

THE ROI BLUEPRINT

How to Build Up Your Business through Direct Mail

INTRODUCTION

For return on investment, direct mail marketing has always been, and is still one of the most profitable form of advertising. Don't let those million dollar television ads fool you – with rare exception there's simply no way to determine if they're actually converting customers or creating qualified leads.

For most businesses, it's essential that you know which ad is working – and ideally why, right down to the headline and font choices. That's where direct mail comes in.

Direct mail is one aspect of an overall direct-marketing strategy, but it can easily become the foundation for all of your other sales initiatives. That's because direct mail is a great vehicle for learning about how to reach your best prospects with a relevant offer or promotion – and one that ultimately inspires them to take action.

Discovering what is working to bring in qualified leads and new customers is the key to repeating and building upon the achievements of every successful mailer you launch.

It can take anywhere from one week, a few months to a year or more of testing to develop a mailer that “unlocks” your best prospects and begins to pay for itself with every mailing. Once you achieve the perfect mailer, you can grow your customer base at a predictable, comfortable pace.

This repeatable, scientific aspect is why direct mail attracts many of the best marketing minds out there – people like you! So let's get started by exploring the direct mail landscape...

① What is a successful mailing?

Direct Mail marketing involves several key strategies combined to achieve results – so success or failure can't be measured by looking only at one piece of the puzzle.

With direct mail, success is usually defined by both your short-term and long-term goals, and those are often two very different things. In fact it's unlikely that you will fail if you set a long-term goal and keep steering your campaign towards it. It doesn't take luck to succeed with direct mail – just patience and flexibility.

For a first-time mailing to a list of targeted prospects, the response rate usually runs about .25% to 1%. However, mail to those same prospects three more times and the overall response often increases to 10 % or higher.

With that in mind, an achievable first goal to set for your direct mailer is to eventually generate enough revenue to cover the costs of the mailing. In other words, break even. While that may not sound all that exciting, experienced direct marketers are thrilled to hear the words “break even.” Imagine if you could buy as many shares of a stock as you could afford, and you were guaranteed to at least receive your investment back.

It's not an exact analogy because there's still a lot of work to do, but in essence break even means you've successfully navigated past the risk phase, and are now free to focus on taking the campaign to new and profitable levels.

② What are the break-even costs to cover?

Costs include the prospect list, postage, paper, printing and the labor associated with the mailing. The first calculation to define is what each customer is worth to your business in the long term. Once you have that figure, you can determine the success of your mailer in delivering to valued customers.

For example, if you mail a large postcard to 5,000 prospects for the first time, your estimated costs might be \$2,400 (including the list, copy, design, printing and mailing).

You have determined that your best customer spends about \$100 dollars a month. That \$100 a month translates to \$1,200 a year in revenue. So gaining two new customers would allow you to cover your costs and break even on the campaign within a year's time.

Subtitle needed—

Now let's say you have a chance to talk to your two new customers, and one of them has an invaluable gem of feedback for you – what really caught their eye and persuaded them to respond was not the headline on your mailer, or even the discounted offer, but a powerful customer testimonial buried deep within the mailer.

So for the next mailer you buy another targeted list, using the exact same search criteria, but with 5,000 fresh prospects. And this time you simply feature the customer testimonial front and center, leaving everything else the same, then mail it on the same day as the last campaign.

And voila – 20 new customers make a purchase. Suddenly you're looking at a 1,000% revenue return on your second investment, not including the customers that are still yet to buy from you through the word-of-mouth marketing that your new customers will invariably be doing for your company. And best of all you figured out exactly what triggered the

improved response. So now you can hold all of that constant, and then test another variable. With all that new revenue, maybe you can hire the best designer you can afford and test a new design.

If the mailer jumps yet again in response, you're well on your way to securing steady, predictable growth for your business.

③ Calculate Your Average Client's Lifetime Revenue Figure

Use the below calculation to determine how much revenue you will average from each client over their lifetime using your products and services.

- (a) Average Dollar Sale per Client or Customer
- (b) Average Number of Purchases per Year
- (c) Average Number of Years as an Active Buyer

(d) Average Lifetime Revenue, per Customer

For new businesses this figure may be an educated guess. But it's a useful exercise to think it through and incorporate it into your direct mail budget considerations, particularly once you hit the break-even point.

If your business lends itself strongly to repeat business year after year, your break-even point is actually a profit point, when viewed over a 20 or 30 year sales period. If this describes your business, you will want to factor this figure into your direct mail campaign budgets.

