

DIRECTORS' BRIEFING



The Chartered
Institute of Marketing
☎ 01628 427 500

Direct mail

● Direct mail can be an extremely cost-effective marketing method.

You can use it to get details of your company and its products directly into the hands of the people who are most likely to want them. But direct mail works best with proper preparation beforehand.

This briefing explains:

- ◆ Which businesses can benefit from direct mail.
- ◆ How to build up your mailing lists.
- ◆ What you should put into your mailing.

1 Is it for you?

Direct mail can generate enquiries, build long-term customer relationships, and lead to increased sales. Use these methods to maximise your chances of success. (See **Planning your marketing**, MA 5.)

A Identify your **target audience**.

- ◆ The closer the mailing profile is to the existing customer base, the better the response rate will be.
- ◆ Build your own mailing list (see **2**) for the best response rate.
- ◆ Targets for business products are often easier to identify than targets for consumer goods.

B You must be able to **make a profit**, after accounting for all the associated costs.

- ◆ You can calculate the costs of an individual mailing very precisely.
- ◆ Do not underestimate the costs of building up a good mailing list, administering marketing activities, and fulfilling orders.

◆ Repeat orders are the most profitable.

It costs between three and 30 times more to acquire a new customer than to sell to an existing one.

C Build up your **response rate**.

With direct mail, you can quickly find out if there is a market for your product, who will buy, and what you can afford to charge.

The size of your mailing depends on how many responses you need, and what the expected response rate is – which in turn depends on the targets and what incentive you provide.

- ◆ Provide some incentive for customers to respond. For example, by offering a prize.
- ◆ You can tailor your mailing to seasonality. For example a conservatory company

FURTHER HELP

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name and by the code given to each briefing. For example, the marketing briefings have the codes MA 1, MA 2, etc.

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might focus on April and May, ahead of the usual summer sales peak.

You should know if your product is viable and where to direct your efforts within a week of mailing. With an advertisement, it could take months.

D You can use direct mail to establish a **mail order** operation.

Decide whether your product is suitable.

- ◆ Customers need a reason to buy this way. The reason might be convenience, product range or prices. Some specialist items are not available in stores. Mail order (to a well targeted list) is the only way to make them available.
- ◆ One drawback is that the customer cannot try out the product.
- ◆ Your product needs a high enough margin per item to cover all the costs involved.

2 Your database

The quality of your database is the most critical element in achieving a good response rate.

A It pays to **create your own** list.

The response rate will always be better than the response from any bought-in list.

- ◆ Your existing customers (if any) are always your best source of new orders and leads. Include a form when you mail them, asking if they know anyone else who might want your services.
- ◆ Ask suppliers and other business contacts about potential customers.
- ◆ Train staff to obtain full details from telephone enquiries.
- ◆ Never throw away a name. Gather leads from customer lists, trade show visitors, responses to ads and warranty cards.

B If you plan a significant volume of mailings, **use database software** (see **C** and **D**).

- ◆ Small mailshots can be done using word processing software and spreadsheets (see **Best use of office computers**, IT 7).

C Decide how much information you want to hold, and how to **organise** it, before choosing your database package.

Even a small specialised mail order business could have 50,000 names on file. A larger business could have ten times as many.

- ◆ You might want to include details such as telephone number and email address.

- ◆ Consider having a field for 'function', as well as a title.

You could then run off a whole list (for example, 'finance'), rather than having to select by individual titles (eg 'finance director', 'accountant' and 'treasurer').

- ◆ You need to know when each name was last checked or amended.
- ◆ You need to know when you last mailed each name and how often the prospect has been approached in the last year. Regular mailing improves response, but duplicated mailings alienate customers.

D Your database is one of the business's most valuable assets and must be **managed**.

- ◆ Data inputting must be checked, or it could ruin the mailshot at the outset.
- ◆ The quality of the database declines unless it is regularly 'cleaned' and added to. Cleaning eliminates the names of 'returns' (letters returned to sender). Experts say an uncleaned list is unusable in three years. Many email addresses are out of date in six months.
- ◆ Consider including a reply-paid card in your mailshots, so your customers can confirm or amend their details. Always print a 'return to sender' address on the back of the envelope.
- ◆ Even if all 'returns' are eliminated immediately, the database should be checked on a regular basis. You could combine this with telephone follow-up to a mailing.

