ROI Is The Key To VDP/EP

Last month, I wrote about practicing what you preach, specifically in terms of using your advanced direct mail capabilities to help you market your business and sell those same capabilities. I wrote that potential customers for variable data printing—which I prefer to call *extreme personalization*—need to see and hear relevant success stories to back up all the raw buzz about the technology, and what better success story than when the company that sells it uses it in its own marketing efforts and can prove that it works!

I also described a program I put together for one of my clients to do just that, and I promised to cover some of the selling issues surrounding VDP/EP success this month. The Number 1 selling issue, of course, is to convince people that a strategy which adds to their marketing cost will also improve their results. As I wrote last month, personalization adds cost to a direct mail program, and *extreme personalization* can add extreme cost. The common justification for that cost is in better response rates, but quick printers' customers don't seem to be responding to that intellectual argument very well so far, hence the need for really relevant case studies and success stories.

Really Relevant

The "relevant" part is important here. I've seen some interesting case studies describing highly advanced "cross-media" marketing programs developed by Fortune 500 companies and others with large marketing budgets. Unfortunately, those programs are way beyond the budgets and other resources of a typical quick printer's typical customers. I think you'll agree—at least in concept if not in experience—that it's easier to "upsell" a million-dollar ad campaign to a million-three or a million-four than it is to upsell a $1000 postcard mailing to $3000. People with more money tend to spend it more freely than people with less money, and that situation is compounded by the lack of marketing sophistication at the small business level. In other words, this is a tougher sell for a quick/digital/small commercial printer than it is for the giant printers who deal with giant customers on giant projects all the time!

That's why the client I wrote about last month asked me for a program that wouldn't have to be "scaled down" to be attractive to her customers. "I can't see myself telling them about these million-dollar marketing programs and then telling them that they'll get the same kind of results for $3000," she said. "I need to show them exactly what they can get for $3000."

"What *exactly* do you mean by that?" I asked.

"Well, I need to show them what the mailers would look like, and how the PURLs work, and how we'd transmit the leads to them," she said. " I think all of that will be important."

"I do too," I said, "but it won't be important until after you make the sale on the entire concept, and it's not *your* capabilities that'll help you to make that sale, it's *their* return on investment."

Simple Arithmetic

Here is how we used this printer's own success story to create an ROI illustration. I think you'll agree that it's really pretty simple arithmetic. The project setup and initial mailing of 1042 postcards cost approximately $2750: $900 for design, printing and mailing services, $250 for postage, $100 to program the PURLs and $1300 to set up the destination website and the tracking and reporting processes. The 708 e-mails that went out one week later added approximately $200 in cost: 4 hours labor at $50 per hour. (Note: This is all retail pricing. Obviously the printer's out-of-pocket costs were lower, but the idea is to illustrate the sort of ROI that a customer would experience!)

The initial postcard mailing generated 16 responses, and the e-mail component of the program produced 83 more. As I wrote last month, the database created by those responses drove a second mailing of 99 highly personalized postcards. The cost of that mailing was approximately $250, and it generated 21 responses within a week of the mailing. In addition, 18 more appointments were scheduled when the printer phoned the other 78 original respondents the week after that. Total response: 39 appointments with highly qualified prospects. Total cost: approximately $3000.

Now, we have no expectation of "closing" all of these sales, but it doesn't seem too unreasonable to project that 10% of these highly-qualified prospects will turn into significant *extreme personalization* customers and another 10% will at least give the strategy a try. We're defining "significant" as four or more mailings in the coming year, and projecting one mailing each from the other 10%, and we're forecasting an average order value of $2500—in other words, an ROI projection of $50,000 in sales in return for a $3000 marketing investment. Would you consider than an adequate return on investment? I certainly would!

Conservative Strategy

Please compare this strategy to what you're hearing from the people who are trying to sell you on buying the hardware and software to support VDP. They're probably telling you that you can tell your prospects and customers to expect much higher response rates than "traditional" direct mail. Do you want to bet your reputation on that? I think it makes much more sense to be conservative in your projections, and I hope you noticed that the response to the initial postcard mailing in this program was only 1.7%. The e-mail follow-up increased the response rate to 9.5%, and then the second mailing and its telephone follow-up actually reduced the overall response to 3.7%. Wait a minute, do you want to be saying *that* to a prospect or customer?

Absolutely, because those 39 people were far more *qualified* than the initial respondents. It's worth mentioning here that the second postcard included a "ballpark" pricing statement, putting a $2500-$3000 cost for a typical *extreme personalization* program right out there in front of the initial respondents. In other words, 39 people were still interested after they heard the price!

I hope you're starting to see the difference between selling printing and selling marketing strategy. It's been said that the future of the printing industry is to show people how to use *our* advanced capabilities to *their* benefit. I agree, and as noted, I think that's especially important at the "marketing unsophisticated" level where most quick/digital/small commercial printers operate.

Bottom Line

The key to selling VDP/EP is to justify the cost, and the best way to do that is to focus on ROI, not just response rate. Beyond that, the best way to establish your marketing expertise is to go to them with a program, not just a product. And don't be afraid to make it sound hard! After all, something that's hard to accomplish is probably worth more than something that's easy. Hmmm, that may be a topic for another day!