

Dear Associate,

We all know that successful 1:1 print marketing requires good data, but it's not just having data that determines success. It's what you do with that data once you have it.

Success starts with gathering data that will have the greatest impact on your campaign. That means data mining. While the phrase "data mining" strikes fear into the hearts of many marketers, it doesn't have to. Nor does it have to be expensive or scary. In these pages, we'll look at the basics of data mining and create a hypothetical scenario for an effective 1:1 campaign.

Another theme we'll discuss in this issue is that success is dependent not just on what happens during the campaign, but after the campaign, as well. Marketers must be willing to sit down and take a hard look at the results and work the lessons back into the next program. In these pages, we'll look at seven different yardsticks from which you can choose to evaluate marketing success.

Remember, good data just gets you off the starting blocks. It's what you do beyond those first few steps that matters.



Louis Crockett  
President, Keiger Inc.



## Data Mining

### *Gathering Leads and Qualifying Your Database Is Not as Hard as You Think*

In order to produce a successful 1:1 printing campaign, all you have to have is a great database, right? Not quite. Producing a successful 1:1 print campaign starts with having a great database, but even once you have the data, you have to figure out what to do with it. Often, that means data mining.

Data mining. The very phrase strikes fear into the hearts of marketers. The ability to connect the dots to reveal buying habits and other customer behaviors is something many people see as complex, expensive and within the reach of only the largest companies. In reality, data mining is well within the grasp of any sized marketer.

#### **There are three steps to data mining:**

- Know what data is available.
- Ask questions about that data.
- Look for useful relationships.

The first step is simply to understand the field headings in your database. What data are you

capturing?

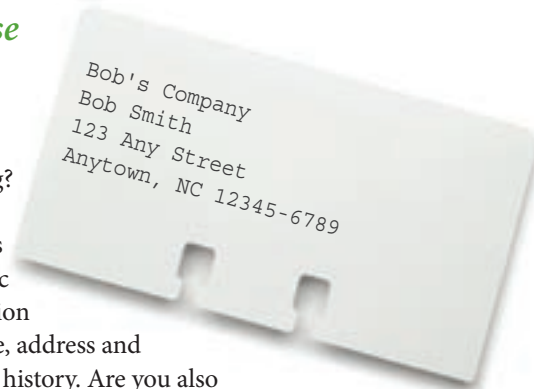
Most databases

have basic information

like name, address and

purchase history. Are you also capturing information such as age, gender and home ownership? If so, this tells you the types of queries you can run.

Running queries sounds complicated, but it simply means asking questions of the data. If you are a retailer, you might ask, "Which customers purchased hardwood flooring last month?" If you know that these customers are also likely to purchase area rugs and floor conditioning products, this gives you a great start. You might then want to refine your search, sorting by age, income or gender. This allows you to cross-sell products more appropriately.



## Data Mining

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### Look at Everything


The great thing about data mining is that sorting is free. Run every sort you can think of. Is there a relationship between hardwood flooring and gender? How about income? Look at everything. You might find that data you once thought irrelevant, such as the date of purchase, has more relevance than you think.

During one data mining exercise, for example, one retailer discovered that its sales of sporting good products spiked on the third Saturday of the month. Can you guess what it did? It created a 1:1 personalized campaign offering staggered incentives based on spending level for purchases—you guessed it—made on the third weekend of each month. Revenues soared.

### Make the Most of What You Have

Every business has a database program, so make the most of it. Even basic software like Microsoft Excel or Microsoft Access provides some data mining capabilities. Or you might want to purchase add-on data mining modules or third-party software. If you have customer information in multiple databases, you might also want to combine them into a single, comprehensive database for use in marketing. Even if you don't do this, you can often extract useful information from even one or two databases.

Don't overlook outsourcing. There are plenty of companies that specialize in this process. Many will use the moniker "business intelligence" or ETL (extract, transform, load) companies. Costs can be very reasonable, as little as \$100 or more per sort.

So get curious. Take a few hours to run a variety of sorts just to see what you can find. That curiosity could make a big difference to the bottom line. 

# Database Demographics

## Targeting the Generational Divide: Who Sees Your Direct Mail?

When it comes to marketing, there has been a lot of talk in the media about "the generational divide," or the fact that younger generation consumers have different media affinities than their older counterparts. Forget television. According to an MTV Networks and Associated Press survey (April 2007), nearly one in five teens and young adult consumers can't live without their iPods. Nearly half of those surveyed can't live without their cell phones.

Clearly, your media choice is critical to reaching past this divide. But have you considered that you might need to target to the generational divide even within each chosen medium? Take the shoe market. Needless to say, you don't want to market orthopedic shoes to teenagers. But beyond product choices, are there differences in the way that you should speak to each demographic, even when marketing exactly the same product?


Let's say you own a flower shop. You can send out 2,500 mailers to your local ZIP code, all with the same message: "Flowers—a better way to say you're sorry!" True, everyone needs to say that they are sorry now and then, but because this is a generic message, recipients will see its relevance as moderate to low.

Now, say that you know the basic age categories of your target audience. To those in their 40s and up, you might use the same headline: "Flowers—a better way to say you're sorry!" Then, you might use a split graphic. On one side, you have a husband sheepishly doing the dishes. On the other, you have a picture of the husband bringing home an armful of colorful flowers, with the dishes still in the

kitchen sink.

