

How to Measure Your Direct Mail Campaign's Success Using Return-On-Investment Tools

Customer acquisition is a critical factor in a company's growth, and requires even more forethought and strategic action during an economic downturn. Tight marketing budgets and managing costs are the game plan when sales are slow. Even under such trying circumstances, direct mail can play a huge role in getting and retaining customers. Direct mail is one of the most cost-effective ways to bring in new customers. According to a DMA study conducted last year, direct mail averages \$10 in sales for every \$1 invested. Another study by Pitney Bowes found that Direct Mail generated a higher percentage of Internet sales than Internet advertising, TV and radio.

The best way to guarantee the success of your direct mail campaign is to measure the resulting increases in sales and profits. Campaign success is measured as ROI, or return-on-investment. Other standard measurements such as cost-per-piece or cost-per-lead are helpful but will not provide the "big picture" view that ROI analysis will. The most accurate ROI calculation takes into account a customer's lifetime value, or the amount of sales generated by that customer over time.

Direct mail allows you to control your campaign and direct spending against those targets that are most likely to purchase your product or service. The first step is to run small test mailings to get a feel for your baseline response rates. Subsequent mailings can try different things such as a different mailpiece design, modified copy or new mailing lists. When you are confident of your results, you can extend your campaign to larger groups and be relatively assured your ROI will be positive and the close to your test results. A large quantity of names will cost you in production and postage so it is important to make every mailpiece count!

One way of maximizing ROI is to drive out hidden costs throughout the process of sending mail. For example, Zairmail's one-stop direct mail service allows you to achieve greater operational efficiencies by having all processes under one roof and minimizing administration costs. Zairmail also gives you access to large-scale digital printers used by the largest direct mailers in the industry. By letting Zairmail handle the details, you can spend more of your time and budget improving your mail campaign, boosting your ROI and doing what you do best--running your business!

When conducting a test mailing, the first step is to decide how many pieces to send. Too large a mailing is unnecessarily expensive, whereas too small a mailing will not have

Direct Mail ROI Example:

Number of pieces you will mail:	1,000
Total cost of the mailing:	\$550.00
Percentage of response you expect:	5.00%
Percentage of respondents you expect will buy:	50.00%
Amount each respondent will spend:	\$50.00
Number of responses:	50
Cost per response:	\$11.00
Number of buyers/donators:	25
Cost per buyer/donator:	\$22.00
Cost per piece:	\$0.55
Total revenue:	\$1,250.00
Return On Investment (ROI):	227%
Number of orders per customer life time	6
Total life time revenue	\$7,500.00
Total Return On Investment (ROI):	1,363%

enough responses to accurately determine your response rate. A good rule of thumb is to test between 1000 and 5000 pieces to start. That way you will get a sufficient number of responses back from your mailing to determine what your response rate will be.

Your response rate will vary depending on your product, industry, target market, and other factors, so no general rules apply. For instance, a sub-0.2% response rate is common in the credit card industry, whereas some nonprofit companies experience response rates as high as 50%. This should not discourage you; rather, it highlights the necessity of tracking your response rate for your mailing. If you fly blind, you will only have a vague idea of your campaign's success and you risk wasting money and losing sales.

To increase the response to your next mailing, pay attention to these important factors:

Campaign Goal

What is the goal of your campaign? Do you want to generate leads? Close sales? Raise awareness? Drive traffic to your store or Web site? Once you decide on your goal, establish a baseline and track responses against that baseline. For example, determine the average number of calls that you receive per month, and compare that number to the number of calls you receive immediately following your mailing. Alternatively, if you take orders through your Web site, your mail piece can ask customers to enter a discount code when placing their orders by which you can track the sales associated with your mailing.

The Mailing List

Who are your best customers? Identify who they are and then get lots more exactly like them and market to them. The list can make up 60 to 70 percent of your response rate. Identify the unique characteristics of your customers. Are they male, or female? Where do they live? How much do they make? The answers to these questions can be used to build a targeted prospect list to gain more customers.

The Offer

Whatever your direct mail campaign offers the target audience - a free information packet, an instructive Web seminar, a gift for visiting a trade show booth - concentrate on selling the benefits of responding and receiving the offer. Remember that the goal is to get the person to respond so that they can purchase your product and increase your ROI. If you can get someone interested enough to respond to the offer, then you have the chance to get them to buy.

Your Mailer

Here is where testing really plays a crucial role. Without testing your mailing list, your offer, or your mailpiece design, you will never know if the campaign's success was due to a compelling offer, eye-catching graphics, and enticing copy with a strong call to action, or a great list. Conversely, without testing, you will not know which aspect of your campaign needs improvement if you receive a less-than-desired response.

Campaign Cost

Take the total cost of your mailing (including creative, printing, postage, and labor) and divide that figure by the revenue generated from an average sale. That will tell you how many sales you'll need to make in order to break even and cover the cost of your mailing. For example, if the cost of your mailing campaign is \$550, and your average order is \$50, you will need to make 11 sales in order to recover the cost of your mailing. In some cases, however, you may be willing to send out a campaign without breaking even or showing a profit if it means generating qualified leads to whom you can sell again and again. Don't forget the lifetime value of a customer.

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