

The Xerox® ProfitQuick® Direct Marketing ROI Planner



YOUR ADVANCED MARKETING BUSINESS COMPANION.

At last: A simple, quantifiable planning resource.

Taking full advantage of the Direct Marketing ROI Planner is simple. You only need to enter a few important pieces of data for the ROI results to be calculated and instantly populated in the Key Results window. The Direct Marketing ROI Planner is impressive in its results, yet is amazingly easy to navigate. The only data you need to add is in the Key Campaign Data section. As data is added, you will see a range of customisable opportunities appear.

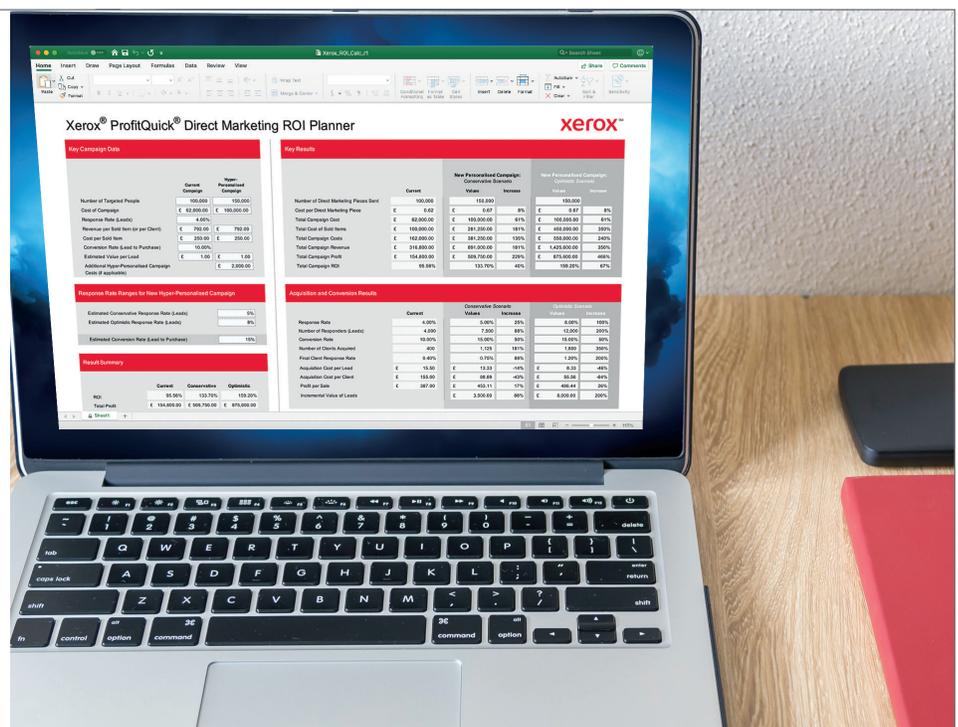
The **Direct Marketing ROI Planner** is a powerful Xerox marketing tool designed to demonstrate and project the complete Return on Investment (ROI) of a direct marketing campaign or program. It is not just another ROI calculator, but an advanced provider of true projections and results to evaluate the effectiveness of your direct marketing projects, giving you the ability to compare campaigns and evaluate risk.

The Direct Marketing ROI Planner is the business partner of marketers to forecast and report results to their board of directors. An instant score card and a true campaign enabler that not only presents standard statistics, but also outlines the overall profitability of the products or services sold.

The Direct Marketing ROI Planner enables you to see all the figures and results of your direct marketing campaign to an impressive level of business detail. It also allows marketers to compare different campaigns. Now you can quantify your risk of transitioning from conventional marketing to hyper-personalised direct marketing.

“What a fantastic tool this will be for marketers! I have seen a few ROI calculators, but never one this complete for one to one campaigns and never one that is this easy to understand. You have taken what one to one marketers have been telling their customers for years, and you have turned it into a quantifiable resource. This will make it so easy to tell the story!”

– Bob Pente, President,
Wired Pente Inc., Canada



HAVE YOU EVER TRIED TO JUSTIFY NEW MARKETING PROJECTS?

If you wish to compare a current campaign that you are running with one that you are planning using hyper-personalised marketing*, now you can use this Xerox® ProfitQuick Direct Marketing ROI Planner to compare campaign results.

1. LET'S GET STARTED

Follow these steps to enter your data in the Direct Marketing ROI Planner.

