

Xerox 1:1 colour marketing solution pays off for Heritage Education Funds



The Xerox Canada 1:1 Lab



Heritage Education Funds Inc. is one of Canada's premier providers of Registered Education Savings Plans (RESPs). With assets approaching \$1 billion, the company offers some of Canada's highest-performing, safest and most flexible RESPs. Headquartered in Toronto, the company employs 80 people and has more than 1,700 sales representatives across the country.

The Challenge



Jason Maguire, Executive Vice President, Marketing, Heritage Education Funds Inc.

Fundamental to Heritage's business success is educating its clients on the necessity of putting aside money today in order to pay for their children's future post-secondary education.

A key challenge for Heritage is clearly demonstrating to its clients, in concrete fiscal terms, the value of investing in an RESP, as many clients find it difficult to forecast the potentially significant costs they will face 10 or more years down the road.

Each year Heritage conducts a direct mail campaign informing clients that, as December 31 approaches, so does their opportunity to take advantage of the federal government's Canada Education Savings Grant Program— which provides federal government grants of up to \$400 per eligible child, per calendar year – when they contribute to an RESP.

“Our direct mail piece must deliver the message that time to leverage the government grant is running out,” says Jason Maguire, executive vice president, Marketing, Heritage Education Funds. “The piece must compel them to respond and ideally to increase their RESP contributions.”

The direct mail piece issued by Heritage has typically been pre-printed on an offset press and then passed through a laser or inkjet printer to include simple personalization such as children's names and year-to-date contributions. A generic call to action is accompanied by a 1-800 number and the head office location, along with the same stock photos on each piece.

However, standard direct mail response rates have been less than stellar. Heritage had not seen an increase in its response rate in the past three years and its return on investment was stagnant.

Terminal Van Gogh CEO Bob Pente (R) shows print supplier Mike Megaffin (L), and Heritage Education Funds Inc.'s, Executive Vice President, Marketing, Jason Maguire the results of the Xerox 1:1 Lab.



The XEROX 1:1 Lab: Demonstrating the Power of Personalized Colour Marketing

Seeking higher response rates and a better return on its sales and marketing investment, Heritage became one of the first participants in Xerox Canada's unique 1:1 Lab. The Lab is a new testing ground for Xerox customers and Canadian Marketing Association members to demonstrate the power and accessibility of data driven 1:1 marketing and accelerate its adoption by the marketing community.

The 1:1 Lab provides a learning environment for 10 selected corporations per year to test and compare the results of data driven 1:1 direct mail marketing campaigns with traditional direct mail. The lab is equipped with state-of-the-art equipment and software including the Xerox iGen3®, a 100 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 will mine customers' data, design the program backbone and re-purpose existing creative to function within the data-driven environment.

Heritage was introduced to the 1:1 Lab through its print supplier, Mike Megaffin.

“The Xerox 1:1 Lab demonstrates that personalized direct mail provides direct value to your customers. They say ‘Here’s a company that finally gets me.’”

- Jason Maguire, executive vice president, Marketing, Heritage Education Funds

“With the print marketplace evolving, we have to diversify our service offerings for our clients,” says Megaffin. “We looked at 1:1 colour marketing solutions and Xerox had the best.”

For Heritage, the objectives of the 1:1 Lab marketing campaign were two-fold: to increase response rates over the traditional mail piece and to persuade clients to increase their current RESP contribution. Meeting these objectives will help drive Heritage

assets under management and meet their customers needs in educational funding for their children.


Together, Xerox and Terminal Van Gogh undertook the design of the 1:1 Lab template, taking care to keep the overall look as similar as possible to the traditional marketing piece to avoid skewing clients' responses (thereby ensuring an objective comparison of results), while introducing personalized elements.

Each client in the 1:1 sample would receive a direct mail piece that clearly reflected the age and gender of their children. For example, a client with a five-year-old daughter enrolled in an RESP would receive a direct mail piece that featured photos of a five-year-old girl. As well, the text would automatically reflect the gender and number of children – whether male, female or plural.

