



The Banker's Direct Mail Bible

WHAT WORKS
WHAT DOESN'T
HOW TO GET STARTED

Steve Cuno
Chairman and Founder
RESPONSE Agency, Inc.

Contents

1. Good Direct Mail Earns a Profit	3
2. What's a Good Response?	5
3. Three Steps to Successful Direct Mail	7
4. Smart Targeting	9
5. The Big, Huge, Important Rule That Never Changes: How to Make People Respond <i>Immediately</i>	15
6. 23 Response-Building Secrets	19
7. How to Track and Improve Results	26
8. 5 Steps to Getting Started	32

© 2009 RESPONSE Agency, Inc.
All rights reserved

Chapter 1

Good Direct Mail Earns a Profit

Since you're reading this guide, you're probably a bank marketing decision-maker. Due to that fact alone, you probably receive a lot of junk mail. Chances are you toss most of it, unopened, into the trash.

So it's only natural to ask if direct mail really works.

The answer is an unequivocal YES. Banks use direct mail to retain and grow best customers, find new, profitable customers, and cross-sell services. In addition, smart banks use direct mail to predict a campaign's outcome and profitability *before* backing it with big dollars.

But most banks don't do direct mail as well as they could, and get dismal results as a consequence. Why? Usually it's because they're unaware of the vast body of knowledge about proven direct response techniques available to them.

So, for starters, here's your first, big direct mail tip: *Take the time to learn what works. Then trust it, and use it.*

The Banker's Direct Mail Bible is a concise summary of best practices in direct response mail for banks. The secrets you're about to learn are continually tested, and are proven effective and reliable by direct response pros every day.

This is probably a good time to bring up a few definitions. *Direct response*, *direct mail*, and *direct response mail* are often used interchangeably. But indulge us in getting technical for a moment.

Direct response is the craft of getting a market to respond directly back to the advertiser. It isn't limited to direct mail. Direct response techniques exist for TV, radio, print, the web, and even, on occasion, billboards.

Direct mail is anything you happen to mail to lots of people. Companies that send out a lot of mail but don't employ proven direct response techniques are technically doing *direct mail*, but not *direct response*. Which usually means they're not getting the results they could get if they did it right.

Direct response mail is the most specific term. It means you're sending out direct mail that employs proven direct response techniques. It is the smartest, most profitable way to use the U. S. Postal Service, and it's what you're going to learn how to do by reading this book.

Although this guide focuses on *direct response mail*, its principles adapt with great success to other direct response media, such as the Internet, print media, and broadcast.

For more insights and techniques, visit ResponseAgency.com, where you can download free articles and a how-to-oriented blog.

Chapter 2

What's a Good Response?

A question that often comes up is, *what's a good response?*
Is it 1%? 2%? 3%?

It's a trick question. Successful direct response marketing isn't defined in percentages. *A good response is one that achieves break-even or better, regardless of percentages.* A good response leaves you in the black after you've paid for your list, printing, mailing, and postage.

When you're promoting a financial service, calculate the expected lifetime value of a new customer. Suppose you want to sell small business loans, and that your average five-year spread on such loans is \$5,000. If you target 75,000 prospects and spend \$50,000 on printing, mailing, and postage, you'll need to close at least 11 loans to break even. Expressed as a percentage, that's about 0.15%. If you spend the same amount mailing to just 400 businesses, you'll need a 2.75% response to break even.

We probably don't need to tell you that a 0.15% response for small business loans sounds attainable, and that a 2.75% response is more ambitious. So it's a good idea to do some up-front calculations. That way, you can answer for yourself what constitutes a "good response" before deciding whether to proceed.

It's important to agree with management on what constitutes a *good* or *successful* mailing *before* you begin. Otherwise, returning to the above example, you may find that management is disappointed because "...response was *only* 0.3%"—even though that represents a 2-to-1 ROI.

No matter how skillfully you execute your direct mail, it's unlikely that a vast number of your target market will respond. The trick is in winning *a* response that generates a *profit*.

Chapter 3

Three Steps to Successful Direct Mail

Creating direct mail is fun. It's tempting to hop right in, dream up headlines, and imagine how your mailer will look.

