



Breaking The Ceiling On Direct Marketing Response Through Testing Initiatives

An Overview of 20 Years of Testing Results

Written by G.A. Wright Marketing Executives

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Background

The challenge direct marketers face is how to make their marketing dollars go further even as production and postage costs continue to rise. We have all scratched our heads and wondered if we could save production costs on paper and still produce the same results or if using a different mailing list, headline, or even color scheme, would enable us to realize bigger gains. Yet most companies don't take the time to integrate testing into any type of marketing campaign to help them learn just how effective their efforts are, and the worthiness of a particular investment.

Unlike most traditional advertising mediums, direct marketing can be easily and affordably tested. By testing various elements of your marketing campaign you can pinpoint precisely what motivates and inspires your customers to action, and what doesn't. Without testing, marketers make assumptions based on intuition and past experience. It is a costly gamble to base big decisions on educated, and sometimes not so educated, guesses.

This paper is not designed to walk you through the testing process step-by-step. Rather it was created to share the findings of more than 20 years of direct marketing testing so that you can improve the effectiveness of your direct marketing and gain an understanding of how and why you should integrate testing into all of your direct marketing programs. For information about any specific test described in this document, please contact Jodi Lee at 303.333.4453.

Methodology

Marketers can test variables such as product, target audience, offer, timing, production formats and creative. By changing only one variable at a time, you can see where there is room for improvement. Sometimes marketers recognize incremental increases in response rates while other times there is a goldmine waiting to be discovered. As a result, your marketing programs in the long run can generate a higher return on investment.

The following results have been collected through the course of 20 years of testing for the retail consulting division of G.A. Wright Marketing, which provides consulting services to independent retail stores nationwide. This division conducts a monthly lead generation program targeted to independently owned retailers nationwide and mails on average 200,000 pieces monthly to prospect businesses obtained through the use of rental lists. Each new test is designed to determine how to get the best possible response and is conducted as a split run test – where the list is divided into two lots using a random select to create a test and a control lot to ensure statistical viability. Each lot consists of approximately 50,000 pieces. The percentage difference determined on the response rate is not indicative of all programs and is only applicable to this model.

Summary of 20 Years of Testing Results

Following are brief descriptions of direct marketing tests conducted by G. A. Wright and summaries of the testing results.

TEST: DO TOLL-FREE PHONE NUMBERS GENERATE A HIGHER RESPONSE THAN LOCAL NUMBERS?

Each campaign included a letter and business reply card which featured a phone number to call to request a special offer. The control version had a local number that the respondent would be charged to call. The test had a toll free number.

Result: The response to the control version was 16% higher than the response to the test group. This test was run multiple times. The control featuring a local number outperformed the test version with a toll free number.

TEST: DOES REFERRING TO THE RECIPIENT'S DIRECT LINE OF BUSINESS GENERATE MORE RESPONSE THAN GENERAL BUSINESS REFERENCES?

Each campaign offered a special report entitled *Retail Trends*. The report contained information that was pertinent to all retailers and it also included special sections for specialty retailers including gift & collectibles, jewelry, children's apparel and golf stores. The control campaign spoke about *Retail Trends* in a generic tone. Headlines on the envelope, letter and business reply card were "The latest data and valuable information for your retail store". The test campaigns were segmented by specialty industry with the following headline on the envelope, letter and business reply card: "The latest data and valuable information for your gift & collectible store." (or applicable industry).

Result: Following are results for specific industries referenced against the generic control piece:

Gift and Collectibles:	171% increase in response
Jewelry:	44% increase in response
Children's apparel:	143% increase in response
Golf stores:	193% increase in response

The primary conclusion drawn from this test is that personalized communication is more relevant and produces higher response rates.

TEST: DO BOLD HEADLINES AND GRAPHICS OUTPERFORM CONSERVATIVE HEADLINES AND GRAPHICS?

The campaign offered a special report that included information on how to conduct a successful four-day event. The control version featured a conservative two-color graphic presentation and a headline in bold black type face. A sub-headline was placed in a bright starburst graphic. The test version featured bright three-color creative that looked like fireworks exploding and more catchy headlines. All other copy remained consistent.

Result: The control, or more conservative presentation, outperformed the test campaign by 55%. Bright and colorful graphics maybe appealing to the eye, but they may not generate the highest response. To read more about combining appealing creative with powerful copy, read “Communicating or Just Making Pretty Shapes” by Colin Wheildon.

TEST: WHICH GENERATES A HIGHER RESPONSE RATE: LETTERS OR SELF MAILERS?

The control was a traditional two-color letter package with an envelope and business reply card. The test was a four-color self mailer that folded to 8.5” x 3.5”. When opened, the self-mailer read like a traditional letter and had a detachable business reply card.