Number of Direct Marketing Pieces

Sent: Enter in this field the number of direct marketing pieces that you have sent or plan to send, e.g., 100,000 pieces. If you plan to send the same number of pieces for your hyper-personalised marketing campaign, enter the same number in both Current and hyper-personalised Campaign columns.

If you plan to send fewer or more pieces in your new hyper-personalised campaign, simply add the new quantity.

Cost of Campaign: In this field it is important to enter the total cost of your campaign including design, printing, postage and all related costs.

If you compare two campaigns, it is also important to enter in the hyper-personalised Campaign field the new cost (or the estimated new cost) of this campaign. For an accurate comparison, be sure you are calculating all the same components in each column (e.g., do not include design or postage in one column but forget to include it in the other, etc.).

Lead Response Rate: To be accurate, enter the percentage of responses you have received by mail, through your website and/ or call centers; whichever way you have asked the lead to contact you. As an example, a multi-channel campaign that generated 1,000 calls, 2,000 coupons or responses by mail and 1,000 clicks on your website (using a Personal URL to track) would be considered as 4,000 leads, which converts to a 4% response rate. You would enter 4% in the current Response Rate field.

Note: You will notice that you cannot enter a response rate for the hyper-personalised campaign. This is simply because it will be used for forecasting different scenarios. For accurate measures, ensure that your response rates are only the ones related to your campaign and not the regular traffic of the call center or the website.

Key Campaign Data

	Current Campaign	Hyper-Personalised Campaign
Number of Targeted People	100,000	150,000
Cost of Campaign	£ 62,000.00	£ 100,000.00
Response Rate (Leads)	4.00%	
Revenue per Sold Item (or per Client)	£ 792.00	£ 792.00
Cost per Sold Item	£ 250.00	£ 250.00
Conversion Rate (Lead to Purchase)	10.00%	
Estimated Value per Lead	£ 1.00	£ 1.00
Additional Hyper-Personalised Campaign Costs (if applicable)		£ 2,000.00

Here is an example of the fields you could include:

Design	£15,000
Printing and fulfillment	£29,000
Data processing	£ 6,000
Microsite development	£12,000

Cost of Campaign: £62,000

Revenue per Sold Item (or per client): If your campaign has only one product offer such as a mobile phone at £500, enter the amount related to your product. If you have several products, you would enter the average of the products' value per item. In other words, if you have sold one at £500, one at £800 and one at £1,075, you would have an average revenue per sold item of £791.66 ($£500 + £800 + £1,075 = £2,375 / 3 \text{ items} = £791.66$). The revenue per sold item is also easy to find by taking the total revenue divided by the number of clients who purchased.

For the estimate of the hyper-personalised campaign revenue, enter the same Revenue per Sold Item amount until your new campaign validates higher revenue per sold item. At the forecasting stage, you do not know yet if the new campaign will generate higher revenue per sold item.

Cost per Sold Item: In reality, the full cost (weighted cost) of a sold item also includes elements such as the cost of the actual product (hard cost), shipping, warehousing, processing the order and other internal costs related to the sale of the product (soft costs). Not all marketers have the full details of their total product cost, so the best cost per sold item is the one you know and use regularly. If you only know the hard cost of your product, enter this value in the relevant field. Taking the example of the same mobile phone at £500 and giving a cost value of £250 for the product, you would enter £250 in the Cost per Item Sold field. A financial or insurance institution, for example, would enter the average unit cost of processing the order in the system, the value of the commission to the broker, management fees, etc., as the cost of the sold item.

For the forecasting of the hyper-personalised campaign, you would likely enter the same amount as the Current column since the cost of your product

should be the same. Eventually, your cost of product of your new campaign may evolve to new values considering that you may upsell your targeted offer. If you do have the new cost of your product, enter this new cost in the hyper-personalised Campaign field.

Conversion Rate (Leads to Purchase):

The conversion rate is the ratio that is achieved from calculating the number of leads that became clients, i.e., the ones who purchased the items. If you had 4,000 leads and you sold 400 phones, you have a conversion rate of 10%. If you never calculated your conversion rate before and wish to do an estimate, you can use industry averages such as closing one out of five leads (conversion ratio of 20%). If all your leads would purchase, you would reach a 100% conversion rate.

You cannot enter a conversion rate for the hyper-personalised campaign estimate because it is meant for estimated projections.



