



Ultimate Guide to Direct Mail Attribution

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The evolution of marketing attribution

“FROM MAD MEN TO MATH MEN.”

While we are not quite sure who first said it, this saying best describes the progression of modern marketing. Rather than make advertising decisions on impulse or instincts, marketers now rely on campaign performance data to steer strategy and budgets.

With today's marketing landscape growing increasingly diverse and complex, your attribution program plays a critical role in your overall marketing strategy to effectively optimize your campaign results, prove your ROI, and maximize advertising budgets.

“ Attribution shows you **what is working**, and what is not. ”

Yet today's marketers are still struggling to find meaningful insights into campaign performance. Recent CallRail research found nearly 40% feel they lack insight into the effectiveness of their campaigns.

For direct mail specifically, ensuring reliable processes for tracking results, calculating incrementality and influencing attribution is key to realizing the full potential of this high-performing channel. This guide will share best practices for tracking and measuring direct mail campaign performance, including matchback and holdout strategy, attribution reports and analysis, and modeling recommendations.



5 popular direct mail tracking methods

Including a directly attributable element gives you an easy way to track a large percentage of your responses. Ensure your tracking method is unique to the campaign. This will allow you to identify the list, creative and offer used for attribution as well as continue program optimization.

- 1 Unique Offer Code (UOC) / Coupon Code
- 2 Unique Website URL
- 3 Unique Scannable QR Code
- 4 Unique Toll-Free Number
- 5 Mail-In Envelope or Form



How to track direct mail performance

To genuinely understand direct mail's role in a multichannel marketing mix, you must first establish reliable signals for its impact.

It is important to consider all the ways a recipient can respond to your mailing. They may come in via a directly attributable campaign element like a unique website, phone number or offer code. However, although rather easy to track and implement, we have found that directly attributable elements typically only capture 20-35% of direct mail responses. This is especially true if your offer is not unique or materially different from what can be found through a branded Google search or direct hit on your website, as your attributable element may not be used, and campaign analytics would fail to recognize the channel that drove the sale. Therefore, it is just as important to consider how your audience could respond to your advertisement without using a directly attributable element. This is often done via a matchback process.

THE MATCHBACK PROCESS

In a direct mail matchback, all sales or orders over the attribution window are matched back to the campaign's mail file, with a match indicating at least some level of credit for the sale. Without a matchback, you are not able to see the complete view of your direct mail performance.

Tactically, most matchback logics leverage an alpha-numeric matchkey to link your sales to the mail file, which is often a derivation of name

BEST PRACTICE

Direct Mail

Determining your campaign goal and objectives early on will allow you to impartially measure your success.





How to track direct mail performance, continued

and address information. Additional business rules are layered onto the process to only allow for matches after the campaign in-home window, and only for as long as the read period.

As a tangible, long form of advertising, mail has an average lifespan of 17 days, and pieces are often shared among multiple members of the household, or even multiple households.

“

A direct mail read period often lasts **60-90 days or more**, depending on the product or service that's being promoted.

”

How to use holdouts to establish incrementality

While directly attributable performance alone does not fully account for direct mail's impact, matching sales back to the mail file for +/- 90 days inevitably overstates it. Therefore, to fully understand which matchback sales are incremental and deserving of credit, direct marketers can implement a holdout strategy. This best practice allows marketers to track the lift that mail produced over no mail exposure to determine if direct mail has successfully contributed to prospect conversions and to establish program incrementality.

BEST PRACTICE



Research/Testing

Don't overemphasize incrementality when launching direct mail. Meaningful separation from the initial seed audience (non-mail customers) can take multiple campaigns to identify.

CPA=Cost/Aquisition



How to use holdouts to establish incrementality, continued

Direct mail holdouts act as a campaign's control group. Chosen at random from the targeted prospect list, holdouts are comprised of a group of comparable individuals who are intentionally not mailed to and instead, withheld for measurement against the mailed group. This creates a baseline to measure the incremental lift of your mailing.

During campaign analysis, sales files are matched back to the holdout records via the same process and matchkey methodology that is used on the mailed group.

“

With a matchback complete on both groups, you can calculate the **average incremental sales rate lift** for direct mail.

”

In most mature campaigns, holdouts perform anywhere from 25-40% as well as the mailed group, meaning 60-75% of matchback sales from the group are incremental and can be credited back to the campaign.

It is worth noting that although mail is withheld from the holdout group, they are still exposed to your brand's other influencing channels (digital, TV, radio, etc.) This is true for the mailed group as well, but it's also a reminder that a strong performing holdout is often a sign of good targeting.

The other drawback of using holdouts to infer incrementality is that they fail to provide an individualized credit decision for each sale. A holdout only quantifies the likely impact of mail in aggregate, triggering the need for an attribution approach to triage credit on a per sale basis.

