



# EVALUATING MARKETING CAMPAIGN SUCCESS

## UNDERSTANDING RESPONSE RATES, CONVERSION RATES, ROI, AND OTHER METRICS

### INTRODUCTION

The average tenure of a chief marketing officer is on the rise. In fact, the average tenure for a CMO is now 43 months, according to the latest findings from executive-recruitment firm Spencer Stuart. This speaks in part to better monitoring, tracking, and quantifying of campaign results.

This is great news because with the U.S. just starting to pull out of the recession, every marketing decision becomes that much more critical. Digital printing driven applications such as customization, segmentation, and 1:1 (personalized) printing, as well as cross-media campaigns like personalized URLs and QR Codes, offer the appeal of quantifiable metrics that help marketers justify their budgets in a way that many traditional media do not. But how do you evaluate the success of these campaigns? It's not always as simple as a basic response rate.

Let's outline some critical practices for evaluating the success of campaigns driven from the digital and 1:1 printing world.

### How do you spell success?

One of the reasons marketers often balk at 1:1 printing and cross-media campaigns is that on a cost-per-piece basis they can be more expensive than traditional campaigns. But "more expensive" is a relative concept. What if the campaign generates a greater return?

That's why, when evaluating the success of 1:1 and cross-media marketing campaigns, marketers must look at more telling numbers than just cost per piece or simple response rates. They need to look at metrics such as cost per lead, cost per response, and dollars generated per sale. Let's look at some of the most common metrics used for evaluating the success of any digital, 1:1 personalized, or cross-media campaign.

**Response rate.** Most of the case studies for 1:1 printing will discuss response rates. This is an important first gauge of success since it reflects how favorably recipients viewed the initial marketing message by taking some kind of action, whether making a phone call, scanning a QR Code, logging into a personalized URL, or something else. It is not an entirely sufficient measure, however, because not every lead will convert to a sale or trigger the desired response. Still, response rate is a good first leading indicator of the effectiveness of basic elements of your campaign, such as initial presentation, marketing message, and call to action.

**Conversion rate.** This is the percentage of people who not only take some action to respond to the marketing communication but who follow through and take the desired action. This might be filling out a survey, making a purchase, or signing up for a loyalty program. You can have a 38% response rate to a campaign, but if only 6% of those responses convert, that's only 2.3% of the original list. If, on the other hand, you get a 12% response rate but a 60% conversion rate, that's 7.2% of the original list—nearly four times higher. That's why the conversion rate is a critical factor in success measurement.

When one marketer achieved an overall 2.38% response rate, for example, this didn't look like much on the surface. However, this campaign was so well targeted, and the leads so well pre-qualified, that this “low” response rate achieved a 73.9% conversion rate. That's a *great* return.

**Cost per lead.** Marketers are used to thinking about print marketing in terms of cost per piece, but a more impactful measure is cost per lead, or how much it cost to get each person to respond. For example, if you printed 100,000 mailers and got a 1% response rate (or 1,000 leads), at \$.36 per mailer, each lead cost you \$36. If, on the other hand, you printed 10,000 mailers and got a 12% response rate, at \$1.26 per mailer, each lead cost you \$10.50. In this example, if you are measuring by cost per piece, 1:1 costs more. If you are measuring by cost per lead, it costs one-third less. This is why the cost-per-lead measurement is so important.

Guardian, a home health care agency with 45 agencies throughout the Southern states, found this out first hand. The agency was expanding rapidly and its traditional recruitment methods were generating poor results. Its cost per lead had also risen to well above \$3,000 for print ads and more than \$15,000 for traditional recruiter placements. It was looking to place hundreds, if not thousands, of new hires. It turned to a pre-packaged but customizable 1:1 print marketing solution designed for the health care market. Mailers were segmented by race and gender, then

personalized based on specialty or discipline, availability to work, interests, salary level, and years of experience. Recipients were allowed to respond anonymously. Over a 16-month period, the agency generated 12 campaigns and attracted more than 5,500 qualified candidates in 45 markets. Cost per lead went from well over \$3,000 (print ads) to less than \$90. Its fill rate soared, as well.

**Cost per sale.** Not every lead converts to a sale, so if the increased relevance created by 1:1 personalization creates better matches between recipients and the pitch, your conversion rate will often be higher. At 30% conversion, a 1% response rate for static direct mail might end up being .3%. At 50% conversion, a 12% response rate for 1:1 printing might end up being 6.5%. When you take into account not just the inquiries but the percentage of respondents who actually convert to sales, the numbers and cost equation can change yet again.

