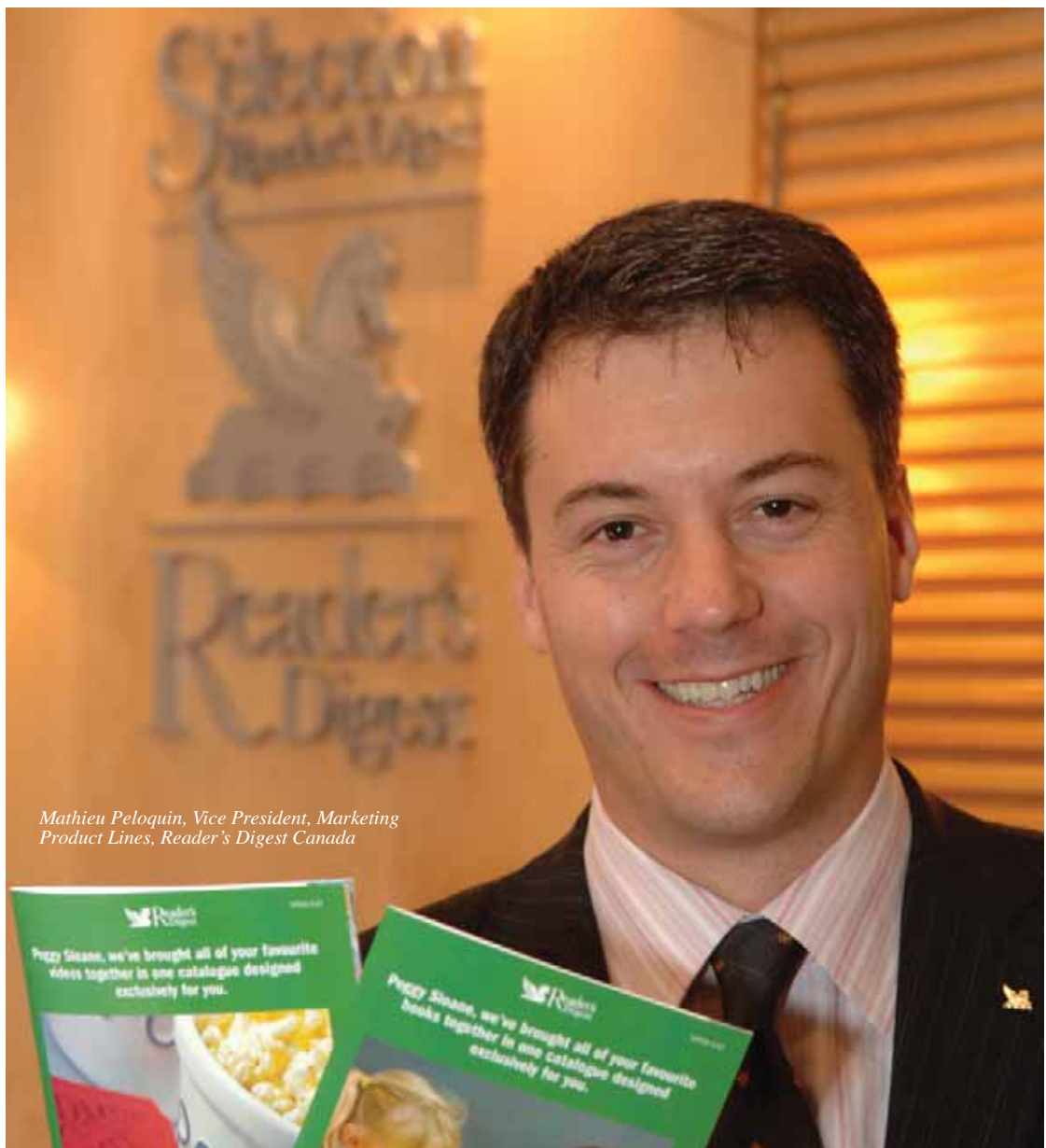


# Reader's Digest adds a new chapter in customized direct marketing with the Xerox 1:1 Lab



*Mathieu Peloquin, Vice President, Marketing Product Lines, Reader's Digest Canada*



A Canadian institution for 60 years, Reader's Digest Canada is a pre-eminent publisher and direct marketer of magazines, books, music and DVDs. Reader's Digest and Sélection du Reader's Digest are Canada's most widely read monthly magazines, with 8.1 million readers per month.