For example, let's say a real estate agent is fortunate enough to attract 40 wealthy clients over a 40-year time span. Each client averages three major purchases each, at an average commission of \$30,000 per transaction.

Of course she helps more than 40 clients in the course of her career, but it's not necessary to factor

those into this formula, because her long-range goal was always to build a select and lucrative client base.

In handling her 40 long-term clients, the agent earned \$3.6 million – so her average lifetime revenue-per-client would be \$90,000, and \$2,250 per-year/per-client.

In other words, a single direct mailer she created for \$1,000 in her early 20's – which brought in her first client and a \$20,000 commission – eventually earned her \$90,000 by her 50th birthday – not to mention the interest she earned through reinvesting it wisely.

Over the years she continued reinvesting 15% of her commissions into bigger and better direct mail campaigns, until one day she developed a mailer that could predictably bring in more choice clients than she could handle.

At this point she begins referring all new business to her talented apprentice, and relaxes into semi-retirement as an independently wealthy real estate advisor, and a direct mail maven.

While fictional, this story nicely captures what attracts so many entrepreneurs to direct marketing, and keeps them motivated to continue on their quest to develop a highly profitable mail piece.

As with any new venture, the early days can be hit or miss. But the knowledge and direct marketing skills you acquire along the way are yours to keep for a lifetime.

4 Send a Thank You Offer Immediately

Let's say a customer recently made a purchase. An effective follow-up strategy is to contact the customer within two days thanking him or her for the business.

It should be apparent that your company appreciates new customers. Include a special one-time discount code as your way of saying thanks. For example, "30% off your next purchase."

Utilize a simple and memorable discount code like "THANKYOU" to easily track the response. The discount should feel special, and the reason you're offering it is to build a relationship with the new customer.

This Thank You follow-up can create a bond that extends beyond the transaction into a long-term customer relationship. Remember that countless business transactions are one-time only affairs – meanwhile virtually every successful business finds a way to create repeat customers.

Be sure to include an expiration date on the discount code to motivate action, and to reduce your long-range exposure. A year from now you may be offering a low-margin product that can't absorb a 30% discount (for example).

5 Set up Co-Promotions with Other Businesses

While you're developing your main mailer, it may be helpful to contact some non-competing businesses that are also serving customers in your target market. Offer to promote their services or products in exchange for promotion of your services or products in a co-mailing.

It's not uncommon for dual-promotions of these kinds to perform even better than what you can achieve alone, so it's good to try this approach fairly early on in your testing phase.

An example might be a neighborhood book store and a local coffee house. If possible, create a joint offer where one item is purchased and the customer receives a discount on the other – e.g. a free coffee with any book purchase: "Just show us your book

receipt for a free coffee of your choice.” On the flip side, the bookstore can provide 20% off a book purchase when a patron shows their coffee receipt.

By joining together with businesses that share the same prospects, you can split the cost of the mailing, while demonstrating that you are trustworthy and another reputable business agrees.

Remember that quickly establishing your professional credibility is crucial with any direct-marketing endeavor, so this is a particularly strong strategy for new businesses that are still building up their brand recognition.

6 The Third Mailer – Refer a Friend

Once you have a main customer acquisition mailer set that is and it's bringing in sales; and your thank you offer is working to systematically create repeat business – you may be ready to develop a referral mailer.

Provide incentives to customers to refer their friends, family and colleagues. It's pivotal that you make this as simple as possible for your customers. Complicated forms and security measures will make a referral feel too much like work. Presumably your customers already have jobs, so keep the referral program as easy breezy as you can make it. One way to keep referrals simple is to create a policy in which all of your employees then ask new customers how they heard about your company and log it. This will fairly give credit to the referring customer.

Have a system in place to reward your customers for the referral. If one of your current customers refers a new customer, don't forget to thank them the next time you communicate. If a customer claims that you overlooked a referral reward, you probably did. It's the thought that counts, and if your customer tried to convert a sale for you, you can still reward the effort.

Nurturing word-of-mouth synergy –

Even without a refer-a-friend mailer in place, in time your additional word-of-mouth customer acquisition rate will become clear, and can be factored into your budgetary calculations as well. One way to track this number is to name your promotions with something identifiable. For example, “The 4-4-1 Deal”.

Also consider mailing or emailing friendly thank you cards to customers that are referring your business on a regular basis. If appropriate, include a discount code for their next purchase. This is a meaningful way to convey that you value the time the customer is taking to speak well of your company.

