

START-UP BRIEFING



Highlands & Islands
ENTERPRISE

Direct mail

Direct mail is personally addressed advertising, delivered through the post. It can be extremely effective for start-up businesses, because it is so flexible — and because its effects are so easily tracked.

You can send what you want, when you want, to the customers you choose to target. You can experiment before doing a full mailshot. And you can measure the customer response to every mailing you do.

This briefing explains:

- ◆ How to decide if direct mail can help you.
- ◆ How to plan and design a campaign.
- ◆ Preparing a mailshot.
- ◆ Handling the responses.

1 Who does it work for?

Consider three businesses, each trying to find new customers. Each of the three spends £250 sending a mailshot to a list of 1,000 names.

- A** Safari Travel Ltd sells **holidays** for £1,000 each, £250 of which is profit.
- ◆ If one person books a holiday, the mailshot has paid for itself.
- B** Sam's Sandwich Shop makes £1 profit on each £2 **sandwich** it sells. Regular customers spend about £5 a week, generating £125 profit each in a year.
- ◆ If the mailshot brings in two new regular customers, it has paid for itself.
- C** Monogram Mugs makes a clear £5 profit on each set of **mugs** it sells. But customers do not buy more than one set.
- ◆ The mailshot would have to produce 50

new customers, just to pay for itself.

To be profitable, a mailshot must give a large gross profit per customer or a high conversion rate (the percentage of target customers who make a purchase), or both of these things.

2 What are your objectives?

Start by asking yourself what the mailing is designed to achieve.

- A** Are you trying to make **immediate sales**?
- ◆ What volume, by what date?
- B** Are you aiming to get names and addresses of interested **potential customers**?
- ◆ How many new names?

FURTHER HELP

There are other Start-up 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, SuB 7.

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- C Are you trying to **bring forward sales** to your existing customers?
- D Is the whole point of the mailing to allow you to make **follow-up calls**?
- E Is the mailing to provide **information** to existing customers?

3 Costs

The cost of a mailing involves several elements.

- A Compiling or **renting** a list (see 6 and 7).
- B The **mailshot**. The unit cost could be as low as the cost of a second class stamp, an envelope and a sheet of text.
 - ◆ Costs — and, usually, response rates — rise in line with the number of enclosures you include (see 9).
- C **Labour** costs. By the time you have planned, carried out and followed up the mailshot, labour may be your largest cost.

How does the value of the extra sales you hope to make compare with your costs?

4 Responses

- A **Response rates** to mailshots vary widely.
 - ◆ A one to two per cent response rate is often regarded as normal. But a mailshot to your ten best customers, making them a good offer, could result in a 100 per cent response rate (they all reply) and even a 100 per cent conversion rate (they all place an order).
- B **Timing** is important.
 - ◆ At what times of the year, month or week will customers be most interested in your product?
 - ◆ For most businesses, the best time to receive a mailshot is midweek — when they are not too busy — and not just before or after a holiday.
- C **Experiment** a little before investing in any expensive mailshots, to find out what works.
 - ◆ Results from one small section of a list should scale up if you have made sure it is representative of the list as a whole.
- D Responses may be **delayed** if mailshots are passed to other staff or filed for reference.
 - ◆ Useful information on topics like transport, accommodation, office equipment and seminars may be retained for some time.

5 Mailing existing customers

Mailshots to customers can be used to introduce a new product, to make a special offer, or simply to keep customers informed and build loyalty.

- A A small travel company planned a **schedule** of three mailshots in the run-up to its busy January–March booking period:
 - ◆ September — Invitation to a slide show.
 - ◆ November — List of holiday ideas and special offers.
 - ◆ January — A letter introducing the company's new sales manager, explaining how capable and experienced she was (and thus doubling her chances of selling to existing customers).
- B You may not need to pay for a separate mailshot to reach existing customers, as you can enclose '**stuffers**' with other mail you are posting anyway.
 - ◆ For example, banks often enclose offers of insurance when they send out statements.

