

Estimating Success for VDP Campaigns

By Frank McPherson

Most marketers know that the use of personalization and customization can increase direct mail response rates. Not surprisingly, variable data printing (VDP), also called “1:1 printing” or “personalized printing,” has penetrated virtually every industry over the past seven years.

When speaking to marketers, the most common question I am asked is, “What is the ‘typical’ response rate I can expect to achieve for a campaign using VDP versus a corresponding static campaign?” While formal statistical research is still in process, experience has shown that response rates for relevant direct marketing campaigns (which average of 2–3% using traditional methods) can achieve an incremental average increase of 13–15% if VDP is used.

Role of Relevance

The operative word here is “relevance,” as in “relevance of information.” That means leveraging known information about a targeted customer or prospect, such as name and address, geographical information, or purchase history, and tailoring your message and offer to only the products and services that each recipient needs. This is a big difference from merely “personalizing” based on available data. If the recipient receives a mailing piece that offers them something they really want at the time they are ready to buy, they will respond.

Relevance is a key success factor for *any* direct marketing campaign. If the concept is strong, the design clever, the data meaningful, and the offer relevant, the numbers will go through the roof.

Variable data printing will enhance these inspired campaigns. It is not the magic bullet that guarantees success.

A simple case in point. Last May, my wife and I celebrated our anniversary in Las Vegas and stayed at the Luxor. Fourteen months later, I received a mailer from the hotel “personalized” with my name and address, along with and some very attractive package discounts, but featuring a picture of curvaceous young woman scantily clad in a bathing suit. My wife brought in the mail that day and guess what happened to the piece? You guessed it: File 13.

Had the Luxor bothered to find out anything about me beyond my name, they could have tailored the piece more appropriately. They didn’t, so the piece never got in the door.

Guidelines for Evaluating Response

Good direct marketers know that there are four key factors that can significantly impact response rate variability in a campaign:

1. objectives
2. media used
3. vertical segment
4. products/services offered

In this column, we will focus on campaign objectives, which is one of the most important factors influencing results. Direct response objectives can be further broken down into some of the more common selections: direct orders, fundraising, and lead generation.

Let's look at each more closely.

Direct-Order Campaigns

Sainsbury's birthday card program is a classic case study showing the importance of relevance in direct-order campaigns in the retail industry.

Sainsbury's objective was to encourage repeat purchases from members of its frequent shopper programs. Using the data available on members' purchase patterns, Sainsbury was able to switch from sending a generic card (with generic coupons) to a personalized card. Using DirectSmile, the new card featured a birthday cake with the member's name written in realistic-looking icing, paired with coupons offering discounts based on their past purchase history. The response rate (measured in coupons redeemed) increased from 33% to 50%.

How does this relate to the "typical" response rate increase that you might expect to achieve? A landmark study conducted by Caslon & Company, released in December 2006 (*Response Rate Report: Benchmark Information for Relevant Marketing Programs*) attempts to provide the answer.

Caslon & Company reviewed the case study archives of the Print on Demand Initiative to determine the "typical" increase in response rates. They looked at the studies by campaign objective (direct order, fundraising, and lead generation, among others) and compared each response rate to the typical response rate for a static campaign provided by the Direct Marketing Association. This created an estimate for the lift created by personalization. Caslon then calculated the median lift and adjusted this figure by half to offset the significantly higher success rates obtained by these best practice cases. To create the typical personalized response rate, it adjusted the DMA typical response rate for static campaigns by this figure. The result was a benchmark for the typical improvement in response rates that relevant 1:1 printing can provide

In the case of direct-order campaigns, what did Caslon find?

Typical Response Rate Increase (Typical RRI)*	88 %
Typical Static Response (Typical SR) for mailings to existing customers**	1.75 %
Typical Personalized Response Rate (Typical PRR)	3.3 %

* median lift of PODi case study campaigns over DMA average, halved

** provided by the Direct Marketing Association

*** Typical RRI = Typical SR + (Typical SR x Typical RRI)

Clearly, relevant data-driven marketing campaigns targeted to existing customers can achieve a significant improvement over static campaigns.

Fundraising Campaigns

One of the fastest growing applications for VDP is fundraising. Charities, educational institutions, and other organizations frequently have good databases that can be mined for personalization to achieve better response rates.

Case in point is the University of Toronto alumni fundraising program. The University of Toronto shifted its existing appeals to a much stronger approach—tapping the emotional ties to the recipient’s alma mater college. Each personalized appeal included multiple components that provided information about the faculty and programs specific to recipients’ graduate college(s) to which they could now designate their donations. Donations increased by 30%.

Fundraising campaigns tend to get higher response rates due to the loyalty many contributors feel towards the fundraising organization. The use of personalization increases relevance to the recipient, which is reflected in incremental response rates and a higher ROI.

Caslon suggests the following targets for fundraising campaigns:

Typical Response Rate Increase (Typical RRI)*	56%
Typical Static Response (Typical SR) for mailings to existing customers**	4.46%
Typical Personalized Response Rate (Typical PRR)	7.0%

* median lift of PODi case study campaigns over DMA average, halved

** provided by the Direct Marketing Association

*** Typical RRI = Typical SR + (Typical SR x Typical RRI)

Lead Generation Campaigns

Zions Bank, a U.S. regional bank with branches in Utah and Ohio, provides a “best of class” example of a lead generation campaign. Faced with a competitive

environment, Zions wanted to increase business and build relationships with its premier prospects. Each branch officer compiled a list of hot prospects and name/address details. The data, although limited, was used to personalized a series of three mailings sent to the prospects over a 10-week period. Each versioned package contained a sales letter, reply card, and incentive, all of which were cleverly themed to the humorous gifts enclosed. Sixty percent of prospects contacted to set up appointments. Immediate bank business increased by several million dollars.

In estimating the impact of VDP in lead generation campaigns, Caslon suggests the following values as a starting point:

Typical Response Rate Increase (Typical RRI)*	100%
Typical Static Response (Typical SR) for mailings to existing customers**	3.2%
Typical Personalized Response Rate (Typical PRR)	6.4%

* median lift of PODi case study campaigns over DMA average, halved

** provided by the Direct Marketing Association

*** $\text{Typical RRI} = \text{Typical SR} + (\text{Typical SR} \times \text{Typical RRI})$

Summary

Produced correctly, use of variable data printing will result in incremental response rates for relevant marketing campaigns and for lead generation campaigns, in particular. The Caslon Benchmarking Study is an important first step in attempting to statistically measure the incremental value provided by these campaigns.

When planning VDP campaigns, just remember that the Caslon & Company numbers are based on medians. If you feel that you have the makings of a very strong campaign, adjust the numbers upward. If you have any doubts about the strength of any of the components, adjust the numbers downward.

A good personalization campaign requires all of the same elements as a good static campaign—plus a few more—so if you have weaknesses in any of those areas, personalization, in itself, won't fix them. But if the elements of your campaign are strong (design, message, incentive, data), you may very well expect numbers that are higher than average.