

Leveraging Relevancy in Your Direct Marketing Communications

WHITEPAPER



INTRODUCTION

Big Data. You've heard the phrase, and clearly it's one of the year's most prominent marketing topics. Everything we do has become increasingly digitized, and the amount of data being collected is exploding. Big Data describes this ever-growing amount of information available to marketers.

Consumers see millions of messages every day via direct mail, email, mobile, social and other media.

The traditional one-size-fits-all approach to direct marketing has lost its effectiveness. Industry research shows that traditional direct marketing response rates have plummeted from a historical 2% to less than 0.6% for many of today's mailings. Even email marketing, which exploded in volume initially, is now experiencing a significant decrease in response rates.

Consumers' preferences for online and mobile channels have made it more difficult for marketers to break through the consumer's crowded field of vision to achieve desired levels of attention and consideration.

In spite of the challenges, there are alternatives available for marketers to leverage their customer data to create highly targeted direct marketing communications that drive significant increases in response rates, revenue and loyalty.

"Using data-driven marketing to move beyond basic segmentation to into true one-to-one individualization in a real-time context is the next big step for today's marketers."

Close Enough Isn't Good Enough: From Mass Personalization to True Individualization, Direct Marketing News, 2015 Teradata

CUSTOMER-CENTRIC MARKETING REQUIRES RELEVANT COMMUNICATIONS

Traditional direct marketing campaigns are typically product-centric, not customer-centric. But consumers are not all alike. They have different demographic profiles, income levels, lifestyles and media preferences that drive their buying behavior. Marketers should capitalize on these differences by tailoring direct-to-consumer communications to individual customer preferences or characteristics.

The importance of personalization and relevance for direct marketing efforts cannot be overstated. The ability to create individualized, relevant communications has a significant bearing on direct marketing campaign results.

Building, managing and refreshing your customer database is paramount (and the subject of many great whitepapers and publications). The level of customer detail you have (whether through purchasing it, collecting it, or refining it) can be relatively low as long as the data you do have is relevant.

Add transactional data and campaign information, and record when and how you communicated – and what the customer communicated back to you. Use these data points to further the ongoing dialog between the consumer and your brand.

Data enhancement is a science and requires resources to analyze, profile, model and append demographic, behavioral and psychographic data to your customer profiles. Your robust data drives the creation of more relevant content. Personalization translates that variability into meaningful omnichannel communications. The more relevant the personalization, the better your results.

A single new customer view with cross-channel integration is the key to effective, data-driven marketing. The benefits for marketers that execute well can include lower cost, improved revenue and increased customer satisfaction.

THE NATURE OF MARKETING COMMUNICATIONS

Marketing communications come in a variety of forms: promotional offers, product descriptions, introductory letters, event invitations, case studies, competitive comparisons, service announcement and so on. Regardless of their form, they are meant to accomplish at least one of the following objectives:

- Inform prospects about a product or service
 - Encourage prospects to purchase a product or service
 - Facilitate management and purchase
 - Reinforce the brand personality of a product or service
 - Build long-term recognition and customer loyalty.
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"66% of marketers believe that data-driven marketing drives positive value to their company today – and 93% believe it will in the future."

2014 DMA Statistical Fact Book, Direct Marketing Association, April 11, 2014



To accomplish these objectives, communications must be accurate, understandable and persuasive. A failure in any are can mean lost sales or tarnished relationships. Understandably, many organizations focus their communication efforts on persuasion. Yet research has shown time and again that accuracy, relevancy and ease of comprehension are often far more important.

The most effective way to communicate with prospects and customers is through vehicles customized to the recipients' preferences. Customized content connects more effectively with an individual's interests and is typically faster and easier for them to understand. This alone is powerfully persuasive. Customization extends to all delivery channels – print, email, web, or mobile device – engaging people in the channel of their choice.