6 DIY mailing lists

A mailing list you compile from 'warm' prospects will usually achieve much better response and conversion rates than any rented list (see 7).

- A Make up a **list** from the following:
 - ◆ Existing customers.
 - ◆ Contacts.
 - Customers, suppliers and others may be able to suggest suitable prospects.
 - ◆ Names in your sales enquiry records.
- B Do your own **research**, to add more potential customers to your list.
 - ◆ Try web searches under relevant keywords to find possible outlets for your products.
 - ◆ Directories in libraries list company details — ask the librarian to help you. But be aware that just copying a list of addresses and sending a mailshot to them is a breach of copyright.
 - ◆ Trade associations, including Chambers of Commerce, have lists of members.
 - ◆ The electoral roll, at public libraries and the Town Hall, lists individuals in the area.
- C Think about **cross-selling**, to get the benefits of someone else's list as well.
 - ◆ If you sell shirts and another company sells cuff-links, you may be able to do a joint mailshot and halve your mailing costs.

"When you are looking for consumer lists, think hard about what your best customers are really like — what they enjoy, how they spend their time and what they spend money on. The more like your existing customers the people on a list are, the better the response will be."

*Chris Loveys,
MarketingFile.com*

Or you can collaborate by swapping lists of customers.

- ◆ If you keep a list of names and addresses, you must notify the Information Commissioner's Office (01625 545745 or www.informationcommissioner.gov.uk).

7 Renting a mailing list

If you want to reach out to a larger slice of the market, renting a mailing list is usually the most cost-effective method.

- A** Get a list of 'list & database' members from the **Direct Marketing Association** (see **10**), and look in Yellow Pages under 'Direct mail'.

Some magazines rent out lists of subscribers.

- ◆ Be clear about the sort of person (or company) you wish to target.
- ◆ Know the number of names and addresses you need.

Alternatively, try searching under 'mailing lists' at <http://uk.yahoo.com> or a similar web search engine.

- B** Shop around until you find the right list at the **right price**.
- ◆ £100 to £120 per 1,000 names is average.
 - ◆ Lists of consumers are less expensive than lists of businesses.
 - ◆ Specialist lists cost more.
For example, a list of wealthy private investors might cost £200 per 1,000.
 - ◆ Many list companies will impose a minimum order charge (often £300).

You may be surprised at how specific lists can be. If you want a list of qualified female accountants in Ayrshire, just ask for one.

Handling the response

Prepare realistically for the enquiries and replies your mailshot will trigger. Response rates from trial mailings will help you to predict the numbers fairly accurately.

- A** **Stagger** your posting dates, to control the flow of responses.
- B** Make sure your **employees** know what they have to do.
- C** Keep **updating** your mailing list, noting who has replied and which names and addresses are no longer correct.
- ◆ Measure the response to see how cost-effective the mailing has been.

- C** The **best lists** will offer:

- ◆ People (or businesses) who are similar to your existing or target customers.
- ◆ People who spend a lot, often.
- ◆ People who have recently bought similar products — or who buy by direct mail.
- ◆ Up-to-date names, addresses and possibly telephone numbers.
- ◆ A refund if a high percentage of mailings are returned or 'gone away'.
- ◆ Exclusive use of the list during the period of your mailing campaign.
- ◆ In the case of businesses, the names and titles of the decision-makers as well.

Check a few names you know to see whether they are on the list. The more recently the list has been rented by someone else and updated, the better it will be.

If you rent a consumer list, check it has been cleared with the Mailing Preference Service (see **10C**).

- D** Be aware that you do **rent** the list.

List owners always 'seed' lists with a few names of their own people. If you use a list again without paying, the owner will know.

- ◆ Everyone who responds to your original mailing becomes 'yours' and can be mailed again, as often as you like.

- E** If you want to **blanket-mail** every household in a certain area, using Royal Mail Door to Door may be your best option.

Call your local Royal Mail Customer Service Centre for information (08457 950950).

