

Program Objectives

- Prove that the more customized, data-driven mail piece generates more responses and sales than more traditional mass-marketing
- Test two direct mail formats, a letter and a self-mailer
- Improve response rates for Ford's direct mail program promoting its Extended Service Plan (ESP) for F-150 truck owners
- Increase sales of Ford's ESP for F-150 truck owners
- Identify best practices that could be applied to other ESP direct marketing campaigns

Results—The Power of Relevance

Data-Driven Customized Package

- 35.7% increase in sales with the more relevant self-mailer
- 5.7% increase in response rate for the more relevant self-mailer
- Reduced production costs by 3.2%
- Adopting techniques from the test campaign for the F-150 and other ESP campaigns
- Projecting that the new approach will generate millions of dollars in additional annual sales

“Simply put—the campaign will drive millions of dollars into our extended warranty business.”

– Mark Bardusch
National Sales and Marketing Manager
of Extended Services Business
Ford Motor Company

Case Study Snapshot

Industry

- Automotive

Key Client Contacts

- National Sales and Marketing Manager

Partners

- Budco
- Terminal Van Gogh Ltd.
- Xerox Graphic Communications

Business Challenge

- Increase sales of Extended Service Contracts in one of the worst economic climates in the history of the U.S. auto industry, with extremely tight credit and low consumer confidence
- Upgrade personalized direct mail letter used to generate Extended Service Plan sales

Background

- Budco, Terminal van Gogh and the Xerox 1:1 Lab program were partners in providing the direct mail lab test
- The Xerox 1:1 Lab is an educational program for creating data-driven direct mail
- The Ford-Budco campaign created individually relevant mailings based upon information in Ford's customer database

Ford Motor Company and Budco Drive Results with Relevant Marketing

Ford Motor Company boosts extended service contract sales by 35%.



For more information about the Xerox 1:1 Lab or to schedule an appointment with a Xerox representative to discuss how your business can build better relationships with customers using the power of digital, data-driven direct marketing, visit www.xerox.com/1to1lab or call 1-800-ASK-XEROX.

An Industry Challenged



The Turbulent Economy

September 2008 marked the 100th anniversary of production start-up for the world's first best-selling automobile, Ford Motor Company's Model T. But few in the industry were celebrating. Rather, the U.S. auto industry teetered on the brink of collapse, and top automaker executives testified before Congress about the crisis.

In the midst of this turmoil, day-to-day auto industry business continued. Among the initiatives underway at Ford was an effort to boost extended service contract sales for Ford cars and trucks.

Client Profile

The Ford Motor Company produces and sells Ford, Mercury, Lincoln and Volvo cars and trucks. The company is No. 7 on the Fortune 500 list of top U.S. companies, with worldwide automotive revenue of \$129.2 billion in 2008. Ford was founded in 1903 by industry pioneer Henry Ford and is based in Dearborn, Michigan. For more information, visit: www.ford.com.

The Players

- Industry: Automotive
- Client: Ford Motor Company
- Direct Marketing Provider: Budco
- Variable Design, Engineering and Programming: Terminal Van Gogh Ltd. (TVG)
- Digital Print Technology: Xerox

A Direct Marketing Challenge

The Ford Extended Service Plan (ESP) is the only extended service plan backed by Ford and honored by all Ford, Lincoln and Mercury dealers. Ford sells nearly a million ESP contracts each year in a variety of plans offering coverage beyond the basic three-year/36,000-mile new vehicle warranty.

Many of those contracts, representing tens of millions in annual revenue, are generated through direct marketing. That program is run entirely by Ford's partner, Budco, a leading fulfillment and direct marketing organization based in Highland Park, Michigan. With Ford's direction, Budco handles everything from creative strategies and design to printing, call center work, order fulfillment and results tracking. Like clockwork, ESP direct mail pieces are sent to vehicle owners at various intervals throughout the first three years of ownership.