Resist.

The appearance and content of your direct mail are important, but first you'll need to do a little homework. Otherwise, you risk creating beautiful, creative direct mail that misses the mark.

Follow the steps below in order. Resist the urge to skip ahead, or you'll end up with a cart ill-suited to your horse.

DIRECT MAIL STEP #1

The first step to creating successful direct mail is, *know where and how to reach your market.*

Knowing *where* to reach them will help lead you to a reliable mailing list. Knowing *how* to reach them will help you connect mentally and emotionally—that is, *empathize*—so your message will be relevant. To do that, you'll need to know how they think, and what matters to them.

When direct mail yields disappointing results, failure to properly target and empathize with the market is the top

reason. We'll explore reaching and connecting with your market in chapter 4 ("Smart Targeting").

DIRECT MAIL STEP #2

The second step to successful direct mail is, *give people a compelling reason to act the moment they receive your message.*

It's not enough to "get your name out there." People need a reason to act and act now. Sorry, but your bank's good name and stellar reputation aren't enough. The best marketers go one step further, and we'll show you how in chapter 5, "Getting People to Respond *Now*."

DIRECT MAIL STEP #3

The third and final step to successful direct mail is, *use proven copy and layout techniques.*

Copy and layout are the part of the direct mail process that many people enjoy most, since that's where they get to show off a little creativity. Caution is advised. Thanks to the measurable nature of direct response marketing, there is a vast body of knowledge about kinds of techniques that work, and kinds that don't. Every copy writer and designer should learn them before setting to work. We'll go over the basic techniques in Chapter 6, "23 Response-Building Secrets."

Chapter 4

Smart Targeting

If you're already imagining what your direct mail will say and how it will look, stop and back up!

Successful direct response mail begins with smart targeting—and that means *understanding your prospective buyer, along with his or her point of view*. This accomplishes two important goals. (1) It increases your odds of finding the right mailing list. (2) When you write, your work will be relevant and compelling.

GETTING TO KNOW YOUR MARKET

An overall starting question is, *who is likely to buy what's for sale?* Resist quick conclusions like, “we're selling to adults with banking needs.” You can do better.

Basic demographics help. What is the age range of your prospects? Income range? Where do they live? Will your product interest women, men, or both?

Now, challenge the assumptions you just made. *How do you know* the age, income, neighborhood and sex of your market? Do you really know, or did you assume? Maybe you should look through your database, ask a number of customer contact people to share their own observations, or set aside

some time to spend in your branches, discretely watching. You may be surprised at who your customer really is.

Next, get to know your *profitable* customers. (Remember that your highest-balance customers aren't necessarily your most profitable ones. If your bank doesn't have a good profitability model, it's time to look into one.) Since it's not unusual for banks to break even or lose money on 90% of their customers, trying to be *everyone's* bank is unrealistic and costly. It makes sense to focus your cross-selling and loyalty direct mail on profitable customers. When seeking new customers, it makes sense to target people who resemble them. You can also design programs to elevate clients who fall just under the profitability threshold.

Having determined basic demographics, it's time to get to know your customers better. What makes people want what you're selling? What matters to them? Why? Do they tend to be conspicuous or conservative when it comes to showing wealth? What drives them? What worries them? How do they vote? Do they have relationships with other financial institutions? What do they like about some banks and dislike about others? Are they self-employed? What do they read? Do they watch TV? When? And what do they watch?

Some of these questions will prove unanswerable, but the questions that you *can* answer will lead to useful insights. Better still, they will help turn your focus from *what the bank wants to say or sell* to *what interests your customer*. Both will increase your odds of a successful direct mail effort.

THE BEST MAILING LIST

The best mailing list available to you isn't available to anyone else. It's your own customer list. Direct marketers call this your *house list*. Since your existing customers know you, they are more likely to open and respond to direct mail from you—and to do business with you—than anyone else. If you've already organized your customer files into a database, good! If not, start now.

You can use your house list to: 1) identify, retain and grow best customers, 2) grow borderline customers into profitable ones, and 3) offer incentives to your best customers for referring friends and associates to your bank.