From mass to highly personalized marketing, Transcontinental offers its clients integrated solutions which include a continent-leading direct marketing offering. Transcontinental is a company whose values, including respect, innovation and integrity, are central to its operation.

# The Challenge



*Mathieu Pélouin, Vice President, Marketing Product Lines, Reader's Digest Canada shows the new customized catalogue produced by the Xerox 1:1 Lab.*

Reader's Digest is an industry leader when it comes to direct marketing initiatives – its response rates are typically much greater than the one or two per cent industry average, sometimes reaching double digits.

But with new developments in data mining technology and digital print, Reader's Digest was keen to test the capabilities of data-driven, customized direct marketing with the Xerox 1:1 Lab. In addition to seeking an increase in response rates, the company wanted to test whether using intelligent information to cross-sell its offerings, including CDs, DVDs and books, versus a strict product line to product line approach, could positively influence its customers' purchasing behaviours. As well, Reader's Digest wanted to evaluate whether the use of variable graphics and offers could positively influence the customer's behaviour enough to justify simplifying its current direct mail package that includes multiple marketing pieces and a return envelope.

A typical Reader's Digest catalogue promotion would include:

- 24-page catalogue
- 8.5" x 11" self adhesive labels stamp sheet
- Contest device
- Sweepstakes certificate
- Personalized customer letter
- Second order upgrade

As with any organization that largely depends on direct marketing to reach its customer base, Reader's Digest was eager to test whether customized, data-driven communications could deliver the return on investment it required to change its marketing approach.

Transcontinental Direct Montreal, a division of Transcontinental Inc., one of the main direct marketing services and print providers for Reader's Digest's direct marketing initiatives, also recognized the changes in print technology as an opportunity to offer its customer a new way of reaching their clients through variable, four-colour, digital print.

Transcontinental Inc., the largest printer in Canada and sixth largest in North America, is also a leader in providing a full suite of direct marketing services to direct mailers, marketers and communication firms.

"Our customers still do a lot of mass marketing, but they are moving to a more targeted approach, and we're trying to be pro-active about leading them by constantly investing in new technologies," said Patrice Lacoste, Vice President, Short-Run Commercial Printing, Transcontinental. "We're getting involved with our customers earlier in the process," Lacoste said. "We're contributing to an understanding of their clients, connecting them to the right technologies, and leveraging their existing data, while helping them enrich it over time."

*“We constantly look to lead the direct marketing industry and the Xerox 1:1 Lab program keeps us at the forefront in Canada and around the world.”*

*– Mathieu Peloquin, Vice President,  
Marketing Product Lines, Reader’s Digest Canada*



*The Xerox 1:1 Lab*

# The XEROX 1:1 Lab: Demonstrating the Power of Data-Driven Marketing

Looking to increase its overall response rates, as well as deliver a value-added direct mail package to its customers, Reader’s Digest, with Transcontinental’s active participation, became a participant in Xerox Canada’s unique 1:1 Lab.

“We were keen to test a new business model based on data-driven communications to surpass the strong performance of our direct marketing efforts,” said Mathieu Peloquin, Vice President, Marketing Product Lines, Reader’s Digest Canada. “There is little doubt that customized communications is the future of direct marketing, and as an industry leader, Reader’s Digest wanted to include the 1:1 Lab as part of its innovative testing program.”

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The 1:1 Lab is a testing ground for Xerox customers to demonstrate the power and accessibility of data-driven one-to-one marketing and accelerate its adoption by the marketing community.

The 1:1 Lab provides a learning environment to test and compare the results of data-driven one-to-one direct mail marketing campaigns with traditional direct mail methods. The 1:1 Lab is equipped with state-of-the-art equipment and software including the Xerox iGen3® Digital Production Press, a 110 impression-per-minute digital colour press with image quality comparable to offset, and Exstream Dialogue™, one of the most robust and sophisticated one-to-one software solutions on the market today. Terminal Van Gogh Ltd. (TVG) provides strategic consulting on data-driven marketing campaigns, builds the 1:1 Lab participants’ programs, re-purposes existing creative to function within the data-driven environment and develops the metrics in the data to gauge results.