PERSONALIZATION IN PRINT

Production of personalized direct mail is driven by the information in your customer or prospect database. What you know about each consumer allows each piece to be customized to them. There are several technologies that allow marketers to create variable direct mail programs. The specific use of one over the other depends on several factors:

- Mail file size of the mail program
- The amount of variability and where it is placed on the direct mail piece
- The makeup and complexity of the customization – text only, variable images, logos, maps or graphics.

Nothing gets your attention faster than seeing your name on a printed piece, especially when it's followed by a relevant, targeted offer. Whether customizing a cover or creating unique offers based on purchase history, personalization moves your connection with customers and prospects to a whole new level. Many marketers are discovering ways to link behavioral and attitudinal attributes into the marketing equation, creating relevant content designed to appeal to what motivates the individual to take action. Persona-based marketing segmentation drives channel selection, format or layout, imagery, copy and offer decisions, creating high-impact campaigns that resonate with the individual.

“Take every opportunity to customize the payload of a direct mail call-to-action. Presenting different content not only customizes the experience, but also encourages more innovative campaigns.”

*Direct Mail Goes Digital, 2015 Essential Guide
Direct Mail Marketing, DM News, March 2015*

Add relevancy to your direct mail campaigns with a broad array of personalization techniques. Variable data printing delivers a greater impact to your customers and audience through content specific-messages. A personalized approach will increase the open and read rates of your marketing and mailing efforts, ultimately resulting in a greater return on your marketing spend. Depending on the factors above, choose from the following.

- **Laser personalization** – High-resolution variable text, mostly used by financial and educational institutions, healthcare and insurance providers, utilities, telecom service providers, associations and non-profit mailers to create statement, business or promotional mailings.
- **Ink Jet personalization** – High-resolution black and 4/color “heads” afford marketers the versatility to customize mailing pieces with relevant copy, offers, coupons, product logos, maps and charts. Ink jetting is suitable for mailing anything from simple self-mailers to complex multipart or uniquely produced direct mail kits.
- **Digital print** – Several varieties of digital print engines, in both cut sheet and web options, are suitable for small-runs, highly targeted campaigns or long-run, 100% variable continuity programs driven exclusively by data.

The implications are significant. No matter how small or large your market, you can target your customers as finely as you can slice and dice your database. Quad/Graphics integrates your marketing data to each of the above production platforms, delivering relevant, response-generating direct mail to each individual in your mail file.

“Two out of three consumers prefer personalized communications over non-customized mass communications.”

*Best practices for personalizing direct mail,
Sheera Eby, Jacobs & Clevenger Inc., January 2013.*

BENEFITS OF PERSONALIZED DIRECT MAIL

Increased response rates.

The No. 1 benefit of personalized print – increased response rates – is to be expected. The typical response rate for static direct mail is 1% to 1.5%. Personalized direct mail can dramatically increase response rates of 8%, 12% or even higher for well designed campaigns.¹ The actual lift will depend on the type of campaign. Loyalty programs typically achieve higher response rates than initial prospecting campaigns.



Higher per order revenues.

Not only do response rate go up, but when consumers respond to a marketing program that is relevant to them, they often spend more than they would with static programs.

Ability to track and improve ROI.

Although marketers have used barcodes, redemption codes and other techniques to track responses for years, adding personalization offers the ability to track and improve ROI at the individual level, and this newly captured data can be used for future communications.

Save money.

Better targeting and segmentation will determine when to mail your offer and to whom, thus reducing past print quantities possibly inflated by trying to reach a broader, less-qualified audience.

Build customer loyalty.

It is a well-known fact that it is more profitable to keep the customers you have than to find new ones. Loyalty programs reward customers for desired behaviors with discount coupons or rewards cards. Marketers that communicate with customized, accurate, relevant and timely content report profitable programs and increased customer loyalty.

Personalized direct mail is “green” printing.