E Make sure you comply with the **Data Protection Act**. For example, you cannot sell or exchange your customer mailing list without your customers' permission (see **6**).

3 The mailing

A good mailing package will create a better response rate. You are competing with all the other mail that members of your target groups receive. See **Writing a mailshot**, MA 7.

A The **letter** should explain the offer.

- ◆ If possible, it should be personalised, by addressing it to a named individual.
- ◆ You have less than two seconds to convince the reader it is worth reading. The first half-dozen words are crucial.
- ◆ You should usually include a brief, relevant headline.
- ◆ In the first paragraph, describe the

► See **Marketing with your database**, MA 6.

"The best source of new customers is your existing customers. Offer them incentives to recommend your business to others. And 'reward' the new recruits as well, so they do not feel exploited."

*Brendan Austin,
Marketing Guild*

benefits to the reader.

- ◆ The bulk of the letter should then explain and amplify the first paragraph. It should be clear, simple and convincing. Avoid being flamboyant or patronising.
- ◆ Avoid jargon or technical terms, unless you are writing to a technical audience.
- ◆ In the final paragraph, explain just how to respond to the letter (the call to action).
- ◆ Sign the letter. If you are mailing in bulk (more than about 500 letters each time), get your signature laser printed.
- ◆ Always have a P.S. that restates the benefits – everyone reads it.

B Include relevant **enclosures**.

- ◆ A well-designed brochure will help to establish your credibility.
- ◆ If possible, include a sample of some kind.
- ◆ If you are selling a range of products, enclose a price list.

Be clear about what you are selling and what its appeal is. If you confuse the reader, the package may be thrown away.

C Make **responding** as easy as possible.

For example, you could include:

- ◆ A self-mailing order form for the reader to tear off and return.
- ◆ A pre-printed reply card.
- ◆ A well-designed 'fax back' form.
- ◆ A pre-printed business reply envelope with

a Freepost address.

Make it clear to the reader exactly what you want him or her to do.

D Give readers an **incentive** to reply promptly.

- ◆ For example, you might offer them 10 per cent off, as long as they reply by a specified date (up to three weeks away).
- ◆ Cost out any incentives you offer carefully, to avoid making a loss.

E Mailings to businesses will usually be opened as a matter of routine by a secretary. But when mailing to consumers, the first hurdle is getting them to open the **envelope**.

- ◆ Using stamps, rather than franking, will raise your letter-opening rate.
- ◆ An unusual size or colour of envelope may attract attention. Avoid brown manila envelopes, which always look like bills.
- ◆ With a small-scale mailshot, consider getting the addresses written by hand.
- ◆ If you overprint the envelope – free gift or special offer – the message must be justified by the contents or it will disappoint people and backfire badly. Do not mark the envelope 'private' or 'confidential' unless this is really justified.
- ◆ Window envelopes need no labels and are therefore marginally cheaper to use.

F Choose the best possible **timing** for each mailshot.

- ◆ For business targets, do not send out mail just ahead of a public holiday.
- ◆ Tuesday and Wednesday are generally the best days of the week for a mailshot to reach people, though Saturday morning is ideal for leisure and gardening products.
- ◆ Avoid main holiday periods – mid-July to early September and the Christmas break. Early January is a good time for many businesses.
- ◆ A mailing promoting an event should generally be sent six weeks beforehand.

G Depending on the nature of your mailing, you may follow it up with a **telephone call**.

- ◆ Make this call part of your overall sales strategy.

H Be ready to react quickly when **orders** come in. Poor service puts customers off.

- ◆ Decide in advance what you will do if the response rate is two or three times what you were expecting.

"Why not try testing? It takes the guesswork and the risk out of marketing. Find out what works before you spend any serious money."

*Hilary Centelghe,
Business Link Cheshire
and Warrington*

"Direct mail gives you exceptional control over your marketing: the targets, the timing, the costs, and even the results."

