

Why Savvy Marketers Always Test

Direct marketing has a great advantage over other forms of advertising because it produces measurable response that can be tested to maximize ROI. If you use direct marketing, online or offline, testing shouldn't be optional—it's essential. Here's why.

Testing Reveals Valuable Differences

During the Christmas holidays, an online coffee retailer wanted to encourage customers to give their product as gifts. The marketing team wanted to test shipping promotions at the same time.

In the past, they offered free shipping on orders of \$50 or more – a conservative offer given the company's average order of \$45. The team suspected that if they lowered the purchase minimum for free shipping, they could stimulate higher conversion in gift-giving season which would offset a drop in average order value. They ran this free-shipping test: the bulk of their list received the usual \$50 minimum offer as the control; 20,000 names got a \$30 minimum offer and 20,000 got a zero-\$-minimum offer (free shipping on any order).

The winning promotion was the \$30 offer, performing 14% better than the control, with average order value holding at 94% of control. Therefore, the conversion lift more than outweighed the slight reduction in average order value. Through testing, the company learned how to invest less in free-shipping offers and increase sales volume at the same time.

Square One: Segmentation

Segmenting your list helps you answer the all-important question: "Who are my customers?" Many companies base segmentation on RFM (recency, frequency and monetary). The data tells you when each customer last purchased, how often each customer makes a purchase, and what amount each customer tends to spend each time.

Adding survey data from customers or salespeople can further enhance your customer intelligence. B-to-B companies often benefit from demographics that include the name and title of the decision-maker, size of the business, number of employees, and geographic location. B-to-C companies may want to define age, income, interests, number of children, etc.

With a well-segmented file you can test the offer, messaging and creative approach across your universe to determine what works best for whom, and when: the right message to the right customer at the right time. Segmentation data takes the guesswork out of sales analysis and reveals how to remove all buying obstacles – one customer segment at a time.

Simple A/B Testing Works for Web and Email

As in direct mail, online A/B testing enables you to learn which of two given variables is more effective, as measured by responses, click-thrus, form-fills, sales, etc. It can be applied to a broad

range of variables, from the design of a landing page and wording of a subject line or promotion, to the structure of discounts and incentives and their position on the page.

The big advantage of online A/B testing is that results data can be available quickly. While print and mail results might take weeks to come in, an online marketer can deploy a test in the morning, analyze online activity that afternoon, and launch the best promotion early the next day.

This form of testing can be applied to any element of online and email marketing. Some commonly tested elements include the offer, messaging, landing pages, directory pages, page layouts, navigation schemes, functionality elements, shopping carts and color designs. As with any test, it is important to change only one element so you can be confident that differences in response are a result of that single element variation.

List Testing Builds Your Customer Universe

Conventional direct marketing wisdom says the list has the greatest impact on the success or failure of a mailing – and the house file always outperforms any outside list. Most direct mail enterprises continually test new lists because it's a reliable method of building the customer universe and offsetting attrition as the customer file matures.

It's a common misconception you have to test 5,000 or more to get valid results. Not so. The law of statistics doesn't care how many you mail – only that you get enough response data. Look for a minimum of 50 responses. That's 1% of 5,000 or 0.5% of 10,000.

For reliable results data, always use key codes to track every segment. Clearly code all advertising collateral and provide your inbound channels (WEB, TM) with the tools needed for successful capture response data. No mailer gets 100% capture rates on key codes, but don't let that stop you from trying!

Bottom Line: Testing Improves ROI

Most direct marketing breakthroughs come from testing. Testing for our clients often shows us that 'simple-and-direct' copy sells best, color postcards outsell black and white, and the word 'FREE' has cosmic power to get response.

When business is slow, testing can show you exactly where to shave costs without affecting sales. When sales are brisk, you can aggressively test and refine the best performers.

Direct marketers have been perfecting the craft of testing for more than a century. Today, every marketer should take advantage of testing to refine every campaign for optimum success. Remember, measurable response is an advantage you can take to the bank!

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