

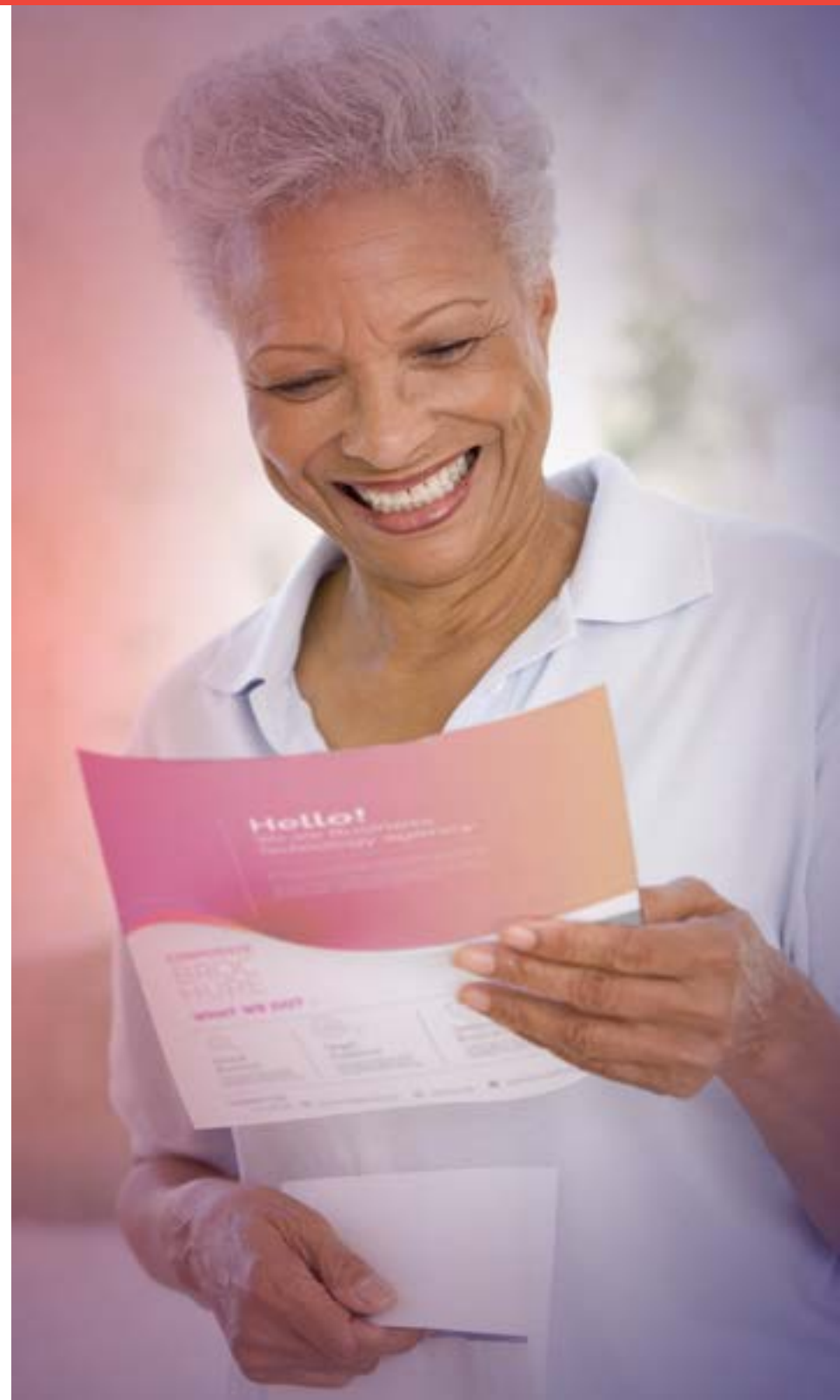


# 9 Testing Mistakes Direct Mail Marketers Make

—And How to Avoid Them

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“ If you’re not getting better, you’re getting worse. ”

—Pat Riley, Five-Time NBA Champion Head Coach



If your direct mail campaign was failing to reach hundreds of thousands of would-be new customers every year, how soon would you want to know that? Yesterday, right?

