Reader’s Digest
Adds a new chapter in customized direct marketing with the Xerox 1:1 Lab.
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

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 percent 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.”
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.”

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 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.

Terminal Van Gogh Ltd. (TVG) provides strategic consulting on data-driven marketing campaigns, builds the 1:1 Lab participants’ program, re-purposes existing creative to function within the data-driven environment and develops the metrics in the data to gauge results.

“There is little doubt that customized communications is the future of direct marketing.”

– Mathieu Peloquin, Vice President, Marketing Product Lines, Reader’s Digest Canada
Data-Driven 1:1 Communications in Action

A. Customer’s name

B. Catalogue photo represents customer’s reading interests

C. Categories match customers’ affinities

D. Personalized elements include letter, certificate, voucher and promissory note

E. Catalogue page order aligns with customer’s reading interests

F. Variable stamps applied here

G. Voucher addressed to customer

H. All stamps variable

I. Stamps match the catalogue by product and sequence

J. Promissory note personalized with customer’s name

Customer letter

Certificate
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 Sweepstakes 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 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 percent above the control package and reached 111 percent 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.
## Client Benefits Close-up

### Reader’s Digest 1:1 Lab Investment Comparison Table

<table>
<thead>
<tr>
<th>1:1 Lab – Full costing Investment For Variable Print-On-Demand Pilot Program</th>
<th>1:1 Lab – New – “Special Task Force Team” Investment For Roll-out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control – Traditional</strong></td>
<td><strong>Control – Traditional</strong></td>
</tr>
<tr>
<td>Stamp Sheets*: 6 x 10.625&quot; folded in half, 4/0 process on kiss-cut.</td>
<td>Variable Stamp Sheets: 8.5 x 11&quot; folded to 5.5 x 8.5&quot; pre die cut.</td>
</tr>
<tr>
<td>Vouchers: 2 with finished size of 2.125 x 6.5,&quot; 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.</td>
<td>Variable Vouchers: finished size of 2.75 x 6.25,&quot; 3 vouchers per record, 4/4, personalized one side, black only (overprint). Trimmed to 1 up and inserted separately into package.</td>
</tr>
<tr>
<td>Certificate and Letter: Both are within a single construction 15 x 14&quot; computer form with detachable perforation to create a 6.75 x 14&quot; letter and 8.25 x 14&quot; certificate. 4/2 pantone. Ink jet laser personalization one side only. Form is sheeted and folded to 8.25 x 5.5.&quot;</td>
<td>Variable Certificate and Letter: Each 8.5 x 14,&quot; 1 perfed down middle, 4/4 with black imprinting, 1 side only.</td>
</tr>
<tr>
<td>Voucher Wallet*: Flat size of 6.5 x 9.5&quot; flat roll folded to 6.5 x 2.75,&quot; perforated to create detachable 2.125 x 6.5&quot; voucher, 4/1 pantone. 8 items inserted, 1 personalized item</td>
<td>Voucher Wallet: Flat size of 6.5 x 6.875&quot; flat, 4/0, perfed, roll folded to finished size of 6.5 x 2.75&quot; 8 items to be inserted, 6 personalized items</td>
</tr>
<tr>
<td>8 items inserted, 1 personalized item</td>
<td>Envelopes (OE and RE): supplied by Readers. Based on OE @ $66/M and RE @ $40/M</td>
</tr>
<tr>
<td>Cost per package (based on a quantity of 170,000 packages)</td>
<td>$0.42</td>
</tr>
</tbody>
</table>

Control package pricing includes all print, personalization and lettership. 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 1MM.

* Inserted loose, non-personalized.

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®.

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®.
Client Benefits Close-up

Xerox 1:1 Lab Reader’s Digest Test Results

<table>
<thead>
<tr>
<th>Test 1A: Customized Product Specific Catalogue/Sweepstakes with Treasure Hunt (10,000 pieces)</th>
<th>Test 1B: Customized Product Specific Catalogue/Sweepstakes without Treasure Hunt (5,000 pieces)</th>
<th>Test 2: Customized Cross-selling Catalogue/Sweepstakes with Treasure Hunt (15,000 pieces)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Response Rates*</td>
<td>27%</td>
<td>111%</td>
</tr>
<tr>
<td>CD</td>
<td>DVD</td>
<td>Book</td>
</tr>
<tr>
<td>Improved Sales*</td>
<td>49%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*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).

Benefits: Response Rate Increased, and Average Sales Improved

Test 1A: Customized catalogue with full offer (product line to product line)
- CD music buyers’ response rate increased by 27 percent
- DVD buyers’ response rate increased by 111 percent
- Book buyers’ response rate increased by 45 percent
- Improved average sales by 49 percent

Test 1B: Simplified and customized package (product line to product line)
- CD music buyers’ response rate increased by 7 percent
- DVD buyers’ response rate increased by 68 percent
- Improved average sales by 16 percent

Test 2: Full customized package (multiple product line offers)
- CD music buyers’ response rate increased by 35 percent
- DVD buyers’ response rate increased by 78 percent
- Book buyers’ response rate increased by 83 percent
- Improved average sales by 74 percent

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.

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