

Inserts: Case Studies on Customer Acquisition

Tips for creating an effective acquisition program.

Types of customers to target:

- **Those not aware of your product.** Target prospects based on data, such as lifestyle, interests, or similar purchases.
- **Those who recently became candidates for purchase.** Recent changes in lifestyle – income, marital status, age, etc. – can turn a poor prospect into a high-potential one. Also, lifestyle changes can create new opportunities with existing customers.
- **Those buying from a competitor.** This gives you the opportunity to offer a competitive advantage or a better value.

Possible objectives for acquisition programs:

- **Customer inquiry for more information.**
- **Purchase the offered product or service.**
- **Cross-selling products or services.**

Use your acquisition campaign to create a successful CRM program.

The follow-up strategy is the most important phase in an acquisition campaign. Once your responses are in, you should:

- **Follow up with responders.** The most critical time to make a sale is within the first 7 to 10 days after an individual responds to your mailing. So have a follow-up strategy in place.
- **Develop a strategy for non-responders.** Send a follow-up or reminder to non-responders. Include an appealing offer to increase consideration. Also, develop timing criteria for removing them from your list.
- **Collect data and measure results from the mailing.** This helps you gain an understanding of your target audience and allows you to craft relevant communications that may improve the response rates of your future mailings.



**In their hands.
In their home.
On their time.**

Acquiring new customers with mail.





Direct marketing = direct sales: In 2007, every dollar spent on direct marketing returned almost \$12 in sales – a higher return on investment than any other non-direct, mass communication method.

Mail: the dollar-for-dollar ROI leader for customer acquisition.

Insight 1 Direct Mail reaches its audience and pulls a measurable response.

It has been estimated that the cost of acquiring a new customer is five times the cost of retaining an existing one. This makes it critical to use communication tools that capture prospects' attention and initiate response – like mail.

In fact, a 2008 study found that more consumers made a purchase as a result of marketing messages received through Direct Mail than any other medium.¹

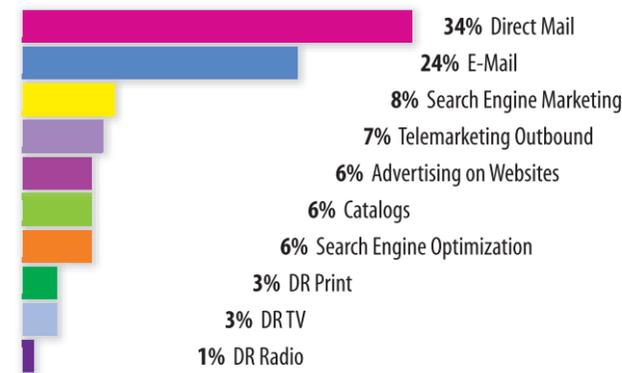
In 2007, 46% of adults surveyed responded to Direct Mail advertising they read or looked at in the past 30 days:²

- 23% visited the nearest store location
- 21% visited a sender's website
- 12% called an 800 number listed on the mailing
- 9% replied via e-mail

Research found that most marketers agree: Mail is the undeniable value leader for customer acquisition.

Measuring success through lifetime value. Customer acquisition includes all costs associated with acquiring new customers. To measure the success of an acquisition program, you must consider the lifetime value of every new customer. To get an accurate assessment, the ROI from each acquisition program should reflect the value added throughout the entire customer life cycle.

Which method delivers the strongest ROI for customer acquisition?³



The take-away: As you can see, mail has proven to be a powerful tool in gaining the attention of its target audience and prompting them to act. Further, industry-leading ROI numbers prove mail's ability to generate revenue above all other media.

Insight 2 Mail can help gain consumer confidence.

People spend differently depending on their economic outlook. When the economy is strong, consumers are optimistic about their own prospects – they are willing to spend, invest, or take on debt. During challenging times, every dollar spent becomes more valuable and frugality becomes commonplace. How does this affect how you market to them?

During an economic slowdown, assumptions about the future are turned upside down. Economic uncertainty can instill anxiety and slow down frivolous spending. Moreover, spending data and interviews show that working-class customers will switch from name brands to cheaper alternatives.