WHAT EVERY BANKER NEEDS TO KNOW ABOUT MAILING LISTS

Besides your own customer list, a number of commercially traded lists are available. A good list broker can help you with recommendations.

Not all marketed mailing lists are created equal. Here are some questions to ask a list broker to increase your odds of obtaining a reliable list.

1. *What is the source of the list?* Mailing lists of people who have already responded to a mail or online offer have obvious advantages. These are called "response lists," and they tend to be well-maintained and up-to-date. Moreover, you know that the people on them are inclined to respond to their mail. What's more, you can select lists of people

according to the *kind* of offer to which they responded, and by how recently they responded to it.

You can also order *subscription lists*. For instance, to target small business owners, you might mail to people who subscribe to magazines about small business; to reach young parents, you might mail to people who take parenting or children's magazines. Be sure to select and test carefully. People often move without updating their subscriptions, so the list may not be as up-to-date as you might need. And be careful not to assume that a magazine title offers a perfect picture of its readers. Subscribers to a magazine about new business ventures might comprise few entrepreneurs but lots of dreamers.

Compiled lists are exactly what the name implies—the product of digging through records and directories and assembling the information found there. Some compiled lists are excellent due to the list manager's methods of updating and quality assurance; and some are woefully error-laden, often culled from out-of-date sources. How can you tell which kind you're dealing with? Below are some more questions to ask.

You're not limited to one list. It's often a good idea to request a representative sample of names from several lists, and try them all at once. Chances are you'll find that some outperform others. It's reasonable to assume that the remaining names on the successful lists will produce as well as the sample.

You can also overlay lists. For example, to target credit-

worthy businesses that order office supplies by mail, you might complement a response list with financial data from a Dun & Bradstreet list.

2. *How is the list verified?* If you learn that the manager of a list you're considering regularly mails to and/or telephone-updates the list, that's a good sign. If the list manager simply compiles data without verifying it regularly, beware.

3. *How often is the list updated?* Addresses change faster than you might think, so the more often a list is updated, the better. Ideally, a list should be updated at least quarterly. If you must settle for semi-annually, well, OK. Annually? Only as a last option.

Other tips—Most mailing lists are available for rent, not for purchase. This is a good sign. A list that you can buy outright probably isn't as well-maintained. If you intend to mail to a list more than once, be sure to negotiate multiple uses in advance.

It's also a good sign if a list manager requests a sample of what you intend to mail. It means you're dealing with a company that won't allow just any offer to go to its lists.

The U. S. Postal Service maintains a National Change of Address File (NCOA). For a nominal cost, you can update any list by running it "against" the NCOA file. Always a good idea.

The Direct Marketing Association (DMA) maintains a voluntary, national "Do Not Mail List" of people who have asked *not* to receive direct mail. Ask your list manager if they have removed those names from the list you're about to use. If

not, visit www.the-dma.org and request the list for yourself, so your letter shop can purge the names. (Many banks maintain their own “Do Not Mail” and “Do Not Call” lists. It’s an important customer courtesy. It also saves you the expense of mailing to people who’d rather you didn’t.)

Chapter 5

The Big, Huge, Important Rule That Never Changes: How to Make People Respond *Immediately*

Let's deal with the reality of human inertia.

If your bank is well-regarded in the community, your products are terrific, and your customers are loyal, that's wonderful. But it's not enough to get people to act on your direct mail offer.

People put things off. Most of the time, no matter how relevant your product offering, and no matter how creatively you present it, even interested prospects are likely to set it aside—and then never get back to it. Even more often than that, they'll discard your offer and immediately forget they ever saw it.

Good news: there is a proven way to overcome human inertia and get people to respond to your offer now, instead of postponing it for a someday that never comes.

This is the big direct response marketing rule.

It has no exceptions.

None.

If you learn nothing else from *The Banker's Direct Mail Bible*, learn this rule. It's that important.

Here's the rule:

THE WAY TO GET THE MOST PEOPLE TO RESPOND TO YOUR DIRECT MAIL IS TO OFFER AN ATTRACTIVE, LIMITED-TIME INCENTIVE.

THERE IS NEVER AN EXCEPTION TO THIS RULE.

