

Direct Marketing Boot Camp

Jim Johnson, Ph.D. of JDA Advertising (<http://www.jdadvertising.com>) was the speaker at the September 14, 1998 Software Forum Marketing SIG meeting. The talk began with the caveat that while the material takes an empirical attitude towards direct marketing, one needs to pay attention to both research and experience, take a logical approach, and view it as part of an integrated advertising campaign.

Basic Marketing Principals

There are four basic marketing principles to keep in mind in developing an advertising campaign. The **first** principal is that there are three purposes for advertising:

- Brand
- Sell (get order or sales lead)
- Announce

The **second** principal is that there are five forms of advertising media:

- Broadcast
- Print
- Direct mail
- Internet
- Event (trade show)

The **third** principal is that the choice of media is tied to the purpose that you want to accomplish and your budget. All five forms of media can be used to brand and sell, but announcing is better done with direct mail, Internet, and events. Broadcasting typically requires large budgets, not available to most small and medium sized companies.

The **fourth** principal is the law of increasing returns. Products that get ahead, tend to get further ahead, and those that fall behind, tend to fall further behind. People often fail to realize that they cannot become a market leader solely by trying to develop their brand. If you want to succeed in your niche, you need to develop industry buzz, and keep in mind that you can't get blood out of a turnip. If you don't have the right product, no amount of advertising is going to make it a success.

In summary of these basic principals:

- Direct mail, Internet and events are the workhorses by which marketing in small and medium businesses can sell and announce a product
- Branding is best achieved at trade show events, print media, and direct mail.
- You need to be realistic in your expectations. Print ads are great at building a 5 word impression. It is hard for them to sell or generate sales leads from print ads. Selling requires long copy

Seven Direct Mail Strategies

The **first direct mail strategy** is to think logically about direct mail. For example, first class stamps cost more than third class, and limit you to one ounce. Third class letters are the most cost-effective means of direct mail, unless you want to look like a personal letter. It is better to have good 4-color design and strong copy on cheap paper, than doing 2-color art with thick paper. It is

better to do a mailing to an applied / good name list, than to a purchased, compiled list. If you try to be too specific in defining your direct mail list, your universe evaporates.

The **second strategy** may seem counter intuitive, but it is important to look like direct mail. While you can trick someone into opening the letter, you can't fool a person after they've opened it. It is better to use a 6x9 envelope than a #10 envelope because you get 35% more selling space for the same mailing cost. In many cases, the response rate has been doubled by adding headline copy to the outside envelope. The word "free" and awards are very effective. The artwork and photographs can make a big difference. It is important to understand your audience. You can get a higher response rate by picking models that the audience identifies with. It is possible to get a 7 to 10 percent response rate with direct mail if you work hard at it.

The **third strategy** is that every component in a direct mail piece should have a purpose.

- Envelope – get you to open it, and brand your product
- Letter – state the benefits and dream
- Brochure – provide a demonstration or sales tour
- Lift note – an added reason to act now
- Reply card – make it easy to act now.

Remember, even when phone, fax and the web are provided as reply methods, mail still accounts for 50% of all responses! Be sure to always include a letter in a direct mail piece. Including a letter improves the response rate by 65%. Use bold letters to get attention in the letter. Longer letters are better than short letters, if they are well written. The text above the salutation (the Johnson Box) and the postscript (p.s.) are the most read portions of a letter. The classic third class direct mail piece is still the most cost-effective method, even though a letter with a first class stamp will get opened more.

The **fourth strategy** is to remember that good looking packages stand out and sell more. In general, bigger and more color is better. It pays to have high quality art and printing.

The **fifth strategy** is to keep in mind that only 35% of all direct mail gets read. Don't try to please everyone. Don't waste time doing follow-up phone calls. Don't worry about bad addresses resulting in returned letters. Give enough information in your direct mail piece for the person to make a decision.

The **sixth strategy** is to be willing to be controversial from time to time. Look at what is appropriate for your marketplace, and be willing to exceed the boundaries. In one case, a scantily clad cartoon woman was used, with the result that the copy was pinned to the bulletin boards of many of the networking engineers who received it.

The **seventh strategy** is to adjust the desired response rate by the ways you segment the list and the type of offer that is made. The amount of things you offer for free can greatly determine your response rate.

Afterthoughts and Summary

As a first afterthought, keep in mind that repeated mailings within 6 months result in a 50% falloff in response rate. Using a different package, but making the same offer results in a 65% rate. What most companies do is to have quarterly mailings, but to have a different package and offer, to avoid this falloff problem.

A second afterthought is that 1st class letters are delivered in 3 days, whereas 3rd class letters take 9 days. Now when you look at the actual response rate over time, you find that 50% of all 3rd class mail will be received by the 14th day after your mail drop. In terms of economics, it is far more cost effective to do a single mass mailing on one day, than trying to stagger mailings by doing a thousand each week.

In summary, direct mail should be a part of every marketing mix. A good direct mail piece requires skill and purpose in designing a mix of list, creative talent and production. Yet direct mail is the closest thing that marketing has to a science. There is even a direct marketing association (DMA)! While the initial cost of a direct mail campaign is typically \$90,000 for 100,000 pieces, rates drop to 55 cents for large volumes.

Questions

The Internet offers wonderful promise, and an email campaign can be done for as little as \$10 to \$12 thousand. However, there is a high banner burnout, and it is difficult to get good names.

The post office has done surveys and determined that in large companies, only 35% of direct mail will get delivered without the proper mail stop.

What percentage of a marketing budget should be allocated to direct mail? I think it can be as large as 50 to 60 percent. You want to put as much load as possible on direct mail for doing lead generation. Print ads are much better for branding.

There is considerable variation in what printers charge, even within the same city. Many have horrendous markups, charging 10 cents a page for what costs them 2 cents. The basic things you want to know about a printer are what type of press do they have (web or offset), is it a 2 or 4 color machine, and who is the manufacturer.

People sometimes think that catalogs will be their salvation. But the typical catalog gets less than a 1% response rate, with front and back covers having the best response.

As a measure of comparing response rates, Time-Life put a full page, color ad in Sunset for a new Sunset book. In a magazine with 2 million subscribers, they got less than 600 responses. They did a direct mail campaign and got 12.5 times the response of the print ad.