Today, environmentally friendly printing is not just socially responsible, it's good marketing. Companies with “green” marketing programs have a marketplace advantage through positive association. The benefits of “green” marketing include:

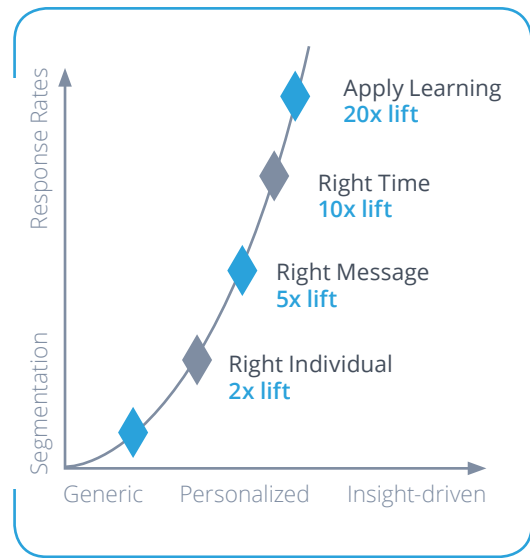
- **Reduce postal waste** – A high percentage of direct mail never reaches its destination because the focus has been on mass, not targeted mailings.
- **Reduced “trash can” waste** – Catch the customer’s attention with relevant, personalized content, and you will increase the chance it will be opened and read.
- **Reduced overall print volume** – Effective personalization often starts with culling the database for the most likely respondents. This reduces the number of pieces that are printed and mailed at the outset.

THE EFFECT OF PERSONALIZATION ON RESPONSE RATES

Caslon & Company’s “1-to-1 Response Rate Report” found that response rates of relevant marketing campaigns are, on average, more than four times higher than responses of static, same-to-all marketing messages.

Improved response rates do not magically occur when personalization is used. The personalization itself is not the key. The most critical factor is the offer and how relevant it is to the recipient. Personalization provides the opportunity to present offers tailored to the perceived needs of the individual consumer.

Not every campaign has the same objectives, and the degree to which relevant content affects response rates will vary.



Caslon & Company, 2012

CAMPAIGNS AND PERSONALIZATION

Lead generation communications create interest in a product or service and provide the prospective customer with a means to request additional information. Key elements include a message prompting the customer to obtain further information or respond via a personalized URL, QR code, toll-free telephone number or business reply mail. The goal of most lead generation campaigns is to prompt recipients to raise their hands and show some interest.

“Response rates to relevant marketing campaigns are, on average, 4X that of responses to static, same-to-all messages.”

1-to-1 Response Rate Report: Benchmark Information for Relevant Cross-Media Marketing, 2012 W. Caslon & Company

The use of personalized URLs and QR codes or Image Recognition (activating an existing image or page to enhance the reader’s experience by connecting to relevant mobile content) is an excellent way to connect print with interactive online content. When coupled with the right offer and a well-built landing page, these easy-to-use response mechanisms can help generate leads and close sales.

A Print OnDemand Institute (PODi) survey indicates significant increases in response rates and double-digit increases in visits to pURL (personalized with relevant content) websites when the response mechanism is personalized.²



Direct order campaigns solicit and close a sale. All the information necessary for the consumer to make a decision and complete the transaction is provided in the campaign materials. Create relevancy in direct order campaigns by creating content based on the recipient's past purchase history or prior contact with your organization. Vary images and offers across channels according to the customer's preferences.

	Personalized URL Visit Rate	Personalized Response Rate	Static Response Rate (DMA data)
House List*	13.6%	9.3%	3.1%

*Insufficient PODi data to report on outside list
Source: Caslon analysis of PODi and DMA data

Once again, PODi reports a significant increase in response when direct order campaigns are personalized with relevant content.

Traffic generation campaigns motivate the recipient to visit a bricks-and-mortar location, or to attend an event. Key message elements may include product and price information, sale or event details, store location, business hours, discount or coupon offers and gift incentives. Leverage data in traffic generation campaigns to guide consumers to the location nearest them with variable maps, and offers and incentives that are highly relevant or desirable.