For instance, “Sign up for a Home Equity Line of Credit within 30 days and we’ll thank you with a free Blackberry.” Or, “Open a checking account today and receive a \$100 gift card, free.” And so forth.

Expect this rule to draw objections from management. It's not uncommon to hear, “This is unprofessional,” “It's an insult to our customers,” “We shouldn't have to bribe our customers,” “A gimmick won't make our clients buy,” “We can't afford to give things away,” or “Our clients are too sophisticated to fall for that.”

These are myths. Let's take them one by one.

Myth 1—This is unprofessional. If that's true, then American Express, GE Money, Honda, DeBeers, Steinway, Chase, Mercedes Benz and a host of other companies are unprofessional, too. They all use incentive offers.

Myth 2—It's an insult to our customers. Only if you have an inept writer who makes it sound insulting. You are asking people to do you a favor, in the form of a prompt reply to your mailing. There's nothing insulting about offering them a favor in return. Rather, it's a courtesy.

Myth 3—We shouldn't have to bribe our customers. Maybe you'll feel more comfortable if, instead of *bribe*, we use the term *thank*, *recognize*, or *provide an incentive*. These are positive things. No matter what you call it, offering an incentive is the proven way to get the most customers to take action.

Myth 4: A gimmick won't make our clients buy. We're not recommending a *gimmick*. We're recommending an *incentive* with high perceived value. Note: High perceived value needn't be costly. A booklet with valuable information can be highly prized yet cost only a few cents to give away.

Myth 5: We can't afford to give things away. The right incentive pays for itself by driving volume *up* and costs *down*. What's more, investing in an incentive in exchange for increased business tends to be a lot less costly than no new business at all.

Still, incentives must fall within a realistic budget. Start by calculating the Lifetime Value (LTV) of the typical customer for the product or service you're selling. What can you expect in annual profits, and how many years total can you expect to receive it? Subtract your overhead. Now you have a good idea of what you can afford to spend on your mailing in general, including the incentive, in order to obtain a new customer. Incidentally, if you find you're going to need an unrealistic response to reach break-even or better, you may need to rethink your strategy—or promote a different product.

Myth 6: Our clients are too sophisticated to fall for that. No one is trying to get anyone to “fall for” anything. The

simple fact is, sophisticated customers know better than to give you something for nothing. That's why experience shows that *the wealthier and more educated the customer, the more response increases with an incentive offer.*

Still uncomfortable with incentive offers? Please try them anyway. Most marketers, including banks, learn to like incentives as soon as they see sales rise exponentially. One of our bank clients *tripled* checking account upgrades by offering a free flashlight. Another bank client dramatically increased signature-based debit card transactions by offering a \$5 credit. Another received record numbers of SBA loan applications by offering a \$50 gasoline gift card. Yet another increased inquiries for agent-bank services by offering—are you ready for this?—a free pair of *stilts!*

A dramatic increase in response due to the right incentive offer is the rule, not the exception. An incentive offer gives you a major strategic advantage. Embrace it. Stodgy competitors who think incentives are “undignified” will envy your success.

Chapter 6

23 Response-Building Secrets

Direct mail results are measurable. Thanks to that, there is a wealth of information about top-selling direct mail techniques. Observe the following tips, and you will be well on your way to direct response success.

1. *Remember your objective.* When you begin work on copy and design, it's tempting to be distracted by an urge to create something cute, clever, entertaining, memorable, arresting, or sure to win an award at the next ABA Marketing Conference. Which is all fine, except, if you allow those things to become priorities, your original objective—presumably, that of generating a sale or an inquiry—can end up lost in the shuffle. Contrary to what most advertising agencies allege, creativity alone does *not* ensure results. Creativity is an important tool. But sound selling techniques and relevance come first.

2. *Focus.* Including too many products can make recipients decide *not* to decide. Focus on just one product or service per mailing.

3. *Pattern your direct mail after the best salespeople.* Think about the successful salespeople who call on *you*. Chances are they dress and groom themselves appropriately, present features and benefits in a clear manner, and seek to close or advance a sale. But what if they took a radically different approach? What if they dressed unprofessionally,

regaled you with wisecracks and awful puns, named the product three times, and left? If you answered that such a sales approach would repel rather than win business, you're right. *Yet that is not too far from much of today's so-called "creative" advertising.* Don't fall for it. Your direct response mail needn't be dull, but it must avoid what bad salespeople do, and emulate what great ones do.

