

White Paper

Leveraging Customer Information to Drive Measurable Results in Revenue Growth and Loyalty: The Power of Personalization and Relevance

“The problem with traditional direct marketing campaigns is that they are typically product-centric and not customer-centric”.

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Introduction

Sustaining brand loyalty and consumer demand has become increasingly difficult for marketing practitioners. Millions of dollars are invested annually in marketing and merchandising programs only to see declining consumer response rates and lower campaign returns on investment.

The traditional one-size-fits-all approach to Direct Marketing has lost its effectiveness. Industry results have shown that traditional direct marketing response rates have plummeted from their historical 2% factor to less than 0.6% for many of today's mailings. And the National Do Not Call Registry is driving an increase in direct mail campaigns, thus making it more difficult for marketers to break through the consumer's crowded mailbox to get desired levels of attention and consideration.

Even e-mail marketing, which has also exploded in volume, has been met with an equally significant decrease in response rates.

In spite of these challenges, marketers have alternatives available to leverage the data they have about their customers to create highly targeted direct marketing communications that drive significant increases in response rates, revenue and loyalty. This white paper provides you with an introduction to a new way to think about how you communicate with your customers.

What's the Problem?

The problem with traditional direct marketing campaigns is that they are typically product-centric and not customer-centric. Clearly not all consumers are alike. They have different demographic profiles, income levels, and lifestyle and travel choices. These factors drive buying behavior. Yet most marketers ignore these differences by not tailoring direct-to-consumer communications to individual customer preferences or characteristics.

These issues point to the importance of **personalization and relevance** in leading marketers' direct marketing efforts. The ability to create individualized and relevant communication will have a significant bearing on the results of your direct marketing (DM) campaign.

It Really is Personal!

Personalization goes far beyond using a customer's name and address. It refers to your ability to customize a DM piece with known individual elements or facts about each individual customer or customer segment. These may include references to past purchases, certain product or service preferences, topics of interest, and promotional offers customized to what you believe they are most likely to purchase.

Relevance refers to the use of creative elements (images, graphics and copy) that reflect the customer's demographic profile, geographic destination or preference, and aspirational elements. It is not logical to send a 55 year-old customer a mailing that contains images and content targeted at a 30-something audience. But it happens all the time and low response rates are the outcome.

Where can you access individual customer data? If your company has invested in Customer Relationship Management software, you may have a treasure-trove of information waiting to be leveraged. And with powerful data analytics software available from several companies, it is relatively easy for you to mine your customer data. You can segment your customer base to identify your most valuable and highest growth customers, and then implement marketing strategies tailored to them.

You can also calculate customer propensity scores for targeted cross-sell and up-sell campaigns. Propensity refers to the probability that a customer or customer segment will purchase a particular product or service based on their demographic profile and past purchase behavior.

Combining personalization, relevance, and data analytics enables a direct marketer to specifically target a product promotion to customers who are most likely to buy that product in a communication that is uniquely tailored to a particular customer or grouping of similar customers.

The Results

Making the right personalization and relevant choices can result in a significant return on your marketing investment dollar when compared to a traditional generic DM campaign.

The results speak for themselves. Independent market researchers Romano & Broudy reported that personalized and relevant full-color DM materials had a profound effect on customer response and purchase behavior, including:

- 34% faster rate of response
- 48% increase in repeat orders
- 25% greater average value of each order
- 32% increase in overall revenue

Personalization is what today's successful companies are doing to differentiate themselves in a crowded marketplace.

The Campaign Development Process

Creating and implementing a personalized DM campaign requires six critical elements:

- **Determine Your Marketing Strategy**—The ability to create highly targeted campaigns and promotions provides you with a new world of strategic options. You can create individual campaigns that feature different product and pricing options to test response rates. Short run (<500 customers) campaigns can be economically printed and mailed. And rapid deployment pilot campaigns (implemented in <45 days) enable you

to create and test multiple concepts before committing to a bet-your-budget campaign.

The offers you create, the customers you target, the medium you use, and the look and feel of the communication can be rapidly tested and perfected. No longer is direct mail limited to large run offset printing.

