

# 1:1

# WhitsBits

Exceeding Expectations with Print

Welcome to Whitman's premier issue of 1:1 **WhitsBits**. There is perhaps no more exciting technology in the world of marketing today than 1:1 personalization. The ability to bring 1:1 communications to the world of print — called Variable Data Printing — opens unlimited possibilities for communicating with customers. While most marketers think of VDP in terms of increased response rates, this is just the beginning. It is also a powerful tool for getting to know your customers, increasing customer loyalty, improving the quality of your prospect lists, boosting the value of your sales, and much more.

In this issue of 1:1 **WhitsBits**, we will look at the type of output technologies available, how sophisticated a database must be in order to be effective, and why response rates are not the only way to evaluate the success of a VDP campaign. In future issues, we will continue to explore the issues that directly affect you, the marketer, as VDP continues to have an explosive impact on the world of marketing and customer communications.

Enjoy!

## Unlimited Creativity!

*With Improved Technology in Digital Printing the Options Are Endless*

### **What Are You Printing On?**

When considering 1:1 print personalization, one of the questions that marketers often ask is, "What type of digital press should I be printing on?" It's a natural question. In the world of traditional print, marketers are used to scrutinizing the output quality of their printers' offset presses. Thus, it's natural to want to apply the same standards to the world of digital and VDP print.

There is a wide range of output technology that can be used for VDP. At minimum, the press must be fully digital. This means that it uses an electrostatic, inkjet or other digital process to apply toner to the paper. This toner can be in liquid form (a limited number of models) or dry toner form (the bulk of press offerings). These presses can also be cut sheet models for ultra short to standard length runs or continuous stream models for high-volume commercial and transactional work.

These presses come in a wide variety of sizes, at a wide variety of speeds, at a wide variety of price points. The result is that, whether you need 250 pieces or 2.5 million, there will be a combination of VDP program and press output to fit your budget.

### **Can You Tell the Difference?**

You don't have to sacrifice quality, even on ultra short runs. Resolution on these boxes can range from 300 dpi to 2400 dpi, and with the ability to coat and laminate digital output, the results are so close to offset that even many veteran marketers — let alone their customers — would be hard pressed to tell the difference. The number of colors can range widely, as well. In the early days, the most toner-based presses could output was four colors. Today, many digital presses can print five colors, six colors or in rare cases, even more. Even for presses that do not have the ability to print special colors (which is still the majority), the ability to accurately simulate special colors from four-color process has dramatically improved, as has the ability to simulate metallics. Some presses are able to use hi-fi color systems, such as Hexachrome.

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# Getting More Out of Your Database

## *How Much Data Is Enough?*

**H**ow sophisticated does your database need to be in order to be successful with VDP? A lot less than many people realize.

When many marketers think of Variable Data Printing and 1:1 personalization, they think of a relatively new marketing technology. In reality, the marketing and commercial printing worlds have been using this approach for more than a decade. One of the surprises has been that, it's not how much data you have, but how you use it. Even marketers with relatively simple databases can create highly effective campaigns with great ROI if they know how to use them.

It's all about relevance. For example, when one marketer wanted to increase traffic to its retail store, he was concerned about having only names and addresses from a purchased mailing list. The challenge was how to create relevance without recipient demographics, such as likes or dislikes, ages or income levels. How do you create true relevance out of "Dear Bob?"

### **Get Creative!**

Use the recipients' addresses to create maps to the store, along with distances from the recipients' homes to the retail location. Other marketers using this approach have added estimated driving

times. You might not get the same punch as if you had more detailed demographic data, but the impact will be significantly greater than if you'd sent a generic mailer.

VDP marketers consistently find that respondents to VDP campaigns spend more, on average, than respondents to generic campaigns. Thus, the "punch" is not just in the response rate, but in the quality of the responder. Even if you get only a 5% response rate to your "basic" VDP mailing, if your respondents spend 25% more than respondents to generic campaigns, your ROI just shot up exponentially.

Another way to create relevance from a basic list is to do prospecting before sending out the actual promotion. Say you are a pet food manufacturer, but all you have is a list of 100,000 pet owners. Instead of sending out static mailers to all 100,000 names, send out a pre-mailer asking recipients to provide you with more information about themselves in exchange for the chance to win a high-value prize. Respondents provide their names and addresses — whether by mail, email or Web site — along with the type of pet(s) they have and their pets' ages, genders and names.

Now, instead of an undifferentiated list of 100,000 names, you have a pre-qualified list of pet owners interested in and willing to

communicate with your company. Instead of sending out 100,000 mailers, half of which may be irrelevant to some recipients, puppy owners can be sent promotions on puppy food appropriate to the stage of growth of their pooch, and cat owners with felines in their later years can receive promotions on food for boosting energy in older pets. Plus, the front of the food bowl can be personalized with the pet's name. "Hey, Trixie! It's your owner's lucky day!" This, along with the mailing label, might be the only personalized elements visible in the piece, but the content is tailored to the pet owner's situation.

In the early days of VDP, it was thought, the more data the better. The more you can show the recipient that you know about them, the more successful the piece will be. That has not born out to be true. In fact, barring special situations, such as communications between financial companies and their customers, showing just how much you know about recipients can backfire.

Instead, it's all about relevance. The extent recipients feel that the piece is relevant to their lives is what stimulates response, not the number of variable elements. And the great news for marketers is that you can create relevance even when the information in the initial database is limited. **11**

## Unlimited Creativity

So, which is the "best" press to use for VDP? In most cases, it doesn't matter.