“The range of variable data available was impressive,” says Maguire. “Xerox helped us to provide our clients with customized print communication that had a real impact. If they have a young daughter and the piece reflects that image, it reinforces the message that Heritage knows its clients and in turn brings value to them.”


Data Driven 1:1 Communications in Action

Time is running out...



Mr. John Sample
125 Main Street
Suite 2K
Anytown, PR A1A 1A3

Dynamic photo based on gender and age



Maximize your RESP contribution by Dec. 31st and take full advantage of the CESG

497 5913

Think > Plan > Do >>

Dear Mr. Sample,


When you first began your Heritage Education Funds RESP, you took an important step toward helping to ensure that Antonio and Chianna will have the savings needed for post-secondary education.

Through the Canada Education Savings Grant (CESG¹) program, Human Resources and Skills Development Canada (HRSDC) will provide a Grant of 20% on the first \$2,000 of contributions into a RESP – up to a maximum of \$400 per eligible child, per calendar year (to a lifetime limit of \$7,200). To ensure that our Members are getting the most out of their Heritage Education Funds RESP, we have reviewed your Plan and have found that you are entitled to receive more Grant from the CESG program.

The chart on the other side of this letter shows the increasing cost of education. We have illustrated what your Plan currently contains and what it may be worth when Antonio and Chianna need the money for post-secondary education. We have also illustrated what the Plan could be worth at maturity if you simply increase your monthly contribution by \$25, \$50 or \$100. The additional CESG can help to make a real difference to your total RESP savings. Your commitment to your Heritage Education Funds RESP ensures that Antonio and Chianna will be that much closer to realizing their education goals.

The deadline for additional contributions into your Heritage Education Funds RESP is **December 31st, 2004**. Please call **1.800.739.2101** for more information or complete the form on the reverse side of this page and mail it in the enclosed postage-paid envelope today.


Sincerely,



Names of children

customized text and info based on children's profile

Karine Mackenzie,
Sales Manager
Heritage Education Funds Inc.
2005 Sheppard Avenue East, Suite 700
Toronto, Ontario M2J 5B4
Phone: 416.502.2500
Toll free: 1.800.739.2101



Sales rep name, signature and contact info

Photos based on age and appropriate setting

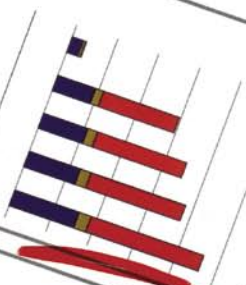
Think > Plan > Do

Your Plan Details:
(as of September 30, 2004)

Antonio Sample
Contract #: 9141413

You currently have
\$6,996
in this Plan.

- No increase in contribution
- Increase contribution by \$25/month
- Increase contribution by \$50/month
- Increase contribution by \$100/month

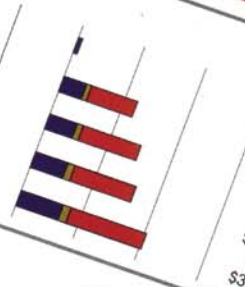


Principal	CESG	Interest	Total at Maturity
\$5,468	\$1,194	\$334	\$6,996
\$18,395	\$4,022	\$36,769	\$59,186
\$21,624	\$4,668	\$43,476	\$69,768
\$24,853	\$5,314	\$45,924	\$76,131
\$31,314	\$5,995	\$54,850	\$92,158

Chianna Amelia Sample
Contract #: 9822054

You currently have
\$3,386
in this Plan.

- No increase in contribution
- Increase contribution by \$25/month
- Increase contribution by \$50/month
- Increase contribution by \$100/month



Principal	CESG	Interest	Total at Maturity
\$2,790	\$560	\$36	\$3,386
\$18,389	\$4,163	\$37,199	\$59,751
\$22,322	\$4,950	\$46,889	\$74,131
\$26,268	\$5,737	\$49,856	\$81,551
\$34,129	\$6,634	\$60,847	\$101,609

Mr. Sample,

As the charts above illustrate, by simply increasing your monthly contribution, this will have a substantial impact to the value of your Heritage Education RESP by the Plan's maturity!

