MARKETING METRICS THAT MATTER TO CUSTOMERS  

by Heidi Tolliver-Walker

It used to be that the average tenure of a chief marketing officer was 18 months. That was a scary number for many marketers. Fortunately, this is changing. According to executive recruitment firm Spencer Stuart, the average tenure for a CMO is now 43 months. This speaks in part to better monitoring, tracking, and quantifying of campaign results.

This is great news. With the U.S. seemingly on the other side of the recession, marketing budgets are opening up to include all channels of communication. New technologies in digital printing enable customization, segmentation, and cross-media campaigns of any size. With toner-based digital printing, volumes can be in the hundreds—or smaller. With inkjet web, volumes can go into the millions.

As production capabilities have become more robust, so have strategies for measuring success. Quantifiable metrics help marketers justify their budgets and evaluate the effectiveness of their choice of channels (or mix of channels) and focus on the ones producing the highest returns.

Evaluating campaign success is not always as simple as looking at a basic response rate, however. Let’s review the “must-haves” that help measure any integrated marketing campaign.

**HOW DO YOU SPELL SUCCESS?**

One of the reasons marketers balk at variable and cross-media campaigns is that on a per-piece basis they can cost more than static print campaigns. But “more costly” is a relative term. These campaigns might cost more, but what if they generate greater returns?

When evaluating the success of their marketing campaigns, marketers must look beyond cost per piece or simple response rate. They need to look at deeper metrics like cost per lead, conversion rate, and dollars generated per sale. Let’s look at some of the metrics commonly used for evaluating success and the differences between them.
RESPONSE RATE
Most of the case studies for variable printing 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. This might be making a phone call, scanning a QR Code, or logging into a personalized landing page. 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.

COST PER CALL
Many marketers and business owners look at cost per call. Certain products require interaction and a personal sales process, so knowing your cost per call can be important for marketers who want to give their salespeople “a chance” to make the sale. Copy needs to direct the recipient to “Call today!” or use another call to action that generates phone activity. Another reason to track your calls is help locate the source of any problems in the sales funnel. If you have a high percentage of calls but a low conversion rate, this points to a problem in your sales process.

CONVERSION RATE
This is the percentage of people who not only 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, but if only 6% of those responses convert, that’s 2.3% of your original list. If, on the other hand, you get a 12% response rate but 60% of those responses convert, that’s 7.2% of the list, nearly four times as many people. When one marketer achieved an overall 2.38% response rate, for example, this didn’t look like much on the surface. However, the 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
When evaluating costs, marketers are used to thinking in terms of cost per piece, but a more impactful measure is cost per lead, or how much it costs to get each person to respond. For example, if you print 100,000 mailers and get a 1% response rate (or 1,000 leads), at $0.36 per mailer, each lead costs you $36. If, on the other hand, you print 10,000 mailers and get a 12% response rate, at $1.26 per mailer, each lead costs you $10.50. If you are measuring by cost per piece, variable printing may cost more depending quantity and type of production. If you are measuring by cost per lead, it might cost one-third less. This is why measuring cost per lead 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. To address the challenge, it turned to a variable print marketing solution designed for the health care market. Recipients were segmented by race and gender, then the mailers were personalized based on specialty or discipline, availability to work, interests, salary level, and years of experience. By using personalized landing pages, Guardian also allowed recipients 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 job fill rate soared, as well.
COST PER SALE
Not every lead converts to a sale, so if the increased relevance created by variable printing creates a more effective campaign, 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 variable 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. If the average sale from a static campaign is $100, it would not be unusual for a variable 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 variable printing, it split the mailing between personalized and non-personalized 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 the relevant metrics, including conversion rates, 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.

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<th>ROI Comparison of Hypothetical Mailing Vs. Variable Campaign</th>
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<td>Typical Mailing Campaign</td>
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Let’s take the hypothetical example of a company selling recumbent bicycles and accessories. Let’s look at how even moderate increases in response and conversion rate from a variable campaign, combined with a higher “dollars per sale,” affects ROI even when the cost per unit is higher. (See box to right)

This is a hypothetical scenario, and the numbers for any given real campaign will vary 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 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 variable printing. This is because customers gained through variable printing tend, not just to purchase more, but 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 landing page, 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 was 3300%. Needless to say, it was extremely happy with the campaign.

LIFT
This is a tricky metric that is often used to make improvements in response rates 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 are selling high-value items with long-term revenue potential (such as financial services), that .4% increase in real numbers might return tremendously profits. If you’re selling low-volume, low-value products, it might not.

CUSTOMER RETENTION RATE
What percentage of your customers are you retaining each year? Over the past 18 months? Longer? Although you aren’t going to measure this on a campaign-by-campaign basis, your customer retention rate reflects the effectiveness of your broader marketing and communications efforts. With studies showing that it costs 7x as much to gain a new customer than it does an existing one, customer retention rate is an extremely important metric.

METRICS IN ACTION
Understanding these metrics is important, but many can also be overly simplistic ways of evaluating success. In most cases, you want to use marketing metrics as starting points. This is particularly important when it comes to campaigns using personalized landing pages since the response rates often are not as dramatic as marketers may hear about other variable campaigns. In all variable and cross-channel campaigns, marketers should focus on ROI or on comparisons to previous campaigns to determine the value of these approaches over other marketing methods.

For example, when one New York car dealership wanted to boost traffic for its annual Spring Sale weekend, it turned to personalized landing pages. 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 1.7% visiting their personalized landing pages and 1.1% completing the online survey. Although these numbers may appear to be low, the dealership sold 84 cars that weekend. Seven cars were sold to people verified to have clicked through the personalized landing pages. 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. That’s why understanding all of the metrics is necessary to analyze the true value of the campaign.

So know your metrics from start to finish. Know how to use them to evaluate the real success of your campaigns. Look at ROI, cost per lead, cost per call, social media engagement, and other metrics, not simply response rate or campaign costs. This way, you will understand what is truly working—and returning the best results.

Heidi Tolliver-Walker has been a commercial and digital printing industry analyst, feature writer, columnist, editor, and author for more than 20 years. Her industry commentary can be found in today’s national printing publications, top industry blogs, and behind the scenes in well-respected industry and private newsletters and marketing publications.