The reality is that without an advanced knowledge of sophisticated testing strategies, you could spend years investing in a non-optimized control that leaves millions of dollars on the table annually. But with the right guidance, **you can build a sustainable testing program to discover your best audience, learn what motivates them, and refine your campaigns.**

So whether you’re a direct mail pro trying to unseat an existing control, or your company is new to mail and looking to structure a launch test, the insights in this e-book will put you on the fast track to maximizing ROI in the direct mail channel.



## 3 affordable ways to test the direct mail channel

As with any other advertising channel, you won't know direct mail's viability in your market until you test it. Here are three strategies that support a financially responsible, yet agile approach to testing direct mail:



**Customer acquisition:** build a profile of your ideal customer from your existing customer base and start small, or utilize your social media followers and email subscribers (who are not yet customers) to build your own high-performing house list.



**Win-back:** reconnect with lost customers or retarget abandoned online carts with a personalized invitation.



**Cross-sell/up-sell:** segment your CRM audience based on past purchases or engagements, and retarget with similar products and services, or loyalty offers.



## MISTAKE #1

### Not testing

Not testing seems like an obvious mistake, but you'd be surprised. When our marketing strategists begin a conversation with a prospective client, we walk in the door knowing there's a small chance that the company is not performing any testing whatsoever in the direct mail channel.

There could be a number of reasons for this. Perhaps they don't have the creative resources. Maybe they don't know how to structure a test matrix. It could be that they don't have enough room in their budget. But most of the time, if they're not testing, it's because inefficient testing methodologies have created a risk-averse culture within the organization.

Database Marketing Author, Arthur Middleton Hughes explains how this type of culture commonly arises: **"If your regular promotion produces a response rate of 2 percent, and your test produces only 1 percent, you will be accused of wasting the company's money by doing the test. If your test produces a 3 percent response rate, you will be accused of wasting money by mailing your regular 2-percent promotion. If you do no testing at all, no one will complain."**

Based on Hughes' observations, it's easy for us to understand why it can be difficult for you to get tests approved — especially if performance is not fatiguing enough to raise eyebrows. But every wave eventually comes to shore. Campaign fatigue will set in, it's just a matter of when. By the time you notice it's happening and you're feeling the financial effects of it, you could be three to six months away from a fix.

## MISTAKE #2

### Having the wrong definition of success

**The end goal of a test is knowledge — not profit.** But sadly, many direct marketers judge the performance of a test based on the aggregate response rate or cost per acquisition of the entire testing effort. The only way to maintain sanity when testing is to look mainly at the best performing test cell, and compare its performance with that of your existing control. If that promising new combination of creative/offer/list proves itself in a backtest, imagine the impact that one cell could have on the overall profitability of your next rollout. Plus, your cost per piece will never be as high at rollout scale as it is at test volumes.

“

I have not failed. I've just found  
10,000 ways that won't work.

—Thomas Edison, Inventor

”

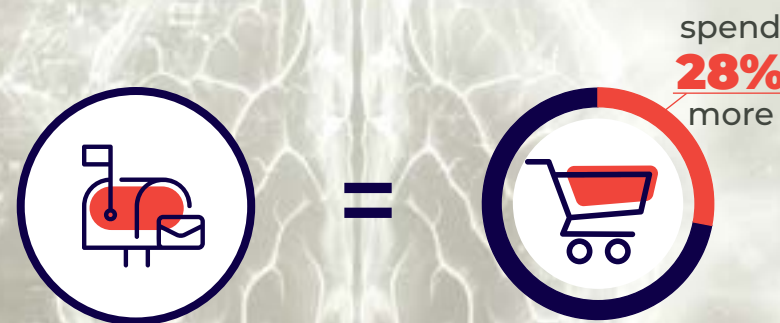
#### No wasted test cells

It's worth acknowledging that, yes, to find that winning cell — or ideally, those winning cells — you've spent most of your testing dollars on combinations that did not yield the ROI of your old control or new winners. But guess what? That money was not a waste at all! In that process, you've learned precisely what doesn't work. If you've structured the test properly, you'll know the exact concepts, offers and lists that had a negative relative impact on performance — and you never have to “waste” money on those data sets again.

Now, if only you could figure out a way to weed out those losers before spending any money testing them ... (we've got an answer to that riddle in the sections ahead).

