Custom communication: Does it pay?

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Abstract With the prolific use of personalisation in direct-response advertising — and now, fully customised text and graphics in both print and electronic communications using digital variable-data printing (VDP) — it would be thought that normative data on conversion rates attributable to its use would be widespread and readily available.

In fact, there have been but a handful of studies of the relative economics of customised one-to-one marketing pieces as opposed to static communication (documents which do not change over their life cycles). All have been sponsored or reported by the printing industry.

Despite the paucity of such primary research, however, the data from this handful of studies build a case for the value of VDP. It also helps shed some light on the dynamics of one-to-one communication, knowledge which can be helpful in designing pieces that help create more customers more profitably.

INTRODUCTION

One of the overarching goals of database marketing — as with practically all response marketing these days — is to increase the level of customer intimacy, to get personal, to move the use of the pronoun from *vous* to *tu* (to borrow from the French) as quickly as possible. And, in the process, garner not only response, but sales — increasingly the true metric for performance in database marketing.

The question is, does the use of a high degree of personalisation help support that goal? Put another way, is a highly personalised direct-mail campaign worth the significantly higher cost? And, equally importantly (at least for creative people), which types of personalisation and customisation yield the greatest impact on sales conversion?

Studies by the Rochester Institute of Technology (RIT) in 1999¹ and the Institute of Information Management (IIM) in Dortmund, Germany in 2001,² along with a survey of customised brochure recipients conducted in 2001 by the Ford Motor Company and reported during 2002 in a white paper by the author,³ help provide answers to these important questions.

THE RIT STUDY

The first major study of response rates for digital variable-data printing (VDP) was conducted in 1999 by Professor Frank Romano and graduate student David Broudy at Rochester Institute of Technology, School of Printing. Romano and Broudy looked at the following factors:

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- static versus personalised promotions: what effect does the incorporation of person or company name have on the response
- static versus personalised promotions with a database connection: what effect does the use of something known about the recipient have on the response
- black-and-white versus colour: does colour have an effect on response rates
- the effect of discount coupons: does a discount coupon have an effect independent of other effects
- consumer versus business-to-business: are there significant differences between these two areas and do the principles apply equally?

Their study tested each of these dimensions over five months (nine variables, 36 mailings of 4,000 each) of business-to-business and consumer mailings since each has different dynamics. Product offers in the business-to-business category included books and videos and phone services, and in the consumer category, home videos and supermarket products. The nine versions (types of personalisation) employed were:

- static promotion: a black-and-white piece but with no personalisation other than addressing
- name-only personalisation: a black-and-white marketing piece that incorporated the recipient's name
- static promotion (same as version one) in full colour: to test the effect of colour alone on response rates
- name-only personalisation (same as the second version) in full colour: with a marketing piece that incorporated the recipient's name
- dynamic promotion with database connection in black and white:

through a piece that used information about the recipient's purchasing history (buying patterns)

- dynamic promotion with database connection in full colour: through a piece that used information about the recipient's purchasing history (buying patterns)
- static promotion (same as the first version) plus a discount coupon: with a black-and-white marketing piece that had no personalisation
- dynamic promotion with database connection (same as the fifth version) plus a discount coupon: using a black-and-white piece that contained information based upon buying patterns
- dynamic promotion in full colour with database connection (same as the sixth version) with a discount coupon: with a piece that used information about buying patterns, reflecting some aspect of the individual's purchasing history.