4. *Send a letter.* In continuous and current testing, sales *letters* outperform self-mailers of all kinds, including brochures, booklets, postcards, and e-mails. Even in our busy internet age, this hasn't changed. The sales letter and envelope are your top priority in a direct mail package. If you must cut costs, sacrifice the lift note first (if you don't know that term, it's coming up), the brochure next.

5. *The letter should look like a letter.* Use a legible serif font. Have a salutation. Have one (and only one) signature, preferably in blue, never in red.

6. *Put the letter in an envelope—addressed, not labeled.* A mailing label screams, "I'm junk mail—throw me away!" You can use a high-quality machine to address envelopes. A hand-written address may increase sales somewhat, but the added time and labor may increase your cost more than your gain.

7. *Enclose a postpaid business reply card (or reply form with a postpaid envelope).* Despite the convenience and availability of the internet and telephones, a significant number of people still prefer to respond with a postpaid business reply card. But they can't if you don't enclose one.

Many people will retain the card for later action, so be sure it has a brief summary of your selling proposition and incentive offer, with your phone number and web address prominently displayed.

Be sure to put a box next to the word *YES* that your respondent can check. People like to check boxes, which means that including a box helps response. Don't put a shadow behind the box, don't fill it in with a color, and make sure it's a square. Rectangles, triangles and circles don't work as well.

If you're requesting sensitive information such as account numbers, social security numbers, age, income, etc., provide a reply *form* along with a postpaid business reply *envelope*. For your customer's security and reassurance, be sure that no one can see through the reply envelope.

8. Consider including a brochure. Brochures are useful for showcasing an item that's for sale, or for displaying an incentive gift offer. A brochure can also legitimize your brand, and restate or add to the benefits in your sales letter. In some cases, a good brochure will increase response; in others, it will only add cost. You should test your direct mail both with and without a brochure. If the brochure fails to increase response, there's no sense spending money on printing and inserting it. Leave it out.

9. Consider including a lift note. A lift note is a small, folded note that adds one more push to the sale. It might contain testimonials, a closing thought from the marketer, or showcase an offer. Like a brochure, it *may* increase

response, and should be tested. Omit it if it fails to pull its own weight.

10. Make responding easy. Every component of your direct mail should display your phone number and web address so that people will easily find them, even when they aren't looking for them. Make them big. (Hint: if your art director doesn't complain, the phone number and URL are too small.) Putting a telephone icon like ☎ next to your phone number will increase the number of calls you receive. Make it nice and big as well. If your boss or art director tells you it looks tacky, you may agree, but do it anyway.

11. Be clear and to the point. Busy people don't take the time to eke meaning out of an enigmatic headline. It's better to be straightforward. If your incentive offer is a free iPod, the headline "Free iPod with a new home equity line of credit" requires less thinking on the part of your busy reader than "Think of this loan as music to your ears." Though arguably less creative, the more direct headline is likely to produce greater response.

12. Motivate. Don't just *describe* your products and services. Present them so that people will *want* them. Even a checking account can be exciting, or at least interesting. There's a fine line to walk here. Hollow raves fail to convince, and too-clever writing calls attention to itself instead of to the benefits you're offering. On the other hand, you can't bore people into buying. When you're *honestly* convinced that you have a great product to offer, let your conviction shine through your copy. If you're not honestly convinced, you

need to either dig deeper into the product until you are ... or admit that your product or incentive offer is lackluster—and rework it.

13. *Say enough; no more, no less.* Don't be afraid of long copy; it usually sells more than short copy. But edit out anything you don't need. Copy should be long enough to do its job, and not a word longer. Or shorter.

