensional mailer (a coconut) and another in an oversized envelope
- PURL
- Facebook
- Twitter
- Website banners
- Email

Process:

- Use a series of unusual mailings and offers to encourage recipients to take a survey about their needs and invite them to an executive marketing workshop on the power of direct mail when combined with multichannel marketing and featuring a direct marketing expert. The mailings include a coconut

wrapped in nylon netting with a hangtag invitation to visit a PURL, oversize envelope containing a brochure on direct mail and inserts reflecting their survey responses, and a third personalized piece.

- Reinforce the campaign messaging with Facebook and Twitter posts, rotating website banners and emails

Use of data:

- Personalized messages and images based upon name and PURL survey status and responses
- PURL

Results:

- 46% response rate, more than double the original goal
- Attracted more than 40 attendees to an executive marketing workshop, nearly a 50% conversion rate
- Several new multichannel marketing campaigns and many sales leads
- Preliminary estimate on return on the direct mail investment: more than 200%



Thank-you PURLs boost customer survey responses for print and marketing provider.

Provider: Lexinet, a marketing solutions provider based in Council Grove, KS

Customer: Self-promotion

Challenge:

- Promote the full range of Lexinet marketing-support capabilities
- Gain intelligence about the needs of Lexinet customers
- Get feedback on Lexinet performance

Strategy: Create and distribute a multichannel thank-you campaign encouraging Lexinet customers to participate in a survey about their satisfaction and needs

Audience: Lexinet customers

Offer: A gift or gift donation to a favorite charity in exchange for taking a survey

Creative theme: “Thank you” campaign

Media:

- Direct mail
- PURL
- Email
- Website

Process:

- A personalized direct mail piece and follow-up emails drive recipients to a PURL containing a survey
- The thank-you campaign messaging is reinforced on the Lexinet website

Use of data: Name personalization and PURL

Results:

- 66% response rate and 38% responded in the promotion’s first three days
- Learned that 93% of respondents were willing to participate in Lexinet-led webinars—66% suggested specific topics to cover
- More than 60% of respondents rated Lexinet customer services as excellent
- Forty percent of respondents included a personal thank you note, including a number of testimonials Lexinet can use in its marketing



Seven Tips for Selling to Direct Marketers

Appendix

Here is a brief selection of useful resources.

Direct Marketing Trade Publications

- www.adage.com—*Advertising Age*
- BtoBOnline.com—*BtoB Magazine*
- DeliverMagazine.com—*Deliver Magazine*
- FundRaisingSuccessmag.com—
A practical guide for nonprofit organizations
- MultichannelMerchant.com—
Multichannel Merchant
- Philanthropy.com—*The Chronicle of Philanthropy*
- TargetMarketingMag.com—
Target Marketing Magazine
- www.warc.com—global provider of ideas and evidence for marketing people

Books

- *The Loyalty Effect* by Frederick Reichheld
- *Made to Stick* by Dan and Chip Heath
- *Nudge* by Richard Thaler
- *Predictably Irrational* by Dan Ariely
- *Successful Direct Marketing Methods* by Bob Stone and Ron Jacobs
- *Create Relevant Direct Marketing That Gets Results*, a Xerox® ProfitAccelerator® Digital Business Resource

Industry Associations

- www.the-cma.org—*CMA (Canadian Marketing Association)*
- www.newdma.org—*DMA (Direct Marketing Association)*
- www.nmoa.org—*National Mail Order Association*. This site includes links to international direct marketing and mail order contacts

Postal Websites

- www.usps.com—United States
- www.canadapost.ca—Canada
- www.mmc.co.uk—Mail Media Centre, United Kingdom

Direct Marketing Resources

- List of global and regional U.S. direct mail associations
www.directmarketingevents.com/dme/dmorgs.asp
- *Print in the Mix*—Data on the role and effectiveness of print in marketing
printinthemix.rit.edu/
- *Plunkett Research*—Provides industry statistics, trends and company analysis
www.plunkettresearch.com
- www.directmarketingsmarts.com—Webpage of Beth Smith, Smith Browning Direct, who has more than 35 years of direct-marketing experience and is a longtime educator
- www.marketingcharts.com—A Watershed Publishing publication featuring marketing data and statistics

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“Outdoor Sports Outfitters Generate Store Traffic and Sales With Cross-Channel Marketing,” a PODi digital print case study, www.podi.org/casestudy

“Relevant Fundraising Helps Christian Ministry Achieve Exponential Growth,” a PODi digital print case study, www.podi.org/casestudy

“Cross-Media Campaign Boosts College Admissions for Maryland Institution,” an XMPie case history, www.xmpie.com/success-echo

“XMPie® Helps Elixia Fitness Centers Generate €1.5 Million in New Member Fees,” an XMPie case history, www.xmpie.com/success-wj

“AlphaGraphics Uses Its Coconut to Generate Leads,” a PODi digital print case study, www.podi.org/casestudy

“Thank You PURLs Boost Customer Survey Responses for Print and Marketing Provider,” a PODi digital print case study, www.podi.org/casestudy

“Seven Steps to Transition from Print Vendor to Marketing Communications Partner,” *Graphic Impressions Magazine*, by Shelley Sweeney, vice president/general manager, Data Center Service Bureau and Direct Mail Segments, Xerox Corporation

“Services Providers,” *Graphic Impressions Magazine*, by Gina Testa, vice president/general manager, Worldwide Graphic Communications Business, Xerox Corporation

“Marketers Seek Print That Delivers ROI and Innovation,” *Graphic Impressions Magazine*, June-July 2010, by Gina Testa, vice president/general manager, Worldwide Graphic Communications Business, Xerox Corporation