## Why Mail Delivers Higher Quality Customers

Neuroscience research has found that as a tangible medium, **direct mail feels more personal and creates a stronger emotional response than digital advertisements.** Why does that matter? A stronger emotional response means mail recipients purchase an average of 28% more items and **spend 28% more money** than those who do not receive a mailer. Marketers also find direct mail more effective than digital for consumer engagement, lead nurturing, and customer retention.



### SR, CPA, CPL, LTV... OMG

Once you have your expectations in line, it's time to figure out which key performance indicators you'll use to measure success. Many direct marketers obsess over response metrics, when in reality, measurements like cost per acquisition or lifetime value might be much better indicators of victory. Always look for test variables that attract the best possible class of customers, rather than ruling out an element because it lost the sales-rate game.

For example, an identity theft protection company tested a direct mail concept that lost to the control package by **15%** in overall sales rate. However, customers who converted via the test package displayed a **50%** higher propensity to purchase the premium version of the product. In the end, the test package ended up beating control by **6.25%** in revenue per piece.



## MISTAKE #3

### The wrong priority

Let's say you want to open a burger stand, and you design a mouthwatering sign that perfectly showcases how delicious your burgers are. If you're trying to sell them to people who are already bloated from a recent meal, you're not going to have much success. On the flip side, if you set up your burger stand near people who haven't eaten in a few days, even with the ugliest sign in the world — you'd still sell out.

We've all heard of the "40-40-20 Rule": **40%** of a test's success is determined by the quality of the list, **40%** by the quality of the offer, and **20%** by the quality of the creative. But our data science suggests that breakdown should be more like 60-30-10. In other words, for every 10 elements you test, six of them should be lists, three should be offers, and one should be a new creative concept.

If it's true that factors such as offer and audience are most crucial to the success of a direct marketing campaign, why do so many marketers focus their resources so heavily on creative?

#### Tangible vs. Impact

For one thing, creative is tangible. Most everyone thinks they have a good creative eye, and they often base that on what they enjoy about TV commercials or magazine ads. **But what works in brand advertising does not always work in direct mail.** Plus, anybody can understand the difference between a promotional 6x9 envelope and a blind No. 10, or why an affixed card boosted response, or which grouping of testimonials resonated most with the audience. It's easy to structure your tests based on what's tangible or easy to analyze — the more difficult task is to test for elements that will create the most impact.

## Determining what to test:

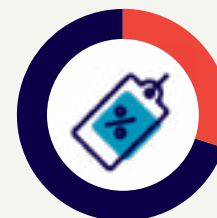
### List



60%

Start by devising your testing ground rules. How often will you test? At what volumes? What is an appropriate test versus control ratio? How often will you test incrementality versus wholesale? Each of these depends on the maturity of the channel and how control performance is achieving the KPIs. Set these parameters and stick to them.

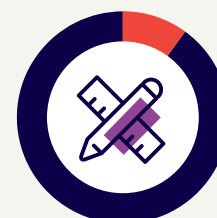
### Offer



30%

From there, identify the order of importance of your testing categories. List, offer, creative, and digital integration are the primary variables in direct mail and are typically tested in that order. Use this information to develop a testing roadmap to outline and prioritize testing opportunities for each category.

### Creative



10%

Generally speaking, your mailing list has the biggest impact on campaign performance, therefore it should be prioritized and account for the majority of your testing efforts. You can also try integrating additional direct marketing channels like digital or CTV with your direct mail campaign to boost performance.

## Wholesale test examples



Letter & Envelope  
vs Self-mailer



Customer model  
vs New-mover file

## Incremental test examples



Reply in 30 days  
vs 45 days



10% off  
vs 20% off



Meal Delivery  
vs Wine delivery

## MISTAKE #4

### Low risk, low reward incremental testing

Until you've tested, for example, a self-mailer against a letter-and-envelope package, don't bother split-testing the angle of the stamp.

**Incremental tests — are low risk, low reward. They're difficult to measure and ultimately delay your search for your next control.**

In a channel launch, re-launch, or even when transitioning an existing program to a new agency, it's crucial to test as broadly as possible. Your goal is to get a general feel for which factors move the needle to the greatest degree — we call that wholesale testing. Here, it's OK to strike out a few times — even just one big score is still a win. Laying down a series of bunts isn't likely to get the job done, so swing for the fences.

Now, there's certainly a time and place for incremental testing. But those kinds of manipulations are typically only beneficial in mature campaigns that aim to optimize a well-established control.



Don't miss the forest for the trees.