14. *Hint for upper management: resist the urge to pick over what doesn't matter.* Never mind if you would have said *pleased* where your writer said *happy*, if you think *act now* is more positive than *don't delay*, or if you'd prefer a green accent color instead of blue. Nitpicking at that level of detail usually has little if any effect on response. Moreover, it demoralizes writers and artists while wasting time and money. Evaluate creative work from a big-picture perspective. If it's getting the job done, leave the fine-tuning to the fine-tuners—your writer and layout artist. (If someone photocopies this paragraph and leaves it, unsigned, on your chair, consider it a hint that someone thinks you're a nitpicker. If you want to rewrite *this paragraph*, you have a serious case.)

15. *Use conversational English.* Never mistake *stuffy, impersonal language* for *professionalism*. It is the opposite. The most educated reader appreciates short words, simple sentences, and a personal touch. Never say “ingest” or “masticate” when “eat” or “chew” will do. Never say, “We wish to show our bank's appreciation for the long-term nature of the relationship we have with you as a client,” when you can say, “I noticed you've been with us for seven years. I'm

writing to say thank you.” While *we’re* on the subject, *don’t* be afraid to use contractions. *Or fragments.* And be assured that sometimes a preposition is just the thing to end a sentence *with.*

16. Set body copy in a serif font. You can use sans-serif fonts, **like this one**, in headlines, but avoid them in body copy. They reduce readership, which reduces sales. Serif fonts (like the one this booklet is set in) increase readership. *Why* is still a subject of debate.

17. Set body copy with dark type on a light background. Reversing your type (light letters on a dark background) reduces readership. We don’t recommend putting a color or photo behind body copy, but if you must, then go for high contrast so type will be easy to read.

18. What you say matters more than how it looks. The most engaging layout won’t save a direct mail piece that fails to persuade.

19. But how it looks matters. The first thing your market will do upon receiving your direct mail is *look at it.* Make sure the look of your piece creates the right impression.

20. Layouts should be accessible. After making a good first impression, a layout’s job is *to support the selling proposition.* Be sure readers can instantly tell where their eyes should start, go next, go after that, and so on, all the way to your call to action. Speaking of which...

21. Be sure to include an easy-to-find call to action. Even when your copy shines and extols the virtues of what you’re selling, you’re not finished. Urge people to respond

and respond now. Don't be afraid to say, "I urge you to call now, because the free iPod offer expires in 30 days." Place the call to action so that a reader who isn't looking for it will still find it.

22. Track responses. You'd be surprised how many banks neglect this important step. Make sure you have a loss-proof system that counts all responses—phone calls, web hits, personal visits, and business reply cards. Follow those responses all the way through to closed sales. Only then will you know when your program succeeds, and by how much.

23. Avoid all-or-nothing thinking. The techniques presented here greatly increase the likelihood of a successful program, but they cannot ensure it. Chances are your initial response will please you. But if early results are lower than you'd hoped, don't scrap the program, and don't discount the power of direct mail. Evaluate, adjust, and try again. You'll learn more about how to do that in the next chapter.

Chapter 7

How to Track and Improve Results

Direct response marketing is empirically measurable. Either people respond, or they don't. For bank marketers, this feature provides 3 significant benefits:

1. You can identify and quantify successes.
2. You can defend your program from bean counters when they turn a greedy eye on your budget.
3. You can improve results without increasing your budget.

All of those things will make you a hero in the eyes of your management and board of directors. But in order to pull that off, you'll need to be able to track direct response results—and figure out what the results mean.

BASIC DIRECT RESPONSE TRACKING

Let's say you mail a direct response package to sell a Home Equity Line of Credit to your customers who own homes. There are 4 ways customers may respond: online, by mail, by phone, and in person. How do you track results?

For those who respond by mail, tracking is easy. If you enclosed a postpaid business reply card that is specific to this direct mailing, you need only count the postcards that people mail back.

For online replies, you'll need to direct customers to

a special landing page. If your home page happens to be XYZBank.com, send them to XYXBank.com/heloc to respond. Then it's a simple matter of counting visitors. Only after they register and request information should you allow them to click through to your main site.

For telephone replies, asking callers where they saw your offer has its limitations. People don't always know what sent them to the phone. It's not unusual for people to say they saw a TV or newspaper ad—when there weren't any. A better method is to set up a unique phone number for exclusive use in your mailing, and then count the number of calls made to that number.

