

Mail Media Effectiveness

Executive Summary

The study was commissioned to provide marketing professionals with clear and authoritative information on mail media effectiveness within the FMCG sector (fast moving consumer goods companies, or 'packaged goods') over the short and longer term. Mail has not traditionally been regarded as a major advertising medium in FMCG (packaged goods), except in support of retail loyalty programmes, despite considerable evidence of effectiveness. The study aims to provide solid evidence for media neutral planners.

The study reviewed communications by 31 leading FMCG brands including: Alldays, Always, Ariel, Cesar, Cif, Fairy Liquid, Febreze, Flash, Felix, Frolic, Heinz Beanz, Heinz Tomato Soup, Heinz Tomato Ketchup, Heinz Salad Cream, Iams, Kettle Chips, Pantene, Pedigree, Persil, Sheba, Sure, Surf, Whiskas, a coffee brand and three other haircare brands. Their objectives were varied, including brand extension launches, customer acquisition and brand promotion. The average size of each project was 304,000, a significant tuned in audience.

dunnhumby, a leading marketing services provider, who manage the Tesco Clubcard database, conducted the statistical analysis using its Crucible database (which includes anonymised Clubcard profiles) to identify how brand sales changed as a result of consumers receiving a mail communication. Subsequently, Professor Angus Jenkinson of the Centre for Integrated Marketing at Luton Business School, audited and reviewed these findings.

Key Findings

The study shows significant findings. Results are based on the more conservative median (central point) rather than mean (average) effect.

Short term, mail increased brand sales by a significant median of 21.1% over their promotional periods (with the largest gain being 60%), representing an average 2.0% brand share gain and almost 5% more consumers.

The analysis also shows a significant median sales gain of 12%, or 60% of the short-term gain, an impressive result. There are equivalent brand share and consumer gains. Many studies have shown the ability to create short-term



promotional effects through sales promotion and other techniques, but this ability to create enduring brand gains is almost unprecedented.

Finally, the study shows small but overall statistically significant “media-multiplier” effects: use of mail improves the effectiveness of other media.

Return On Investment

Based on assumptions outlined below, mailings have a positive payback of 31% compared to campaign costs, over the longer term. The best communication achieved a 70% return.

The study also shows that marketers can use mail effectively as a medium for increasing activity amongst existing or new customers. Furthermore, altering the business objectives (and therefore creative and offer executions) successfully affects outcomes, with multiple outcomes possible, giving marketers flexibility in their planning objectives.

Interaction With Other Media

Synergies were observed between mail and all other media. Running mail communications with these media produced extra sales that suggest they would not have occurred if the mail communications and other media had been run separately. Press appeared to provide the greatest synergy with mail.

Implications

According to Professor Jenkinson, the study shows that FMCG brands should seriously consider extending their use of mail. It delivers important benefits for customer acquisition, trial and retention, as well as brand promotion, and both short and long-term brand gains.



Background and Objectives

Recent research by the Direct Mail Information Service (DMIS) argues that mail is a significant medium in the promotional mix and a “cost effective and versatile medium – on its own or alongside other media”.

- Direct Mail has been the third largest medium for decades with a 2003 total of £2467 million. However, its market share has been increasing, from, for example, 9.8% in 1982 to its present 14.3% share.
- UK consumers purchased £27bn worth of goods through direct mail over the last year (an increase of 4.7% on the previous year)
- On average, for every £1 spent by the Advertiser on their consumer mail media, £11 is generated.
- The average UK consumer spent just over £577 in the last year directly as a result of being mailed.
- Mail advertising spend dropped less than other media post 9/11 and recovered slightly quicker.

However, Professor Jenkinson points out that these figures do not take into account a significant set of mail communications by sales people, administrators, service staff and other business professionals, communications that also influence sales and brand performance. For various complicated reasons this additional mail is never included in the advertising mix. Thus mail represents an even more significant and growing opportunity than is often appreciated.

However, FMCG sector brands, who sell food, drink and other everyday household items, have traditionally been relatively low adopters of mail. This is changing, however, and these manufacturers are increasingly recognising its effectiveness at developing new customers and promoting loyalty with existing customers. For example, the work of Hallberg (1995) in differential marketing has shown the value to FMCG of targeting high usage/high spend category consumers.

