

STAPLES Business Depot makes an offer its business customers can't refuse with **Xerox 1:1 Lab** marketing solution



STAPLES Business Depot



that was easy.™

The Business Depot Ltd. was founded in Toronto in 1991. It is Canada's largest supplier of office supplies, business machines, office furniture and business services for the small business and home office customer. The company is an everyday low price retailer. The chain operates stores in all provinces across Canada under the banners STAPLES® Business Depot™ and BUREAU EN GROS™. The company has over 11,500 employees serving customers through more than 245 office superstores, catalogue, and e-commerce. STAPLES Business Depot is committed to making shopping easy by offering customers three ways to shop – online, by catalogue and in-store.

The Challenge



Caroline Quinn, director,
Direct Marketing, STAPLES Business Depot

Traditionally, direct mail pieces from STAPLES to its business customers included addressing a single coupon offer, regardless of the customer's relationship with STAPLES. The coupon was attached to a single-sided form letter from the vice-president of STAPLES' loyalty programs.

STAPLES wanted to re-engage its customers who had either made minimal or no purchases within the past six months. It also aimed to increase the amount of money each customer spent on their purchase by cross-selling and up-selling to the customer based on past purchase history.

The company also wanted to leverage the customer information it had obtained through its Enterprise Credit Card and Dividends Loyalty customer programs.

“While we've quadrupled our direct marketing efforts in the past year, we were still looking to increase our wallet share within the market,” said Caroline Quinn, director, Direct Marketing, STAPLES Business Depot. “We hoped by customizing the messaging, and sending out the right offer at the right time to the right people, we could get a lift in response.”

1:1 Lab marketing pieces
for STAPLES Business Depot



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

Seeking to increase the amount of money its business customers spent in its stores, and to re-engage customers who had not placed an order with STAPLES within the previous six months, STAPLES became a participant in Xerox Canada's unique 1:1 Lab.

Xerox's 1:1 Lab, a veritable testing ground for Xerox Customers, demonstrates the power and accessibility of data-driven one-to-one marketing and has accelerated its adoption by the marketing community.

The 1:1 Lab provides a learning environment to test and compare the

“In our direct marketing program, we wanted to send out the right offer at the right time to the right people.”

– Caroline Quinn, director, Direct Marketing, STAPLES Business Depot.

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

STAPLES Business DEPOT
that was easy™

12345

Bob Pente
123 Any Street
Toronto, ON A1A 2B2

easy

Now there's an easy button for your business.

Our gift to you: SAVE \$7

Dear Bob Pente,

As an Enterprise cardholder, you know that your nearby STAPLES Business Depot means more than just great everyday low prices. You know that STAPLES Business Depot also offers you a world of convenience, including:

- a selection of over 7,500 office essentials, including quality Staples® brand products in our stores – every day – so you can be confident that you'll find what you need, when you need it
- bright, clean stores located in easy-to-access areas – staffed by knowledgeable, helpful associates
- a **Complete Service Center** in most of our locations, always open 24 hours or late at night, offering you a wide array of products and services – at prices that are hard to beat
- even greater savings with the **Staples Dividends™ Program** – get up to 2.5% back on your purchases

As a special thank you, receive \$7 OFF – compliments of STAPLES!

It's loyal customers like you who have made us the world's largest office products supplier. To thank you for your patronage and show our appreciation, we'd like to extend this special offer. Simply bring in the attached coupon the next time you visit any Staples Business Depot store and receive an additional savings of \$7 OFF your purchase of a case of Staples® Business Depot™ high-grade (92 brightness quality) multi-purpose paper. Take advantage of this great offer and you'll enjoy a better quality of paper, for about the same price as you'd normally pay for 84 grade.

Thank you for your business in the past. You are a valued customer and we look forward to serving you again soon!

Sincerely,
S. Matyas
Steve Matyas, President

PS: To receive your \$7 OFF savings you must bring in the attached coupon to any Staples Business Depot store before September 30/05.

\$7 OFF

When you purchase a carton of STAPLES® Business Depot™ High-grade Multi purpose paper

1234567890123456

STAPLES that was easy™

Indicates customer's loyalty card program

Highlights customer's offer - dependant on past purchasing history

Highlights other STAPLES loyalty program if relevant to customer

Highlights other STAPLES loyalty program

Text provides details of STAPLES offer

identifies customer's present / past purchasing behaviour



The Data Driven 1:1 Marketing Plan in Action

TVG, under the umbrella of Xerox 1:1 Lab, undertook the design of the 1:1 Lab test package, taking care to keep the overall look as similar as possible to STAPLES' traditional marketing piece to avoid skewing customers' responses and ensuring an objective comparison of results.

Using existing customer data from STAPLES, TVG created a series of one-page 8.5" x 11" direct mail pieces that included a number of data-driven elements.

If the customer was a Dividends or Enterprise program member, their membership was not only acknowledged throughout the text of the direct mail piece, but they were encouraged to take advantage of the other program.