For the largely single and heavily mobile 20s and 30s culture, however, you might create a headline that reads, "Good..." followed by a picture of a cell phone screen with the message "PLZ 4GV ME." Then, in the split side of the graphic, the headline might continue "...Better!" followed by a picture of a large bouquet of flowers and a bottle of wine.

In either case, 1:1 personalization can build on this segmentation with an additional hit of relevance. For instance, you might consider tacking on a flag at the top that greets the recipient by name, with the text adjusted by gender. "Bob, were you a naughty boy this week?" or "Jane, were you a naughty girl?" This combination, plus segmentation by age demographic, creates a far more powerful impact than a static mailer alone. Of course, you can personalize other aspects of the text as well.

Think this kind of personalization is too expensive? You might be very surprised how little it adds to the overall costs. And if you market to only a select portion of your database (say, to the top 25% of your customers), costs could come out even lower than your traditional campaign, while your ROI soars. 



# How to Gauge Marketing Results

*What do You Consider Success in Marketing and How Does it Affect Your Bottom Line?*



As a marketer, it's critical to quantify the effectiveness of your marketing efforts. But how do you define success? Particularly with 1:1 printing, it's critical to use the right yardstick. Let's look at seven ways to evaluate the success of a 1:1 print marketing campaign. Examples are greatly simplified for illustration and calculations do not include additional costs, such as postage and mailing.

## 1. Response rate.

This is the simplest and most limited way to evaluate program success, but it is a good starting point. The challenge is that low rates don't mean a program was unsuccessful. If the response rates jump from 1% to 4%, you've still achieved a lift of 300% over the previous campaign. If your product has a very high value (such as mutual funds or sports cars), you can make millions with a lift of only a percentage point or two.

## 2. Cost per lead.

Typically, marketers are used to thinking about cost per piece, and with traditional direct mail in the \$.10 range, it's hard for other print marketing to compete. But everything changes when you look at what your program costs per lead rather than per piece. If your mailing of 100,000 pieces achieves a 1% response rate, your cost per lead is \$10. On the other hand, if you mail 25,000 1:1 pieces at a cost of \$1.00 each, achieving a 12% response rate, your cost per lead drops to \$8.33.

## 3. Cost per sale.

Not all leads translate into sales. Divide the number of people who actually make a purchase into your total costs and this will give you the cost per sale. If only 33% of respondents to the above static campaign make a purchase, for example,

your cost per sale jumps to \$30.30. Personalized campaigns are likely to result in higher conversion rates—say 50%—dropping the cost per sale to \$16.67. As with cost per lead, this can change the cost-benefit equation substantially.

## 4. Lifetime customer value.

The value of the sale often goes beyond the initial purchase. If 1:1 personalization woos the buyer of one make of car to another, and if that customer becomes loyal to that brand, the return on investment from that piece includes the value of every car purchased by that customer over his or her lifetime. This is an important metric for marketers of long-term purchases, such as automobiles, financial products and insurance.



## 5. Cost of attrition.

Not all bottom line benefits come from direct sales. If your goal is to prevent customer attrition, you can evaluate the success of your campaign based on what sales stay, rather than on what sales merely come in. One marketer of


high-end vacations saved millions, for example, by sending vacationers 100% personalized booklets that reinforce their vacation choices. Its cancellation rates plummeted and its bottom line soared.

## 6. Cost savings.

What if you could use 1:1 printing to cut costs? By personalizing its tax letters, one state government's tax bureau made these letters easier to read. The result was a noticeable drop in calls to its call centers, saving hundreds of thousands of dollars. The change also increased response time. As a result, the state started receiving its revenues days earlier and significantly boosted its earnings from interest.

## 7. Ability to achieve a larger goal.

Sometimes, your goal might have nothing to do with dollars. In Canada, one election was dramatically impacted by the use of 1:1 personalization to speak to voters about the issues they were interested in. One candidate's campaign sent different voters different pre-election information cards based on issues recipients had previously selected as critical to their vote. The candidate won the election. What's that worth?

The bottom line? It's critical in any 1:1 print marketing campaign to measure your results. But before you do so, make sure you are using the right measuring stick. 

Dear Associate:

I hope you have enjoyed this issue of *Keiger Direct Connection* on data mining. For some, data mining can be a dreadful process, but it doesn't have to be that way. We can make this process smooth and help your company take things to the next level when marketing to your customers. If you have any questions after reading this issue, please contact me.



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## Digitally Defined...

### Data Mining

According to one technical source, "data mining" is defined as "the nontrivial extraction of implicit, previously unknown and potentially useful information from data" (AI Magazine, 1992). With this definition, no wonder marketers are scared of it! A more recent source defined it as "the science of extracting useful information from large data sets or databases" (Principles of Data Mining, MIT Press, 2001). Better, but still terrifying. From a marketing perspective, data mining is simply looking through data, trying to find relationships that will be useful for marketing. This can be as complex as running databases through complex algorithms or as simple as doing a variety of "sorts" in a Microsoft Excel database. Some mining you can do yourself. Others must be done by a business intelligence company. Costs range from free to extremely reasonable, even as little as a few hundred dollars.



### About this Issue

#### Media Used

Futura 80 lb. Gloss Text  
Patented coated surface, 96 brightness, dual certification for Sustainable Forest Industry (SFI) and Programme for the Endorsement of Forest Certification (PEFC), guaranteed for digital equipment. Perfect for brochures, postcards, short run catalogs and magazines.

#### Equipment Used

Xerox iGen4™

#### Programs Used

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