—Proverb

### Statistical significance and variable isolation when testing

Conducting your mail tests in a calculated and systematic fashion will allow you to accurately identify which variables are working and which ones are not. If a test is set up incorrectly, you could have data performance skewing the results of a creative test. Or conducting an offer test without the same underlying creative could lead you to believe that one variable worked for reason A, when it really worked for reason B.



## MISTAKE #5

### Requiring statistical validity too soon

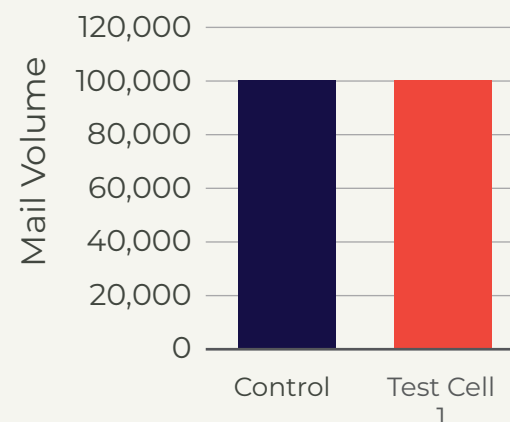
Like most other aspects of testing, the statistical-validity debate comes down to risk. So which of these sounds like the bigger risk to you? Potentially getting burned by a cell that performed well in the initial sample but didn't pan out at higher volumes? Or forcing yourself to invest more money up front in something you've never tested before? Either way, you're taking a risk.

Let's say you have the budget to run a 200,000 piece test, and you require 200 responses in each test cell in order for your results to be considered "statistically valid." If you project a 0.2% response rate, you would need to mail 100,000 pieces in each cell. You're also committing half of your testing budget on a single test cell because you are spending the other half on your control to give yourself a performance baseline.

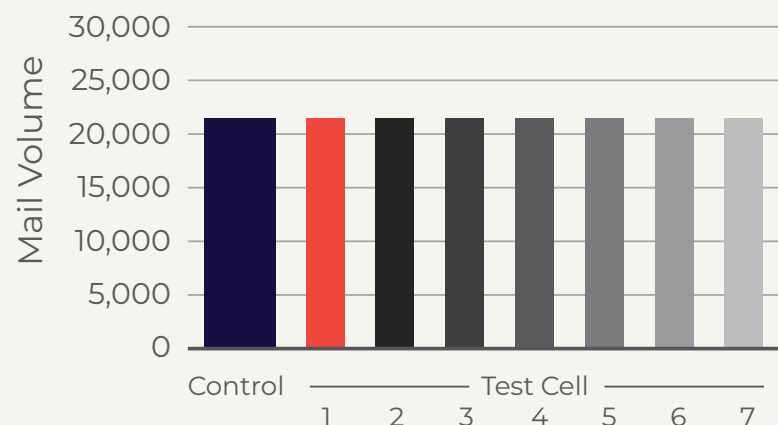
Now loosen your statistical validity requirements to 50 responses (an investment of 25,000 pieces) per cell, as shown in the volume chart on the left. By making that one change, you can septuple your chances of finding a winner in a backtest, because you get to test seven unique cells against control in the initial matrix, instead of just one.

**The key in any initial test is to minimize risk while still learning as much as you can.** Lowering your statistically valid threshold gives you the most possible bang for your buck. You'll get many looks at directional numbers that will allow you to make more educated decisions in a backtest when it's much less risky to invest higher volumes — and ultimately achieve statistical validity.

### Test Requiring **200 Respondents** Per Cell for Validity



### Test Requiring **50 Respondents** Per Cell for Validity



# Is Direct Mail Right for Your Brand, Right Now?

Evolving your acquisition and retargeting strategies by sensibly testing marketing channels like direct mail could have a lasting effect on your brand's current and future health. Here are four things to consider before investing in a direct mail test.

## 1 Your industry and competition.

Not every business benefits from direct mail, but direct mail is the most effective way for many businesses to acquire significant amounts of new customers without getting lost in the realm of digital communications. **Interactive Advertising Bureau (IAB) research found that direct mail is used by over 60% of DTC brands to reach new audiences and drive first time purchases.** That same research shows 39% of the brands who are not currently using direct mail plan to do so in the future. If your competitors are already in the mail channel, there is no reason direct mail can't work for your brand, too. If they're not yet mailing, it could be a golden opportunity for you to rule the mailbox and begin a one-to-one relationship with your prospective customers before your competitors do.

