



Insert Media Virtual Seminar Notes Presented on September 23rd, 2008

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OVERVIEW

According to a recent Vertis study, Inserts and Circulars work the best for getting attention and driving buying decisions. The growth of insert use has out-paced other forms of advertising, like television and has a better retention ROI than Search Engine Marketing. With the increasing costs of direct mail, the insert channel continues to attract interest from companies with no experience in the medium.

This presentation will be an introduction to what insert media is, industry terminology and a “how to” laying the ground work for testing the channel. Planning, Lead times, and testing timeframes will also be discussed, as well as best practices or today’s largest insert users.

Definition of Insert Media – The Insert Media is defined as a marketing channel that distributes printed inserts, or samples through an existing distribution system, like a mailings, customer order packages, or other forms of customer contact.

The motivation for the owner of that distribution system is to rent out unused mail space to third-party advertisers, therefore, fully utilizing the postage that they have already paid for. In other words, if a company that sends a billing statement via first class mail and only uses a half of an ounce of postal weight, they can leverage the other half an ounce – that they are already paying postage on – to gain revenue from third party advertisers

IMPORTANT – A program owner can only leverage unused postage

I do want to stress that in order for the program owner to make positive equity is use the unused mail space. It is very difficult – and nearly impossible – to make revenue if the weight of third-party inserts push the mailing into the next postage level.

Unused space mean space (or weight) that doesn't push the postage costs to the next increment.

Example:

This is certainly more of an issue with first class, weight sensitive mailings, and less so with third class or packages. First class mailings may be able to accept 3 inserts, while others may be able to take 6 or more.

Why is the current environment conducive for Insert Media?

Insert Media has been a marketing channel that has built an increasing presence over the past decade. What was exclusively viewed as a channel for independent direct marketers is now used by larger branded companies giving the channel greater validity. This balance shift has happened for a few reasons:

- Do not call legislation has reduced the effectiveness of outbound telemarketing efforts
- Can SPAM compliance
- Increase of Postal Rates.

Beyond these factor the landscape of general marketing and advertising in changing. There has been increasing pressure for media channels to become measurable with a greater focus on privacy. Insert Media addresses both of these issues as I will explain

- Measurable
- Promotes Privacy

Also because of the current economic climate, there are many companies with mail distribution looking for additional revenue. In past times, they may have not considered accepting third party inserts. As a result, there are an increasing number of opportunities coming to the marketplace.

- Growth in program opportunities

Lastly, SEM and Internet marketing, though effective, are becoming more expensive and less effective. Growing companies are realizing that they need to establish an offline marketing plan to support what they are doing online. The response rates for inserts are higher than typical banner advertising. Furthermore, web browsers are becoming more sophisticated in blocking banner ads.

There are two side of the insert business: Brokerage and Management

Two Sides of Insert Media – Those who are looking to use Insert Media for Acquisition (Brokerage) and those looking to included third-party inserts to create revenue (Management).

Many agencies that specialize in Insert Media have management and brokerage divisions, but there are some that have strengths in one of the two areas. If you are investigating Insert Media for acquisition or revenue, make sure that you choose a company has a track record or strength in that area.

INSERT MEDIA BROKERAGE – THE ART OF FINDING NEW CUSTOMERS

Advantages of Insert Media (for Acquisition):

- *Cost Effective* – The expense of running an insert campaign are a fraction of the cost of a solo direct mail effort. There are no lists or postage and production costs are significantly lower.
- *Extremely High Open Rate* – The inserts are typically contained in mail that is either expected or from a known source, so the open rate is much higher - - particularly with package inserts and statement inserts.
- *Good retention* – because the insert is reaching a qualified buyer, the retention and life long value of that customer is longer than other channels, such as SEM
- *Implied Endorsement* – Since there is a relationship between the program owner's and their customer, there is a certain level of trust implied towards the advertising partner.
- *Fresh Customers* - Gives Access to a customer base that isn't available through lists (PRIVACY!)