Estimated Value per Lead: It is next to impossible for a lead or the sum of leads to have no value to your business. For this reason we have set a minimum amount of £1 as a default setting in this field. A lead has more propensities of buying your product in the future or be more responsive to your next solicitation. As well, the names of leads that you accumulate in your database no longer need to be rented at a cost; hence the minimum value of a lead is a valid figure that you should consider in your overall tracking. This number will not influence your total ROI calculation and will be provided separately, but we wanted to show you this figure to make you aware of the importance of getting more people responding to your campaigns. When you do your next direct marketing campaign, the value of your lead can be considered as an economic value to be applied on your next projection.

Some marketers have calculated a defined value of what a lead is worth for their business and should enter that real number in the Estimated Value per lead field. Enter the same number in each of the two fields from the Current and hyper-personalised Marketing columns until you know the exact value of a lead coming from a hyper-personalised campaign.

Additional Hyper-personalised Campaign Costs:

This field was created for special one-time costs that you need to track. Examples could include a Campaign Coordinator or a Data Mining Consultant that you perhaps never had to use before, etc. Use this space to add these one-time costs as a lump sum (not cost per unit) such as £2,000 or £4,000. This cost will be reflected accordingly in your total cost of campaign in the Key Results window.

If you wish to enter a cost saving value, enter “-” (minus) before the amount. Enter “0” if there are no extra costs.

“Not only will this be invaluable for planning campaigns, but I can see it being very valuable for post-analysis and even more importantly, for scenario planning. I want one!”

– Bob Pente
President
Wired Pente Inc., Canada

“First, this is a terrific tool, best I’ve seen. I deliberately did what most blokes do to really test its user friendliness. I did not read the detailed instructions first!”

– Geoff Collins
Managing Partner
Wunderman, Thailand



2. CALCULATING RESPONSE RATES

You have three response rate cell ranges to finalise your data input. The first cell allows you to estimate a conservative scenario for the new hyper-personalised campaign. The second cell is for you to create a second forecast using an optimistic scenario. The third cell is provided to give you the flexibility of changing the Estimated Conversion Rate simply because when you customise and personalise your campaign, it is likely that you will achieve a higher conversion of leads to purchase rate.

Estimated Conservative Response Rate (Leads):

If you entered 4% in your Current campaign column, enter 5% for the conservative estimate scenario. The number you choose is the one you should feel comfortable with. If you want a very high number, increase the value.

Estimated Optimistic Response Rate (Leads):

Enter a value that is higher than your conservative value to help you hit the Estimated Optimistic Response Rate you wish to forecast in your second scenario.

Estimated Conversion Rate (Leads to Purchase):

We have created this cell to allow you to enter a new estimated conversation rate. If you wish to keep the same conversion rate that you previously entered for your current campaign, enter the same number. Now you have the flexibility to enter a different conversion scenario simply because it is very plausible that you would hit a higher conversion rate with a customised hyper-personalised campaign vs. that of a generic one.

Calculate: Your comprehensive set of statistics and ROI will be displayed instantly in the Key Results window.

3. KEY RESULTS

All the important Direct Marketing ROI Planner data for your campaign is now displayed in the Key Results window. Note that your Total Number of Direct Marketing Pieces Sent is repeated for each scenario. The Cost per Piece is the total campaign cost divided by the number of pieces sent, and if you previously added Additional Hyper-personalised Campaign Costs, this amount would be displayed as a unit cost in the Total Cost per Piece.

The Total Cost per Sold Item is calculated considering the number of clients who have purchased your product times your cost per sold item.

The Total Campaign Costs is the cost of your direct marketing campaign + the Total Cost per Sold Item.

Response Rate Ranges for New Hyper-Personalised Campaign

Estimated Conservative Response Rate (Leads)	5%
Estimated Optimistic Response Rate (Leads)	8%
Estimated Conversion Rate (Lead to Purchase)	15%

Key Results

	Current	New Personalised Campaign: Conservative Scenario		New Personalised Campaign: Optimistic Scenario	
		Values	Increase	Values	Increase
Number of Direct Marketing Pieces Sent	100,000	150,000		150,000	
Cost per Direct Marketing Piece	£ 0.62	£ 0.67	8%	£ 0.67	8%
Total Campaign Cost	£ 62,000.00	£ 100,000.00	61%	£ 100,000.00	61%
Total Cost of Sold Items	£ 100,000.00	£ 281,250.00	181%	£ 450,000.00	350%
Total Campaign Costs	£ 162,000.00	£ 381,250.00	135%	£ 550,000.00	240%
Total Campaign Revenue	£ 316,800.00	£ 891,000.00	181%	£ 1,425,600.00	350%
Total Campaign Profit	£ 154,800.00	£ 509,750.00	229%	£ 875,600.00	466%
Total Campaign ROI	95.56%	133.70%	40%	159.20%	67%