**Revenues per sale.** Better-matched products and services and more engaged respondents are more likely to generate higher revenues than static campaigns. If the average sale from a static campaign is \$100, it would not be unusual for a 1:1 campaign to average \$140 or more. In side-by-side tests, this is born out repeatedly.

Backroads, an “active travel” company, wanted to encourage existing customers to book additional high-value “active travel” vacations. It knew that recurring customers spend two to three times more on vacation packages than they do on their first trips, so its target was past customers. To test the effectiveness of 1:1 personalization, it split the mailing between personalized and nonpersonalized catalogs. Recipients of the personalized mailing received a postcard featuring an image of a special trip that the customer might find of interest based on the previous trip. The personalized mailer resulted in twice as many responses as the standard catalog. Recipients of the personalized mailer also spent twice as much.

**Return on Investment.** Once you take into consideration all of the relevant costs and revenues, you can calculate the overall ROI. When you take into consideration all of the other metrics, including increasing conversion rates, increasing sales per visit or purchase, and lifetime customer value, even a small lift in your response or conversion rates can translate into huge gains in ROI once everything is factored in.

Let’s take the hypothetical example of a company selling recumbent bicycles and accessories. At the low end, a customer might spend \$1,400. At the high end, they might spend \$800–\$1,000 more. Let’s look at how even moderate

increases in response rate and conversion rate, along with a higher average sale, affects ROI even when the cost per unit is nearly double on the personalized URL / cross-media campaign.

## ROI Comparison of Hypothetical Mailing Vs. Personalized URL

### Campaign

	Typical Mailing Campaign	1:1 Print Campaign
Quantity	10,000	10,000
Cost per unit	\$1.00	\$1.50
Total program cost (incl. design & mailing)	\$25,000	\$45,000
Response rate	1.5%	6.0%
# Responses	150	600
Conversion Rate	25%	35%
# Conversions	38	210
Revenue per sale	\$1,400	\$2,200
Total revenue generated	\$53,200	\$462,000
Est. ROI based on converting 5% of captures	213%	1026%

This is a hypothetical scenario, and clearly, the numbers for any given campaign will vary significantly based on the particulars of that campaign. The point is simply how relatively small increases in these three metrics can work symbiotically to create an exponential increase in ROI.

**Lifetime Customer Value.** Marketers will often slice and dice databases by the “value of the customer,” or how much each customer contributes to the bottom line. This is a figure that can be calculated on a sale-by-sale basis, a monthly basis, a yearly basis, or a lifetime basis. Loyal customers who purchase from a company over and over again have enormous lifetime customer value (LCV), so the loyalty of the customer gained through any marketing program plays heavily into the cost-benefit equation.

LCV is always an important consideration, but especially for 1:1 printing. This is because customers gained through 1:1 printing tend, not just to

purchase more, but as in the previous examples, tend to be more loyal than those gained through static methods.

In one marketer's self-promotion campaign, for example, the company's initial ROI for the multi-channel, multi-touch campaign (direct mail to personalized URL, email follow-up, and subsequent newsletters to responders) was 2.7 times its investment. However, the company projected that based on the lifetime value of its customers, the projected ROI reached 3300% — and it was extremely happy with the campaign.

Where we really see LCV in action is in trigger campaigns sent by automotive dealerships. Dealerships know that once people choose a mechanic, they tend to stick with them. If they can get new auto owners into the shop once, they have a good chance of retaining them over the life of their ownership of their cars. The lifetime value of the revenue from the car's routine maintenance, inspections, tires, and repairs gives the dealership the potential to earn more profit from the service than it does from selling the car itself.

This is why we are seeing more and more auto dealerships setting up personalized reminder programs for their auto and service department customers. They know the makes, models, and mileage of each car, and based on that information, they know what types of routine maintenance and inspections should be conducted and when. Every week, they send out well-timed letters personalized by auto owner name, make, model, and mileage and offer a discount for bringing the car in.

**Lift.** This is a tricky metric that is often used to make improvements in response rates or other metrics appear greater than they really are. For example, you may hear that Campaign A had a lift of 27% over Campaign B. In terms of real numbers, however, Campaign A might have achieved a response rate of 1.3% and Campaign B a response rate of 1.7%. That's a lift of 27%, but whether that is significant depends on the value and volume of products being sold. It also depends on the LCV. If you're selling high-value items with long-term revenue potential (such as financial services), that .4% increase (in real numbers) might be tremendously profitable. If you're selling low-volume, low-value products, it might not be.

### Types of response rates

Even response rates require more dissection than it might seem. With cross-media applications like personalized URLs and QR Codes, you have to differentiate between different types of response rates, since not all responses are created equal. "Response rates" can be broken down more finely into

metrics such as open rates, click-through rates, form fill rates, and order conversion rates, among others.