## 2 Your metrics.

Keep a pulse on your daily metrics and what they are telling you about product demand and consumer behavior. As you analyze, consider your brand's recent marketing strategy over the last 45 days. Have you ramped up, cut back, or halted any strategies or campaigns? **Often times, recent marketing actions can have a waterfall effect on your other channels and campaigns.**

## 3 Your past performers.

If direct mail has always been a strong acquisition channel for you, consider how you can continue to use it to stay in touch with today's consumers. Likewise, pay close attention to ROIs from your current channels. **Consider shifting budget from channels that are not performing** to a channel that has a strong history for your brand, is able to reach your homebound market, and presents scalable growth opportunity.

## 4 Your timeline.

Do not be caught flat-footed. What specific metrics or economic circumstances (leading indicators) will signal a shift in your brand's marketing strategy? **Direct mail programs can take six to eight weeks to execute**, with most campaign expenses not due until the campaign is underway. If you are waiting for an upward market trend to show up in your metrics, your prospects may already be acting on a competitor's piece before yours has been scheduled for production. **By planning ahead, you will be able to stay fluid through marketplace swings.**

## MISTAKE #6

### Relying on A/B or “split” testing

In the direct mail world, A/B testing is the definition of “checking a box.” You’re testing just one unique variable at a time while being forced to hold the others constant so that you can isolate the relative impact of the one variable you’re measuring. It’s straightforward and inexpensive, but it could take months or even years to find only minor improvements.

Industry trends suggest that an A/B test has only a **15%** chance of beating control — or an **85%** chance of LOSING! (It appears Mr. Rooney’s convoluted hypothesis is more accurate than you might have originally thought.) Knowing those odds, if you are tossing out a new test offer on a quarterly basis, it would likely take you 20 months to find a winner.



In those 20 months, you’ve neglected countless winning creative/offer/list combinations in favor of a control that was never optimized to begin with — and is now showing signs of fatigue — and test cells that performed even worse. You could make a strong argument that in that time, you would have been better off not testing at all.

“ Anytime you have a 50/50 chance of getting something right, there’s a **90% probability you’ll get it wrong.** ”

—Andy Rooney, CBS Television Commentator

## MISTAKE #7

### Relying on multivariate testing

A common alternative to the slow-moving A/B test is the full-scale multivariate test. By simultaneously testing multiple creative/offer/list combinations in a single test matrix, you greatly increase your chances of finding a winner quickly. However, this approach is often prohibitively expensive. To offset the costs, tests are typically conducted in small sets which dilute performance results, making it difficult to accurately identify the winning combination.

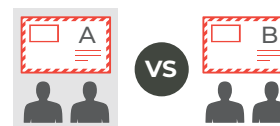
“ Working hard and working smart sometimes can be two different things. ”

—Byron Dorgan, U.S. Senator

Imagine you are able to get away with investing only 20,000 pieces in each cell of the multivariate matrix above. Even at that relatively low statistical-validity threshold, you would still need to invest 720,000 pieces in an initial test. You'd be spending hundreds of thousands of dollars on combinations you're not even sure will work — and the vast majority of them will not.