However, in Fall 2008, the program faced more difficult challenges than at any time in memory, according to Jeff Sierra, vice president of Budco Marketing and Product Development. Consumer confidence was down in general and for the big-three automakers in particular. Credit was extremely tight, eliminating many otherwise typical purchase candidates. One result: vehicle sales were down 35%, according to market research firm R.L. Polk.

Still, the teetering economy gave many vehicle owners good reason to consider extended warranties. The average length of vehicle ownership has grown by 24% since 2002, and 64% of owners said they plan to keep their current vehicle longer due to the recession, according to R.L. Polk. Many could benefit from an extended service contract.

Stellar Results

The most notable result of the campaign was that the fully variable self-mailer substantially outperformed all three other approaches. Its response rate was 5.7% better than the second best performer, the existing basic letter, and its sales were 35.7% greater.

The results are especially noteworthy given the timing of the mailing, intersecting with the heavy-mail holiday season and the sharp economic downturn.

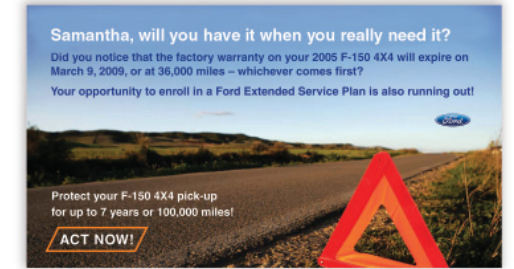
"The test tells us that traditional direct mail still works, even during one of the most turbulent periods in the history of the U.S. auto industry," said Budco's Sierra. "The key is to not overcomplicate it. Apply basic techniques based on a good offer, good segmentation and good timing. And relevant personalization can drive improved performance, creating a meaningful customer dialogue that increases responses and product sales."

Ford was also pleased. "The campaign was a huge success and now we are rolling it out across Ford's entire portfolio of extended service products," said Mark Bardusch, national sales and marketing manager, Extended Service Business, Ford Motor Company. "Simply put—the campaign will drive millions of dollars into our extended warranty business."

According to Sierra, the F-150 program switched over to the fully variable, self-mailer approach in November 2009. Increased levels of relevant personalization are now being incorporated in many other letter, postcard and self-mailer ESP campaigns.

"This has been a very positive program," he said. "We're using the results to continue to improve the program. That's going to make our customer happy, so everyone who participated is going to come out a winner."

And that's a result worth celebrating.



"The test tells us that traditional direct mail still works, even during one of the most turbulent periods in the history of the U.S. auto industry."
— Jeff Sierra
Vice President of Marketing and Product Development
Budco

About Budco

Budco is a leading fulfillment and direct marketing organization with headquarters in Highland Park, Michigan. As The Dialogue Company, Budco helps clients build strong relationships with business and consumer audiences by facilitating ongoing, two-way communication. Founded in 1982, Budco applies a suite of in-house resources to develop and execute innovative, end-to-end business solutions, delivering results that drive client success. A Xerox customer since the early 1990s, Budco is a member of the Xerox Premier Partners Global Network and has seven Xerox printers including three Xerox® iGen3® 110 Digital Production Presses and three Xerox Nuvera® 144 production monochrome printers. For more, visit www.budco.com.

Creating More Relevance

From a conceptual standpoint, the 1:1 Lab sought to create a sense of urgency among F-150 truck owners to mitigate future repair costs by purchasing an extended service contract. To do this, the 1:1 Lab focused on key motivations such as avoiding major expenses, maintaining the vehicle's value, delivering peace of mind and taking advantage of a time-sensitive offer—before surprise emergencies occur. In the face of the tightened credit market, the team also sought to emphasize that interest-free financing was available and purchases could be made easily.

From a content perspective, Jeanne Gatley, TVG's content architect said, "We used variable messaging and images throughout to generate a livelier, more eye-catching look and feel with minimal text, but powerful images."

Copy was rewritten to convey the new messaging and accommodate more variability to be more intimately relevant to the potential purchaser. Four new triggers for variable content were added: gender, income, age and geography. In addition, the new test versions shared five triggers with the control pieces: vehicle type and year, length of ownership, warranty expiration, plan pricing and vehicle financing term.