In essence, your chatty and loyal customers can eventually make up a major part of your sales team – and even better, they can fly under the “sales radar” and connect with prospects that would be otherwise difficult to reach.

Keep this word-of-mouth dynamic in mind when developing your mailer, and make it easy for customers to spread the word about your company in a knowledgeable way.

7 Create New Offers for Your Customer List

Are you providing your current customers with ongoing reasons to do more business? If not, you're losing a valuable opportunity for low-cost prospecting. Current customers are the best prospects for future business.

Some ideas: set up a frequent buyer club, a newsletter with offers inside, exclusive sales for members only, etc. Customers will get special offers only available to members, while you're building up a mailing list with unusually high returns. But don't overdo it. New offers should be frequent and regular enough to keep your company from dropping off the map, but not so common as to annoy them.

The best time for special offers to your customer list is right before monthly or seasonal slowdowns. If possible, weave in a holiday theme so a special offer doesn't sound random.

8 Try Different Approaches

If your competitors are doing the same thing you are, it's hard to stand out. Look for unique ways to communicate your selling message.

Some ideas: interactive pieces, such as scratch off card contests, fridge magnets and other "lingering" pieces such as pens and notepads. Put yourself in their shoes, and imagine what it's like to look in their mailbox. How do you get your relevant offer noticed?

If you have a larger budget, consider mailing a premium gift that they will keep for years. For example, you could send your entire customer list a USB pen-drive keychain, printed with your contact details. Along with a gift, include a limited-time discount code on an insert that features a new product or service they should know about.

USB pen drives are now just a few dollars each in bulk, and with "Free USB Pen Drive Enclosed!" on the front of the envelope, you should have an outstanding open rate. You can always run a small test segment to ensure break-even or profitability before rolling it out to your entire customer list.

If a creative promotion like this works on your customer list, you can then consider rolling it out to your qualified leads – this is your list of prospects that have contacted you in some form or another, but have not yet converted to customers yet.

9 Winning Back Customers

Are you losing customers but aren't sure why? If so, try asking. The worst-case scenario is that you'll lose the customer, but since they're already

lost, there's not much risk in calling them to get their perspective.

Be completely frank about why you're calling. And if you, the owner, can't call yourself, designate a key player in your company. It should not feel like a random survey.

For example—

"Hi, Amy, this is John Doe. I'm the head of customer service over here at XYZ Enterprises. This isn't a sales call or anything of the sort. To be quite frank, in the last months we haven't heard from some of our best customers like yourself, and decided to just give them a call to see if you could help us shed any light on the situation."

If it's an objection that you can meet, or create a reasonable solution for, build follow-up mailers to win them back.

For example, Amy may tell you that one of your competitors is offering a Frequent Buyers card and 10% of all her purchases are given back to her at the end of the year as a store credit. While you may or may not be able to win Amy back with a similar program, you can at least stop losing customers by rolling out your own card.

10 The Importance of the Mailing List

The quality of your list will affect at least 40% of the success of your campaign. Be sure to update your mailing list every 3-6 months for consumers, and every 6-12 months for businesses. Twenty percent of the population is moving their residence in any given year, and it is estimated that 80% of business data changes every year.

Outdated information can be the single most costly mistake you can make with your direct mail efforts. Besides lost postage and a lowered response, you will have a hard time deciding whether the mailer itself was even worth the effort.

At a minimum you will have to mail it again to a fresh, high-quality list of the exact same demographics to decide if the mailer was the problem, or if it was the list.

Remember that data even a year old is going to waste a lot of your time, money, energy – and worst of all, could ruin your enthusiasm for direct mail and direct marketing.

Don't risk your campaign to an old list. This stuff is a lot of fun when it works. Just make sure you're taking the appropriate steps to make it work better and better with every mailing through the use of accurate data.

11 Your Unique Selling Point

A unique selling point or proposition, known as your "USP," differentiates your service or product from the competition. Without a USP, prospects will most likely compare your business with your competition based solely on price.

It's important that you figure out what your USP is and emphasize it in your mailers and marketing materials. This can be tricky for many companies to figure out, and if you can't decide what your USP is, it may be time to create one.

For example, let's say a company sells used cars. That's hardly unique, but maybe an honest and experienced mechanic owns the company. The company could create their USP by including an insurance policy that covers their used cars for the first year after purchase. While this isn't a new idea – there are insurance companies that provide policies on used cars – it could be a strong USP for the area.