# Data Driven 1:1 Communications in Action

Customer's name

Catalogue photo represents customer's reading interests

Categories match customers' affinities

Personalized elements include letter, promissory note, voucher and certificate



Customer letter

Certificate



Variable stamps applied here

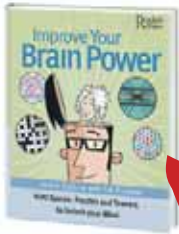
Catalogue page order aligns with customer's reading interests

**Improve Your Brain Power**

Get family and friends together for hours of fascinating fun! Entertaining and challenging, you'll find this inspiring book packed with over 400 resourceful mind-building puzzles, games and quizzes. Enticing and brain-boggling chapters include *Keep It in Mind* with puzzles and games designed to increase your memory; *Word Power* filled with fantastic vocabulary building exercises such as crossword and codeword puzzles; *Expand Your Mind* which explores visual and mind-bending challenges including a variety of optical illusions and tricky mazes; *Think Logically* focusing on mathematical and logical problems that involve strategic skills, reasoning power and persistence; and much more! Wonderfully illustrated, this is a great way for your whole family to maximize their mental abilities and power up the brain! Great for home and cottage!

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HOME BOOK GENERAL

Order your stamps for the \$22,500.00 prize. Pay off the stamp starting fee for the stamp collection for your favorite collection and more prizes!

**FINAN SAMPLE, HERE ARE YOUR GOLD STATUS CUSTOMER BONUS SEALS**

To order your favorite collection, peel off the appropriate stamps below and affix them to the forms shown on your Personal Entry Certificate.

Stamp collection grid with titles like: Willie Nelson, The Rocky Collection, Home Brew Beer, Roger Miller, The Amazing Cash, The Marty Robbins Collection, The Family, The Secret of Ryan's Peace, etc.

**REPLY PROMPTLY FOR MAXIMUM BENEFITS!**

THE TRILOGY ALLIANCE

All stamps variable

Stamps match the catalogue by product and sequence

Return Before **DECEMBER 27, 2005**

Cheque Claim Form: VPOD-CFYD

DATE: November 28, 2005

PAY TO: John Sample \$15,000.00

THE TRILOGY ALLIANCE

Voucher addressed to customer

**PREFERRED CUSTOMER BENEFIT**

**\$10,000.00 Promissory Note**

MEMBER'S SIGNS GUARANTEES TO PAY

Please be advised that on every \$10,000.00 cash prize opportunity will be awarded to one of our Gold Status Customers who says "YES" to a special selection from the on-board catalogue.

This bonus cash award is being offered in recognition of, and appreciation for, the continued interest in our products.

Should you, as a designated Gold Status Customer, receive the reward of the opportunity to receive the \$10,000.00 cash prize, you will receive a direct payment of an additional \$10,000.00 cash payment from The Reader's Digest Association (Canada) Ltd.

To accept this cash prize opportunity, receive the \$10,000.00 Assurances said from the enclosed cheque sheet and affix it to the space indicated on your Personal Entry Certificate. To qualify, your entry must be received by the December 17 deadline.

Please be advised that a draw process will not be present.

**REPLY BY DEADLINE STATED**

THE TRILOGY ALLIANCE

Promissory note personalized with customer's name

# The Data Driven 1:1 Marketing Plan in Action

For the Reader's Digest tests, approximately 47,000 customers were selected. The control group received a traditional package while two test groups received fully variable mailings.

Test 1 was further subdivided into a full Sweepstakes package and a simplified package. Test 1A and 1B offered items based on the same product line as the most recent purchase, whereas Test 2 cross-sold product lines based on the most recent customer purchase. Reader's Digest provided the product selection, for the testing as well as an affinity table, which predicts the highest probability of purchase by customer based on their most recent buying behaviour. TVG, under the umbrella of the Xerox 1:1 Lab, then programmed each affinity from the table into program code to drive the variable messaging within the catalogue and stamp sheet, with some affinities requiring in excess of 5,000 lines of code.