LTV's role in setting direct mail CPA targets

While you may be achieving a \$80 CPA in digital channels, that is the wrong expectation to put on other channels. The goal should not be stealing a dollar from another channel, but rather justifying an additional budget dollar for incremental, profitable growth. Channels that are responsible for driving higher order values or repeat purchases increase the amount of money that channel's average customer contributes to your profits – thus raising your LTV and tolerance for new acquisition efforts.

FOR EXAMPLE:

We tested a concept for an identity-theft product that lost to the control package by **15% in overall sales rate**. But the customers that did convert were **50% more likely to purchase the premium version** of the product.

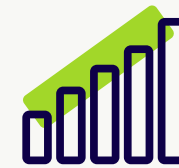


The test concept beat the control by
6.25%
in revenue per piece mailed.



Looking to optimize their retention program, we helped a DTC protection product launch a segmented CRM strategy to reengage past customers and non-converters. The non-converter campaign now **delivers the highest ROI of the brand's direct mail campaigns**.

Generating
\$1.9M
a year in top-line revenue.



The reengagement campaign has multiplied LTV by
8x

If you're looking to scale customer acquisition by finding your best audience, the focus should be on understanding your CPA tolerance rather than dwelling on how mail CPA compares to other channels.

Measure what matters

Having the wrong definition of success can hinder any channel's potential or optimization efforts, especially when it comes to direct mail and your testing strategy.

“

It is important to set **phase-specific objectives** rather than expect to hit optimization goals initially.

”

It's common for early efforts to aim for proving viability, establishing baselines, breaking even, or even simply for learnings. Identifying the right key performance indicators (KPIs) will be critical as you track attribution and rate success.

Common direct mail KPIs include sales rate, cost per acquisition (CPA), return on investment (ROI), and customer lifetime value (LTV). Although each of these KPIs are relevant to assessing performance, each has a different impact on your marketing strategy. It is easy for direct marketers to obsess over hitting CPA goals, but oftentimes they are the goals set for other channels. **However, it is very common, if not expected, that direct mail driven customers will have a higher value (LTV) than achieved by other channels.** That should lead to a higher, channel-specific CPA tolerance/target. Companies that miss this point often miss out on their potential scale, or perhaps channel viability altogether.

We recommend tracking multiple metrics for an actionable perspective. Your direct mail agency can help you determine which KPIs are most aligned with your campaign and growth goals.

BEST PRACTICE



Direct Mail

Have a clear understanding of the source of each metric and what it represents – attribution accuracy depends on your data types and the model you select.

Attribution reports and analysis

There are many ways to analyze campaign effectiveness, and the more data available to you, the better. Attribution is a complex puzzle but should never be a black box. Verify your agency partner offers complete transparency in their analytics process. Reputable agencies layer multiple logics for the most realistic view of performance, including individual-level match back, full address match back and directly attributable elements.

BEST PRACTICE

Data/Analytics

Maximize your insights by creating custom attribution measurements that give credit to the actions that mean the most to your brand.

Common attribution models

With numerous attribution models and no one-size-fits-all approach, determining the best attribution model can be a challenge. Fortunately, the most traditional methods fall into two categories: **single-touch** and **multi-touch attribution**.

SINGLE-TOUCH ATTRIBUTION

Single-touch attribution is generally categorized as first-touch or last-touch. The first-touch model gives 100% sale credit to the first marketing channel that touched a prospect, naturally over-emphasizing top-of-the-funnel marketing tactics and overlooking down-funnel channels that successfully nurture conversions. Alternatively, last-touch attribution gives 100% credit to the last touchpoint the customer engaged with before purchase.

Although very easy to implement, single-touch attribution does not consider the broader customer journey and the role each marketing channel has played in the conversion. This can result in channel bias and skewed data. Worst case scenario, your data could cause you to unintentionally eliminate a channel from your budget and strategy that actually does have a huge impact on sales conversions.

A Wharton study found that only one in three shoppers consistently use just one channel to buy, with **two-thirds of shoppers regularly using more than two channels to purchase**. Therefore, to truly measure a channel's effectiveness, you must adopt a model that looks beyond a single touch.

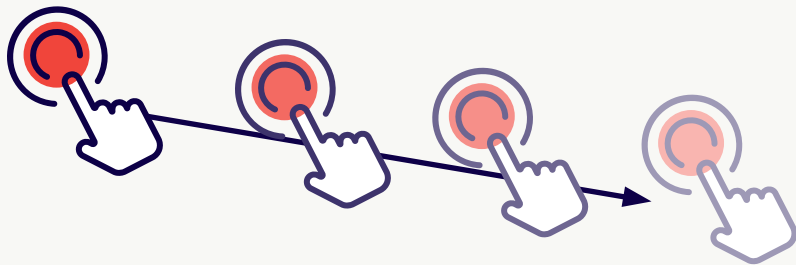


When it comes to tracking direct mail campaigns, multi-touch attribution is ideal.