Not only would it provide a way to differentiate the car lot, it also provides that all-important credibility factor needed to get customers in the door.

Advertising that a top local mechanic inspects every car will get a mailer half way there. When that claim is backed it up with an insurance policy, now it's a completely credible promise.

In fact just one completely credible claim alone will also open other doors for the promises your sales people might make. "I know this company puts their money where their mouth is, so I think I can trust this guy too."

If you want to ease people's minds and get a strong response, think about how you can create your USP in a way that also provides proof to support your promise. Just this one endeavor can form the backbone of your mailer, and rocket your response rates upward.

Remember, people are skeptical these days. Be the best choice out there, and then do your prospects the courtesy of proving it to them. Nobody wants to guess or wonder if they've found the best company for their needs – assure them that they have, and provide proof, and then guarantee it. With this in place, your mailer response may very well knock your socks off.

12 Amateur Design Can Sink Your Response

Using professional design for your direct mail pieces will almost always contribute to increased sales, and often in dramatic ways. The primary reason for this, again, is the credibility for your company that good design provides.

Establishing credibility is always your first "game-time" task (i.e. assuming you've matched your relevant offer to a relevant mailing list).

Never assume that you already have earned credibility, unless you're operating under an established brand. And even then, people new to your industry won't have heard of the most established brands within it.

No matter how big your company is, blue-chip customers are entering your industry every day who don't know your brand from the guy down the street offering the same thing from a home office. Whether you're an established brand or not, virtually all of your prospects will either drop your mailer in the recycle bin – or continue reading – based on the factors of relevance and credibility, and the design.

Your messaging (the copy) is your best tool for establishing relevance right off the bat; while good design is the most effective tool you have to begin establishing credibility. And let's face it: the first few seconds are pretty much the only time you have to establish at least a small amount of credibility.

First impressions are important because that's when a prospect is making critical assessments about your company – are you an amateur posing as a professional? Are you congruent with your promises, or hyping yourself up? Can I trust you? Do I feel good and intrigued when looking at this mailer?

13 When Doing It Yourself Gets Very Expensive

If you use an amateur designer to create your mailer, the message that comes across is either 1) that you can't afford professional design work; or 2) that you do everything yourself for your business.

Both perceptions will generally hurt your response. It is easy enough to understand being unable to afford professional work, but most people prefer to hire specialists that are booked up days, weeks and even months in advance.

For example, if an accountant has so much free time to design direct mail pieces, it makes people wonder why she isn't booked up.

And yes, it's often a bit unfair, but you probably have made snap judgments like that too. Maybe it

was about someone's mismatched clothing, or the investment broker with an old cell phone, or a guy at the bar that orders a cheap beer while wearing a Rolex. Our minds are wired to spot incongruence and it raises red flags in even the most tolerant and thoughtful people.

And if that wasn't reason enough to hire a good designer, consider that a very relevant mailer may be simply tossed in the trash due to a negatively visual response from the viewer.

A good designer will have the sensitivity to take one look at a mailer and decide whether it "feels good" or "feels bad." If it feels bad, heavy or "claustrophobic" they will keep working at it until it feels good.

If this all sounds like new-age mumbo jumbo, then you in particular will want to hire an experienced designer with lots of glowing references! One caveat: amateur design can work just fine for some small, local businesses.

Ironically an amateur mailer design can provide credibility for this claim. Maybe the mower is 16 and living with his parents, so his unusually low prices are more believable when the flyer is ink-jet printed.

However, if something like that doesn't describe your customer-acquisition strategy, amateur design can throw a very big monkey wrench into your direct-response gears.

If you're launching a business on a shoestring we don't mean to discourage you – it's okay to design it yourself or have your whiz-kid nephew do it. But just be aware that you'll almost certainly take a hit on the response. So while it may be cheaper up front, you may lose money from the month's end perspective, so test out a pro designer as soon as it's in the budget.

14 If Your Prospects Are Into High-End Design, You Must Be Too

One other pivotal variable to consider is the relative design sophistication of your clients. If your brand sells computers to graphic designers and video artists, you might hire a fairly competent designer and still get little or no response from your mailer.

But if you spend the money to get one of the top designers in the country, suddenly without changing one word of the messaging, the mailer may start pulling in more business than you can handle.

Why? Congruence. The prospects suddenly believed what was in the mailer, simply because it matched the milieu you claimed to be an expert within. Competent design may not also be congruent design if your prospects expect you to know that they expect a lot more than just competent design.