Variable messaging was vastly expanded to enable more than 40,000 possible combinations, with triggers based upon the owner's financing status, income level, age and gender.

From a graphic perspective, a number of new images and some existing images were used. A new variable photo of a stranded driver was added—or rather, 12 such images, one of which was selected automatically based upon five age bands of males and females, plus three defaults. And a new graph was incorporated showing the time and mileage coverage an extended service contract could provide beyond the manufacturer's warranty. This played to one of the campaign's best targets: owners who had long-term financing and were unlikely to buy a new vehicle until their payments were completed.

In the new creative for the fully variable self-mailer, the same photos were used, but in color, and several new images were added. A new variable full-color photo was used at the bottom of the page with the call to action, showing attentive customer service reps responding to telephone calls. For male vehicle owners, the image was a female consultant; for female owners, the consultant was male.

And another new image appeared on the front cover showing a lonely roadside landscape with a bright orange emergency pylon in the foreground. Next to it, a question calls out the vehicle owner by name and asks, "Will you have it when you really need it?" followed by information about when their warranty will expire.

The Campaign Rollout

The 1:1 Lab, Budco and Ford had some concerns about running a test during such a difficult time in the economy. "When the CEOs of GM, Chrysler and Ford went in front of Congress, we didn't know what was going to happen," said Budco's Sierra. "We were concerned that we were testing during a time when sales were going to be negatively affected by the economy and bankruptcy discussions. We talked about delaying the test, but at the end of day, we decided to push forward."

Budco produced the mailer, including printing on Xerox® iGen3® 110 Digital Production Presses, finishing, letter-shopping and mailing. About 20,000 pieces were mailed in four drops from November 2008 to February 2009.

Each of the four pieces—two controls and two test pieces—went to about 5,000 vehicle owners each during those four months.

Enter the 1:1 Lab

The Xerox 1:1 Lab, a proving ground for demonstrating the power of fully variable direct marketing, thrives on challenges like those Ford and Budco faced. The lab tests direct mail content comparing the results from a customer's traditional static direct mail campaign to the same campaign with customized, one-to-one messaging and printed on a Xerox® iGen3® Digital Production Press. The test helps print providers and their clients recognize how to develop more relevant, customized direct mail programs that grab attention and increase response rates.

Xerox customer Budco saw an opportunity to identify and refresh a direct mail campaign for the ESP program, and approached Xerox about engaging the 1:1 Lab.

Ford not only endorsed the ESP campaign test but asked specifically to focus on F-150 trucks, which account for a large portion of Ford's sales, but were the poorest performing segment in the ESP direct mail program.

By September, the agreement was in place to focus on the F-150 ESP campaigns, using Ford's existing customer data. Their objectives: improve the response rate, increase contract sales and identify best practices that could be applied program-wide.

Testing New Creative

Over years of testing, Budco had found direct mail letters to be the most effective way to generate F-150 ESP sales. The existing letter had some basic personalization for name, address and vehicle information: model, vehicle identification number (VIN) and warranty expiration date. The letter made use of some limited graphics: black-and-white clip art, an image of a truck with arrows pointing to locations of potentially costly repairs and a variable pricing chart based upon the model and location of the purchaser. The call-to-action was printed in red type, making it stand out amidst the black body copy.

Traditionally, the 1:1 Lab uses the existing direct mail piece as the control, and develops a more relevant test piece using the same design and basic copy, but incorporating more information that is tailored to the recipient. In this case, the lab also wanted to test a new creative approach. "The letter was too stiff and dry," said Ben Passmore, president, Terminal Van Gogh, Ltd. (TVG), Mississauga, Ontario, the lab's creative design and variable data programming partner. "It needed to be more attractive and interesting."

So the 1:1 Lab recommended that Ford and Budco test two alternatives: a more personalized and relevant letter, and a more graphical creative approach using a self-mailer format.