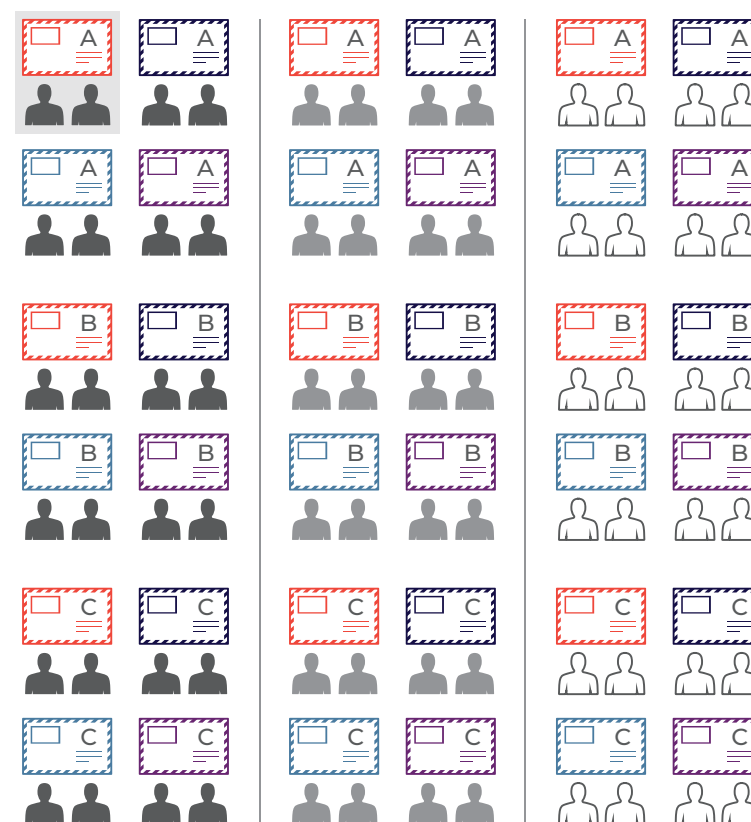
Now, you might be thinking, “Why would anyone ever invest that much money at one time in an initial test?” You're right — no budget-conscious marketers in their right minds would do that. The only reason we show you this mega-matrix is because there is a methodology out there that allows you to achieve this scale of learnings, but for a fraction of the cost.

## A/B test matrix vs. Multivariate test matrix



In an **A/B test matrix**, your control creative/offer/list combination is on the left. You're testing one unique offer (B) against your control element (A), using your control creative (red) and control list (grey).

In an **multivariate test matrix**, you're testing 35 unique creative/offer/list combinations against your control (below).







## MISTAKE #8

### Not leveraging indexing

As promised, you can weed out losing test cells — which will represent the majority of the combinations you test — before ever spending a dime on them. All you need is PhD-level knowledge of an obscure statistics practice called “fractional factorial design”.

**Or an agency partner like Franklin Madison Direct.**

#### How it works

We won't bore you with the ins and outs of fractional factorial design theory. Just know that it's a way to structure your test matrix so you can later scientifically predict (aka index) the performance of combinations you didn't actually test. That process essentially gives you the success rates of a multivariate test yet comes in at an investment level closer to that of an A/B test. Rather than testing only one unique variable at a time or dozens of them at once, you strategically choose a small handful of unique creative/offer/list combinations to test at sample volumes. If you've structured your matrix correctly, your analysts will be able to isolate each variable's relative impact on performance. Then it's time to extrapolate those relative effects to accurately index how every possible combination would fare in a full-scale multivariate test.

“

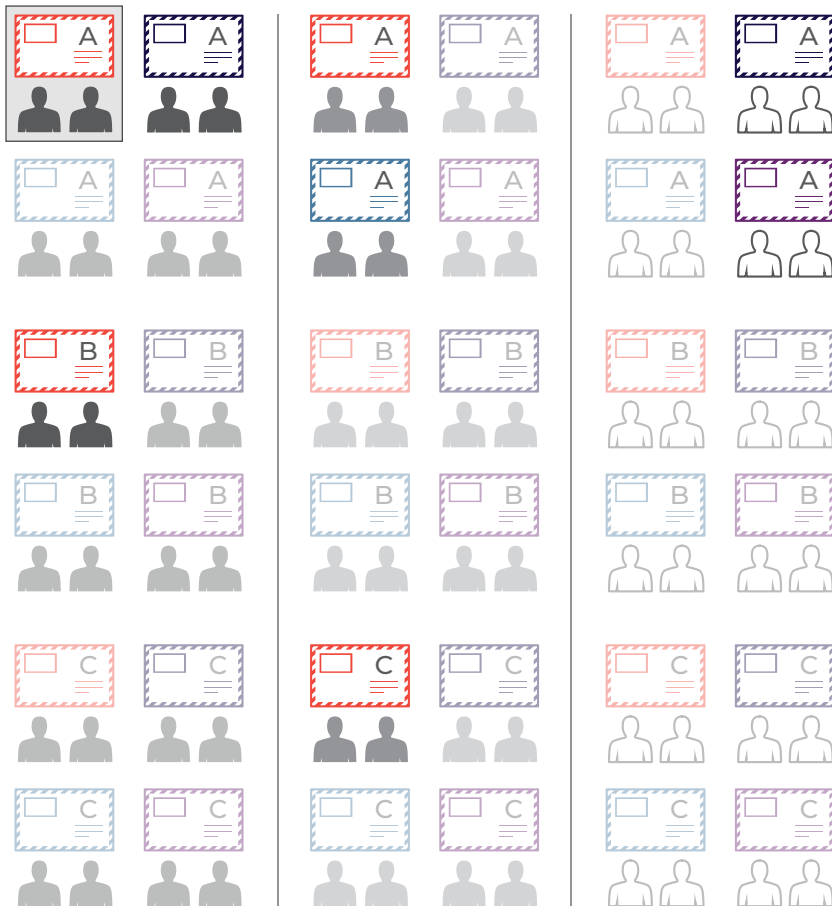
Measure what is measurable  
and make measurable what is not so.