The different packages were organized as follows:

#### **Control: Standard package (Music only)**

- 24 pages with 43 products
- Full Sweepstakes package with only the letter/certificate personalized by black imprinting of personal information
- Quantity: 15,701

#### **Test 1: Customized package**

- Product line to product line based on most recent purchase affinity
- All images in the catalogue and stamp sheet variable and in sequence based on affinity patterns
- Stamps matched the catalogue by products as well as by sequence
- 16-page catalogue produced for this test

Both Test 1A and Test 1B included all of the elements described above as well as:

#### **Test 1A: Fully customized package**

- Full Sweepstakes package, all items customized in four colour process, except the wallet and envelopes
- Quantity: 10,468

#### **Test 1B: Simplified customized package**

- Simplified package, no Sweepstake elements
- Quantity: 5,234

#### **Test 2: Fully customized package, cross-selling multiple products**

- Offers based on an affinity pattern, in turn based on customer's previous purchase, but including the other two product lines
- Fully customized catalogue and stamp sheet
- All images in the catalogue and stamp sheet variable and in sequence based on affinity patterns
- Full Sweepstakes package, all items personalized in four colour process, except for the wallet and envelopes
- Stamps matched the catalogue by products as well as by sequence
- 16-, 20- or 24-page catalogue and varying length stamp sheet based on the page count
- Quantity: 15,700

The packages produced for the 1:1 Lab campaign were all fully variable and unique to each customer. The customized catalogues were populated with titles selected by applying a profiling algorithm to each individual's purchase history. Mixing and matching variables resulted in as many as 800 product-affinity combinations and three billion possible catalogue variations. The sequence of the stamps matched the sequence of products in the catalogue. Each affinity was colour coded with sidebars on all pages.

The test results fully proved the effectiveness of variable print-on-demand. Response rates were significantly higher with all the variable packages than the traditional package. Test 1A, the Full Sweepstakes package, achieved a greater response rate than Test 1B, the Simplified package, although both variable packages (Tests 1A and 1B) did better than the control package.

The most significant overall improvement in sales, 74 per cent, was achieved in Test 2 with the cross-selling multiple

products catalogue. In this test, book and CD buyers responded more to the fully customized package compared to the control one, 83 per cent more for books and 35 per cent more for CDs. These results proved that relevant complementary offers based on customers' profiles and affinities can greatly impact their purchasing behaviour. Please see page 8 for full details of the results.

While the results proved the effectiveness of the 1:1 Lab, additional analysis highlighted the numerous ways that variable print-on-demand can drive positive responses:

- Future campaigns could cross-sell existing customers by using a multi-product offer, which would increase overall sales levels
- New affinity patterns could be developed to cross-sell on products at specific price ranges
- Selective promotion of overstocked product could provide opportunity for better management of product inventory
- Product line to product line offers could be used to drive different profit levels with new customers

The 1:1 Lab was a resounding success in demonstrating the power of relevant, data-driven marketing. Response rates exceeded expectations, particularly since a top tier of Reader's Digest customers was selected for the program and their response levels were already above industry norms. Lifts averaged 67 per cent above the control package and reached 111 per cent in certain segments. Relevant messages based on affinity patterns changed customer behaviour and broke some of the silos in the current business model.

Reader's Digest is committed to being the industry leader in direct marketing by being in the forefront of one-to-one marketing, not only in Canada but around the world. In November 2006, the Reader's Digest 1:1 marketing campaign, produced by Xerox and its partners TVG and Exstream Software, won Gold at the Canadian Marketing Awards for Resource Partners for Excellence and Innovation in Best Practices and/or Technological Advancement.

# The Trilogy Alliance

The Trilogy Alliance is an enabler for Xerox Graphic Communications Group customers and their marketing and advertising customers to implement data-driven, one-to-one print campaigns on an ongoing basis.