Results of the RIT study

Of the total of 144,000 pieces mailed, 8,700 responses were received, or an average of 6.0 per cent response (defined as an actual order) — 6.4 per cent for the consumer mailings and 5.7 per cent for the business-to-business segments. (While these response rates are above national norms, ie US response rates typical for this type of direct mail, the marketers who participated in the study felt that they had done a good job of targeting their recipients.) The results were as follows:

- static mailings: these most basic mailings (static, black-and-white) had a response rate that averaged 0.46 per cent, well under the often-quoted industry 'standard' of 1–2 per cent.
- name-only personalisation: a basic

- level of personalisation, increased response rates by 44 per cent over the static, black-and-white mailing
- addition of full colour: adding full colour increases response rates by 45 per cent over the static, black-and-white mailing. This demonstrates the power of colour in generating response
- name-only personalisation with full colour: adding name only and full colour increased response rates by 135 per cent over the static, black-and-white mailing
- addition of dynamic database-resident information: applying database information in constructing the offer and the piece increases response rates by over 500 per cent over the static, black-and-white mailing. This shows the value of knowledge of the recipient in boosting response (provided, of course, that the information used does not threaten the recipient's privacy)
- addition of a discount coupon: when a discount coupon is added to the static, black-and-white piece, response rates jumped by more than 1,000 per cent, prompting an additional, as yet unanswered, question in the researchers' minds: 'Would discounts alone create the improved volume of responses without the other attributes?'

The researchers noted that 'it was also interesting that the responses followed a similar pattern through all four categories. We would have expected some deviance between consumer and business-to-business markets'.

THE IIM STUDY

A survey, sponsored by NexPress Solutions LLC and conducted by the Institute of Information Management,

Dortmund, Germany, reports that the success rate (measured in two campaigns to 1,400 customers) for fully customised direct mailings is nearly three times higher than standard mailings.

Roughly half the target group received a fully personalised brochure that incorporated the power-usage statistics of the prospect, and the specific savings they could expect to achieve. The other half received a conventional colour brochure describing the same programme (with a covering letter that was personalised only with the recipient's name and address).

More than 15 per cent of the prospects who received a personalised brochure signed a contract within seven weeks — a success rate 2.9 times higher than the 5.4 per cent who received the standard brochure and signed contracts.

Response rates for telephone inquiries produced nearly the same results: more than 6 per cent who received the personalised brochure picked up the phone to call for more information — a response 2.6 times higher than the 2.4 per cent response to those who received the conventional brochure.

Most importantly, conversion ratios also soared. Of those who called, 71 per cent of those receiving the personalised mailing agreed to sign a contract (2.5 times higher than those who received the standard brochure).

THE FORD STUDY

One of the most illuminating of these studies (conducted by the Ford Motor Company) not only measured the impact of customised VDP brochures but their relative value when used to fulfil product inquiries generated through the World Wide Web.

After a prospective customer completes a simple online questionnaire at Ford's Explorer SUV website

(fordvehicles.com), Ford provides the answers in print. While visitors to the website have the option of getting e-brochures delivered to them while they are online, only about 10 per cent elect to use this option. Most request the same information as print communication delivered by mail.

To be sure, Ford is not the only carmaker to use the power of personalised digitally printed direct mail in promoting its products. Others, such as Chrysler, have done very well by using the technique to build traffic on showroom floors. What is new is the high degree of integration of Ford's Web assets and VDP. Ford's goal is to test a new way to use car brochures that would improve impact, response and speed to market.

Despite the wealth of data it delivers about each prospect, the form on the Ford Explorer website is simple and easy to use. While online, visitors can:

- select the type of vehicle from a list of cars, minivans, trucks and SUVs
- select whether they want to receive a brochure. Visitors can elect to 'download a brochure' or 'order a brochure'
- indicate their title (with a handy pull-down menu: Mr, Mrs, Miss, Mr and Mrs, Dr. This not only speeds form completion but helps get title personalisation correct when printing brochures), plus first name, last name, address and e-mail information (both home and work)
- request how the brochure should be sent (US mail or e-mail); preferred auto colour (a pull-down menu) with preferred features (another pull-down menu for 'power/towing', 'comfort/space', or 'safety')
- relay preference for two-wheel or four-wheel drive, weekend activities (yet another pull-down menu for

'fishing', 'hiking/climbing', 'running errands')

- indicate the price range they prefer prior to hitting the 'submit' button.

