

Economic Reality and its Effect on Traditional Metrics

In 2009, companies were faced with many challenges and difficult decisions brought about by an extremely turbulent economic climate. It was a time of intense review of the traditional corporate status quo. Many of us had to face the tough questions and more than ever quantify the “what have you done for me lately” questions emanating from a cost cutting and budget wary executive team.

One emerging theme was that the traditional Direct Mail channel had become viewed by many organizations as an expense that could be saved, whereas Mass and the other channels remained viewed as a cost of sales; a somewhat perplexing view given the fact that all channels reduce profits on a dollar per dollar basis. One of the reasons this viewpoint came about is the tremendous measurability of Direct Mail that we have so proudly been touting over the years.

“Why spend money within the Direct Channel to attract prospects that already exhibit a high propensity to become customers via other channels?”

We’ve all read articles on how to measure the incremental impact of Direct Mail at a campaign level via a no mail sample group. Similarly, we have all read about many of the challenges of accurately measuring other channels; As such we will not delve into those topics in detail yet again. Instead, we will introduce an extension of the common “incremental” segmentation strategy that very few organizations employ yet for many provides a good starting point for analyzing the impact of Direct Mail and other Mass channels as well.

Measuring Direct Mail efforts against a no mail control group to measure the “incremental” impact of a campaign allows us to go back to answer the question of “What customers did you bring in over and above those customers that would have come in as a result of our efforts in traditional Mass channels?”

What if we introduced a small yet statistically significant sample group that NEVER receives direct mail for a stated period of time? By employing a simple “perpetual holdout” strategy, we allow ourselves to begin down the path, at a rudimentary level if nothing else, of multi channel or media mix analytics. By segmenting out prospects that are held out of the Direct Mail channel we are able to assess the impacts of the other channels within a company’s marketing mix against this group and vice versa.



Simply put, a portion of the prospects contained within the holdout group that never receive Direct Mail are in fact going to become customers. They will become customers due to the myriad of messages received from retail, word of mouth, social, television, telesales and the other channels of your company's media mix. They simply will not receive Direct Mail.

This segmentation strategy, coupled with the power of predictive analytics, enables us to quantify the results and impacts of both segments not only individually but against another as well. One group receives the traditional Mass channels while the second receives Mass and Direct Mail. Using the difference between modeled probability (response) scores of the two groups, allows a greater degree of flexibility for measuring the effectiveness of the Direct Channel.

Why spend money within the Direct Channel to attract prospects that already exhibit a high propensity to become customers via other channels? Instead, we can reallocate the money that would have been used on those individuals to dive a little deeper into the prospects that show a higher propensity to become customers with the addition of Direct Mail to their Marketing Mix.

We all know that Multi Channel and/or Media Mix analysis is very popular right now. Sadly though, many companies do not possess the appropriate data at the appropriate level of granularity to help them tell the story correctly. What are we to do, tell the CMO that we have to begin to track the data so we'll get back to them with an answer? The aforementioned approach can be a great starting point for companies looking to begin breaking down the silos that have traditionally existed within their Marketing Mix.

In summary, the economic downturn taught us all too well that it's not just about spending more money, it's about making the most of the systems and information already at hand from previous investments and optimizing them with new strategies and subsequent investments to tell the story ongoing.

We will emerge stronger and better than ever from these challenging times. We can continue to use the sustained measurability of the Direct Channel to open up new opportunities to understand our businesses dealings with customers and prospects alike and be able to help our stakeholders in other less measurable channels tell their story as well.

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