If you are a company looking for opportunities, it is always going to be beneficial to work with an insert broker. Insert Media is an industry built on trust. The advertiser trusts that the program owner will get their inserts out as promised. A well-connected broker knows which programs are consistent, which program owners are trust-worthy, and which programs have the best possibility of success. This knowledge will determine the success of an insert test.

A program owner will credit a recognized broker with a 20% commission on placement. This means that the value an insert broker brings to the table is significant, since technically, they are funded (or paid for) by the program owner.

What a broker should do for you.

Research and recommend media to fit the demographics of the client's target.

Establish an overall Insert Media strategy and budget.

- Negotiate pricing on recommended media
- Coordinate all aspects of the order (shipping, status, etc.)
- Follow-up and track all placements
- Verify distribution of inserts as contracted

THINGS TO CONSIDER WHEN NEW TO TESTING INSERT MEDIA

Insert Design/Offer – The insert offer and design are the two very important components that are often overlooked. The offer must register with the viewer quickly and move them to the next step. Using an insert as a long form selling tool is less effective than using them for building leads. Insert offers should strictly be promotional – this is not an area for brand building.

An Insert is a three dimensional piece. Ultimately there is little or no control over how the insert will first be viewed, so the offer should be highlighted on both sides of the inserts.

Tracking – Inserts should contain a key code that is used for capturing the source of the response or sale. The key code can be a promotional code, toll-free phone number or unique URL. A unique key should be used for each program being tested. Capturing the source of response will be critical for developing a successful long term campaign and accurate allowable acquisition cost. (ACCOUNTABILITY). Establishing an allowable acquisition cost give you much great negotiating power.

Finding appropriate test programs - Work with an insert broker to research and find insert opportunities that are in the marketplace.

Establishing a test budget - Once three or four optimal programs are picked, a budget can be established by considering the insertion rate, cost of creative development, cost of insert printing, and cost of freighting the inserts to their respective distribution points.

Scale of Economy – The test phase will likely not produce positive ROI because test rate are higher than continuation rates. All test results should be assessed against continuation rates and larger print quantities. As larger circulation commitments are made and greater insert quantities are printed, the unit cost drops dramatically.

IMPORTANT! Allow time to read and access results.

It may take several weeks to a few months to have a full picture of how the channel is working. Not taking the time to have a total picture before moving forward can waste time and money.

IMPORTANT! The value of a good printer relationship

Coordinating with your insert broker satisfies the strategic part of your campaign, but there is a physical aspect to keep in mind. One difference between this channel and most other marketing channels is that you are dealing with physical inventory, not just sending a replaceable artwork file. Not many folks think about this, but a pallet with a thousand pounds of paper moving several hundred miles from point A to point B constitutes real inventory and requires real logistics – you MUST have a good partner(s) in both.

Not only will you be looking for a printer that focuses on insert printing, but you are also looking for a printer that can handle and coordinate insert material allocated for particular programs. Remember, since each group of inserts printed for a particular program, you need to trust that your printer will arrange to have the correct material sent to the right location or that they hand over the correct material to your freight company.

If there is any discrepancy between what was sent to a program owner for distribution and what they claim was received, your printer and freight company will be your fierce allies in resolving the discrepancy. Such issues do not happen often, but if they do, the right printer and Freight Company will save you money.

I'm sure in a nutshell this seems confusing, but realize that the vendors that you partner with will take care of the lion share of these responsibilities behind the scenes.

