

# Breaking Through the Marketing Clutter for Greater Response and ROI



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## » Executive Summary

Although personalized marketing communications are gaining increased attention, the concept really dates back to early commerce when merchants succeeded by knowing their customers’ purchasing habits and personal preferences intimately. Then came the age of mass production with standardized products, and marketers followed suit by advertising merchandise through mass media.

Consumers responded favorably to lower costs and greater accessibility through large retail outlets, but they eventually missed the personalized interaction while becoming less brand loyal and increasingly price sensitive. Marketing organizations are reacting to this trend by employing database-mining techniques that drive more personalized marketing communications. Nowhere is this more visible than in the rapid growth of customized print promotions and marketing materials.

Other key factors influencing the movement toward personalized print are:

- **Message Overload.** With people receiving an average of 3,000 messages per day from a wide range of sources, they find it virtually impossible to absorb the volume of information. Thus, they seek relevant messaging and tune out the rest by registering for do not call lists, loading spam controls onto their computers and discarding print that doesn’t speak to them personally.

- ***Declining Response Rates.*** Response rates for most high-volume direct mail campaigns containing little or no personalization are now in the 1-3 percent range. Historically, the model works only because relatively low costs have overcome the lack of targeting and relevancy. But rising paper and postage costs make profitability ever more challenging.
- ***Pressure to Improve Marketing ROI.*** Executive management is focusing more attention on marketing activities, demanding measurability and a greater return on marketing investments. This has led to more data mining and targeting because of the superior results produced. Companies not only improve short-term performance, but also reduce marketing expense by not wasting money on low-potential customers and prospects. Better knowledge allows them to invest resources in programs that increase loyalty and build a higher lifetime value.
- ***Advanced Print Technologies.*** Evolving print technologies, particularly color digital variable data print (VDP), make it possible to create documents with complete customization of images and text that speak to recipients 1 to 1.
- ***Expanding Database Capabilities.*** There are a number of tools with varying levels of sophistication and associated costs that let marketers integrate database content into the page production workflow.

**Organizations no longer compete for market share but must now focus on winning individual customer share.**

In summary, personalized print is gaining importance as organizations adopt a model described by marketing consultants Peppers and Rogers as a 1to1 economic system. It replaces the old model of mass production, mass media and mass marketing and moves toward customized products, individually addressed media and highly personalized marketing. Organizations no longer compete for market share but must now focus on winning individual customer share.

### »» The Growth of “Below-the-Line” Marketing

Integrated services provider Winterberry Group maintains there is a metaphorical line separating marketing philosophies today that is reflected in today’s emerging promotional methods, which embody three key qualities:

- ***Perception*** of consumers that he or she is engaged as an active participant in a marketing dialogue
- ***Interaction*** that empowers consumers to respond to marketing communication via preferred channels
- ***Measurability*** that allows marketers to track the results of individual marketing campaigns to determine the return on investment and adjust future campaigns to improve chances of success

They describe this new approach as “below-the-line” media—acts like traditional direct marketing efforts and aspires to establish targeted relationships between marketers and consumers, offering comparable ease in measurability— as opposed to traditional approaches represented by “above-the-line” media—traditional marketing channels that strive to reach a mass audience with messages that reinforce a brand, communicate general product information or inspire an emotional response.

## Media Comparison

Above-the-Line	Below-the-Line
Tailored to reach a mass audience	Targeted toward individual consumers, based on their expressed needs and preferences
Establish brand identity or reinforce emotional concepts surrounding a product or brand	Issue a call-to-action inspiring specific customer activity or tailored messages about a product or brand
May or may not drive customer response	Drives individual response
Difficult to impossible to accurately measure	Highly measurable, allowing marketers insight into the ROI as well as tactics that are and are not working
Cater to the mass market	Build 1to1 relationships between consumers and marketers

*Source: V12 & Winterberry Group LLC*

The Winterberry Group’s research indicates that below-the-line media will grow at a dramatically higher rate than that projected for the overall advertising industry. Part of the reason is that changing consumer demographics decrease the influence of traditional mass media messaging. Clearly one size does not fit all in today’s marketplace.

**Not understanding why consumers make a purchase is one of the most common failings among direct marketers.**

## » Understanding Customer Value

The key to the success of any personalized marketing program is understanding a customer's value. Companies must now focus their efforts on customers who generate the greatest combination of revenues and profits. Today's sophisticated database technologies allow companies to identify a customer's current value and forecast the potential future value. This, in turn, allows marketers to direct more resources toward nurturing those customers with the greatest potential return.

