

Evaluating the Return on Your Marketing Investment When Using Postcards, Brochures and Email to Market Your Programs

What makes an investment “bad?” One simplistic answer is that it loses money. Another is that “bad” is a relative term, as in compared to what. If you had invested \$1,000 each in three different stocks on the NY Stock Exchange a year ago, with the objective of getting an 10% return, let’s say that the current value of A = \$1,100, B = \$950 and C = \$700. Which investment was “bad”? Certainly not A given the recent recession. Not even B. But C is “bad” in relative terms.

As in the financial world, so it is in the professional marketing world. The return on a specific marketing investment can only be great, average or bad when compared to other marketing investment returns.

When I hear comments like “We decided not to do a full brochure for our Fall programs, but do a postcard and email to drive them to our web site,” I gasp. And I ask why. To cut costs is always the answer. It is never because “they are a better investment.”

When you invested in stocks A, B and C, you were not cutting costs. You were investing dollars with an expectation of a return. And you now have data, all things equal, that stock A was the best investment. And it is probably the best future investment, until you find an even better stock, one that exceeds the annual return on investment (ROI) of 10% and meets your risk parameters.

Marketing decisions are investments – mandating decisions based on relative performance. Measuring and testing is fundamental to constantly improving and finding the marketing approach or media for a workshop series, certificate courses, or conference. The quest is constant – to find and improve upon your best and most consistent producer of the highest return. In market testing parlance, you are finding the “control” which all other tests try to beat. The extent to which you can improve list selection, copyrighting, print bidding, etc., for your control will just increase the return even more. The measuring and testing process never ends.

The challenge of relative performance in program marketing is, in fact, having the data that reveals performance. It’s in being able to determine the return on the various marketing investments you make, not which marketing investments cost less. Cost control is important, but costs don’t drive registrations. Investments do. Only investments yield returns.

Tracking registrations to the original marketing source is the critical key to ROI. Traditional methods which could track over 80% of enrollments to original source have

been largely ignored, rather than enhanced and integrated within web functionality. With online registration options, in addition to phone, fax, and postal mail, determining the original source of the online registration is a challenge. What is the driver -- the marketing investment source -- that drove someone to make a registration decision? The source could be a pay-per-click account, banners, in-house or rented email list campaigns, postcards, brochure, catalogs, billboards, handouts and more. Each is a marketing investment to create registrations.

The challenge of source tracking, so that you can confidently make marketing investment decisions, is quite often underrated, or not understood, by those responsible for your web site. A back-end analysis and matching of data – from original web site hit to registration – only shows that a person did hit your site in order to register. But what drove them to your site in the first place? That is the key variable.

If you are not overly familiar with traditional source code methods (key codes, VIP codes, stone codes, etc.) look at the brochures and emails you receive from the commercial seminar companies. Look at how L.L. Bean and Land's End code their catalogs and emails. Then talk with the web manager or team leader most familiar with your web site. Find out what they currently do, or can do, to track registrations to the source drivers. Show them what you need.

Postcard marketing has grown rapidly. And the reason is this – they are easier to do and cost less than a brochure. It's not because they are better investments and result in more registrations. They typically are not. Cost savings are negligible and the ROI from postcards typically plummets.

Sure, there are potentially successful uses of postcards in the marketing mix. And typically they will relate to programs that are “high ticket” and have several steps to the sale. An example is inviting people to open houses and info sessions for various degree and professional designation programs. But across the board you need to be very, very selective.

Postcards create a multi-step sale at a minimum. You make the assumption that the postcard creates enough interest for someone to first take the time to go to your web site. Assuming a person does, then comes the time spent in finding the info and printing it, reading it, and making the decision or getting approval. That's a lot steps to expect someone to take the time to make, unless the program offer is so timely and compelling that no hurdle is too great.

Postcards are also popular because they (1) are easier and faster to do, (2) are graphic, not copy, intensive, and (3) are less costly. And those are 3 reasons that often make them a

risky investment because none of them relate to increasing registrations. The focus is not on the customer or increasing ROI.

A “brochure” is a 1 step sale for most programs. And even in a small brochure (11 x 17) there is space to market 5-8 programs or more with good content summary, hot buttons, bios, a few quotes from past attendees, and several registration options. The recipients have everything they need in their hands in order to make and act on the decision to enroll or to pass the brochure along to others.

In conducting reliable marketing tests, often referred to as A/B splits, to compare the return on brochures to postcards, brochures out-pull postcards on ROI at least 3 to 1. There are many variables, but the good money is always on the brochure.