”

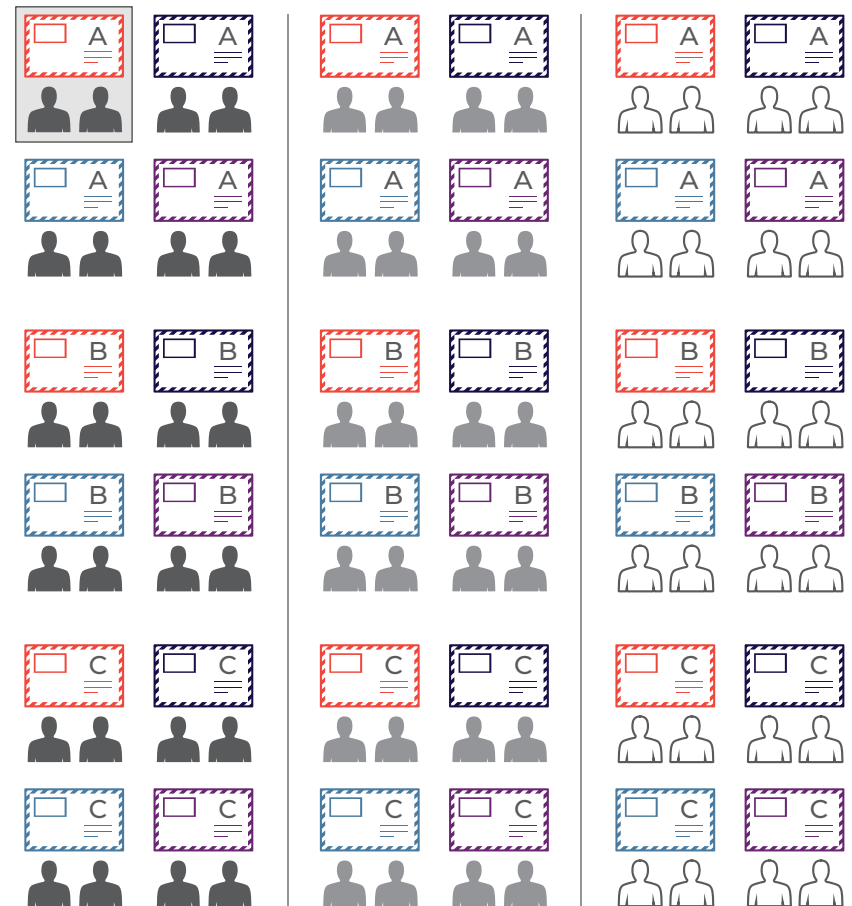
—Galileo Galilei, Astronomer

## Not leveraging indexing, continued

In this example test matrix, you only need to test **seven unique combinations** against your existing control (top left).



Through indexing, you'll be able to measure the **impact of 35 unique potential winning combinations**, as shown in the matrix below.



In other words, **indexing immediately gives you a 400% better chance of finding a winner** than what you actually paid to test. You didn't have to pay for any of those indexed cells that could bring potential winners — and if those indexed cells lose, you didn't have to spend a penny testing those, either!

### The hang-up

Of course, the one knock on indexing is that you're not dealing with actual results — it requires you to have faith in data-driven performance projections. Before you can be baptized into indexing, you need to get over a similar hurdle to the one associated with statistical validity. You're taking a calculated risk that an educated backtest gives you a better chance of finding a winner than blindly investing high volumes in untested cells at the outset.

If you're still having a hard time trusting the legitimacy of an indexed cell, check out the **FACTORTTEST** case studies on [page 17](#) ("**FACTORTTEST** wins").