If this describes the business you're in, don't assume that merely competent design is good enough to maximize your response. A good rule of thumb: if you would prefer to drive an elegant car to meet with your clients, you should set up that meeting with a high-end mailer design.

To ease the financial sting of this, remember that you own that particular design for the rest of the life of your company. Per piece of mail, \$5,000 is not much to spend on a design that you may very well mail for the next decade.

15 On Creating Breakthrough Copy

With all this emphasis on good design, we don't want to give the impression that great design is going to ensure you a strong response all on its own.

The design is like the car, tailored suit and elegant attaché you arrive with. It should be credible and comfortable, give off a good vibe and set the right atmosphere for when the sales person actually

begins delivering the message. If the design is credible and congruent, you've created an opportunity to get through your prospect's defenses and create a meaningful conversation.

Here are some of the key things to keep in mind when writing copy:

✔ It's not an essay, it's a sales piece.

It doesn't have to look like a sales piece, and can even look like a newspaper article, but remember that the prospect is expecting to be sold something. Which means the prospect isn't going to give you much of his time for background details or things that you really wish he knew about you, but aren't relevant to the offer.

If you or your employees find your minds wandering when you read the mailer, locate the sentence where your mind wanders and delete it; or edit it to get it back on track with the previous sentence and through line.

✔ Early on, hire a professional copywriter.

This may be the most difficult money you part with in your mailer budget, because chances are that nobody knows your product or service and the industry it serves better than you. So why wouldn't you write the mailer yourself?

✔ The short answer is that you absolutely should.

But you should also hire a professional copywriter to challenge your version. For your first or early mailings, test your version against a pro's version by simply splitting the mailing list in half.

✔ This will also help you learn a lot in very rapid fashion.

Your version most likely won't perform as well in terms of response, assuming you've hired an experienced pro that knows your industry, and told him or her everything you know about your company and its allure.

14 you've ever tried to fix your own car you may understand this metaphor. You work all day long and into the night, and then you finally break down and take it into the mechanic – and from your description alone, without even looking under the hood he solves the problem.

✔ If you want a breakthrough mailer, offer a commission deal.

While it may be tempting to hire a copywriter at a purely hourly rate, consider that there probably isn't a great salesperson in the country that would choose to work without commissions – and your sales revenue would almost certainly suffer if he or she did.

Meanwhile a professional copywriter is essentially a salesperson in print – and indeed the top copywriters in the United States are almost exclusively paid on a fee-plus-commission basis.

Deals can be easily structured to reduce your financial exposure on the front end, while giving your copywriter an incentive to ponder your promotion deeply, and make your mailer as strong as it can be.

Ideally you want your copywriter to be eating, breathing and sleeping on your promotion for weeks, just as any dedicated salesperson would be – chewing on various creative and strategic approaches to converting your prospects, until the right idea hits.

Of course every carefully-crafted phrase counts toward a great response – but it's the breakthrough ideas that will pull in the really big results you want.

Those breakthrough ideas don't usually happen by accident. Generally it takes a lot of dedication and "noodling" around with a campaign until a breakthrough concept presents itself.

So you can pay a copywriter for 8-16 hours of work and get what appears to be a competent promotion. But if you want that grand slam mailer that allows you to retire early, try making a professional copywriter truly a part of your sales force. Hire him or her for every new mailer you test, and offer a commission structure.

For example, in the 1970's *The Wall Street Journal* hired a top copywriter on a commission basis to write a two-page letter to get more subscriptions. After weeks of pondering how to best write it, he struck gold.

The letter mailed for over 20 years. *The Wall Street Journal* credits it with bringing in over two billion dollars in subscriptions in those two decades – making it (word-for-word) probably the most profitable piece of literature of the 20th century.

And to call it literature isn't off the mark, as the letter told a story – the story of two friends, and their different paths through life. One of the friends subscribed to *The Wall Street Journal*, and the other didn't. You can probably guess which friend became their company's president.

Direct mail history is replete with these success stories, because direct mail is essentially direct business. Just like *The Wall Street Journal*, you must find a way to get the story of your product or service out to the people.

Imagine a two-page letter bringing in hundreds of millions of dollars in sales revenue for your company – and better yet, being able to reliably repeat the success year after year. As long as you have a great direct-mail piece, and plenty of fresh, targeted prospects to mail to, you can take charge of your company's growth!

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