Contribution Form

If you'd like to increase your monthly contributions, and maximize your CESG, simply complete the following:

\$50 \$100
 Amount \$ _____

Chianna Amelia Sample
Contract #: 9822054
 \$25 \$50 \$100
 Other Amount \$ _____

ized Deposit (Please enclose a cheque marked VOID.)
 ge Educational Foundation to make withdrawals from the account specified on the enclosed VOID cheque.
 ation changed? Yes No

How much is it going to cost?
The Canadian Government predicts that the cost of post-secondary education will continue to rise...

Year of Birth	Year of School Entrance	Estimated Cost of 4-Year Program* (at home)	Estimated Cost of 4-Year Program* (away from home)
2004	2022	\$ 60,780	\$112,143
2003	2021	\$ 59,010	\$108,877
2002	2020	\$ 57,291	\$105,706
2001	2019	\$ 55,622	\$102,627
2000	2018	\$ 54,000	\$ 99,638
1999	2017	\$ 52,429	\$ 96,736
1998	2016	\$ 50,902	\$ 93,918
1997	2015	\$ 49,419	\$ 91,183
1996	2014	\$ 47,980	\$ 88,527

* based on 3% increase per year as estimated by HRSDC

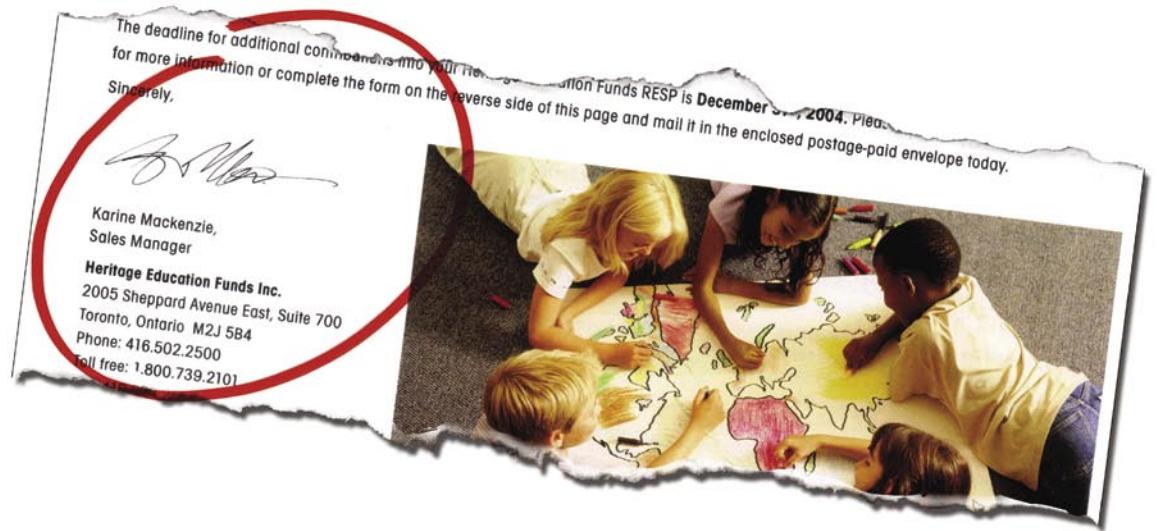
government supplied forecast of future tuition costs

Amount current plan

Dynamic bar graphs reflecting customer's contributions

Pre-filled options for monthly contributions





Instead of the generic contact information, each 1:1 piece included the respective Heritage agent's signature – an important detail in an industry that depends greatly on the agent-client relationship.

On the reverse, graphs clearly depicted the current and future value of each child's RESP, reflecting the various contribution increases offered by Heritage. The template would automatically adjust to fit the required number of graphs, depending on the number of children enrolled.