Relatively few corporate marketers have the infrastructure, experience or

expertise to execute customized marketing programs, even though they are aware of its advantages. The combination of Xerox, Terminal Van Gogh Ltd. and Exstream Software's Dialogue™ enterprise personalization solution brings together the software and skills commercial printers and their customers need without requiring them to invest immediately in these areas.

As they gain one-to-one campaign knowledge and build their business, printers can continue to work with the Alliance or make the investments that will allow them to continue independently. The Trilogy Alliance offers flexible services, based on the skills and infrastructure of each customer.

## Reader's Digest 1:1 Lab investment comparison table

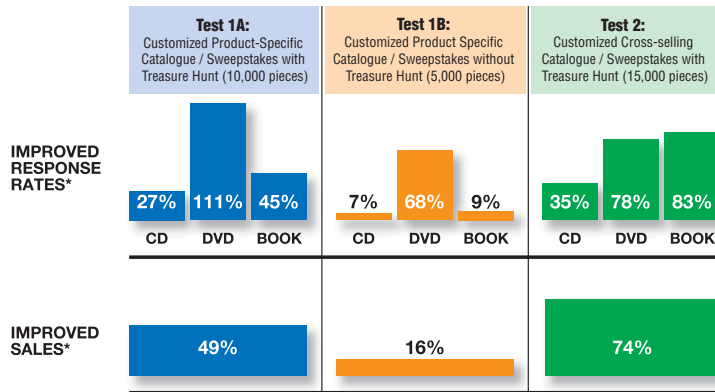
Control – Traditional	1:1 Lab – Full costing Investment For Variable Print-On-Demand Pilot Program	1:1 Lab – New – “Special Task Force Team” Investment For Roll-out
<p><b>Stamp Sheets*:</b> 6 x 10.625" folded in half, 4/0 process on kiss-cut.</p> <p><b>Catalogue*:</b> 20 pages, 4/4 process, bleed. Trimmed, folded and saddle stitched to 4 x 7.25." 43 music products presented.</p> <p><b>Vouchers:</b> 2 with finished size of 2.125 x 6.5," non-personalized, 4/4. 1 voucher is tipped to front of catalogue and another is inserted loose. A third voucher is incorporated as part of the vouchers wallet construction. All non-personalized.</p> <p><b>Certificate and Letter:</b> Both are within a single construction 15 x 14" computer form with detachable perforation to create a 6.75 x 14 letter and 8.25 x 14" certificate. 4/2 pantone. Ink jet laser personalization one side only. Form is sheeted and folded to 8.25 x 5.5."</p> <p><b>Promissory Note*:</b> Flat size of 6.75 x 9.75, folded to 6.75 x 4.825," 4/4 process.</p> <p><b>Voucher Wallet*:</b> Flat size of 6.5 x 9.5 flat roll folded to 6.5 x 2.75," perforated to create detachable 2.125 x 6.5" voucher, 4/1 pantone.</p> <p><b>8 items inserted, 1 personalized item</b></p> <p><b>Outgoing Envelopes (OE):</b> 6 x 9," 3/0 full coverage and <b>Reply Envelopes (RE):</b> 5.25 x 8.5," 2/0.</p>	<p><b>Variable Stamp Sheets:</b> 8.5 x 11" folded to 5.5 x 8.5" pre die cut.</p> <p><b>Variable Catalogue:</b> 16 page, finished size of 5.5 x 8" with bleeds, trimmed and folded, saddle stitched, 4/4.</p> <p><b>Variable Vouchers:</b> finished size of 2.75 x 6.25," 3 vouchers per record, 4/4, personalized one side, black only (overprint). Trimmed to 1 up and inserted separately into package.</p> <p><b>Variable Certificate and Letter:</b> Each 8.5 x 14," 1 perfed down middle, 4/4 with black imprinting, 1 side only.</p> <p><b>Variable Promissory Note:</b> Flat size of 8 x 8," folded to 4x8," 3/1.</p> <p><b>Voucher Wallet:</b> Flat size of 6.5 x 6.875" flat, 4/0, perfed, roll folded to finished size of 6.5 x 2.75"</p> <p><b>8 items to be inserted, 6 personalized items</b></p> <p><b>Envelopes (OE and RE):</b> supplied by Reader's Digest. Based on OE @ \$66/M and RE @ \$40/M</p>	<p><b>Variable Stamp Sheets:</b> based on a 16 page catalogue with 28 products. Standardize size, Finished size of 8.5 x 5.5," no bleed, pre die cut.</p> <p><b>Variable Catalogue:</b> 16 pages, finished size of 4.25x6.75," with bleeds, trimmed and folded, saddle stitched, 4/4.</p> <p><b>Vouchers:</b> finished size of 2.75 x 6.25, 3 vouchers per record, 4/1, not personalized.</p> <p><b>Variable Certificate and Letter:</b> 17 x 12.25" combined with pattern perf, personalized one side, 2/2, black imprinted one side only. Roll folded to 8.5 x 5.5."</p> <p><b>Promissory Note:</b> Flat size of 8 x 8," folded to 4 x 8," 3/1, not personalized</p> <p><b>Voucher Wallet:</b> Flat size of 6.5 x 9.5," 4/1, roll folded to finished size of 6.5 x 2 13/16," 2/0.</p> <p><b>8 items to be inserted, 4 personalized items</b></p> <p><b>Envelopes (OE and RE):</b> supplied by Reader's Digest. Based on OE @ \$66/M and RE @ \$40/M</p>
<p>Cost per package (based on a quantity of 170,000 packages) <b>\$0.42</b></p>	<p>Cost per package (based on a quantity of 50,000 packages) <b>\$3.21</b></p>	<p>Cost per package (based on a quantity of 300,000 packages) <b>\$1.40</b></p>
<p>Control package pricing includes all print, personalization and lettershop. Note: Catalogue and stamp sheet pricing are very competitive and benefit from co-production and volume purchasing. Specifications for these components are aligned with other corporate initiatives and total combined purchase volume exceeds IMM.</p> <p>* Inserted loose, non-personalized.</p>	<p>Based on changing some levels and methods of personalization for some of the elements. Stamp Sheet is standardized to 8.5 x 11.5" folded to 5.5 x 8.5." Catalogue is the same size as done in the Pilot (5.5 x 8") with the option shown here for a 16-page catalogue. Vouchers / Letter / Certificate are printed as offset shells and then personalized by imprinting black. Variable content printed on a Xerox iGen3*.</p>	<p>For the Roll-Out program, some modifications have been applied to maximize productivity and lower pricing. Catalogue has been slightly modified from the original format to print 1-up on a Xerox iGen3*.</p>