Different Types of Insert Media

Package Insert Programs - Packages carry a high rate of awareness since the package contains purchased product and is guaranteed to be opened. Riding along in these packages carries an implied endorsement by the host company. These are hotline buyers and known direct mail purchasers. Due to these positive aspects, base rate run higher than other insert media with pricing anywhere from \$40/M to \$80/M.(most commonly \$50/M to \$60/M). (response rates .2-.5%)

Statement Insert Programs - Statements are also an implied endorsement program. They can be hosted by a bank, utility, cable TV, cellular provider, and other services. They are usually mailed first class and in a #10 envelope or smaller. Statement programs have a strict weight limit and also do not want to detract from their “invoice”; thus programs will accept 1, 2 or a maximum of 3 inserts. The customer is not necessarily a mail order buyer. Rate card pricing is \$25/M to \$40/M. (response rates .1-.3%)

Customer Mailings/Ride Alongs - By definition, this is a mailing to an existing customer offering them additional products or services or perhaps a thank you or welcome. This customer has proven to have purchased via the mail at least once from this company. Most commonly, this is in a 6x9 or 9x12 format for mailing. This mailing also carries an

implied endorsement from the host company. Rate card pricing is \$40/M to \$60/M. (response rates .1-.2%)

Co-ops - This mailing combines inserts from a group of non-competitive advertisers riding together in typically a 6x9 envelope. Mailing volume is usually high and can mail as a mass mailing in zip code saturation or can be targeted via a theme such as New Parents, Senior Citizens, New Homeowner, etc. Names for the mailing are acquired via list rental and are not proven direct mail buyers. Pricing can be very negotiable and rate card pricing can range anywhere from \$10/M to \$40/M. (response rates .1%)

Newspaper - FSIs (Free Standing Inserts) - Inserts are accepted into a Sunday paper or Wednesday coupon section. These inserts can be placed solo into the newspaper or run in an FSI which is then placed into the newspaper. An FSI (free standing insert), is a cooperative, full-color, multi-page flyer offering local, regional and national advertising with coupons, 800 #'s, etc. Available circulation is very high and costs range from \$4/M to \$8/M for the FSI. Costs can be much higher if placed directly with the paper to ride solo. (response rates .05-.1%)

Catalog Blow Ins/Bind Ins - Catalogs offer a high volume distribution to a proven audience of buyers since the catalog is only mailed to the house file. A Blow In is an insert "blown" into the catalog during printing and a Bind In is stitched into the binding (or slid between staples). Although Bind Ins have more of a chance of staying inside the catalog by the time it reaches the customer, blow in's tend to have better response. Bind in's also require additional design to allow for a binding edge. Rate card pricing is usually \$30/M to \$35/M. (response rates .1-.2%)

Sample Pack - Sample packs are usually hand delivered for free to specific groups or markets. The packs contain samples, inserts, coupons and other items targeting this group. Rate card pricing is usually \$20/M to \$40/M. Statements are also an implied endorsement program. They can be hosted by a bank, utility, cable TV, cellular provider, and other service providers. They are usually mailed first class and in a #10 envelope or smaller. Statement programs have a strict weight limit and also do not want to detract from their "invoice"; thus programs will accept 1, 2 or a maximum of 3 inserts. The customer is not necessarily a mail order buyer. Rate card pricing is \$25/M to \$40/M.

Take Ones -Take Ones are slots holding a stack of inserts at a heavy traffic consumer area such as a supermarket. Note the board at the entrance of the supermarket or on the check out counter at certain stores or information centers. Costs can vary from \$2.50/M to \$1.00/M.

Envelope Advertising - Don't miss the opportunity to get top visibility by running your ad on the back of a statement's payment envelope or a Package Insert Program's/Ride Along/Co-op's collated envelope. This puts your ad in the eye of the consumer prior to any of the ads inside and for less money as you only have to supply artwork. Costs vary greatly between the statements (known as bangtails) and the collated envelopes.

Considerations

Response Rates

Probably the one question that new inserts advertisers always ask is: What will my response rate be?

If we know the answer to that, there would be no such thing as a test process. Obviously, there are a ton of variables: Creative, Price Point, Product, proper understanding of your prospective customer, whether you generating leads or making sales. All of these things are different from one marketer to the next. If distribution of 25,000 inserts yields 30 sales, it could be a grand success for one marketer and an abysmal failure for another.

