Successful Steps and Simple Ideas to Maximise your Direct Marketing Return On Investment

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Today reaching a target audience effectively is more challenging than ever.

The purpose of this white paper is to share a direct marketing methodology, tips and ingredients that will help a direct marketer build better strategies and improve their chances of better campaigns Return On Marketing Investment (ROMI)

Managing the Basics

Before we take a deep dive into the campaign strategy we need to make sure we are driving the right marketing strategy for our business. Having the right focus is imperative to build the right strategy that will help your business grow. In order for your business to thrive you need to first and fore most be able to successfully manage your existing customer base. In order to do that you'll need to segment your customer base for further assessment and future effective engagement. Customer segmentation should be done based on:

- Customer Turnover Risks

- Customer Profitability

- Customer Purchase Size and Frequency

Each one of the segments created above should drive the right marketing strategy, e.g. high turnover risk of profitable customers that buy a lot and often should drive a different strategy than low turnover risk customers that aren't profitable and buy little and not very often.

Bear in mind that depending on your type of business and market differences (B2B vs B2C) you might not have to create all segment possibilities mentioned above, e.g. a profitable B2C retail customer segment might already imply that the segment purchase size is large. On the other hand, on a B2B model you might have customers that, although their purchase size is large, aren't profitable. In this particular case you might be interested in differentiating between profitability and purchase size in order to build a strategy that will turn the large buying but unprofitable customers into profitable ones.

Also bear in mind that there are no strict rules in marketing and even though a non profitable low size purchase segment might suggest a strategy to ignore these type of customers there could be some exceptions to the rule.

All these segments not only will drive the strategy but also the way you should invest your marketing money with each one of your customers. Further customer profiling should be needed to make sure you achieve the most relevant engagement possible.

A thorough and successful job with your existing customers will help with your new customer acquisition strategy; as you will learn who are your best customers and how to communicate with them successfully.

Marketing Principles and Campaign Components

The following marketing principles are keeping most marketers awake at night:

➢ Data

➢ Target and Media Allocation

➢ Capturing Attention and Relevance

➢ Easiness to Buy

➢ Tracking and Analytics

Marketers are very familiar with these five principles. What causes their insomnia is what they represent and how hard it is to successfully implement them in today's marketplace.

The above principles can be organized into 3 marketing campaign components and strategies:

1. **The Targeting and Profiling Strategy** that focus on data.

2. **The Target Engagement Strategy** that focus on capturing attention, relevance, media allocation and easiness to buy.

3. **The Tracking and Analytics Strategy** that focus on campaign success, customer acquisition costs and future campaign improvements.

1. Targeting, Profiling and Data Collection Strategy

Targeting

Describing a target is one of the most critical steps in a marketing program. If you fail here, you will end up wasting a lot of precious marketing money on the wrong people. Most marketers today describe their target just by looking at the individuals that already buy from them. They will use analytics to do just that. In actuality, they are learning what is working for them and therefore trying to find individuals with similar characteristics to target. Proper description of a target takes a bit more work than just looking at your current customers. You need to look at the individuals that did not buy — the targets that didn't buy because you failed to communicate successfully with them. Also, the market is constantly changing — competitor's values, the economy, even your own company's unique selling points. These changes will also alter the target description. If marketers only listen to the data analytics to describe a target, they run the risk of describing a target of the past rather than a real target of the present. So there needs to be a human element in the data strategy. As a rule of thumb, start by describing your target based on the value of what you sell and your unique selling points, then run some data analytics to learn more.

Profiling

Often marketers build profiles based on what they know (Big Data) instead of what they need to know (Right Data). Marketers need to ask themselves a very simple question: Based on what I sell and where I sell it, what do I need to know that will help me be more relevant when communicating with my target? Profile based on that. Just because a marketer has information about an individual doesn't mean that they have to profile that person based on what they know, unless it is relevant to what they sell and where they sell it. The main purpose of profiling is to have the right information about a target so it can be engaged successfully. If marketers blindly profile based only on what they know, and that doesn't provide them with enough information to attempt relevance with their target, their profiles will be weak and their communication most likely will fail. Defining first what is important will provide focus and will make it easier and faster for marketers to get the information they need — either from data sources or from their marketplace. It is critical to build a data collection plan that proactively and constantly will be searching for what marketers need to know. Data will help profile your target and classify different individuals in different groups that share similar characteristics. Once this is done, it is

much easier to come up with the right message/offer, with the right design, the right number of touches, even the right channels.

To create strong profiles, there are two critical questions that marketers need to ask themselves and therefore have enough information about their target. The answers can be utilized towards a more relevant and helpful engagement.

