



5 WAYS TO LOWER ACQUISITION COSTS VIA PERFORMANCE IMPROVEMENT

RRD's team of direct marketing strategists reveal a combination of enduring tips and contemporary insights to improve ROI in 2023 and beyond.



INTRODUCTION

Much — if not nearly everything — has changed in direct marketing over the past 40 years. Mass marketing is now one-to-one; messaging, once limited to demographics, has expanded to behavioral triggers; and the options for delivery channels have exploded from linear to surround sound.

However, there is one thing that has not changed: the very foundation of direct marketing. The practice, born decades ago from the direct mail channel, is where the core process originated:

-  **1 Understand market conditions**
-  **2 Identify target audiences**
-  **3 Develop strategies to generate response**
-  **4 Deliver messaging**
-  **5 Analyze results and adjust to improve performance**

Newer tools, platforms, and technologies that support more timely, efficient, and precise marketing will continue to grow and strengthen — not fundamentally change — the core practice of direct marketing.

In the following, RRD's direct marketing strategists reveal winning advice that has stood the test of time. And with the continued proliferation of new channels and technological support, you might even say this insight is more effective now than ever before.

PRECISE AUDIENCE IDENTIFICATION CAN MAKE OR BREAK ALL EFFORTS THAT FOLLOW

With increasing supply chain cost drivers, precise audience identification is crucial to marketing strategies. It provides a means to increase customer acquisition, retention, and efficiency.

An effective way to reach these target audiences is through a programmatic direct marketing approach, which enables marketers to drive touchpoints at more intelligent and intuitive increments. The result is a continuous flow of mail and other touchpoints versioned for best message and timed based on data indicators.

This programmatic execution translates into a more efficient, more customer-focused marketing strategy.

For example, by drilling down behavioral data, brands can retarget prospects via direct mail that have already shown interest in a product or service online, making them more likely to make a purchase.

“Defining target audiences and linking them to the most appropriate message is the determining factor to success in direct marketing.

Whether modeling current customers to define acquisition strategies or selecting segments within a house file, contacting those targets with relevant, impactful messaging is what drives marketing performance.

Steve Arsenijevic

VP Client Strategy, RRD

Experience: 36 years



RESPONSE-DRIVEN MESSAGING TAKES WAY MORE THAN PERSONALIZATION

Once a trend, personalization is now table stakes. To compete in a saturated world of marketing messaging, generating a response relies on dynamic messaging techniques to cultivate and expand awareness, adoption, and overall performance. This requires the ability to learn and capture unique elements from the data, and then apply them via variable messaging strategies.

These data elements that were once limited to “I know your name, age, and where you live” have expanded to “I also know you’re in the market for a personal loan, your favorite color, and stance on energy sustainability.”

First-party data has afforded a wealth of insights that, when applied correctly, can significantly increase response rates. Therein lies the challenge. It’s no longer the lack of data, but the understanding of how to best apply it to the overall messaging.

“What useful data points are missing from your customer profiles? If there are gaps in your database, answering that question starts with simply asking your customers for more info.

From channel to content type to frequency, zeroing in on their preferences around how you communicate with them can be a smart place to start. Gathering this type of first-party data is key to perfecting your engagement strategy. For example:

- Buying history allows variance in offers based on recency of purchase or average order.
- Donation history allows variable ask arrays using the donor’s history.
- Lending history contributes to variable offers based on credit worthiness to balance response and limit risk.

Jenny Iles

Direct Marketing Strategist, RRD
Experience: 19 years



INTENTIONAL DELIVERY STRATEGIES KNOW ALL CHANNELS ARE NOT CREATED EQUAL

In the days when direct mail was essentially the only direct marketing channel option, campaigns were linear — developed with a predetermined schedule and time-frame that had a beginning and an end. Today, direct mail is only one of the many channel options that make up the neverending, variable nature of direct marketing, which means “what’s next?” is determined by the target audiences’ individual preferences.

Everything from the messaging to channel strategies are no longer one-size-fits-all. Each channel has its own purpose in the customer journey, and its own set of characteristics that make how and when we use them a delicate science.

“ For marketers who fall into the digital-only category, consider adopting a new philosophy: engage physically; simplify digitally.

Direct mail creates a high-value, tangible interaction with your targets. This trackable touchpoint can serve as a campaign catalyst and ultimately directs them to go online, with intention, to the next step in your customer journey.

Nancy Maleska

Direct Marketing Strategist, RRD
Experience: 35 years



BALANCED TESTING APPROACH IS THE KEY TO PERFORMANCE IMPROVEMENT

The practice of balanced testing to drive performance lies in understanding what was done, what was received, and what to do next. RRD's tried-and-true testing methodology — we call it “beat the control” — pushes the boundaries and finds wherever improvements are needed by exploring both incremental and out-of-the-box approaches in a balanced way.

When we use the term “balanced,” we essentially mean: test up (add features) and test down (remove certain features) from your current control.

Recent testing approaches have shifted to incorporate inflation. And, historically, when budgets get tight, some marketers will instinctively want to mail a less expensive, poorer performing mail piece to all file segments. Only testing down paints half the picture — as well as half the potential.

We recommend sticking to a balanced test matrix for a few reasons. It helps determine:

- 1) the balance between cost and response
- 2) transaction value, and
- 3) the best approach.

For example, a campaign that uses a 9x12 flat package is often more successful than a traditional letter size package even though print and postage are higher.

“ Implementing a balanced testing approach allows results to drive your decision-making around mailing package expenses. Generally speaking, testing will show mailing a package with more response drivers — which tend to be more expensive — will generate the best NET result.

Tim Pietrini

Vice President Strategic Development, RRD
Experience: 40 years



MEANINGFUL METRICS FOCUS ON PERFORMANCE, NOT COST ALONE

Cost to acquire metrics are the essential factor to consider during ROI decision-making, not lower cost per piece. Sophisticated marketers focus on the cost per new member, customer, donor or other key metric versus what the mailing is going to cost.

Clients will often be inclined to say, “I can’t afford to increase my budget,” “We can’t mail something that costs any more than our current control,” or “I’m going to mail my least expensive option.”

With inflation, many marketers are interested in cutting costs. If you are able to cut costs and retain the same response and contribution, you will have an ROI win. Unfortunately, many times a reduction in cost also creates a reduction in response. The key is to define how you measure success and stay focused on the key metrics that are most important to your business.

“ It’s not uncommon for businesses to try to save themselves into prosperity. The reality is our most successful clients understand that package cost can be irrelevant. The key to ongoing success is to focus on cost per response.

When budgets get beaten up, our recommendation to clients, which can be unexpected, may be to mail that costlier, stronger piece, but only to their top deciles. These top targets are likely to respond at an even higher rate to the more expensive version, which will deliver the best overall performance.

Scott Amundsen

Direct Marketing Strategist, RRD
Experience: 30 years



GAIN DIRECT MARKETING EXPERIENCE, AT EVERY STEP

From traditional direct mailers or digital-first marketers, current economics and record inflation have marketers feeling the pressure to deliver and prove marketing ROI.

At RRD, our direct marketing strategists — with more than 150 years of combined experience — understand it takes a high-performance program to drive response.

Their vast knowledge of direct marketing discipline and mainstream direct mail experience provides our clients consultative support on how to integrate, analyze, and utilize mail — efficiently and effectively.

To learn more about RRD's direct marketing expertise, specifically in direct mail, visit: rrd.com/direct-marketing



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