However, I will give you some guidelines.

Instead of thinking in full percentages, like you might with direct mail, thinking of responses in one-tenth of one percent increments will be more common. The most responsive program type, package insert program, may produce a response rate of .3 or .4 percent, other program types maybe only .1 or .2%.

From that perspective, the pull doesn't seem too terribly impressive, but looking at the bigger picture – strictly at ROI – the perception changes. At a unit cost, an insert campaign may only cost 10% of a direct mail campaign. Now, if you weigh your response against investment, it becomes much more attractive.

USING INSERT MEDIA TO BUILD REVENUE TO THE BOTTOM-LINE:

- Bottom-line revenue at little or no cost
- Gives insight into customers and their buying habits
- Protects Privacy
- Adds brand-support

What an Insert Media Manager should do for you

- Bring the program to the marketplace
- Recruit Advertisers to participate in the program
- Take care of all logistical aspects of the placement

A Manager will handle the following aspects

- Clear all advertiser offers to be consistent with client's products and image.
- Sell space in program to optimum "fill rate".
- Coordinate or arrange collation for program.

- Provide full collating instructions.
- Arrange for shipping of collated material to program facility.
- Provide insertion status to advertiser.
- Invoice advertiser immediately after completion.
- Collect insertion fee from advertiser.
- Provide monthly reporting to the program owner.
- Pay client within agreed schedule after payment received from advertiser.

START-UP EXPECTATIONS

Program Launch Process - The launch process in itself can be pretty immediate, but the actual participation from advertisers will take time. After offers and advertisers are given approval, it could take another month or two (maybe more) before an advertiser is ready to participate because of insert material that maybe available. Therefore, participation during the first six months of a program will relatively inconsistent.

Offer Exclusivity – Two competitive advertisers will not be including in the same mailing at the same time. This offer exclusivity ensures that each advertiser has the best chance in finding success in a given program. Offer exclusivity also creates competitive situations over advertising space between companies in the same offer category.

Hand Insert vs. Collated Envelope - Hand insertion typically applies to package inserts. When a new package insert program is brought to the marketplace, inserts are placed in the packages by hand for two reasons: one is that initial test quantities will be smaller and inconsistent. Therefore, the expense of a collation envelope and collation is not economical. Secondly, the program has a chance to built revenue to offset the envelope and collation costs before they are really needed eliminating the upfront costs of these items.

It will be important to establish a maximum amount of inserts that your warehouse facilitate is comfortable handling at one time. This varies between 3 and 4 - - any more really starts to interrupt the fulfillment process.

Generally, it will take 2 to 3 insert to offset these costs, so there may be a point in the program when starting to collate will produce lower net revenue. However, it will make things much easier for the warehouse and provide an opportunity to accept remnant advertiser that won't cost more to insert, but will continue to provide additional revenue. Though remnant advertiser will not pay as much, it won't cost anymore to include them and the amount of warehouse effort is identical.

Program Start-up and the testing Period

It is common for a program to take a full year before a good healthy list of continuation advertisers are in the program with steady consistency. There are some facts that could slow or speed this development.

Over estimating counts early on – or distribution problems – will delay this development as either case will suppress or misrepresent results. Advertisers interpreting slow response as a testing failure because their response matrix is based on the publisher distribution counts.

The program development of a known company will develop much faster than an unknown program because advertisers place more value on the implied endorsement aspect of the partnership.

Internet Buyers

For certain advertisers knowing the percentage of internet buyers might be important. This has become less of an issue in recent years because it can generally be assumed that a large share of buyers do place orders through a website. However if you find it skews heavily one way or another, it will be important to promote that fact.

Webserts

There is another aspect of partnership advertising that many in the insert industry have been adopting aggressively in the area of website banner advertising. Within the insert industry, these are referred to as Webserts.