The existing letter served as a control piece. The test letter was similar to the existing letter, but with variable images and additional variable text. They shared the same 8.5" x 11" dimensions; the same blue Ford logo and black copy with a few lines of red highlight color; and the same packaging, a standard 9.25" x 6" white, window envelope. Inside it were the folded letter and an eight-page full-color static brochure.

The self-mailer, too, was executed in two versions, one using static images and basic personalization, similar to the original letter, to serve as the control piece, and a second test piece to apply more relevant personalization. Both used a 4/4, six-panel, clip-sealed self-mailer.

Did You Know?

According to DMA Response Rate Trends Report, direct mail and catalogs outperform other media in building traffic to a website, phone number, store or other business.

Data-Driven Letter

Mark C. Bardusch
Sales and Marketing Manager
Ford Extended Service Plan

P.O. Box 3178
Highland Park, Michigan 48203
www.espford.com
1-800-367-3377

Samantha Sample
1234 Main St.
Any City, US 99999-9999

DID YOU KNOW?
The warranty on your 2005, F-150 4x4 will expire on March 9, 2009 or at 36,000 miles, whichever comes first.
Your opportunity to enroll in Ford ESP is also running out!

A Dear Samantha,

Will you have coverage when you need it the most? ACT NOW and Protect Your F-150 4x4 Pickup For Up to Seven Years or 100,000 Miles!

B Why risk a breakdown in Any City, or anywhere you travel?
Just one truck repair could cost more than the price of Ford ESP coverage; and, you still have over 3 years of payments remaining on your vehicle.

E Why let unexpected repairs lead to heavy costs or lost time on the road?
Ford ESP PremiumCare protects you from unexpected repair costs covering over 500 key components, including high-cost items like your engine and transmission.

E With many years of driving experience behind you, you know that time, mileage and use increase the need for repairs.

Ford ESP Coverage Gives "Peace-of-Mind" Protection! Here's how:

- Little to No Out-of-Pocket Expenses**
• Ford ESP offers a variety of plans covering the costs of parts and labor less the deductible you choose.
- Fast, High-Quality Service from F-Series Truck Specialists**
• You can be assured of Ford factory-trained technicians and Genuine Ford Parts at our nationally located Ford, Lincoln and Mercury Dealerships throughout all 50 states and Canada.
- Ford ESP: Flexible, Affordable and 0% Financing**
Ford ESP plans are built to fit any budget and coverage needs. Take advantage of affordable financing options
• Interest-free payments for up to 17 months
• Plus, Ford ESP coverage is available for up to seven years or 100,000 miles

FORD ESP Coverage plans offer many options and deductibles. Let us tailor a plan for you. Call today 1-800-367-3377.

- A** Name
- B** City
- C** Type of truck
- D** Warranty expiration date
- E** Two components of messaging based on triggers
- F** Age and gender imagery

On-the-Road Protection
Comprehensive Travel/Rental Insurance Plan
• Effective throughout your Ford ESP coverage period
• Plans feature rental coverage, 24/7 roadside assistance and towing

Take action today to continue your critical service protection!
• Plan now and let Ford ESP help you avoid the impact of unexpected repair costs on your budget
• Ford ESP Plans are transferable to a new owner, which may add value if you ever choose to sell your vehicle.

Call us today at 1 800 367-3377

Yours truly,
Mark C. Bardusch

Based on our best-selling PremiumCARE plan, you could be covered for what amounts to less than one dollar a day!

Select the Ford ESP Plan that meets your needs:

Plan Duration*	ExtraCARE – \$100 Deductible		PremiumCARE – \$100 Deductible			
	Years	Miles	Plan Price	10% down payment and 17 monthly payments of:	Plan Price	10% down payment and 17 monthly payments of:
6	60,000	\$1,200	\$69.67	\$1,103	\$71.12	
5	75,000	\$1,100	\$74.10	\$1,019	\$79.11	
6	75,000	\$1,000	\$84.20	\$1,205	\$35.59	
7	100,000	\$2,000	\$148.24	\$2.00	\$153.33	

*Prices effective September 8, 2008. All Ford ESP plans begin with your vehicle's warranty start date - February 28, 2005 - and zero miles. Pricing does not include sales tax.