The Total Revenue is displayed as well as the Total Profit, which was achieved by subtracting the Total Campaign Cost from the Total Campaign Revenue. The Total Revenue reflects the number of clients who purchased your product or service at the average price you had determined in your Revenue per Sold Item field.

The Total Campaign ROI is calculated as a percentage of your return on investment in achieving the targeted campaign results. The same logic applies in the forecasting of the conservative and optimistic scenarios. You can see the ROI percentage of each scenario.

Acquisition and Conversion Results

In this window you will find very useful information that smart marketers will take under consideration in their decision making process and particularly to validate the ROI of a campaign.

For example, as you use the Xerox® ProfitQuick® Direct Marketing ROI Planner, you will sometimes notice that you may increase your marketing production cost for a hyper-personalised marketing campaign and yet reduce significantly your cost of acquiring a lead and/or a client.

The Acquisition Cost of a Lead is the cost of your campaign divided by the number of respondents (leads). This value is the true cost of each person who responded to your campaign. It is the cost of getting them to react. The same logic applies for the Acquisition Cost of a Client. The acquisition cost is a key metric of success when evaluating the ROI of a campaign. One of your goals would be to reduce this cost. The more people react, the lower your acquisition cost will be.

4. BREAK EVEN POINT FOR COST JUSTIFICATION

The results displayed in the Break Even Point for Incremental Cost Justification window are key to evaluate your risk in converting your current way of doing direct marketing campaigns to the new hyper-personalised campaign model.

The numbers displayed demonstrate how many leads and how many clients you would need to acquire in your new scenario to break even and achieve the same profit as your current campaign. It also displays the percentage of lead response rate you would need to break even with the new incremental cost of the hyper-personalised campaign. For example, if you entered a 4% response rate in your current campaign and the Break Even Point percentage shows 4.5%, it would mean that you need an incremental 0.5% response rate to justify the new cost of the campaign; hence, you have a very low risk. It also helps you understand if your conservative estimate of 5% was a good estimate.

If your current campaign was attracting 4,000 leads and the Break Even Point window displays 4,100, you will need only 100 more leads to break even in your ROI scenario; this is another low risk opportunity. The same logic applies for the number of acquired clients and the final client response rate.

Acquisition and Conversion Results					
	Current	Conservative Scenario		Optimistic Scenario	
		Values	Increase	Values	Increase
Response Rate	4.00%	5.00%	25%	8.00%	100%
Number of Responders (Leads)	4,000	7,500	88%	12,000	200%
Conversion Rate	10.00%	15.00%	50%	15.00%	50%
Number of Clients Acquired	400	1,125	181%	1,800	350%
Final Client Response Rate	0.40%	0.75%	88%	1.20%	200%
Acquisition Cost per Lead	£ 15.50	£ 13.33	-14%	£ 8.33	-46%
Acquisition Cost per Client	£ 155.00	£ 88.89	-43%	£ 55.56	-64%
Profit per Sale	£ 387.00	£ 453.11	17%	£ 486.44	26%
Incremental Value of Leads		£ 3,500.00	88%	£ 8,000.00	200%

Break Even Point (BEP) for Incremental Cost Justification			
	Values		Percentage
BEP - Number of Acquired Leads	3,134	BEP - Lead Response Rate	2.09%
BEP - Number of Acquired Clients	470	BEP - Final Client Response Rate	0.31%

Proven.

Xerox® ProfitAccelerator Digital Business Resources help you grow your profits, revenues and success every step of the way. The ProfitAccelerator Collection offers something for everyone in the organisation. The Collection helps support executives, sales and marketing and operations throughout the entire business development process. Xerox has a team of professionals committed to your success that delivers consulting, sales, marketing, workflow and application development services. ProfitAccelerator Resources are delivered worldwide through a network of several hundred customer business development professionals, including Xerox sales and marketing managers, analysts, business development consultants and external consulting partners.

To learn more about our comprehensive portfolio of world-class resources, visit us at: xerox.com/driveprofit.

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