The 1:1 direct mail piece also indicated knowledge of the customer's purchase history and offered thanks for their ongoing, recent or past patronage.

Depending on the customer's program membership and past purchasing behaviour, one of three special offer coupons was included in the 1:1 Lab direct mail piece:

- Receive \$10 off any purchase of \$40 or more
- Receive \$7 off the purchase of a case of STAPLES Business Depot high-grade multi-purpose paper
- Receive a free One-Touch Stapler with the purchase of a ream of STAPLES Business Depot high-grade multi-purpose paper

"The design process went well," said Quinn. "We managed to pick attributes that would work with the variable messaging – customers' location, industry, employee size, things like that."

In August 2005, approximately 37,000 direct mail pieces were sent to STAPLES Business Depot customers.

Overall, the rate of coupon redemption for the 1:1 piece was 50 per cent greater - without any additional follow up from STAPLES Business Depot.

The average purchase amount by customers who received the 1:1 direct mail piece was 18 per cent greater than the amount purchased by customers who received the traditional direct mail piece. As well, the campaign's cost, per coupon redemption, decreased by 13 per cent. With the 1:1 Lab campaign, profit per customer transaction was 37 per cent higher than with the control piece.

Impressed with the solid business results delivered by the Xerox 1:1 Lab, STAPLES anticipates using 1:1 marketing in future direct mail campaigns.

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.

Project Production Cost Comparison			
STAPLES Business Depot Control piece	Cost per Package	STAPLES Business Depot New 1:1 Lab piece	Cost per Package
*Printing and finishing (offset) - Package of 1 letter (8.5" X 11") - 4/0 process. Folded-perf	\$0.10	Data preparation, processing and set up - Variable Print Ready File Processing (VPS)**	\$0.21
Project management, fulfillment, insertion and lettershop costs	\$0.06	*Digital Printing - Package of 1 letter (8.5" X 11") including a 100% variable coupon	\$0.30
Outer envelopes printed 2/0. ref #10. window	\$0.05	Project management, fulfillment, insertion.	\$0.06
Postage media post	\$0.37	Outer envelopes printed 2/0. ref #10. window	\$0.05
TOTAL production or future reprint	\$0.58	Postage media post	\$0.37
		TOTAL production or future reprint	\$0.99

* Price per package evaluated on the base of 30,000 pieces

** This costing does not include or take into account creative changes, copy changes or any significant changes to the program as it was created in the Lab. In the future, changes to the project would result in incremental costs

1:1 Lab one-time cost (TVG)	
1:1 Lab design and programming (1 time cost) Xerox Partner Terminal Van Gogh (TVG)	
Art Direction & New Design and Repurposing of existing creative	\$3,750.00
Account service and administration of the lab coordination	\$3,750.00
Programming original code	\$3,750.00
Engineering of document in variable in Exstream software	\$8,250.00
TOTAL design and set-up	\$19,500.00

STAPLES 1:1 Lab results vs. traditional campaign				
Coupon Acquisition Cost*	Customer Acquisition Cost**	Customer Spending	Sales	Profit***
- 13%	+ 2 %	+ 18 %	+ 23 %	+ 37 %

* Average cost / redeemed coupon

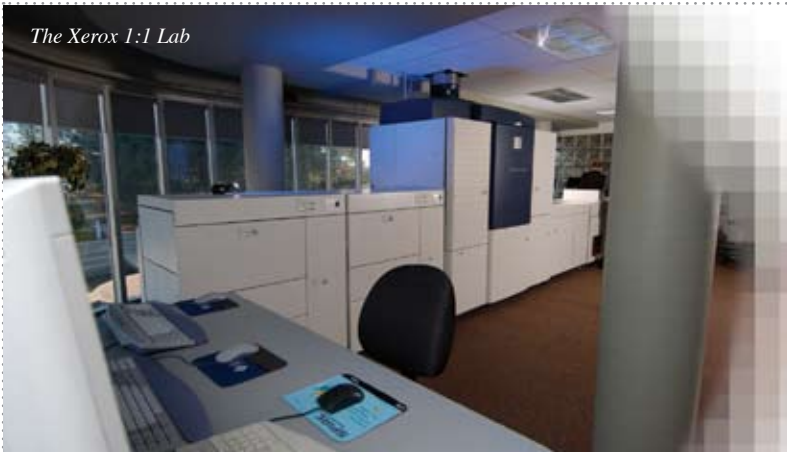
** Including acquisition cost of customer, printing production and offer value (coupon cost)

*** Based on coupon value print cost, item cost (purchased by customer)

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 customized 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** today.



The Xerox 1:1 Lab

Client benefits close-up

STAPLES Business Depot has gained significant benefits since testing a one-to-one marketing solution from Xerox:

- Overall coupon redemption rate **increased by 50 per cent**
- The average amount of **customers' purchases increased by 18 per cent** versus the control piece
- **13 per cent lower** cost for STAPLES per redemption
- STAPLES **gross profit** per transaction **increased by 37 per cent**