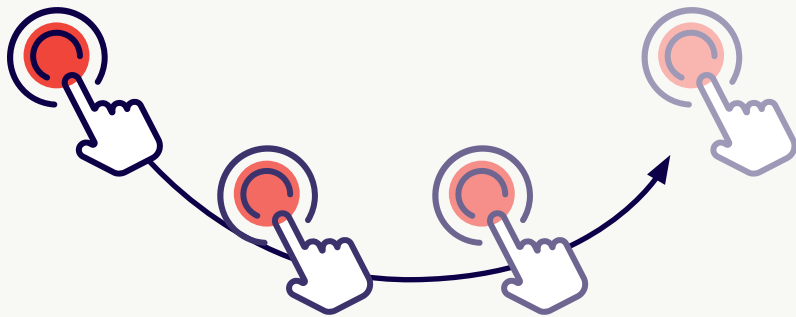
Linear attribution gives equal weight to every touchpoint.



Descending or time-decay attribution gives more credit to touchpoints that are closer to the conversion.



U shaped attribution gives more weight to the first and last touchpoint, then applies the remaining percentage equally to all touchpoints in between.



Common attribution models, continued

MULTI-TOUCH ATTRIBUTION

Multi-touch attribution recognizes each touchpoint that the consumer has engaged with along the purchase path and assigns a fractional credit to each channel, varying in sophistication and complexity. This strategy allows marketers to see how much influence each channel has on the sale, providing greater insight into marketing channel optimization. As a more complicated form of attribution, marketers must have the capability to track individual consumers across multiple channels.

Machine learning or algorithmic models that use historical data to calculate and distribute fractional credit to each touchpoint are most direct, but they are rarely implemented effectively.

Rules-based methods credit the channels that are more commonly used to display practical and sufficient conversion data. Channel impacts are weighted based on their location in the customer journey, such as linear, descending, and U shaped.

Surprisingly, **Adobe research found only 25% of marketers are utilizing multi-touch attribution, and nearly 30% of marketers aren't using an attribution model at all.**

Ultimately, there is no perfect attribution method given today's staggering number of conversion paths, and any attribution model is better than no measure at all. Still, effective attribution models should provide insight into the buyer journey, including the messages and channels the converting consumer was exposed to and engaged with along the way. Many of these attribution solutions live online, so you must influence the outcome and accuracy of those models by feeding in your offline direct mail matchback data.

The relationship between brand recognition and consumer behavior

Dr. Jeffrey Lant's notable "Rule of 7" argues it takes an average of seven touches for a brand to become recognizable. **Neuromarketing research confirms that brand recognition and recall are influential when consumers are making purchase decisions.**

Consistent branding across multiple channels reinforces your product or service and overall awareness amongst your audience, making your brand unforgettable when the time comes to purchase. Yet, it is common for attribution models to overlook the relationship between brand recognition and purchase behavior, ultimately devaluing brand building initiatives. Consider how your attribution model detects and measures the relationships between branding and conversions. This will help you avoid making a detrimental mistake based on incomplete attribution data.



Some advice to get you going

Without a silver bullet to direct mail attribution, it is recommended that direct mail performance is measured from several competing viewpoints. As a best practice, consider performance to be bookended by directly attributable (bare minimum) and full matchback (maximum credit) results. Then calculate several additional performance scenarios to project reality somewhere in-between:

- ✓ **Incremental lift** over holdout
- ✓ **Time-decayed** version of matchback (more credit given the closer the matched sale is to the in-home mail dates)
- ✓ **Fractional attribution** based on the last-touch attribution model (more credit given to a direct mail match if the last touch was branded search than if it was non-branded)

DIRECT MAIL ATTRIBUTION IS POSSIBLE

Perfecting multi-touch attribution may be a long shot but proving direct mail's incrementality and role in the marketing mix does not have to be. At FM Direct, we use a comprehensive matchback and holdout strategy paired with multi-touch attribution to equip our clients with valuable data that optimizes their direct mail programs and highlights the genuine strength of this traditional channel.

Learn how we've helped hundreds of brands use data-driven direct mail to propel their growth with sustainable and profitable direct marketing programs on our website: franklinmadisondirect.com/success-stories.

Let's get started

At FM 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 mail to propel the growth of hundreds of brands on our website:

franklinmadisondirect.com/success-stories.

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



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