1. Based on what you sell and where you sell it, what do you need to know from your target that will help you better show the value of your products?

2. Outside of the products that you sell, what do you need to know to be more helpful?

Salespeople do this all the time on their face-to-face visits. They want to know their customer's personal information — relevant to what they sell — to show their customers their unique value linked to the customer's personal needs and/or wants. At the same time, they want to know their customer's personal interests so they can also provide other helpful information and/or incentives that will grow the relationship and therefore build trust.

The most popular profiles are built based on:

- Target personal characteristics and lifestyle (also called demographics, psychographics and behavioral profiles). The most typical profiles in this group are based on age, gender, income, education, activities, interest and opinions. What personal characteristics and interests make your customers or potential buyers different from each other? Most of the time, a simple profile based on age, gender and income will go a long way. Which products would you promote and how based on the age, income and gender of your target? The income demographic profile is often especially relevant. Should a marketer offer the same products to a target that makes less than $50k per year versus more than $100k? The best news is that this type of profiling should not be hard to do. A simple address database can also provide average income demographic information about the different areas in that database.

- Product's different buying criteria. Your customers buy for different reasons and therefore need to be profiled that way. Sometimes, buying criteria might be linked to your target's personal characteristics and interests. Simple demographic information about your target will often help you make low-risk assumptions about their buying criteria.

- Shopping Style for when (frequency and timing), where (on and offline) and how much (purchase size) a customer or potential buyer will buy. The same as the previous point, low risk assumptions can be made based on your target's demographic information.

Different products already owned by a customer or potential buyer that are relevant to what you sell. Sales reps have been cross- and up-selling successfully for hundreds of years. Therefore, a proper profile based on purchase history is very relevant. A marketer should make recommendations to customers and potential buyers based on prior purchases. If this is done with sensitivity and respect, suggestions can be perceived by customers as helpful instead of spam. This again speaks to relevance.

Sale Cycles. Also profiling your customers based on sale cycles will be very helpful as you do not want to be trying to close customers when they are on the awareness stage; neither creating awareness when a customer is in the buying decision phase.

Utilizing digital marketing technologies, you can tailor your offer, including only what you want to sell, and more importantly, what is helpful to your target.

When building the right information, in regards to your target's personal interests, make sure what you want to know is linked to content and/or incentives that you can provide. For instance, you may want to learn what your customer's favorite football team is, because you have enough relevant content to share and/or be willing to provide incentives for football.

It is also wise to analyze what you already know from your data sources, because you can learn other relevant habits and/or behaviors that might refine your profiles even further. Remember, highly segmented and profiled targets are not always necessarily better. Simple segmentation and profiles often work quite well. It's all about how much information (and therefore profiling) is needed to have a successful personal and relevant engagement.

Data Collection Plan

We hear so much about data these days that it almost feels like its importance is something new. What's different today is the term "Big Data." It represents the overwhelming amount of information that has become available from new technologies. Big Data is so overwhelming that, quite often, it confuses marketers more than it helps them. Marketing does not need Big Data; it needs the "Right Data." The right data is needed to assess existing customers, describe a target, profile it and measure ROI.

Instead of just trying to get as much data as we possibly can, we need to first identify what data we need, then build and implement an effective data collection strategy.

In this particular section will focus only on the data collection strategy that feeds to the profiling.

After successfully creating the profile blue print in the prior step "profiling" now is time to collect the right data that will classify the target into different profiles.

For a simple profile classification, it might be as easy as mining a CRM or buying a database.

Building a strong CRM is a critical objective towards campaign success. There are customer interactions taking place every day with customer service, tech support, billing and other parts of the organization, including sales. Brands should be training and motivating employees that have interactions with customers and/or prospects to be sensitive to data collection opportunities. When someone makes a call, the customer service rep should, of course, address the reason for their call. But they also are likely to have the opportunity to retrieve just a little more information that will help profile a customer; one or two vital pieces of information could help the next customer engagement be more successful.

Another way of building information is through websites. Why not incentivize visitors to provide information via a subscription to win a prize? Not everyone will respond, however, a 10% response based on 20,000 online visitors might mean 2,000 new potential buyers that can be profiled. Then, through an effective cookie strategy, further information can be built from those visitors. The information can be utilized to follow up with them via a relevant marketing piece that addresses their personal interests.

When it comes to websites, sometimes it's best to also organize them by customer needs and not just products. While following a visitor online, information that relates to customer needs will give brands more control and power than just knowing what products the visitor is interested in.

Another way to build information is through telemarketing and even promotional items. Telemarketing and promotional items were historically utilized to create brand awareness and/or close a sale. But why not use them to retrieve the right information from customers and prospects?