But not all companies can afford sophisticated customer relationship management (CRM) solutions. The result is often a disconnection between management and customer perceptions. A study conducted by Bain & Company of 362 firms said that 95 percent of management teams responding believed that their companies were customer focused while 80 percent believed they were delivering a superior customer experience. On the other hand, only 8 percent of their customers agreed.

Nonetheless, many companies have the ability to develop basic customer models that identify important criteria such as the level of commitment to purchasing a key product or service. This allows marketing organizations to at least work with the "what" factor. Demonstrating success with data-driven approaches often frees up the budget to be able to move to the next level.

Even more important is the ability to identify "why" customers make a purchase. Not understanding the why aspect is one of the most common failings among direct marketers. Buyers who appear similar in their purchasing patterns can have widely varying reasons for making those purchases. Gaining a better understanding of the attitudes, preferences and motivation that drive particular purchases can help improve customer relationships and guide future marketing communications.

## » Making the Commitment

To gain the most from personalization, companies need to find out as much as possible about customers and prospects in terms of:

- Product/service preferences
- Purchase patterns
- Response history
- Overall trends

Acquiring more customer knowledge requires a commitment to segmentation, profiling and modeling. Many of the most successful companies have the full support of executive management, including the CEO, who makes customer knowledge and its application to marketing programs a priority.

## »» Timing Is Everything

Direct marketers have always dealt with obvious timing issues such as seasons, holidays and even postal-related issues like projecting in-home dates. But the increased use of multichannel communications means that fewer campaigns operate in the relative simplicity of a single-channel environment. Many industry authorities believe that the performance of personalized campaigns can be raised to even higher levels through well coordinated, multichannel campaigns—print, telephone, online communications and other media.

## »» Why Direct Mail Plays a Key Role

Although direct mail continues to perform well as a stand-alone channel, it also plays an important role in many multichannel programs. Current research shows that the more channels with which a customer interacts, the better the results. A study by DoubleClick, a provider of Internet ad serving software, indicated that those who interact over multiple channels are more loyal and profitable than single-channel customers. Direct mail is frequently the driver of that interaction, whether it is directing consumers toward a website or a retail store.

Industry consultant Dick Goerlick noted that some of direct mail's greatest successes involve integration with complementary media. He points to a Dannon Activia yogurt campaign that coordinated 3 million direct mail pieces with freestanding inserts, in-store sampling and television advertising. Sales from participating stores increased 78 percent.

Part of the reason is that people of all ages and backgrounds enjoy receiving mail. Even the anticipated “generational effect” of mail did not materialize. A Pitney Bowes-sponsored study indicated that all generations increase their mail use and receptivity as they age. As Gen X members age, they are following similar mail use patterns as their Baby Boomer parents.

Further, an annual study by direct marketing solutions firm Abacus indicates that 51 percent of consumers prefer mail order to the Web. The numbers jump even higher when there is no prior business relationship as these contact-preference statistics demonstrate:

- 76% Regular mail
- 8% Email
- 7% Telephone
- 6% In-person visit
- 4% No answer

**Canadians find mail more convenient, less intrusive, more descriptive and having lower sales pressure than telemarketing.**

Independent studies conducted by Canada Post support these findings. For example, 63 percent of Canadians say they read mail as soon as they receive it and 57 percent look forward to what's in the mailbox.

Canadians also show a preference for direct mail over email, with 58 percent preferring to receive messages and documents through postal mail. An even higher percentage— 67 percent—prefers mail to email for unsolicited information. Other research similarly shows that 81 percent are more likely to discard unopened email while only 8 percent would be more likely to discard postal mail.

The study further indicates that Canadians find mail more convenient, less intrusive, more descriptive and having lower sales pressure than telemarketing.

Nonetheless, marketing authorities increasingly believe the best approach is to not have media channels competing with one another. As direct marketer Jeff Hassemer points out in an iMEDIa CONNECTION article, “Consumers are now able to interact with companies in a multitude of ways, at their convenience and in a way that is very personal to them. For companies to satisfy their customer base, they must be able to adopt the channels that the customers are using, or prefer to use, and meet that customer with the right experience.”

As a result, well-integrated and well-timed multichannel campaigns and programs are producing strong metrics. New technologies such as web-to-print add intriguing possibilities to the multichannel mix. For example, a customer might receive an email promotion, complete an online survey and receive a custom printed product brochure addressing the preferences stated in the survey.

## »» The Personalization Effect

Personalization at all levels improves response, though higher levels definitely provide superior results. This concept was first demonstrated in a 1999 study conducted by the Rochester Institute of Technology.