Email marketing is ONLY a good investment when ... you are emailing your internal list of opt-ins. Your internal list has an extraordinarily high ROI, primarily due to (A) their loyalty and proven predisposition to buy, and (B) the very low investment you have to make to email your own list. Even then, be sure you do not ignore those past participants and inquiries who have NOT opted-in and therefore are not receiving your emails. How are you communicating with them?

Given the power of your internal email list, emailing to a rented email list may seem like a great option, but if you have never done it, proceed with caution. (The pros, cons and caveats are outside the purview of this paper, but we do have them summarized for you in a separate report.) The data to which I am privy for rented email campaigns for program marketing reveals that it does not produce the ROI of the postal alternatives. In fact, of nine rented email initiatives, not one was proven to yield a positive ROI. The challenge of conclusive proof for your portfolio goes back to source tracking, and/or structuring valid tests that answer the question.

There are email list rental options that substantially reduce your upfront risk. The list owners charge for clickthroughs or for qualified leads generated, rather than an upfront rental fee. Such opportunities are the exception, not the rule, and are for regional and national clients who have long term potential for repeat business with that list owner.

ROI of Postcards vs Brochures vs Email Marketing.

To evaluate your marketing driver alternatives beyond your in-house postal and email lists and make analytical investment decisions for prospecting for new registrants, you need to look at “apple to apple” scenarios.

Assume that you are marketing a certificate of 5 newer programs to an audience that is not that well represented on your internal list – CFPs, CFOs in Healthcare, Project Managers. You have the programs and info on your web site, but very few of your

ProEdInfoLists

customers or others in your marketing area know that you offer these programs. Which alternative do you use to drive the registrations and revenues for this series?

The following is a comparison of the 3 marketing options, using realistic data, for prospecting for attendees who are not well represented on your internal list. The 4th option (Email-Internal) is shown for comparison since it has the potential for being your most powerful option – IF the target audience is well-represented on that list.

Postcard: 6 x 11 inches, full color on two sides

Brochure: 11 x 17 inches, 2 colors, tri-folded to 5 3/4 x 11

Email: HTML message created in an html editor, such as Dreamweaver

Design Costs: Assumed to be equal for all 4 options.

Web site costs: Assumed to be equal for all 4 options.

(\$ indicated are per 1,000 unless indicated otherwise)

Comparison of:	Postcard	Brochure	Email-Rented	Email-Internal
Printing	\$ 75	\$ 120	\$ -	\$ -
Non-Profit Postage*	\$ 160	\$ 160	\$ -	\$ -
Postal Mailing Lists**	\$ 133	\$ 133	\$ -	\$ -
Merge Purge, Inkjet & Process	\$ 35	\$ 35	\$ -	\$ -
Tabbing	\$ -	\$ 15	\$ -	\$ -
Email rented list***	\$ -	\$ -	\$ 445	\$ -
Email internal process				\$ 20
Total per 1,000	\$ 403	\$ 463	\$ 445	\$ 20
Total for 10,000	\$ 4,030	\$ 4,630	\$ 4,450	\$ 200
Per program marketing investment for EACH of 5 programs	\$ 806	\$ 926	\$ 890	\$ 40

*USPS automation eligible

**Assumes you have 3,000 internal names and rent 7,000 names at \$190 per thousand.

***Average for a business (not consumer) opt-in email list.

Includes base price, selections charges and transmission charges

After identifying the costs of the investment in each of the three marketing options, the next step of analysis is to compute the breakeven and the anticipated ROI for each, using realistic data and historically proven levels of response.

If you are somewhat unfamiliar with computing Breakeven, the basic formula is this:

$$\text{Total Fixed Costs} = \text{Breakeven (BE)}$$

Contribution Margin*

*Contribution Margin = Program Fee – Variable Cost per person

Breakeven:

	Postcard	Brochure	Email-Rented	Email-Internal
Fixed costs:				
Faculty or Trainer	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
AV	\$ 100	\$ 100	\$ 100	\$ 100
Miscellaneous	\$ 200	\$ 200	\$ 200	\$ 200
Marketing	\$ 806	\$ 926	\$ 890	\$ 40
Total Fixed Costs	\$ 2,506	\$ 2,626	\$ 2,590	\$ 1,740
Breaks & Food	\$ 50	\$ 50	\$ 50	\$ 50
Materials	\$ 25	\$ 25	\$ 25	\$ 25
Total Variable Costs	\$ 75	\$ 75	\$ 75	\$ 75
Program Fee	\$ 995	\$ 995	\$ 995	\$ 995
Less Variable Costs per person	\$ 75	\$ 75	\$ 75	\$ 75
Contribution Margin	\$ 920	\$ 920	\$ 920	\$ 920
Breakeven	2.7	2.9	2.8	1.9

Amazing!! Whether you use a postcard, a brochure, or an email, you lose with only two registrants and turn profitable if you get three. Even for option 4, the difference is only 1 person.