Vehicle Identification Number (VIN): 9ZZZ99Z9

Discover how affordable Ford ESP coverage can be. Call 1 800 367-3377 and talk to a Ford ESP consultant! We'll help you tailor the Ford ESP coverage to fit your needs.

Visit your Ford dealer or our website at www.espford.com, to learn more.

This letter is intended to provide general information about Ford ESP Prices and plans are subject to change without notice. Plan availability, benefits, coverage and provider may vary by state.

- G** Pricing of plans
- H** Price expiration date
- I** Warranty start date
- J** VIN

Data-Driven Self-Mailer

Get "Peace-of-Mind" Coverage with Ford ESP
The blue area in this chart reflects your New Vehicle Limited Warranty protection. The white area illustrates the time and mileage in which you are responsible for repairs if you don't have Ford ESP coverage.

Your factory warranty runs out sooner if you drive more than 12,000 miles a year.

Protect your F-150 4X4 pick-up for up to 7 years or 100,000 miles!

ACT NOW!

B Samantha, will you have it when you really need it?
Did you notice that the factory warranty on your 2005 F-150 4X4 will expire on March 9, 2009, or at 36,000 miles – whichever comes first?
Your opportunity to enroll in a Ford Extended Service Plan is also running out!

PERMIT TO POST
U.S. Postage Paid
Detroit, MI
Permit No. XXXX

48068-8072
Royal Oak, Michigan
P.O. Box 8072

- A** Type of truck
- B** Name
- C** Year of vehicle
- D** Warranty expiration date

Why Risk a Breakdown in Any City or Anywhere You Travel? Help is on the Way!

Just one truck repair alone could cost more than the price of Ford ESP coverage; and, you still have over 3 years of payments remaining on your vehicle.

Why let unexpected repairs lead to heavy costs or lost time on the road?

Ford ESP Coverage Gives "Peace-of-Mind" Protection!

- On-The-Road Protection**
Ford ESP Plans include a Comprehensive Roadside Assistance Plan that is effective throughout your Ford ESP coverage period. Plans feature rental coverage, 24/7 roadside assistance and towing.
- Little or No Out-of-Pocket Expenses**
Ford ESP offers a variety of plans covering the cost of both parts and labor, less the deductible you choose.
- Fast, High-Quality Service from F-Series Truck Technicians**
You can be assured of Ford factory-trained technicians and Genuine Ford Parts at all of our nationally located Ford, Lincoln and Mercury dealerships throughout all 50 states and Canada.
- Ford ESP Plans – Flexible, Affordable, 0% Financing!**
Plans are built to fit any budget and coverage needs. Take advantage of affordable financing options and enjoy interest-free payments for up to 17 months. Coverage is available for up to 7 years or 100,000 miles.

Did You Know?
• Ford ESP PremiumCare protects you from unexpected repair costs covering over 500 key components, including high-cost items like your engine and transmission.
• Ford ESP Plans, backed by Ford Motor Company, are fully transferable to a new owner! That may represent added value for you if you ever choose to sell your vehicle.

Discover how affordable Ford ESP coverage can be.
Based on our best selling PremiumCare Plan, you could be covered for what amounts to less than \$1 a day.

Discover how affordable Ford ESP coverage can be.
We're sure you'll find that the real cost of Ford's ESP coverage may amount to only a small fraction of your F-150 4X4's cost, while delivering tremendous value in the years and miles ahead.
To learn more, call 1 800 367-3377 today or visit our website at www.espford.com or visit your dealer for details.

CALL US TODAY AT 1 800 367-3377 and talk to a Ford ESP consultant! We'll help tailor your Ford ESP coverage to fit your needs.

Vehicle Identifier: 1A823456

- E** Gender image
- F** City
- G** Variable messaging
- H** Pricing of plans
- I** Name
- J** Price expiration date
- K** Warranty start date
- L** VIN