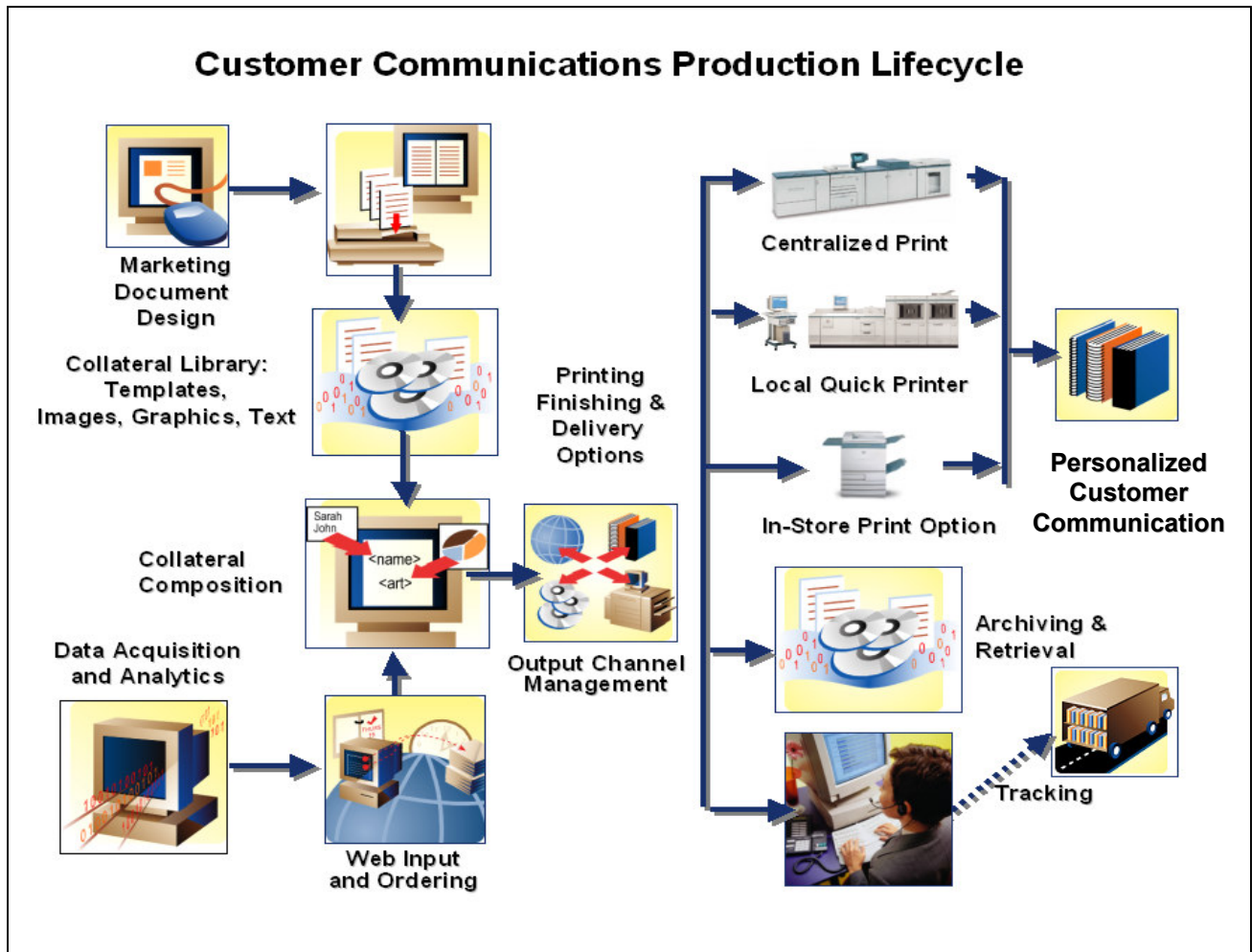
- **Data Sources and Analytics**—You may have significant sources of customer data, including past purchase history, opt-in preferences, demographics, etc. Mining your data to determine customer segments and create propensity scores is a critical element in successful direct marketing. You have access to the technology to determine which customers are most likely to purchase which products.
- **Develop Highly Effective Creative Content**—Unleash your creative team to create content that is relevant for each customer segment. Communicate to your customers with messages and images that are most relevant to them. Different segments should have different content in order to increase response rates and purchases.
- **Define Your Collateral Format**—Make sure your creative team can design a collateral piece to take full advantage of variable information. New full color digital print technology and variable data composition engines enable you to create multiple versions of the same campaign AND add personalized and relevant content for each recipient.
- **Print and Mail**—Many commercial printers, and maybe your in-house print shop, have high quality digital color production printers. It's important that the output from the composition engine is optimized for the multi-channel environment you've selected, including paper-based mailings.
- **Collect Data and Analyze Results**—Review the results of your campaigns and make mid-stream or follow-on campaign modifications if required.

Deploying 1:1 personalized customer communications can make a profound impact on your business results.

Creating Personalized Deliverables and Content

Creating personalized and relevant marketing campaigns requires multiple resources. In this process, customer data that has been collected from your website, credit card purchases, stores, and other sources is merged with pre-approved and relevant creative images and copy to generate personalized and relevant direct mail.

The following diagram depicts the customer communications lifecycle:



Summary

Marketing organizations that deploy personalized and relevant DM campaigns receive three key benefits:

- **Lower Costs**—By tailoring more personalized DM vehicles to a carefully targeted audience, you are able to avoid the waste that is typically found in most mass audience DM campaigns. This improves your response rates and lowers your cost-per-lead, while driving down your production and delivery costs.
- **Increased Sales**—Matching personalized marketing deliverables to a more targeted audience increases the opportunity that a customer will purchase directly from the mailing or will call or visit your retail location, which directly increases your chances for closing the sale.
- **Greater Brand Loyalty**—Communicating directly with your customers on an individualized basis enables you to create a personal relationship with them. Providing services and products geared specifically to your customer's needs and buying preferences reinforces this relationship and helps build brand loyalty.

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