*Mike Johnston,
Chartered Institute of
Marketing*

Using a mailing house

A small business can easily handle mailings of up to 1,000 items.

Beyond that, you might want to bring in temporary employees or use a mailing house.

- ◆ *Mailing houses offer different levels of service. These will include database management, providing (and printing) labels and envelopes, stuffing, stamping and despatch. Specify what you want.*
- ◆ *You will have to supply some extra envelopes and enclosures for wastage (normally 5 per cent).*
- ◆ *You usually pay for postage in advance. The posting docket is proof of posting.*
- ◆ *Include a few 'seed' names (eg your employees), who can tell you when the mailing arrived, and in what state. Let the mailing house know that you are maintaining checks.*

4 Testing and monitoring

One great bonus of direct mail is the ability to test a range of possibilities quickly and simply.

A Split the mailing to get different information. Send out mailings with different messages, or change one item on each successive mailing.

For example, change the price, the offer, the writing style or the stated benefit.

B Test different sectors of the market and monitor the response so you can measure how effective different mailings are.

- ◆ Print order forms in various colours, add a key or code or ask for replies to be sent to different departments (possibly invented).

5 Using external mailing lists

A Many lists can be rented or bought, on computer tape or disk.

- ◆ Specialist magazines, and conference or exhibition organisers are a good source.

- ◆ Most directories rent out their lists.

Copying the names and addresses to add to your database is a breach of copyright.

- ◆ Some trade associations allow access to member lists. Look in the Directory of British Associations.

- ◆ Most Business Links offer a wide range of lists.

For small mailshots, such lists are often cheaper than those provided by other sources.

- ◆ The Direct Marketing Association (see 6) can provide a list of members (list owners, brokers and managers) who adhere to the industry code of practice.

Or see under 'Direct mail' in Yellow Pages.

The List Warranty Register can validate the warranty on a particular list (call 020 7291 3300 or email lwr@dma.org.uk).

B Be methodical about selecting and negotiating the use of external lists.

- ◆ Identify your needs clearly, in writing.
- ◆ Shop around to check prices.

A good business list of people who have previously responded by mail – ie they are mail responsive – will cost at least £150 per 1,000 names.

Business to business databases, from sources such as D&B, will be cheaper.

- ◆ Ask for the lowest minimum order from

the list and test part of it.

- ◆ If there is a high minimum order (eg 5,000 names), you may be able to negotiate this down.

- ◆ Knock out flaws in bought-in lists, for example, duplications of branch offices.

- ◆ Insist on exclusive use for your type of business while you are doing your mailing.

- ◆ Do not re-use a list you have rented for one-off use. The list owner will have seeded it, to check that you do not abuse the agreement.

However, you may re-mail everyone who responds to your original mailing. These names become yours.

- ◆ Agree a refund if a high percentage (say, more than 5 per cent) of your mail packs are returned as gone away.

6 Where to get help

A The Direct Marketing Association publishes best practice guidelines and an industry code of practice (020 7291 3300 or www.dma.org.uk).

B The direct mail industry has set up registration services to let members of the public opt out of receiving direct mail.

- ◆ Contact the Mail Preference Service on 020 7291 3310 or www.mpsonline.org.uk.
- ◆ Contact the Fax Preference Service on 020 7291 3300 or www.fpsonline.org.uk.
- ◆ Visit www.dmaconsumers.org/emps.html for details of the Email Preference Service.

Direct mailers must remove all Preference Service names from their consumer mailing lists.

C Royal Mail produces a series of practical guides on mailings, designed for small and medium-sized firms (08457 950950 or www.royalmail.co.uk).

D Contact the Information Commissioner's Office for more information on the Data Protection Act (01625 545700 or www.informationcommissioner.gov.uk). (See **Your firm and the Data Protection Act**, LA 14.)

EXPERT CONTRIBUTORS

Thanks to **Mike Johnston** (Chartered Institute of Marketing, 01628 427306);

Suzanne Coleman (DraftWorldwide, 01865 884444);

Brendan Austin (Marketing Guild, 01904 520820).

FURTHER READING

This briefing was co-written by Drayton Bird, author of

Commonsense Direct Marketing (£22.50, Kogan Page).

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