The bottom line is that reading test performance at face value severely restricts your learnings, budget, and odds of success. Indexing, on the other hand, quickly directs you to winning combinations and insights that are often overlooked by other marketers.



## MISTAKE #9

### Not using FACTORTEST

If you're not totally satisfied with the results you're getting from your current testing strategy, talk to the experts at FM Direct today. Our proprietary **FACTORTEST** will deliver your next control sooner and more cost-effectively than any other testing methodology in the industry.

By working with us, you don't have to worry about mastering fractional factorial design — we've already done that. Over the years, FM Direct has used **FACTORTEST** to index the results for over 1 million unique test combinations for hundreds of brands across countless industries. We've learned what works and what doesn't so you don't have to waste time or money learning those same lessons.

“

Most people get ahead  
during the time that others waste.

”

—Henry Ford, Founder of Ford Motor Company





## 4 of our favorite FACTORTEST wins

Take a closer look at how these consumer brands used **FACTORTEST** to exponentially better their odds of winning.

### 1 Home Security

A fast-growing home-security company wasn't satisfied with the performance of its previous direct mail test launch. In a three-month test period, FM Direct tested five different models, 16 affinity files, three offers, and three unique creative concepts to generate 189 cells of data via indexing. The test doubled the brand's sales rate compared to previous mailing efforts. In just one year after the re-launch, the brand found eight different control models.

**Direct mail is now one of the brand's largest marketing channels**, responsible for sourcing over one hundred thousand new customers each year and **25% of the brand's annual sales**.



### 2 Financial Services

One of the country's largest financial services brands had maxed out all digital growth opportunities and wanted to go offline with direct mail to find scale. FM Direct's **FACTORTEST** matrix included four creative concepts and a dozen list sources over a 3-month test window.

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Now, as a top acquisition channel for this brand, direct mail generates over **15%** of all new business, an average of 22,000 new customers each year, and achieves an **ROI of 35x**.

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### 3 Home Services

A leading home services brand was looking to challenge its existing mail performance and asked FM Direct to participate in a head-to-head direct mail test against their current agency. Both agencies mailed the same volumes. While the competitive agency relied on the existing control creative and list, FM Direct designed three unique creative packages and five custom look-a-like models to challenge the controls. After two consecutive tests, FM Direct's **FACTORTEST** methodology outperformed the control strategy – twice. All three of FM Direct's creative tests beat the competitor's control by more than **15%**, and **4 out of 5 of FM Direct's customer lookalike models outperformed the control data to generate 54% more sales than the competition**.

### 4 FinTech

Already mailing several million pieces each month, a budding fintech brand was in search of a new creative approach to rejuvenate their existing direct mail strategy. To identify the creative and offer combinations that would generate the best response, FM Direct leveraged **FACTORTEST** to amplify eight test cells into 48 cells' worth of learnings. **The new creative concept successfully unseated the brand's long-standing control and produced a 27% lift in sales rate**.





## The Takeaway

If you boil these nine direct mail testing mistakes down into a single takeaway, let it be this: direct response marketing is a cut-throat world. There's constant pressure to take response to the next level and somehow simultaneously cut acquisition costs. You're always being measured, there's no hiding. But that's not news to you. You live it every day.

Our point is ... we get it. We know exactly how crushing those expectations can be, and yet somehow, our clients are thriving. So cheers to you for not being satisfied with a campaign or career that falls short of its potential. Because better performance is out there — and it's closer than you think.

“ Great things are never done by one person. They're done by a team of people. ”

—Steve Jobs, Apple Co-founder

## Find Your New Best-Performing Campaigns, Again and Again!

At Franklin Madison Direct, we deliver turnkey direct response strategies using our proprietary targeting, testing, and reporting methods to ensure our clients have everything they need to produce a performing direct mail program. In addition to the case studies analyzed in this e-book, you can learn more about how we have used data-driven direct marketing to propel the growth of hundreds of brands on our website:

[franklinmadisondirect.com/success-stories](https://franklinmadisondirect.com/success-stories)

If you're ready to grow, we're ready to show you what your brand is capable of.



info@franklin-madison.com  
1-866-838-8551

7480 Flying Cloud Drive, Suite 200  
Eden Prairie, MN 55344

FranklinMadisonDirect.com