Response Increase	Level of Personalization
44%	Add an individual's name
135%	Add an individual's name; add color
500%	Add an individual's name; add color, add custom content to the interest of the recipient

*Source: Rochester Institute of Technology*

Subsequent research continues to support the original findings. For example, a later study conducted by research firm InfoTrends/CAP Ventures showed that personalized direct mail resulted in:

- 34% faster response rates
- 48% percent more repeat orders
- 25% average order value increase

## »» Case Study

Anecdotal evidence also demonstrates the power of personalized print. Recently Transcontinental Printing and the Xerox 1:1 Lab collaborated with Reader's Digest Canada to help the venerable publishing giant test whether the use of intelligent information would boost cross-sales of CDs, DVDs and books when compared to a strict product-line approach. Reader's Digest also wanted to evaluate whether the use of variable text and graphics would justify the simplification of a multi-component promotion package that typically includes:

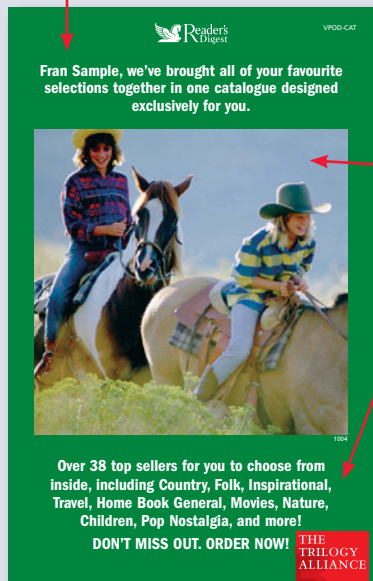
- 24-page catalogue
- 8.5" x 11" self-adhesive label stamp sheet
- Contest device
- Sweepstakes certificate
- Personalized cover letter
- Second order upgrade

The Xerox 1:1 Lab is a testing ground where Xerox customers can demonstrate the response power of data-driven promotions. It provides a learning environment to test and compare the results with traditional direct marketing methods. Terminal Van Gogh Ltd. provides strategic consulting on data-driven campaigns, helps structure the participants' programs, re-purposes existing creative to the new environment and develops the campaign metrics.

Some of the personalize elements incorporated into the package components included:

- Placing the customer's name on the cover of the catalogue
- Using a cover image that represented the recipient's reading interests
- Calling out product categories on the cover that matched the customer's affinities
- Personalizing the letter, promissory note, voucher and certificate
- Variable stamps that aligned with customer interests and the descriptions contained within the catalogue

### Personalized Elements



Customer's name

Catalogue photo represents customer's reading interests

Categories match customer's affinities



Catalogue page order aligns with customer's reading interests

### All stamps variable



Stamps match the catalogue by product sequence

**In order to determine whether returns justify the higher unit costs of personalized print, the key is to evaluate response against total costs.**

## » Outstanding Results

The test involved approximately 47,000 top-tier customers. The control group received the traditional package while two test groups received fully variable mailings. Response rates exceeded expectations with lifts averaging 67 percent above the control package and as much as 111 percent in certain sub-segments. The campaign received a Gold Award at the Canadian Marketing Awards for Resource Partners for Excellence and Innovation in Best Practices and/or Technological Advancements.

## » Understanding Personalization's Total Cost Concept

With so much evidence supporting the use of personalized print, the obvious question becomes why isn't everyone using high levels of personalization. One previously discussed issue was having insufficient database information.

Perhaps more than any other single factor, however, is a "unit cost" mentality that inhibits companies from taking full advantage of print personalization technologies. Obsessed with directives to drive down costs, they tend to lose sight of the big picture when it comes to data-driven print programs. The key is to evaluate response against total costs to determine whether returns justify the higher unit costs of personalized print. Here is an illustration of how the total cost concept works:

- Basic Targeting/Basic Personalization
  - Production costs: 25,000 pieces @ 40¢ each = \$10,000
  - 3% response rate = 750
  - Revenue: 750 @ \$100 average sale = \$75,000
  - Production costs as % of revenue = 13.3%
  - Marketing R.O.I. = 7.5x
  - Cost per response = \$13.33
  - Gross profit = 65,000
  
- High-level Targeting/Individual Customization
  - Production costs: 12,500 pieces @ \$1.00 each = \$12,500
  - 10% response rate = 1,250
  - Revenue: 1,250 @ \$100 average sale = \$125,000
  - Production costs as % of revenue = 10%
  - Marketing R.O.I. = 10x
  - Cost per response = \$10
  - Gross profit = \$112,500

*\*Pricing shown is for illustration purposes only.*

## »» Print Personalization Technology Overview

There are a number of print personalization options available with technologies constantly expanding. Here is an overview of the principal alternatives available for personalizing and customizing print materials:

**Lettershop Personalization.** Systems that personalize traditional mail vehicles using portable laser and inkjet imaging equipment. Lower speeds and matching limitation generally restrict personalization to one component such as a cover letter. Systems with more extensive matching capabilities have limited availability and higher costs.