Despite the given challenges, Direct Mail can be an effective media channel during an economic downturn. It allows you to tell a longer story, which can help build consumer confidence. In addition, mail lets you deliver a personalized message, with offers that are relevant to a specific target. This can help create a stronger connection to a potential customer.

The take-away: During a recession, mail provides the opportunity to present a compelling story and gain prospects' confidence. This makes trial seem like less of a risk for budget-minded consumers.

Insight 3 Consumers prefer their mailbox over their inbox.

Consumers choose mail to learn about new products and services. According to a recent survey commissioned by Pitney Bowes:⁴

Consumers value the personal nature of mail.
70% preferred mail for receiving unsolicited information from unfamiliar companies.
67% feel mail is more personal than the Internet.

In focus groups, consumers said it was easier to sort through their mail and locate the messages most useful to them. The interactive and tactile nature of mail helps you connect with your target and leave a lasting impression. Consumers also felt they were most likely to receive useful information, such as coupons and offers, through the mail. For instance, consumers agreed they would rather receive credit card offers in the mailbox than over the Internet (54%).⁵

The take-away: As the above data underscores, consumers prefer the personal, nonintrusive nature of mail. In addition, the targetability of mail helps you reach a receptive audience. Both of these factors make mail more likely to reach its target and receive a favorable response than those messages sent via e-mail.

1 2008 Channel Preference Survey: How Consumer Preferences Impact One-to-One Marketing Success, ExactTarget, 2008.
 2 2007 Vertis Communications Customer Focus® Survey.
 3 Target Marketing Magazine, Media Usage Survey 2008.
 4 Pitney Bowes, 2007 survey.
 5 "Mail, Credit Cards, and the Internet" White Paper, USPS, 2005.



The Mail Ego

How Combe Inc. used an integrated campaign to promote its new hair rinse.

By: Paula Andruss

When consumer products manufacturer Combe Inc. wanted to stimulate trial of its Just For Men hair color product, the White Plains, N.Y., company sought a cost-efficient way to deploy a free sample offer to convert potential customers into actual users.

But reaching men who are predisposed to trying a hair color sample can be tricky, and mass-media channels were not delivering the return on investment the company was looking to attain.

So Combe turned to some unique market research to identify the brand's optimal prospects, as well as the best way to reach them. After testing several vehicles, the company executed a highly targeted direct mail free trial offer that met its goals and budget in ways that most other media simply couldn't match.

"Selling men on a more youthful look is a challenge for Combe," says Shel Smith, partner at Toronto-based target marketing consultancy Twenty-Ten Inc., the agency that helped execute the mailings. "Men," Smith points out, "have to be of a certain mindset to be open to trying a hair dye."

"They were looking for a very specific consumer," says Smith. "It was a man between the ages of 35 and 54 who felt his graying hair was holding him back, either at work or in his romantic life. He had a weak

perception about his looks and truly believed he was disadvantaged by graying."

To reach this group, Combe enacted a multimedia marketing effort that included direct-response television, direct mail and advertising in magazines such as *Sports Illustrated* and *Field & Stream*.

Smith has particularly high praise for the impact of direct mail on the Just For Men campaign. "Unlike television, which is very much about brand image, direct mail lets you communicate a lot of information," he says. "With the trial offer of Just For Men, it allowed Combe to not only physically deliver the sample; it also let them explain to men how to use it and how to follow through with the program."

Direct mail also allows marketers to speak directly to the individual, something most other media options don't do. "You can be very surgical in terms of where you place your impression," Smith says. "While the cost of mailing may be high, from an investment standpoint it's actually an extremely efficient way to reach your audience when you target with a high degree of accuracy."

It was those factors and Twenty-Ten's ability to achieve that precise targeting that led Combe to choose direct mail for this particular campaign.

The Mail Ego (continued)

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Rather than using traditional demographic segmentation such as age or income, Twenty-Ten employed a custom methodology that used attitudinal and behavioral consumer research to identify the optimal Just For Men prospect. Then Twenty-Ten linked that profile back to national household databases.