If you're worried about the rigmarole of setting up extra phone lines, there's a simpler solution. At surprisingly low cost, you can lease a unique phone number from a specialized vendor. All calls ring at your location as usual, but the vendor's computer system counts them. The vendor can also tell you how many calls the bank missed (useful for spotting staffing or training issues), record calls so that you can monitor quality, and provide a list of callers (useful for follow-up).

So there's no reason you can't have a precise count of mail, online, and telephone results.

Some people will respond to your direct mail in person, that is, by walking into one of your branches. As with phone inquiries, asking walk-ins how they heard about your offer is not reliable. Here are 2 solutions: (1) Enclose a coupon in your direct mail package that walk-ins must bring with them to redeem an incentive offer; and (2) compare a list of walk-

ins to your original mailing list. Neither measure is precise. People forget to bring coupons, and good customer relations demands providing the incentive anyway; and walk-ins may have missed the direct mail and shown up on their own. But, against the backdrop of mail and telephone replies, these two measurement methods will at least provide a gauge.

SECRET WEAPON: YOUR CONTROL GROUP

If it's possible that someone on your list self-generated rather than responded to your mailing, to be fair, it's also possible that some people responded to your mailing without using your postpaid card, landing page, or phone number. Perhaps they noted the offer and called a branch manager personally, or went straight to your bank's home page, leaving no evidence that it was your direct mail that sent them. How do we sort this out?

Easy. When you send out your direct mail package, set aside a random, representative sample of names from your mailing list and *exclude them from receiving the mailing*. These people become your *control group*. Returning to the HELOC example, at the conclusion of your mailing program, compare the percentage of HELOC applicants who received your mailing to the percentage of HELOC applicants from your control group, who didn't. If both groups applied at the same rate, your mailing had no impact. If the control group applied for a HELOC at a lower rate, you can safely assume that your direct response mail did its job—and that

the increased business would *not* have happened on its own.

Not even the cagiest bean counter can argue with solid control group data.

How to keep improving results

If you sent out a direct response mailing, measured results, and calculated the Lifetime Value of the resultant business vis-à-vis your marketing objectives, good for you. You now know whether your direct mailing succeeded. That's a big step. You also know that you can expect about the same response every time you mail the same package to additional names from the same list.

Still, all you know is whether your mailing performed. What you don't know is how it might have performed *better*.

What if you created *two* versions of your mailing, split your list, and sent one version to each half? Suppose the only difference between them is the headline—one has Headline A, the other has Headline B. If Headline A pulls a 1.0% response but Headline B pulls 1.25%, you now know that Headline B is stronger. In fact, giving up Headline A for Headline B augments the power of your budget by 0.25% *without increasing spend*. Bank management will love that.

Suppose you want to mail an offer to 50,000 people, but you're undecided about which incentive to use. Should it be a leather checkbook cover or a gift card to a trendy store? Select 6,000 random names from your mailing list. Create

two versions of your direct mail, the only difference being the incentive. Send one version to one-half of the 6,000 names, and the other version to the other half. Track responses. In a few weeks, you'll know which incentive is more effective. At that point, you can "roll out" the winning incentive to the entire list ... or test the winner against yet *another* incentive.

There's no need to stop there. You can take your winning headline or incentive and test it against *another* one ... and *that* winner against yet *another*. Over time, you will either continue discovering new, more powerful strategies ... or know that the one you're using has earned its place as the reigning champion.

This method, called A/B split testing, can reveal dramatic differences. Sometimes they are small; but often they are significant. We have seen A/B split testing produce differences in response as great as 800% or more.

You can use the A/B method to test anything. Headlines, creative platforms, layouts, colors, taglines, logos, pricing, you name it. Just remember to introduce *one* variation at a time, keeping all other elements identical, or you won't know what causes what. For instance, if the headline *and* photo in Version A differ from those in Version B, there will be no way of knowing whether differences in response are due to the headline, the photo, or both. If you must test two sets of elements, you can, but you'll need to separate your mailing into four cells (two sets of changing elements means four permutations, each of which must be isolated for tracking). Of course, in order to track response-by-version, each version

will require its own phone number, landing page, and business reply card.