Result: The test outperformed the control by 20%. G.A.Wright had used the traditional envelope package for close to 20 years. The self mailer format had not been successful in early testing results so it had not been retested for several years. A lesson learned is that sometimes it is wise to retest concepts as consumers’ interests and reading patterns change. As lives become busier, it makes sense that self mailers which appear to take less time to read, will continue to pull strong response rates.

TEST: DOES A RETURN ADDRESS ON THE ENVELOPE VS. A BLANK ENVELOPE MAKE A DIFFERENCE IN RESPONSE RATES?

G.A.Wright had used the tried-and-tested-direct-marketing method of using blank envelopes to “perk the curiosity” of the recipient for nearly 15 years. After 9/11 and the anthrax scare, the world changed how we did business and for marketers that included an immediate responsibility to include return addresses on the return envelope. One year following the anthrax scare in September 2002, G. A. Wright decided to test whether or not it was appropriate to go back to using envelopes without return addresses. For this test, the control had a blank envelope with a return address on the back flap. The test had a blank envelope with no return address.

Result: The control outperformed the test by 105%. This result reinforces the need to test marketing practices associated with social issues.

TEST: IS IT A GOOD IDEA TO REFERENCE NATIONAL TRAGEDIES IN MARKETING MATERIALS?

The nation was devastated by the terrorist attacks of 9/11. The business community felt compelled to acknowledge the tragedy. G.A. Wright decided to send a letter referencing 9/11 to a select audience in conjunction with a non-related marketing offer, and compare results with a marketing offer that did not have a separate letter referencing 9/11. The control campaign didn't have any reference to 9/11. The test campaign was identical, but it also included a lift letter. The lift letter was tastefully written and acknowledged the events and how it had affected the business of one of our customers.

Result: Results to the control piece that did not reference 9/11 were 24% higher than the letter with reference to 9/11.

TEST: DOES THE QUALITY OF COLOR APPLICATIONS ALONE MAKE A DIFFERENCE IN RESPONSE RATES?

For this test, the control package included a two-color envelope and a three-color letter. The offer was a special report and the graphics were in two color. The test package included a four-color envelope and letter. The same special report was featured in four-color graphics.

Result: The test piece with the higher quality color applications generated a 33% higher response. Color can create a more dynamic piece and the offer appears to hold more value. Use of color can dramatically increase response rates.

TEST: DOES THE COLOR OF THE ENVELOPE MAKE A DIFFERENCE?

To test envelope color, a control package was developed that featured a white envelope with a small yellow graphic which stated "Turn old inventory into cash now...see inside for details." The test package featured a bright yellow envelope with the same call out graphic.

Result: The control, or white envelope with small yellow graphic, generated a higher response rate than the brightly colored envelope, by 13%. As marketers strive to have direct mail pieces stand out in the mailbox, it's important to test continuously test envelope design, color, paper quality, and so on in order to use resources wisely. In this particular case, the more costly yellow envelope actually depressed response.

TEST: DO COPY AND PHOTOS PERSONALIZED TO THE RECIPIENT PULL BETTER THAN MORE GENERIC APPLICATIONS?

With the introduction of digital technology, it is now possible to communicate on a true one-to-one basis. While this technology is best utilized with customer databases that contains lots of personal information, it can also be used in acquisition efforts where information is often limited to name, address and in our case – industry type. G.A. Wright took a list of women’s apparel retailers and split it into two groups with about 7,000 records in each lot. The control campaign featured a two-color generic envelope and letter which references “retailers” in general. The test campaign featured a two-color envelope which referenced “women’s apparel stores” and the letter was personalized to the actual retailer as well as featuring four color pictures of a women’s apparel store.

Result: The test campaign which was highly personalized generated 27% more responses than the general approach. With higher relevance comes a greater response rate. As today’s technology enables easy storage of data and highly efficient digital presses, testing personalization and the overall ROI generated is possible for businesses of all sizes.

TEST: DOES A COMBINATION OF HIGHER COLOR AND HIGHER PAPER MAKE A DIFFERENCE IN RESPONSE?

With paper prices increasing, and marketers looking for ways to control costs, paper and ink choices are increasingly important. For this test, the control package was a three- color self-mailer produced on a light matte paper. The test package was designed in four- color on heavy gloss stock. Both campaigns contained the exact same message and graphic design.

Result: Again, the higher quality applications outperformed the control. This time by 48%. The more tactical the piece, the greater the response rate. It’s well worth testing to see if you can control your costs through more cost effective paper and less expensive production runs, but don’t assume that these elements really don’t matter, as our tests showed the higher the quality the piece, the greater the response.