Now, the concept of banner advertising on post transaction properties and ad networks have long existed long before our industries' adaptation of this concept, but there are important parallels between the two channels that integrate them in important ways.

First, the important aspect is that ads are presented in post-transaction, whether it be a confirmation page or a confirmation email. This, like an insert program, separates the customers from those who are browsing the site. If a viewer is browsing the site, but not buying, they may be shopping strictly on price and may not be the best prospect for the advertiser to acquire. On the other hand, buyers have a relationship with the merchant, there is an existing trust level.

Post-transaction is also logical for the site owner because partner ads don't interfere with the buying process.

A websert program and a traditional insert program can be integrated to work together because they involve predictable, timed, events. After a customer orders a product, they could see an advertisement on the order confirmation page. If additional subsequent exposures are included on an order confirmation, shortly after the order, on the shipping

confirmation, later that day or the next, and then in the package a few days later, there is valuable brand and offer re-enforcement hitting the same prospect.

Websert opportunities offer an advertiser that is new to the channel a low barrier cost to reach a group of prospects that would be more expensive to reach with an insert. If there is Websert success, success with inserts is highly probable.

Most Websert opportunities will also entertain CPA or bounty arrangements that allows the advertiser to pay for performance. This makes testing risk-free, however, long-term placements will be determined by reporting, accurate reporting, or an offer of a guaranteed rate. Otherwise, the Websert space will be given to a profitable partnership.

I will mention that as far as response is concerned, inserts do perform better than banners. If a Websert program works, inserts are the next logical step (if the insert counterpart is not being used).

Things to consider when starting an insert program

Have your operations people on board! Including inserts in mailings and packages will require understanding and buy-in from the operations people because it will mean some additional extra work for them. However, if they have a clear understanding of how an insert program will benefit the company as a whole, their cooperation will be much more likely. Support and directive from senior management will also be key, as it will reduce any power struggles between operations and marketing.

- A clear understanding of your customer demographic
- A reliable history and/or forecast of mailing distribution.
- Weight and size limits
- An idea of what types of offers could not be accepted.

Typical concerns with including advertising inserts:

My customers will be turned off.

Today, most of the major mailings that your customers receive contain insert advertising. It has become so commonplace that the likelihood is that they will not think twice about it.

Third-Party insert will dilute my brand

Actually, if the right insert partners are chosen, they could actually enhance your brand. Partnerships with companies with offer that are relevant to you customer's buying habits will be welcomed and there is the opportunity for cross brand implied endorsement.

Though a program manager will take care of the bulk of your legwork and coordination with the warehouse, but the areas where on going attention is needed relates to changes in mailed quantities, a change in warehouse procedures or mail vendor, and approval of clearances

Inserts will increase my shipping costs

This is really only a concern with non-uniform customer order shipments. Uniform mailings are very closely monitored to ensure that there is not too much weight in the mailing.

Since you insert manager will be working with you to only take advantage of unused space, this shouldn't be a concern. On average, a full insert envelope will weigh about 2 ounces. From personal experience, nearly every program owner that has done a shipping analysis has found that this extra weight either has no affect on shipping costs or that the revenue is far greater that the portion of packages that are moved to the next shipment increment.

An insert program will slow down fulfillment or production

Any program manager will work to make sure that a program is running with extreme efficiency – the idea is to have inserts meld with fulfillment or there won't be any long term sustaining of the program. Since there is a great amount of work put into a program At the front end – especially in the first year – there is a real interest in a smooth running program.

Generally the operation team will see this as an extra step and responsibility for them, They need to understand up front the value in what they are providing for the company.

FOR MORE INFORMATION ON THIS PRESENTATION

If you would like more clarity on anything that I've said during the presentation – or with these notes, please feel free to contact me via email: Rob.Stanton@StantonDirect.com or by calling (607) 734-4571

For more information about joining the DMA Insert Media Council, please contact Susan Zuniga at 212-768-7277 Ext. 1568 or email her at szuniga@the-dma.org