“We were looking for a variety of different attitudinal characteristics that would make someone highly predisposed to respond positively to this sample and mail incentive,” Smith says. “We were able to filter out those consumers who didn’t fit the profile with a very high degree of accuracy.”

Once the optimal prospects were identified, the free trial offers were shipped out. Combe sent out one million pieces in the fall of 2005, and again the following year. Respondents could obtain the free sample by requesting it via a toll-free number or online.

Ultimately, it was that targeting filter that led the campaign to exceed Combe’s expectations in terms of both response rates and cost effectiveness. Not only did the direct mail campaign garner a response

rate of 6.8 percent – a 50-percent higher response rate than Combe’s previous direct mail initiatives – it also emerged as one of the two most successful marketing vehicles based on cost-per-order, meeting the company’s primary goal of finding the most cost-efficient way to stimulate trial of the product.

Before the mailing, direct response TV was achieving a cost-per-order index of 9, the lowest score among several media the company had tested. In contrast, an Internet ad garnered an index of 64, and an ad in a major golfing magazine rated a whopping 276. With the targeted mailer, Smith says direct mail shot to the top of that list and matched direct response TV with an index of nine.

“There was no other media option that was cheaper and more cost-effective to run,” he says. “Through the research we were able to find their optimal consumer at almost double the natural rate. If you can identify the “who” and the “why” of your campaign and effectively filter them out for targeting, it’s really not surprising to get that kind of return on your direct mail investment.”

BY NEIL METVINER

last word



Making It All Work as One

PITNEY BOWES AND DIRECT MAIL: a match made in heaven, right? Absolutely. At Pitney Bowes, direct marketing is a critical component of our customer-acquisition strategy, particularly as we move deeper into the small-business segment of the market. Well over 80 percent of our new customers in the small-business market come to us through direct response.

We also use direct to service our customers and to continue to sell to them as well. Most of our small-business customers are not called on by field-sales reps, so we communicate with them by mail, phone and the Internet. We mail out annual catalogs from our supplies organization, through which we sell not only postage-related materials but other office supplies as well. We also use mail to communicate critical information. The recent postage rate change, for example, required timely and easily understandable

communications. And we used the mail to report the rule changes to all of our customers.

What makes direct mail so effective is that it's visual and graphic, which makes it particularly helpful when we're trying to extend the brand, launch new products, or extend the functionality of existing ones.

For example, when we launched our mailstation™ product as a replacement for our Personal Post™ postage meter, we saw response rates go up markedly with direct mail because we were able to pictorially show the new product. So the power of mail told a story that couldn't be replicated on the phone.

What's more, our customers who respond to direct mail exhibit a higher degree of loyalty. Because they make the conscious decision to call us or to respond over the Internet, we get much greater buy-in. They become very qualified customers, they have little buyer's remorse and a low cancellation rate.

We know they're very interested because they've taken the time out of their day to respond: They've received the direct marketing piece and, at a time convenient for them, have taken control of the selling process. When you do out-bound telesales, it's the time and place of the seller's choice, not the buyer's. Direct mail isn't nearly as intrusive.

But in order to stay relevant, direct mail needs to become part of an integrated approach to marketing. Most of our customers who respond to our direct marketing do so through a different channel. We get their attention through the mail, but we typically hear back from them on the phone or over the Web. It's important to give customers that convenience: Direct mail lets them discover more about Pitney Bowes at their convenience, and telephone and the Internet give them the convenience of contacting us when they're ready.

We've been very successful at acquiring customers with direct mail, but our future challenge is to continue to leverage direct mail as we move from a transactional sales model to more of a customer relationship-management approach.

Our job has become much more complicated than simply acquiring lists, running them through a modeling program, and counting the responses. The challenge becomes moving away from being campaign driven to more of a relationship-based model, and when you're talking about 850,000 small businesses, that's no mean feat.

As we expand, direct mail will remain a major component of the channel mix. It will continue to be a vital part of our customer communications. **D**