TEST: WILL I GET MORE RESPONSES WITH AN IN-HOUSE DATABASE OR A RENTED LIST?

A response rate of 0.30% is considered to be a strong response rate that generates enough sales to make a profit for the company. G.A. Wright had an in-house database of past respondents who had requested information about the company but who were not clients. G.A. Wright decided to test their in-house database against a compiled business-to-business list. The big question turned into how time affected response rate. Would a prospect that requested information years ago be as likely to re-request information as a prospect that had made an inquiry within the last year? G.A. Wright’s in-house database was tiered into five segments based on the last year a request for information was made. Each year was coded so that results could be tracked. These segmented lists were also tested against the compiled prospect list.

Results:

List Source	Response Rate
Compiled list	.306 %

Percentage increases:

In-house database – current year	1230%
In-house database – one year back	816%
In-house database – two years back	357%
In-house database – three years back	315%
In-house database – four years back	173%

Strike while the iron is hot! A prospect that had requested information within the past year outperformed a cold prospect list by 1230%. The more recent the request for information, the more likely the prospect was to re-request information and more importantly, sign on the dotted line. But even prospects that hadn't shown any interest for four years still generated a higher response rate than the cold prospect list by 173%. This test allowed G.A. Wright to more efficiently use their in-house database to produce more leads and business, and it also allowed them to target their hottest prospects for special offers.

TEST: DO TRADITIONAL RESPONSE MECHANISMS, I.E. BUSINESS REPLY CARD, PHONE AND FAX, GENERATE GREATER RESPONSES THAN ONLY ALLOWING RESPONSE VIA A WEB SITE?

Marketers strive to collect email addresses on their prospects, but often the email address is unobtainable. The call center doesn't ask for it, the responder doesn't include it on the business reply card or if they do write it down, the handwriting is illegible, and so on. To test this concept, the control package featured a special report as the offer. The respondent could respond via phone, fax, business reply card or email. The test package featured the same offer, but also included an additional offer, stating that the respondent would be entered into a drawing for a \$2000 cash give-away if they visited a website to enter their information. The respondent was only allowed to respond to the website – no alternate response device was provided and no contact information was given.

Result: The test outperformed the control by 46%. G.A. Wright was able to produce a higher response rate and also build their database with clean email addresses.

* This test was conducted only to companies in the G.A. Wright database and not to a rental list of people unfamiliar with the company which typically generates a 0.30% response.

TEST: DOES OFFERING INFORMATION WITH A FREE GIFT OUTPERFORM OFFERING JUST INFORMATION ALONE?

Will an extra limited offer for the first 50 to respond make a difference? The control package offered a special report. The test package offered the same special report and in addition, the first 50 to respond would also receive a book on retailing.

Result: The test package with the free gift generated a 22% increase in response. Piggy back offers work. Limited time offers work. Marketers might want to explore partnerships with publishing companies that may provide free copies of a book in return for a small copyright acknowledgement in the advertising letter.

TEST: HOW WILL USING TELEPHONY AS A RESPONSE MECHANISM TO MY DIRECT MAIL IMPACT THE RESPONSE RATE?

Responders are conditioned to seeing letters and self-mailers in their mailboxes. But there are now different options for how to respond to the offer. One such program is called telephony. The responder receives a letter in the mail, but the letter has a 1-800 number along with a unique ID. The recipient is instructed to call the number and a special message will be waiting for them. If they listen to the entire message, they will then receive a stainless steel commuter mug. The entire phone call takes about three minutes, which includes a series of survey questions that they can answer using their touch tone phone. The unique ID number is tied back to the mailing address, so the marketer knows who called, when they called, what number they called from, how long their call lasted and how they responded to the survey questions. G.A. Wright rolled this program out to a very small list of 9,100 records from their own database to ensure that the recipient was at least familiar with the company.

Result: An increase in response to the test piece with the telephony component and a free coffee mug was generated. The test response rate of 8.014% generated \$29.29 per piece mailed. (Typically, results to this list segment would produce between 1.0% – 2.0% response rate and \$2 - \$8 per piece mailed.)

Due to the high success of this first roll out, G.A. Wright proceeded with a test which featured the same letter, but the list was a rental list of records that had never responded to G.A. Wright. The control received a traditional letter with an offer of a free informational CD. The test received the telephony letter with an offer of a free stainless steel commuter mug. The control generated \$1.17 per piece mailed and the test generated a \$.058 per piece mailed.

The program was a great success for companies that were already familiar with G.A. Wright however, it proved to be very unprofitable when rolled out to a cold segment. Marketers must balance producing a high response rate with the close rate.

TEST: DOES DATA ANALYSIS REALLY IMPROVE THE BOTTOM LINE?

