

From the Lab

Is Direct Mail For Me?

The fact is, just about every marketer at some point will consider testing direct mail as a potential enhancement to a DRTV campaign. For those of us that come upon this from a DRTV background, there are many unknowns, including two key questions: How much would it cost to test direct mail? And what's the best way to go about it?

This month, TEST spoke with some of the industry's top authorities on direct mail to get some logistical questions answered, and we've found that it's still all about testing and payout.

Direct Mail Lead Sources Defined

House file: Your in-house database of customers who have purchased or requested information from you.

Prospect lists: Outside lists you have chosen and paid for because they have purchased something from someone else that leads you to believe they will be interested in your product/offer also.

Compiled lists: Selected not by recent purchasing data, but on general demographic characteristics. Compiled by companies including Equifax, Acxiom, Info USA and Donnelley. Demographic information readily available includes: credit; mortgage; automotive; insurance; location; age; marital status; children; travel and hobbies; and more.

Approximate list costs: House files are free (you don't have to purchase these names, but you *did* pay for the inbound call). Prospecting files generally cost 10 cents per name, while compiled lists run around six cents per name.

Approximate expected response rate: The average conversion rate when mailing to house files is just more than 10 percent, while prospect lists average two percent and compiled lists average just one percent.

Inquiry Conversion — A Great Place to Start

Inquiry conversion mailing campaigns are very common in the DRTV industry because its model yields responses to TV ads that don't actually end in a purchase. These leads can be highly responsive (between 10 and 15 percent), but there are a few things to know before you achieving that number:

- Inquiries are very sensitive. Your follow up mail piece should be in the mail within 24-48 hours.
- An "escalated offer" is recommended; offering the same exact deal to a customer that just said no doesn't make sense.
- Trish Mahon of Outsource Marketing Group recommends, "Have your inbound telemarketer record the reasons why your non-buyer didn't buy and use that information to direct the focus of your inquiry mail piece."
- Steve Pittendrigh of InPulse Response Group recommends using first-class postage and live stamps. While it is more expensive, mail pieces will get there sooner and are opened more often, making up for the additional cost.

Other Avenues and Considerations

- **Cross-selling** — Find offers that have good potential for your in-house database.
- **Prospected/compiled list mailing** — Mail your offer to lists that you buy.
- **What makes a good lead?** Measure your leads by *RFM*. That is: how *Recent* was the last order; how *Frequent* are orders made; and what is the *Monetary* value of the orders placed.

Most experts agree that no less than a 25,000-piece mailing will yield statistically valid results to give you a sense of how your direct mail campaign will perform. You can expect such a small test to cost up to 70 cents per lead. As your mailings get larger, you can expect to pay in the 30-40 cents-per-lead range.

Considering giving it a try? If so, treat it like a media ratio. Speak with a professional about taking the costs of a direct mail effort and working them into a break-even model to find out what your response needs to be in order for direct mail to be profitable for you.

TEST thanks its panel of experts: Steve Pittendrigh, CEO, InPulse Response Group; Trish Mahon, president, Outsource Marketing Group Inc.; Susan Terranova, director of partnership marketing, Juniper Bank; and the list-rental and data-management companies who assisted with this story and wish to remain anonymous.

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Test Marketing Group

Founded by Adam MacDonald, TEST Marketing Group operates a "Test Laboratory," where campaigns are developed by experts in a controlled environment. The TEST Laboratory is a specialized inbound/outbound phone center. The center is staffed with a group of specially trained marketing agents working on a state-of-the-art platform designed specifically to develop and measure the most profitable sales strategies for DR campaigns. Once determined, the strategy is "rolled-out" through the primary inbound and outbound telemarketer. The preferred result of this process: massive increases in net profit. TEST can be reached at (714) 546-5555. For Adam MacDonald, TEST CEO, dial ext. 202. For Chris Walshe, TEST president, dial ext. 201.