Are you thinking, "Did I read that right?" Yes, you did. Unless you have unique needs, such as extremely high- or low-volume 1:1 printing or unique color requirements that demand a five-color or more press, the output technology is relevant, but not critical. There are highly successful VDP specialists producing these jobs on big, robust production presses and there are highly successful VDP specialists producing these jobs on small-footprint digital printers.

Unless you have special run-length or color requirements, choosing your VDP production partner should not be done on the basis of equipment. It should be done on the basis of the working relationship.

The component that has the most impact on the success of your VDP campaign is your database — its accuracy, completeness, and how that data is used (see Getting More Out of Your Database), as well as the planning and strategy that goes into the campaign. These are the factors that will make or break your VDP project and are independent of output technology. **11**



# How Do You Spell Success?

## Why Response Rates Are the WRONG Way to Evaluate VDP Success

Since VDP was introduced more than a decade ago, the focus has been on response rates. Early market research claimed average response rates of 40% or more, and marketers achieving 20 to 30% response rates were trumpeting them loudly. Soon, these double-digit numbers became the standard by which marketers evaluated all VDP campaigns. If they didn't see upwards of 20% response, they considered the campaign a failure. After all, with VDP more costly per piece than traditional direct mail, they figured that such response rates should be the norm.

As VDP marketing has matured, however, marketers have learned that response rates are often the wrong way to evaluate the success of a VDP campaign. And not only are 30 to 40% response rates not the norm, but they don't need to be.

### All About ROI

The success of a VDP campaign is all about ROI, not response rates alone. You can have a modest increase in response rate, but a huge boost in ROI. Let's look at some hypothetical numbers.

Pieces Mailed	Cost per Piece	Print/Mail Cost	Response Rate	Revenue per Response	Total Dollars Generated
50,000	\$.10	\$24,500	1%	\$75	\$37,500
10,000	\$1.50	\$18,900	6%	\$125	\$75,000

In a traditional campaign, you might mail 50,000 full-color pieces at a cost of \$.10 per piece to print. The average response rate to mass mailings is 0.5 to 1.5% so splitting the difference, that's 500 responses. With each response resulting in a \$75 order, that's \$37,500 in revenue from \$24,500 in printing and postage. That's not even a 2:1 ROI.

In a VDP campaign, however, mailings are often not sent to everyone in a database (unless the application is a financial report or similar application that, by design, goes to the entire customer base). Rather, the database is culled for

a desired demographic for that campaign. By virtue of the highly qualified respondent base, this increases the likelihood of a higher dollar value order.



Let's assume that the mailing has now decreased to 10,000 pieces, at \$1.50 apiece. Even if the response rate increases to a mere 6% because the dollar value of the order is higher, the revenue generated is now \$75,000 at a cost of \$18,900 in

printing and postage. That's a 4:1 ROI! And the total costs of the campaign were 25% less than the traditional mailing.

That's with only a 6% response rate and an average order boost of \$50. Most well-designed programs will have higher response rates. Average VDP response rates from experienced marketers range from 9 to 12%. Due to the nature of most VDP campaigns, the dollar volumes in play are often much higher.

Of course, these examples are oversimplified and do not take into account the costs of design or database development and preparation. The point is simply that

with even what would be considered an "unacceptably low" response rate, on a well-designed campaign, the ROI can still be spectacular. If you are dealing with

high-value products, such as mutual funds, automobiles or jewelry, the average dollar order could increase substantially. Imagine the increase in ROI when you sell 3% more mutual funds or diamond bracelets.

### How Do You Measure Success?

It's also important to evaluate the success of a VDP campaign in light of the success of the client's previous campaigns. One banking institution, for example, was thrilled with a 3.0% response rate because its previous static campaigns had averaged only 0.4%. In terms of its goals, which were to increase business customer sign-ups for its Internet-based banking administration, the bank was thrilled. And isn't that what it's all about?

Keep in mind that it's not the response rate alone that determines ROI, but also total campaign cost and dollars generated per order. When developing a VDP campaign, remember to consider the client's goals (whether to generate revenue, to improve government compliance or to boost sign-ups to programs) and evaluate the success of the campaign in light of those goals, not some arbitrary desired response rate. **11**



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Welcome to our issue of *1:1 WhitsBits*. Each month I will be sending you a communication containing helpful information to assist your company in producing effective data-driven campaigns.



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PS: Next month you will be receiving more tips via our *1:1 eWhitsBits* electronic news followed by our *1:1 postcard*. Just call or email me if you would like help in developing a similar project or any other data-driven communications.

## Digitally Defined

### Variable Data Printing:

Technically, any document with text or images driven from a database is “variable data printing.” Your phone bill, for example, is a VDP document. So is your credit card statement and your electric bill. These documents are functional, but they aren’t very compelling. What makes today’s “VDP” marketing documents different from merely database-driven information? First, it’s their ability to include full-color graphics and photographs. Second and more importantly, it’s their relevance. It’s the ability of savvy marketers to use what they know about recipients to craft a marketing message especially and uniquely for them. Thus, a full-color marketing document with even a handful of variable elements can have an entirely different impact than a phone bill with hundreds of variable elements, even though both have their origins in the same basic technology — database-driven, 1:1 printing technology. What turns variable data printing into variable data personalization is not the technology, but the marketing savvy behind it.

***We hope that 2007 is both  
pleasant and prosperous for  
you and Earth Treasures!***

As wonderful as 2006 has been, we’re looking forward to this New Year and hope to assist you with your print projects.

One 2006 highlight for us was the introduction of our new IKON PPC650 digital color press, which printed this newsletter!



We would love the opportunity to discuss how VDP printing can help you reach your goals in 2007 and welcome your call!

***Happy New Year!***