- ◆ For a local tradesman or a pizza delivery service, this may be the best way to become known in the area.

8 What to mail

Look through the direct mail you receive each week and learn from other people's mistakes.

Which envelopes do you open? Which letters do you read? Which do you reply to? Why?

Your mailshot must be bright and easy to use.

- A** Do not waste the **envelope**.

- ◆ White envelopes are smart, but cost more.
- ◆ Hand-writing envelopes usually guarantees they are opened, but is time-consuming.
- ◆ For larger mailings, a message on the envelope (eg 'free gift') can work well.
- ◆ Put your return address on the back of every envelope. This allows you to update

"Time and again, experience proves the theory is correct: the most important element of a mail campaign is the list. If the mailshot reaches the right people, it will pull response — without a fantastic offer or whizzy creative. The same cannot be said the other way round ... so the smart person invests in the best lists available."

*Tim Proudman,
www.listbroker.com*

your database if letters are returned.

- B** Your **letter** should be written using the same techniques as an advertisement:
- ◆ Try to find an attention-grabbing headline.
 - ◆ Offer a benefit in the opening paragraph.
 - ◆ Tell a clear, simple, convincing story.
 - ◆ Finish by prompting the reader to take action, and explaining how to do it.
- C** **Personalising** a mailing, automatically or manually, will often boost response rates. Use the target's name, rather than 'Dear Customer' or 'Dear Wine Lover'. If possible, personalise the item in more than one place.
- ◆ For a letter, the ideal is to write the name in by hand and sign the letter yourself.
- D** Think about what **enclosures** to include.
- ◆ Whatever else you send, do not forget your brochure and your price list.
 - ◆ Pictures of your products can answer a lot of the potential customer's questions.
 - ◆ Data sheets will help convince buyers.
 - ◆ Copies of press cuttings and customer testimonials will give you credibility.
 - ◆ Consider some form of special offer (eg money-off vouchers). This should be for a limited period, and include relevant terms and conditions.
 - ◆ Include an order form and a mechanism to make replying easy.
- A Business Reply envelope or card, or a Freepost address, will increase response. A Response Services Licence (£57) allows you to use both services. The only extra cost to you is the postage on the replies you receive, plus a small handling fee. A freephone number is more expensive. Charges also vary if you choose your own number. Contact your phone company for more details.

9 Using a mailing house

You should be able to handle a mailing of 1,000 items in-house — but a mailing of 5,000 items is probably best left to a mailing house.

- A** Ask for a list of suitable mailing houses from the **Direct Marketing Association** (see **10A**).
- B** Shop around for **quotes**.
- ◆ Choose a mailing house which is used to handling mailshots on the scale you need.
 - ◆ Ask the mailing house to quote for

supplying your envelopes and enclosures. The benefits of 'one-stop shopping' may be worth any extra cost.

- ◆ Ask if the envelope stuffing will be done (more cheaply) by machine, and if your envelope and enclosures are suitable.
 - ◆ Ask how many extra envelopes and enclosures (usually five per cent) you should supply, to allow for unavoidable wastage.
- C** Take advantage of the Royal Mail's Mailsort postage **discounts** on mailings of at least 4,000 letters or 1,000 packets.
- ◆ Ask the mailing house to supply the list in mailsort order.
 - ◆ You usually pay postage in advance, but there should be no mark-up on the cost.
 - ◆ Ask for a copy of the Royal Mail posting docket as proof of mailing.

10 Further help

- A** The **Direct Marketing Association** (0131 315 4422 or www.dma.org.uk) is the direct marketing industry's trade association.

It can answer most questions and direct you to many sources of specialised information.

The DMA Directory lists members with different skills — list brokers, copywriters, mailing houses and consultants.

- B** Contact the **Royal Mail** for free advice and information (08457 950950 or www.royalmail.com).

- C** The direct mail industry has set up **registration services** to let members of the public 'opt out' of receiving direct mail.

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

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

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