"The graphs speak directly to our clients, telling them this is where you are, this is where you'll need to be and this is how you can get there," says Maguire. "By clearly forecasting the cost for each child's education, our clients were compelled to respond."

In mid-November, approximately 20,000 direct mail pieces were sent to Heritage customers, about half traditional "static" mailings and half 1:1 direct mail pieces.

Almost immediately, the difference in response to the two direct mail campaigns was evident. Within the first three weeks, the personalized piece generated a response rate 10 times higher than the traditional piece.

Overall, the rate of return for the 1:1 piece was 163 percent higher - without any follow up from Heritage sales representatives. Once sales representatives called their clients, that response rate jumped to 191 percent.

At the conclusion of the campaign, the 1:1 piece delivered a 76 percent increase in the number of units sold over the traditional piece. As well, the cost to Heritage per customer acquisition decreased by 21 percent.

The traditional direct mail piece appeared to have little influence in changing the client's purchasing decision: 29 percent of respondents chose to make a lump sum contribution, 27 percent chose to contribute monthly, and one percent selected a yearly contribution. The difference with the 1:1 piece was dramatic: more than 90 percent of respondents chose to make a monthly payment, and the average

monthly contribution was increased by \$40. By making those choices, the Heritage customer behaved as the marketing piece directed them.

When it comes to cost per direct mail item, there is a premium for a 1:1 marketing campaign. While the price will fluctuate depending on the complexity of the data, at Heritage, the total cost per piece was 60 percent higher. However, revenue generated from the responses to the 1:1 piece more than made up for the higher per unit cost – by a wide margin.

"By compelling so many of our clients to increase their monthly contributions, the customer lifetime value of the Xerox 1:1 piece is 400 times greater than our traditional marketing piece," says Maguire.

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



The Trilogy Alliance

The Trilogy Alliance is an enabler for Xerox Canada's graphic arts customers and their marketing and advertising customers to implement data-driven, 1:1 print campaigns on an ongoing basis.

Relatively few corporate marketers have the infrastructure, experience or people to execute personalized marketing programs, even though they are aware of its advantages. The combination of Xerox, Terminal Van Gogh and Exstream Software 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.

Printing price comparison: Xerox 1:1 vs. traditional offset		
Based on 20,000 pieces	Xerox commercial printers	General offset market
Printing	\$7,800.00	\$3,975.00
Business Reply Envelopes	\$1,917.00	\$1,917.00
Outer Envelopes	\$2,079.00	\$2,079.00
Lettershop	\$2,664.00	\$2,664.00
Total:	\$14,460.00	\$10,635.00
Cost of printed piece	\$0.72	\$0.53
Data file preparation		
File prep for addressing	\$0.00	\$1,600.00
Data processing and testing		
VPOD Program build	\$1,500.00	\$0.00
Creation of a VPS file ready to print	\$4,800.00	\$0.00
Total	\$6,300.00	\$1,600.00
Cost per record	\$0.32	\$0.08
Postage	\$9,800.00	\$9,800.00
Cost per piece	0.49	0.49
Total cost of piece	\$1.53	\$1.10
ROI		
Customer Acquisition Cost	\$50.16	\$63.58
Number of units sold	741	422
Cost of acquisition per unit	\$20.65	\$26.07

Xerox, delivering results you can measure.

As a global leader in variable data collection and digital 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 web site www.xerox.com/1to1lab today.



“The piece must compel customers to respond and to increase their RESP contribution.”

- Jason Maguire

Client benefits close-up

Heritage has gained significant benefits since testing a 1:1 colour marketing solution from Xerox:

- Lifetime value of 1:1 piece is 400x greater than its traditional marketing piece
- Overall **rate of return increased** by 191 percent
- Over **91 percent** of responding clients did what was asked of them
- Responding clients **increased their monthly payments** by \$40 on average
- **10 times higher response rate for the 1:1** piece in the first three weeks of the campaign
- **76 percent increase** in the number of RESP units sold
- Cost of acquiring a customer **reduced by 21 percent**