**Xerox, delivering results you can measure.**

As a global leader in digital and variable colour printing technology, we are helping our customers leverage the benefits of personalized marketing through the Xerox 1:1 Lab. For more information, or to schedule an appointment with a Xerox Sales Representative, call 1-800-ASK-XEROX, or visit our website, [www.xerox.com/1to1lab](http://www.xerox.com/1to1lab) today.

### Xerox 1:1 Lab Reader's Digest Test Results



\*Percentage of improvement over Reader's Digest's "Cross-Mail Catalogue," a music catalogue offer promoted with a sweepstakes and treasure hunt contest device (30,000-piece control group).

# Client benefits close-up

#### **BENEFITS: Response rate increased**

##### **Test 1A: Customized catalogue with full offer (product line to product line)**

- CD music buyers' response rate **increased by 27 per cent**
- DVD buyers' response rate **increased by 111 per cent**
- Book buyers' response rate **increased by 45 per cent**

#### **BENEFITS: Average sales improvement**

**Improved average sales by 49 per cent**

##### **Test 1B: Simplified and customized package (product line to product line)**

- CD music buyers' response rate **increased by 7 per cent**
- DVD buyers' response rate **increased by 68 per cent**
- Book buyers' response rate **increased by 9 per cent**

**Improved average sales by 16 per cent**

##### **Test 2: Full customized package (multiple product line offers)**

- CD music buyers' response rate **increased by 35 per cent**
- DVD buyers' response rate **increased by 78 per cent**
- Book buyers' response rate **increased by 83 per cent**

**Improved average sales by 74 per cent**

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