G.A. Wright had an existing database of prospect information as well as existing clients. The database had been used primarily to handle communication with existing clients and follow up with prospects. But it was not actively being included within the monthly lead generation program. Through the use of data mining, the prospect database was tiered into multiple segments such as past clients, past prospects that had requested promotional services, past prospects that had requested product information as well as segments based on industry. Each segment had different criteria which related to date of inquiry, size of business and type of industry. These segments were included in the monthly lead generation mailings. In addition to mailing monthly to these new segments, the use of personalization was also utilized in order to boost response rates.

Results:

In 2001, before any data mining, the following results occurred:

Pieces mailed:	2,080,986 at \$0.36 per piece
Leads Generated:	8,902
Gross Profit/Piece Mailed:	\$0.45

In 2002, after data mining, the following results occurred:

Pieces mailed:	1,945,290 at \$0.38 per piece
Leads Generated:	8,573
Gross Profit/Piece Mailed:	\$0.51

In 2003, after data mining and use of personalization, the following results occurred:

Pieces mailed:	1,643,382 at \$0.38 per piece
Leads Generated:	10,488
Gross Profit/Piece Mailed:	\$0.66

Overall results: G.A. Wright was able to reduce the number of pieces mailed each month by targeting their best prospects. As a result of data segmentation and personalized mailings, even as production and postage costs increased, they were able to control costs and increase leads at the same time. Productivity per piece mailed increased 49% over the course of 2 years.

Developing Your Own Testing Strategy

As shown in this document, there are many communications variables that can and should be tested in direct marketing. Integrating testing is affordable and doable for any size of business. The first step is to define what you need to know in order to improve your responses among select customer groups. A given test might have very different results among diverse audiences, therefore it is important to integrate testing into an overall direct marketing strategy that includes data analysis, customer profiling and segmentation, message development, personalization, and loyalty incentives.

Any test you conduct needs to be statistically valid. You need to assure that you are conducting a clean test where test and control can be accurately compared. This means that you have to establish strict controls for each test. You cannot compare a full-color ad with an offer against a two-color ad with a different offer. All variables other than the one being tested must be absolute in their similarity.

For further information about how to set up a statistically valid test, contact Jodi Lee at 303.333.4453.

Conclusion

Testing provides concrete evidence for marketing decisions. By testing variables such as product, target audience, offer, timing, production formats and creative, marketers can accurately determine what truly makes a difference in their response rates. By recognizing what makes the target audience respond, programs can be fine tuned to realize greater response rates. Testing also allows marketers to recognize what suppresses response rates and to avoid the pitfalls of educated guesses that happen to be incorrect.

Testing programs are designed for a long-term benefit which means it is a long-term commitment to institute a testing program. Testing can only provide a benefit if used over a long period of time, where results can continually be tested to prove validity. Environmental factors can change the rules of the game mid-stream, so continually testing as the environment continuously changes, will provide marketers the best opportunity to make decisions based upon concrete evidence instead of educated guesses.

About the Authors

Gary A. Wright

Gary A. Wright is the Chairman, CEO, and founder of G.A. Wright Marketing, Inc.

His business began in 1981 as a local consulting firm that specialized in retail advertising and sales promotion. Since then it has expanded to become one of the largest companies of its type with clients in seven countries. The extensive use of direct mail advertising by the consulting business led to the founding of a direct marketing company in 1987. G.A. Wright Marketing, Inc. now serves a wide spectrum of clients in all fields of consumer and business-to-business marketing with a full range of technology-enabled direct marketing, fulfillment and program management services.

He has been a member of the national Direct Marketing Association, The Mail and Fulfillment Service Association, the Rocky Mountain Direct Marketing Association, the American Advertising Association, the Denver Advertising Federation, the National Retail Federation, and the Better Business Bureau. A sought-after speaker, he's also the author of numerous studies and reports on advertising and direct marketing.

Before the consulting and marketing businesses, he founded Action Sports of Denver, Inc. Previously he was a captain and commander of an infantry company in the United States Army and is a graduate of the United States Military Academy at West Point.

Tricia B. Fischer

Tricia B. Fischer served as the Director of Marketing for the lead generation program that was responsible for the above testing results. She developed and managed the annual marketing plans, database management, data analysis, list research, copywriting, creative, data processing and execution as well as developing relevant test cells. Through the use of the latest technology, innovative marketing techniques, data mining and alternate marketing channels, she helped increase marketing productivity by 147%.

Tricia holds her BA in Business Administration with an emphasis in marketing from the University of Nebraska, Lincoln. She is a Certified Direct Marketer through the RMDMA-Regis certification program.

Disclaimer: These tests have been conducted for a business to business product line that is highly specialized. These results may not be valid for other business to business or business to consumer companies.

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