Empower traffic generation campaigns by gaining the attention of recipients through image and copy personalization. Extend identical content into other channels, such as mobile-optimized campaign pages embedded with relevant content and experiences, and achieve outstanding results.

	Personalized URL Visit Rate	Personalized Response Rate	Static Response Rate (DMA data)*
Overall	14.1%	17.1%	2.3%
House List	21.6%	17.9%	3.2%
Outside or Combination	7.8%	15.6%	1.3%

*The Direct Marketing Association did not report on Traffic Generation in its 2012 Response Rate Report so we used their overall response rate figures for comparison.
Source: Caslon analysis of PODi and DMA data

Loyalty communications continue to expand relationships with existing customers. The goal of loyalty campaigns is to increase customer satisfaction with the product or service and encourage repeat purchases. Loyalty campaigns are an ideal way to provide information about new or additional products with the goal of cross-selling or upselling the customer.

Loyalty programs and personalization just go together. In exchange for instant or future rewards, customers sign up for loyalty programs, providing marketers with a wealth of information and allowing them to track their purchasing behavior. Marketers can leverage this information to create powerful and relevant marketing content. These customers are more likely to respond by virtue of the fact they already have a relationship with the marketer and chose to sign up for loyalty programs, making the return on investment that much greater.

While the Direct Marketing Association doesn't break out "loyalty" as a category, PODi reports a mean response rate to personalized loyalty programs of more than 25%.

Relevancy helps build relationships between marketers and consumers. When you engage consumers in their preferred media channels with content and offers that resonate with their needs and desires, they are more likely to share even more data with you, and refer you to their friends and family. Use every touch point as an opportunity to gather or confirm consumer data, and then carefully use that information in subsequent communications to build loyalty and your brand.

"50% of consumers disengage with brands because of irrelevance."

Get Relevant or Get Lost, Ginger Conlon, DMNews.com, July 7, 2012

CHANNEL INTEGRATION

Channel integration is the No.1 challenge for marketers today. Consumers expect a consistent brand experience regardless of the channels they choose to use. Unfortunately, the plethora of channels – direct mail, email, mobile devices, social networks, in-store communications (signage and kiosks), websites and search engines – makes it challenging to integrate technologies, people and processes to provide a unified experience to the customer.

Work with a partner that has a bias for innovation, maintains a strong business model and adapts to the changing media landscape. Design a strategic marketing process to ensure that all messaging and communications strategies are unified across all channels and are centered on the customer.

Understanding consumer media preferences, and more importantly, which channels your customers prefer to respond in, will help you determine which media to use for your campaign.



“Use personalization to present enticing offers based on past purchase history.”

Carefully consider the timing of each outbound touch and its consistency across channels:

- Reference the direct mail piece in your first email communication. Chances are if the consumer recalls the piece, it is more likely he/she will read the email.
- Always ask email recipients to confirm their contact information, and always ask how they prefer to receive communications.
- Maintain brand and message consistency in all campaign channels to avoid consumer confusion.
- Incorporate the same level of personalization in your e-communications that you used on the direct mail piece.
- Mobile-optimize microsites or web pages if they will be QR code accessible.
- Use personalized URLs or scannable action code (QR codes, apps, Microsoft Tags, Near Field Communication) to drive consumers to campaign-specific web pages.
- Use social media wisely – 58% of consumers feel social media marketing is invasive.³

BEST PRACTICES FOR LEVERAGING RELEVANCY

What can be learned from all of this? With the technology and applications in mind, let's look at some of the key lessons learned from practitioners in the field.

1. Focus on your top customers

It's difficult to be relevant to everyone. In order to maximize your investment in personalization, it's important to select your audience carefully. Unless you are executing a lead generation campaign, you might want to carefully segment your audience, targeting the most likely respondents to each particular offer. Restrict your investment to the most valuable prospects.

2. Focus on relevance, not “personalization”

It doesn't matter how “personalized” a document is. If it isn't relevant to the person receiving it, that personalization is worthless. Use the knowledge you've gained about your target audience to change not just the products you market, but the tone and message of each piece.