Let's take a closer look at these metrics.

**Open rate.** If you are sending out your personalized URLs by email, the first basic metric is the open rate. This is the percent of people who open the email in the first place.

**Click-through rate.** This is the percentage of people who go beyond opening the email to click through the link to the personalized website.

**Response rate.** This is the percentage of people who either click through the personalized URL in an email or, if it's contained in a print piece, login by typing it in or scanning it from a QR Code.

**Form fill rate.** If you are asking respondents to fill out a survey, this is the percentage of people who complete the survey.

**Completion rate.** This is the percentage of people who click through all of the pages on the personalized URL and reach the "thank you" page. This is very similar to "form fill rate," since if people are going to commit to the experience enough to fill out the form, they are likely to reach the "thank you" page, as well.

**Order conversion (or conversion rate).** If you are selling products or services, this is the percentage of people who actually order something or take some other desired action.

These are very fuzzy terms. Different marketers use different terms, and as with "form fill rate" and "completion rate," there may also be a lot of overlap between them. The point is simply to be aware that there *are* different ways to calculate response, and in evaluating the success of your campaign, you need to pick the measures that are most appropriate for that campaign.

### Metrics in action

It's important to note that many of these metrics can be overly simplistic ways of evaluating success. In most cases, you want to use them primarily as starting points. This is particularly important when it comes to personalized URL campaigns since the response rates often are not as dramatic as marketers may hear about other 1:1 campaigns.

In other types of campaigns, marketing firms and 1:1 printers like to tout response rates in the double digit range. Consequently, when marketers see response rates in the single digits for their personalized URL campaigns (which is fairly common), they may be unnecessarily disappointed.

As with all 1:1 campaigns, marketers should be focusing on ROI or on comparisons to static campaigns to determine the value of the personalized URL approach over other marketing methods. For example, when Friendly Honda, a New York car dealership, wanted to boost traffic for its annual Spring Sale weekend, it turned to personalized URLs. In addition to strategies designed to attract the general public, it used a personalized postcard and an offer to win a free iPod to survey existing customers about their interest in purchasing a new or used car.

Once respondents logged in, they were asked a variety of questions about their preferences in cars, and the information was forwarded to the sales team for follow-up. Response rates were 1.68% visiting their personalized URLs and 1.12% completing the online survey. Although these may appear to be low, the dealership sold 84 cars that weekend. Seven were sold to people who were verified to have clicked through the personalized URL. Total unit sales were nearly double previous sales records for the prior weekend—40 more cars.

Suddenly, that “low” response rate of 1.12% looks pretty good!

This is a powerful example to drive home this critical point. Even “low” response rates can be enormously profitable, depending on the value of the product being sold. This is why it’s critical for marketers to look at ROI, not response rate or campaign costs, to evaluate success.

The value of personalized URL campaigns is also found in comparison to previous campaigns. For example, when Prism Business Media wanted to draw attendees to its booth at an annual trade show, it created a segmented campaign to 12,500 prospects (segmented into retailers, business-to-business marketers, online marketers, and “other”). As the incentive, it offered a \$100 early-bird registration discount, as well as a free white paper. The postcard directed recipients to a personalized URL, where they could get more information and register.

To test the effectiveness of the personalized URLs, Prism marketed the event to another set of 10,000 prospects using the standard method of mailing two copies of the event brochure to each person.

The result? The personalized campaign generated 50% more attendees. In addition, when Prism compared the cost-per-contact for each registration, the personalized URL mailing returned \$2.17 in paid registration fees for every dollar spent. This is compared to the traditional method, which returned only \$.99 for every dollar spent.

## Conclusions

1:1 printing is no longer an experimental marketing technique. It is a proven marketing approach with a long track record. But its success is tied to the marketer's ability to prove its effectiveness with sound metrics. This starts with understanding what those metrics are.

If you haven't produced a 1:1 printing job, consider getting off the sidelines. Even if you just do a test—a small percentage of your overall database—give it a shot and see what happens. Play with it a little. The costs have become very reasonable, and there are large number of experienced practitioners vying for your business. With such a wide range of options available, it makes sense to at least give it a test drive and see what opportunities it might open for you.

White Paper from Heidi Tolliver-Walker; [www.digitalprintingreports.com](http://www.digitalprintingreports.com)



Want to learn more about how to achieve results like these?  
Contact Lindsey Boyer at 800-767-9227 or by email at  
[lindseyb@lexinetcorporation.com](mailto:lindseyb@lexinetcorporation.com).

Find additional case studies, industry reports, industry news, white papers and more at  
[np.m3toolbox.com](http://np.m3toolbox.com).