As previously mentioned, the majority overwhelmingly opt for getting a printed brochure. The brochure bespeaks quality, underscoring Ford's slogan and branding strategy. To the untrained eye at least, it is virtually impossible to distinguish from a traditionally printed piece. Except for one thing — it is highly personalised. It is also customised, with graphics and text relating directly to each potential customer's interests. The brochure also provides the names and addresses of nearby dealers as well as manufacturer's suggested retail prices for the make, model and options selected.

Results of the Ford study

In September, 2001, Ford sent brochure recipients a questionnaire to close the loop and measure the impact of the programme. The survey yielded a 12.6 per cent response rate (1,268 completed questionnaires). The survey helped determine:

- whether expectations were met
- parts of the brochure recipients most liked
- parts of the brochure recipients least liked
- whether the dealer brochure should be replaced with the digitally printed brochure
- types of information desired in future brochures
- desirability of customised content
- whether personalisation should be increased
- if information and pictures of optional equipment and current pricing incentives should be included
- speed of response

- overall impression of Ford as a result of the mailing
- if the programme should be extended to other Ford products.

Nearly half said that the brochure met their expectations with one third claiming it actually exceeded those expectations. The results (see Appendix 1, Key Findings) also showed that while most people (69 per cent) did not expect to receive a personalised brochure, the majority were not only pleased to have received it, but also felt that the degree of personalisation was about right. An even larger number (87.1 per cent) wanted more customisation concerning their interests in additional options.

The survey tends to confirm what direct-response marketers have intuitively known for many years: personalisation helps increase interest and involvement but it is important not to overdo it. With customisation of text and graphics, however, the sky appears to be the limit. Most of those who responded wanted more customisation, not less.

Despite general perceptions of digital printing being of lower quality than traditional printing, a majority indicated that the mailing increased their positive impressions of the company.

Most interesting, however, is that more than half (768 people) said it made them want to visit a Ford dealer, and of that group, 67 committed to buy.

STAYING AHEAD OF THE RESPONSE CURVE

These studies demonstrate VDP technology's utility as a sales-generating medium and underscore the value of fully customised communication in a wide range of industries with high-end marketing applications.

Today, when advertising agencies increasingly use response components

such as toll-free numbers or Web addresses and incorporate them into all media channels, VDP may well have an even more useful role to play.

The field, however, is certainly fertile for more research, in particular, cost-of-conversion studies for various VDP formats, that will help marketers gain an even better grasp of the economics and psychodynamics of customised communication as a customer-bonding technique in database marketing.

Acknowledgment

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APPENDIX: KEY FINDINGS FROM FORD'S SURVEY OF CUSTOMISED BROCHURE RECIPIENTS

☐ Overall Impressions

- My expectations for product information:
Exceeded: 36% Met: 48%
Exceeded or Met: 84%
- The customised content was:

- Very impressive: 51% Okay: 38%
Exceeded or Met: 89%
- My impressions of Explorer as a brand:
Were raised: 54% Stayed the same: 40%
- Ford should have this type of information on other products: 88%
- Should this brochure replace the dealer brochure?: 53%
- More info on specific options I am interested in: 87%
- Comparative info between Explorer and other SUVs: 67%
- More technical information: 60%
- The dealer's URL: 41%
- Ratings of the speed with which the brochure was delivered:
Excellent: 56% About Average: 36%

☐ **Brochure Content and Delivery**

- Best-liked custom features:
 - 1: Colour of my car
 - 2: Custom content based on feature I selected
 - 3: List of dealers in my area
 - 4: Text mentioning my name
- Would like in the future:
 - Info on incentives and current pricing: 90%

☐ **Results**

- Did this brochure make you want to visit one of the listed dealers: 61%
- From the comments section, 67 people confirmed the purchase of an Explorer after receiving the brochure