You can also build information with incentives, e.g. a personalized number or numbers can be added to a direct mailer to encourage a potential buyer to go online to check if

they won a prize. Once online, they will have to register to learn if they won or not, and through the registration process, data from those potential buyers will be retrieved.

2. Engagement Strategy

Capturing the target's attention and being relevant are very critical objectives in a campaign. There are many ways to capture a potential buyer's attention, such as creativity, design and incentives. Capturing attention without being relevant is useless and will not increase sales productivity.

In order to be relevant we have to tell our target what they want to hear. If potential buyers are different and buy different things for different reasons, why do marketers offer everyone the same thing? By having done a proper profiling exercise of the target list in the prior step, marketers as discussed before can be more targeted, and offer products, and even incentives, that better fit the different profiles.

Proper profiling is critical because provides personal information about a target. Now it takes more than information to build a successful engagement. Marketers can have all the relevant information or data, but if they don't have the sensitivity and imagination to know what to say and how to say it, they will fail. Imagination is not only about graphic design, but as Einstein stated, "Imagination is more important than knowledge. For knowledge is limited to all we now know and understand, while imagination embraces the entire world, and all there ever will be to know and understand." Besides information, sensitivity, and imagination, there are other critical ingredients that will help marketers build a more successful engagement:

- Focus on being helpful. Marketers need to ask themselves, "How I can be helpful?" They need to tell customers what they want to hear, which is not always necessarily what they want to tell them. And again, not everyone wants to hear the same thing — that is why personalization will increase your direct marketing effectiveness.

- Persistence. Often it takes more than just one contact or engagement to capture a potential buyer's attention and also educate them on the product's value. Successful salespeople never give up, and persistence is key. Persistence goes right together with the previous ingredient — helpfulness. If a marketer is only persistent, and not helpful, they risk being "annoying" to their target.

Persistence also relates to timing, which is critical. By being persistent and helpful, a marketer increases the chances of contacting a target at the right time. Make sure that all your messaging and creativity is consistent across all engagements.

- Incentives. Incentives could help you move a sale cycle forward, and as discussed before, can also help you retrieve relevant information from your target. But not everyone appreciates the same incentive, so being able to personalize your incentive or coupon is critical. Link different incentives or coupons to different target profiles for a greater ROI.

- Testimonials. The voice of the consumer and word of mouth are very powerful in marketing. If negative market perception issues exist about a particular brand, real customers should be used to tell the story. The market always believes customers more than the market believes a brand. Also, don't forget that customers are often your most powerful sales channel — it is imperative to make it easy for a target to participate in the campaign or program by allowing them to share what they like about you. Introducing technologies such as QR codes and/or Personal URL links to your campaign will make it easy for a target to quickly go online and share with others.

- Easiness. After a successful engagement, marketers have to make it easier for their target to buy. Otherwise they will go somewhere else. Pay special attention online to where your competitors are only one click away. Besides incentives to help people buy the buying process has to be clear, quick and easy, no disappointments on the way. There are technologies that help marketers make it easier for customers to buy.

Some of these technologies are:

QR Codes and Personal URLs. Not long ago, customers had to get in their cars and drive a few miles to the nearest store to buy something that they needed or wanted. Often, consumers are excited about a product, but don't have the time right then to get in a car. Buying is often impulsive, and timing is critical. Today, thanks to a QR code or a URL link, consumers can buy products in minutes without having to drive to a physical store. These technologies make it easier for consumers to go online and buy.

Digital Channels (email, digital print, mobile, web). Digital print can do geo-mapping, which means that consumers will receive the address and map that is closer to where they live — also making it easier for them to buy. Digital channels can output personal numbers on promotional messages that will incentivize recipients to go either to their nearest shop in the case of digital print or online to see if they won a prize. Driving more consumers to a store increases the chances of sales productivity. Last but not least, digital channels can output different coupons and/or incentives that link to different profiles in order to increase the relevance of the offer and drive more consumers to the

store. Incentives, as long as they are relevant, will make it easier for a consumer to buy a product.

- Channels. Media channels are always needed to be able to contact a target. There's a large variety of media channel options available today. This large variety of options can sometimes confuse marketers, making it hard for them to identify the right channels. Marketers invest time and effort trying to understand which media channels will bring them the biggest returns. This is a very difficult task, since we often engage the same target many times, in different ways, using different media channels. This is almost the same as a sales rep trying to figure out which single visit is the one to credit with a sale. In most cases, all engagements are important and have a purpose; it is the combination of all of them that lead to a sale. Understanding all media channels' strengths and weaknesses will help you choose the right ones, based on what you need to say to whom, when, and how. Learn how to use these media channels in a positive way.