Return on Marketing Investment (ROI) for a Postcard:

Not that you want to run a class of 6, but what would the ROI be if all registrants in each of the 5 classes came from the postcard.

$$\begin{aligned}
 6 \text{ Registrants} - 2.7 &= 3.3 \text{ registrants over BE in each class} \\
 5 \text{ classes} \times 3.3 &= 16.5 \text{ Registrants over BE for all classes combined} \\
 16.5 \times \$920 &= \$15,180 \text{ Net Margin before overhead*}
 \end{aligned}$$

* This calculation is:
 Registrants over BE X Contribution Margin

$$\begin{array}{rcl}
 \$15,180 & & \text{Net Margin} \\
 \hline
 \$4,030 & = 377\% \text{ ROI on your marketing investment} = & \hline
 & & \text{Total Mktg}
 \end{array}$$

Return on Marketing Investment (ROI) for a Brochure:

Now let's say you did the brochure instead of the postcard and it out pulled the postcard by a conservative 1.5 to 1. Instead of 6 in a class, you have 9.

$$\begin{aligned}
 9 \text{ Registrants} - 2.7 &= 6.3 \text{ registrants over BE in each class} \\
 5 \text{ classes} \times 6.3 &= 31.5 \text{ Registrants over BE for all classes combined} \\
 31.5 \times \$920 &= \$28,980 \text{ Net Margin before overhead}
 \end{aligned}$$

$$\begin{array}{rcl}
 \$28,980 & & \\
 \hline
 \$4,630 & = 626\% \text{ ROI on your marketing investment} &
 \end{array}$$

Given the level of risk for each of the above scenarios, you should use the brochure strategy far more often.

Return on Marketing Investment (ROI) for a Rented Email Campaign:

Given the dearth of data on registrations attributable to rented email campaigns in marketing open enrollment programs, it is a very risky investment. At best, it might approach HALF of the response level of a postcard.

$$\begin{aligned}
 3 \text{ Registrants} - 2.7 &= .3 \text{ registrants over BE in each class} \\
 5 \text{ classes} \times .3 &= 1.5 \text{ Registrants over BE for all classes combined}
 \end{aligned}$$

1.5 x \$920 = \$1,380 Net Margin before overhead

\$1,380

\$4,450

= 31% ROI on your marketing investment

and how many classes can you run with 3 people?

What about the impact of your overhead on ROI and breakeven? Any discussion of or attempt to allocate overhead – salaries, benefits, space, support services – is essentially absent from the examples that we have used. This is not to suggest that overhead is not critical when, in fact, it is a major financial factor in any analysis. However, the assumption has been that the impact of overhead, regardless of the allocation method, is equal on all three marketing options.

Keep in mind your on-going, bonus, high ROI enrollment driver. Your internal list of email opt-ins is your very best list. But as mentioned before, it will be of no or limited value in: (1) prospecting for new people, (2) marketing programs to an audience that is not on your internal list, and (3) reaching out to past registrants who have not opted-in. But it is your best alternative for the basic campaign for the majority of your programs. And finding more ways to generate inquiries and prospects for your in-house email list – getting them to say “Yes, I want to know more about your programs” -- is another high ROI endeavor worthy of your valuable time.

Defend your revenue drivers. The next time you are asked to cut your marketing costs, ask why. (Or a more subtle tact perhaps!) Ask them to be more specific – web site design and administration, SEO, pay per clicks, microwebsites, postage, postcards, brochures, calendars, lists, design, marketing staff, overhead? Ask if there are any line item dollars you can invest in marketing for a 300% ROI, or whatever your ROI cut-off minimum is, and show them the data on how that is done. Suggest that there are some program losers with a negative ROI that should be eliminated, freeing up marketing investment dollars for higher ROI alternatives (returns that would elevate endowment investment managers to star status.)

You are responsible for a mission critical function. And the more you can understand and bring analytics to the fore, data that makes sound business sense, in an otherwise “non-profit” environment, the more successful you will be.