(NOTE: It is possible to test large numbers of variations, all at the same time, by means of Multivariate Testing. This requires sophisticated analytics and algorithms. For a white paper on Multivariate Testing, e-mail *info@responseagency.com*.)

WHAT TO TEST, AND WHEN

You may remember from Chapter 3 that the steps to a good direct response strategy are, in order of priority:

1. Know how to reach your market.
2. Give people a compelling reason to act the moment they receive your message.
3. Use proven techniques in copy and layout.

It follows that you will have the greatest impact on your direct mail success by testing to find the best mailing list. You will have the second greatest impact by testing to find the right incentive offer. Once you have learned all you can in those two areas, start testing different creative approaches.

It's a good idea to make ongoing testing a part of your direct response program. Even after settling on a winning approach, continue reserving a small sample of names from every mailing to receive some sort of variation. You never know when a new approach will surprise you by beating the previous winner.

Chapter 8

5 Steps to Getting Started

Congratulations are in order. If you have read *The Banker's Direct Mail Bible*, you now know more about direct response mail than most bankers. And, for that matter, more than most general advertising agencies.

If you're wondering how to get started on your own rock-solid direct response mailing, here are 5 suggestions.

1. *Identify a direct mail opportunity.* You *could* ask what your bank wants to sell, and who is likely to buy it. Better yet, approach the question from the other direction: ask who your key market segments are, what they want, and what your bank offers that will satisfy that want. Next, engage your IT folks or a good mailing list broker and find out how to reach the right people. If more than one mailing list emerges as a strong possibility, test a small mailing to each.

2. *Conduct your own mini-feasibility study.* Calculate the Lifetime Value of the account or customer you hope to attract. Figure out what your direct mail program will cost, and what kind of response you'll need for it to be profitable, or at least to reach the break-even point. If the response appears attainable, proceed.

3. *Choose incentives to test.* Remember that these must have sufficient perceived value to motivate action, and must also be considered as part of your overall budget.

4. *Create a direct mail package.* Follow the guidelines in Chapter 6. If possible, create a couple of test versions. Remember to include unique phone numbers, landing pages, and business reply cards for each distinct version, so you can track what strategies create the most sales.

5. *Keep going.* Direct response isn't magic, and you shouldn't have unrealistic expectations. But because direct response is the only, truly measurable form of marketing, it can give you a firm handle on what works, what doesn't, which strategies to roll out and repeat, and which to drop. The more you work with direct response, the more your direct response acumen will grow.

It's a good idea to consider working with a professional. Don't fall for a branding agency that lists "direct mail" or "direct response" among its capabilities. Direct response is a discipline all its own, not an adjunct. It requires bona fide expertise. As you work with an expert, if you're interested in mastering the craft yourself, let the expert know. A good direct response professional will cheerfully coach you through a series of projects, even if it means working himself or herself out of a job.

THE RESPONSE AGENCY is a direct response marketing firm that specializes in evidence-based marketing—that is, marketing based on proven, measurable results rather than artistic whim. Now in its fifteenth year, the agency has worked with clients like GE Corporate Payment Services, Wells Fargo, Zions Bancorporation, and others. For information, call the RESPONSE Agency at 801-352-9100 or visit *www.responseagency.com*.

STEVE CUNO, agency chairman, is the author of the book *Prove It Before You Promote It: How to Take the Guesswork Out of Marketing*, published by John Wiley & Sons. Steve is a popular speaker at conventions for the American Bankers Association, the Direct Marketing Association, the American Advertising Federation, the National Postal Forum, the James Randi Education Foundation, and colleges and universities. To contact Steve or the RESPONSE Agency, call 801-352-9100 or visit *www.responseagency.com*.

To contact the RESPONSE Agency call




801-352-9100

or e-mail *info@ResponseAgency.com*

For free articles, the RESPONSE Agency
blog, and other useful information, visit
www.ResopnseAgency.com

To contact the RESPONSE Agency call

 **801-352-9100**

or e-mail *info@ResponseAgency.com*

For free articles, the RESPONSE Agency
blog, and other useful information, visit
www.ResopnseAgency.com