*Best suited for low to medium runs with simple formats appropriate for lettershop environments.*

**Bindery-line Personalization.** Systems that personalize bound materials. Selective binding lines allow the insertion of different signatures, covers and outserts based on recipients' preferences. Inkjet imaging systems print on-page variable data in multiples that can include text, logos, simple line art, bar codes and spot color. Other personalization options include dot whacks, flags and repositionable notes.

*Best suited for catalogs and magazines in medium to high quantities.*

**Color Variable Data Digital Personalization.** Systems that personalize text and 4-color graphics on every page of each piece. More than any other print personalization technology, sophisticated digital printing systems enable marketing organizations to take full advantage of dynamic databases and create true 1to1 communications. This plateless, toner-based technology is environmentally friendly and can also be used in web-to-print fulfillment scenarios where customers personalize print materials from online templates and send the document directly to a digital press for output. Speed and press sizes pose some limitations.

*Best suited for highly targeted materials requiring extensive personalization.*

**Web In-line Personalization.** Systems that perform printing, personalization, die cuts folds, envelope/reply device forming and component insertion in a single press pass. The line delivers finished pieces in mail-order sequence. Inkjet imaging heads provide 300x600 dpi variable data in the form of partially or completely variable text, logos, simple line art, bar codes and spot color.

*Best suited for medium to long runs, web in-line finishing can save significant time and costs as well as provide a high degree of personalization for longer runs.*

**56 percent of marketers believe personalized communications outperform traditional mass-market delivery.**

**Web Off-Line Personalization.** Systems that print roll-to-roll, then perform all variable imaging and finishing in a separate roll-to-roll process. Multiple steps increase production time and many systems incorporate less productive, lower quality presses from the forms environment.

*Best suited to medium runs with complex personalization or campaigns that must be personalized at different times from a common shell.*

Clearly a wide range of technological capabilities exist for personalizing print communications. In spite of all the technology and proven results, however, many marketers are non-participants in the personalization arena. According to CMO Council Executive Director Donovan Neale-May, "...marketers are still missing the mark on how to leverage and utilize data, and because of this they are unable to realize the full potential of personalization tools, services and solutions."

Yet 56 percent of marketers believe personalized communications outperform traditional mass-market delivery. There is plenty of incentive, and lots of opportunity, for organizations to improve their marketing ROI by investing in database development to create more personalized customer communications.

### » Digital Printing Solutions at Transcontinental

Transcontinental Printing offers marketers comprehensive, integrated solutions that include digital, sheetfed, and coldset and heatset web printing. This combination of platforms provides cost-efficient solutions for brochures, catalogues, direct mail, and a wide range of marketing communication materials.

Transcontinental Express locations in Atlantic Canada and Transcontinental Direct Montréal offer digital printing solutions for commercial printing applications. At Transcontinental Direct Montréal, these include Xerox iGen3 color digital press technology featuring variable data printing of text, images and graphics for highly customized promotions. We also offer the ability to produce integrated cross-media promotions that incorporate email, personalized URLs (PURLS) and print.

Transcontinental Database Marketing offers a full range of database marketing services ranging from strategic guidance to tactical execution. The Database Marketing team can help marketers gain a competitive advantage by developing marketing solutions that deliver results.

Though the entire Transcontinental Printing team is always focused on reducing manufacturing cycle times and costs, we also know that production is only part of the equation for today's marketers. Thus, we take a consultative approach that extends well beyond printing to help you formulate a strategic response to your market challenges. Our highly trained and knowledgeable representatives can help with critical issues such as:

- Content archiving
- Database management
- Market testing
- Online ordering and inventory management
- Web-to-print scenarios
- Total cost determination

### **»» A Strong, Resourceful and Socially Responsible Partner**

Transcontinental Printing is the largest printer in Canada and the sixth largest in North America. We are active in several key markets including books, magazines, catalogues, newspapers and retail flyers, besides serving a variety of specialty packaging and commercial printing needs. To learn more about Transcontinental Printing, please visit our website: [www.transcontinental-printing.com](http://www.transcontinental-printing.com).

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