Even with all the excitement in the last few years about new digital media channels and technologies, it seems like the "old" print methods, enhanced by digital technologies (along with the postal mailbox) are holding its place. An expenditure report published by AA/WARC shows that direct mail has only declined by 3% or so in the last 10 years while the internet grew 32% or so mainly at the cost of news and magazine brands print editions. According to Emarketer 2952 million pounds where spent on print in the year 2013. — not surprising when you look at the strengths of the postal mailbox, together with fully personalized digital prints:

- A postal database provides demographic information about a target audience. Marketers can then profile the different individuals in that target audience to be able to engage them in a more relevant way.

- There is no screening in the postal delivery, the direct mail that you send is what your recipients will get.

- People receive far more emails and/or mobile text messages than postal pieces, so there is far more competition on email and mobile devices than on the postal mailbox. Marketers can catch their target's attention easier in a postal mailbox than anywhere else.

- Recipients tend to be less stressed while going through their postal mail at home versus while working on their computers or on their mobile devices. It is easier to capture the attention of recipients when they are more relaxed.

- Through the postal mail, marketers can better capture their target's attention by attaching promotional items to a direct mailing piece. Also, since creativity and design on paper is tactile and tangible, it is easier for marketers to show the value of what they sell.

• **Money.** To promote products, you need money. It is imperative to invest your marketing budget wisely. It's not just about the quantity of pieces that you send out using the lowest cost media channels, it's also about quality. And the quality of the mailing piece does not refer just to design and printing and/or display quality; it also refers to the strategy of being able to show the right products, with the right messaging, to the right people, at the right time, and using the right channels.

In order to get a positive ROI today, it is critical to first estimate how much marketing money needs to be invested per potential buyer in order to have a chance at capturing their attention and showing them the value of what is being sold. Then divide the marketing budget by that estimate, and that will tell a marketer how many potential buyers in a target list they can afford to contact. It is better to make a good impression to a few than be ignored by many. It is also true that when positive impressions are made on potential buyers, they will tell others. Last but not least, it is imperative to make sure that marketing money is only spent with the right target. Otherwise, you're wasting it.

• **Time.** Time will help build and launch a better engagement strategy by better taking care of the details. It is better to launch a successful campaign next week than an average one today.

• **Courage.** There are no crystal balls or magic wands in marketing. Marketers can't be successful in every campaign they launch. It is critical to have the courage to keep being very passionate and enthusiastic even when you fail. As Winston Churchill stated it "Success is the ability to go from one failure to another with no loss of enthusiasm."

• **Testing.** Successful marketers test everything they do. This is the only way marketers can evolve — by fixing what is not working and keep investing on what is. Digital technologies today will allow you to launch and track small samples of any given campaign. By doing so marketers can learn not only which campaigns are the most successful but what needs to be fixed on the ones that aren't. Testing will be further discussed in the tracking and analyzing section below.

• **Partners.** Marketers can't be good at everything they need. Neither can they have all the resources needed at all times. That is why identifying the right partners is crucial to success.

3. Tracking and Analysis Strategy

It is critical to know what, when, how and why you will track and analyze. Measuring and analysis is done for 3 main reasons:

1. Know if your campaign was successful. Was the return bigger than the investment? be careful here as some campaigns might not give a positive return on marketing investment right from the beginning. It doesn't mean that they were unsuccessful; sometimes it takes more than one campaign to start building positive ROI. Some campaigns only succeed because previous ones failed. Retrieving relevant information and improving results are good signs that you are on the right path.

2. know the cost of acquiring a new customer by dividing the investment by the number of new customers that were acquired. This will help you estimate how much do you have to sell to a customer in order to make it profitable.

3. know how to improve future campaigns. You should track who responded to what and who didn't? Also, who bought what and who didn't? Simple information could help tremendously to improve your future campaigns; in some cases even the products that you sell. Knowing which profiles responded and bought and which ones did not helps you invest more on what is working and fix what is not. It helps you identify which profiles are failing and be successful in the awareness and/or closing phases. Knowing which profiles are responding but also buying is very helpful as you can proactively try to find more customers that look like them. Profiles that do not respond will have to be analyzed. We'll have to decide if they are truly your target or if the communication just failed to resonate with them. Profiles that respond but do not buy have to be looked at in a different way, too. Why aren't they converting into sales? Is it easy and clear how to buy? Is it a problem with pricing? What could be wrong? Historically marketers could only track and measure how much sales a campaign generated. Today digital technologies can not only track and measure sales, but most importantly who responded and who did not, and who bought and who did not. In the case of direct mailing it is as easy as adding a personalized QR code or URL to your direct mail piece, which will allow you to track responses and purchases on a personal level.