Make sure the messaging the consumer sees is consistent in every channel. If you are mailing a piece to the target with a call to action to a pURL landing page, it is imperative the website content carries the same level of relevancy.

Connect print with online channels to facilitate the collection of information from customers and prospects.

3. Evaluate the investment of the campaign as opposed to the individual media cost

One of the biggest mistakes that marketers make when evaluating an integrated media campaign is thinking they are too expensive. This often occurs because they are thinking about executing in each channel individually – a short-term investment rather than longer-term return. Before you make a decision, take everything into account, not just price. You must look at:

- Size of the target audience
- Attributes of the target audience
- Campaign budget
- Design costs for creating relevant content to be used in all channels
- Print and deployment costs
- Database clean-up and prep costs
- Postal rates and delivery optimization, if applicable
- Total program cost, including mobile optimization
- Per-touch cost
- Response rate and other measurement metrics

4. Measure everything

Measure everything in every channel. Few marketers are disciplined about measuring results. Know your return on the direct mailing, the email follow-up, the mobile landing page. Only when you fully track all of your costs and accurately track your results can you determine an accurate campaign ROI.

5. Test everything

Not all data is created equal, so it's important to do marketing tests to see how variations of relevancy and personalization impact response rates in all media. Does the addition of personalized images increase response rate? What if you increase the offer by 10%? How about 15%? At what point does the increased response rate and value per sale not justify the additional discount? These are the types of questions



marketers should ask. Get in the habit of measuring everything so when you do your testing, you'll be able to accurately assess the impact on your bottom line. Make testing and control groups a regular part of your marketing programs.

6. Use data wisely

The ability to personalize content opens the door for many opportunities, but it has to be used wisely. Data privacy is an issue that affects us all these days. Although we are all familiar with misuse of online data, even marketing communications are impacted by privacy issues. If handled inappropriately, the use of personal data may irritate or offend recipients beyond repair.

7. Utilize the benefits of multiple media

Using multiple media to reinforce a message is far more effective than using any individual media alone. Follow up 1-to-1 print programs with personalized email. Or conversely, prospects might be directed to a website, where they input information and are then sent a personalized print follow-up piece based on the information they provided.

8. Invest in the database

Investing in your database is priority. It takes time, dedicated resources and capital, but this is one of the most important investments you can make for your marketing program. Develop a basic database, then make the investment to refine it, adding variables, updating, cleansing, etc. Don't let the data you collect about your customers through relevant marketing go to waste. Make sure that data goes into your database to be used in future marketing programs.

Campaigns so relevant and personal, customers can't help but respond!

Quad/Graphics Direct Marketing helps you develop personalized omnichannel direct marketing campaigns that speak and appeal to your different market segments – your best customers, current customers, lapsed customers, prospects – presenting the most relevant, compelling messages and content in every channel to generate significant lifts in response and profitability.

Resources:

Big Data *The three minute guide*, Deloitte Analytics, 2012.

What Marketers Need to Know NOW About Big Data, ijento, 2013.

1-to-1 Response Rate Report: Benchmark Information for Relevant Cross-Media Marketing, W. Caslon & Company, 2012.

1:1 (Personalized) Printing: Boosting Profits Through Relevance, www.theindustrymeasure.com, 2008.

Reaching the Customer Through Personalization, Erin Lynch, Multichannel Merchant, May 8, 2013.

Footnotes:

¹ *1-to-1 Response Rate Report: Benchmark Information for Relevant Cross-Media Marketing*, W. Caslon & Company, 2012.

² *1-to-1 Response Rate Report: Benchmark Information for Relevant Cross-Media Marketing*, W. Caslon & Company, 2012.

³ Study: Consumers View Social Marketing As Invasive, Insight Strategy Group, 2012.



See how we can help.



866.958.7823



qgraphics@qg.com

www.QG.com