There have been many studies into the effects of direct mail, although most have been limited to measures of communication awareness, influence on purchase decision, response rates and consumer attitudes to the medium. Special offers, coupons and free samples are considered to be the top three short-term influences on customer behaviour in the FMCG sector. Studies show all of these can be delivered and highly targeted to consumers via direct mail.



However advertisers can also use mail to build initial awareness and then positive attitudes for their brands by delivering relevant and interesting advertising messaging to consumers, resulting in improved consumer attitudes to these brands. According to studies by Jenkinson and Sain at the Centre for Integrated Marketing, mail has been conventionally pigeonholed as a sales promotion/direct tool, leading to a limited cycle of use and confirmation.

Studies at the Centre for Integrated Marketing suggest that most mail communications are not

subject to qualitative research equivalent to other advertising media, even when mail spend matches or exceeds other media. Their studies indicate that mail undoubtedly also works as a brand attitude influencer (Jenkinson and Sain, 2003¹).

Great success may have blinded brands to the greater possibilities.

For example, in 1993, Boots found that they achieved higher levels of awareness and positive brand attitudes by mail than by TV when launching a new No. 7 line extension (Jenkinson and Sain, 2004).

There is significant evidence that mail as a medium is therefore misunderstood in its value for advertisers. This is leading to “media neutral planners” adopting a new stance.

However, the first step for many advertisers remains to understand and be convinced of the direct sales benefits of mail. To achieve this, this study uses a unique measurement solution to show how mailings actually influence customers buying behaviour and the resultant impact on product sales this delivers to advertisers.

The study goals therefore did not extend to quantifying the broader impact of mail on consumer brand attitudes, except by inference. This would require a further study.



How The Study Was done

The Royal Mail commissioned dunnhumby, the database marketing and analysis consultancy that manages Tesco's huge Clubcard database, to conduct this study. Through analysing anonymised Clubcard profiles, dunnhumby were able to determine the impact of the mail communications on the recipients purchasing behaviour.

Subsequently the Centre for Integrated Marketing at Luton Business School provided a critical commentary on these results and the report to ensure authority. The Centre is the UK's leading research centre supporting major brands in their adoption of Integrated Marketing best practice.

What Advertisers Were Included?

A range of FMCG advertisers were approached by dunnhumby and asked if they would like to participate in the study. The advertisers supplied details and data from mail projects that they had executed between February 2002 and February 2004.

The study investigated 31 communications from 25 brands. In total these communications mailed 9.4 million packs. Brands evaluated included: Alldays, Always, Ariel, Cesar, Cif, Fairy Liquid, Febreze, Flash, Felix, Frolic, Heinz Beanz, Heinz Tomato Soup, Heinz Tomato Ketchup, Heinz Salad Cream, Iams, Kettle Chips, Pantene, Pedigree, Persil, Sheba, Sure, Surf, Whiskas, a coffee brand and three other hair care brands.

Advertisers were offered a report defining the results of their own communications to show how they performed versus other communications (without disclosing brand names).

Four of the communications analysed were joint advertiser-Tesco mailings to members of the Clubcard database. The results from these projects are highlighted so they can be separately distinguished from the other mailings. However, these "loyalty card" targeted mailings are broadly representative of all the communications in terms of results achieved.

Communication Details

A table in the Appendix provides details of the projects. The company and brand details are protected for participant confidentiality. All communications were mailed



to at least 100,000 homes, which from an analysis perspective is sufficient to provide statistically significant results.

All the communications would commonly be recognised as direct marketing or sales promotion, given their generally strong activation and involvement, with promotional offers, in-store redemptions, personalisation and interactivity. However, Jenkinson points out that while it has not been possible to review every mail pack, a sample suggests that the mailings included elements in keeping with a more 'integrated' age. Thus, many also contain strong 'brand messaging', including emotional imagery, a unique brand proposition, tone of voice and other

creative execution factors associated with the discipline of advertising (brand appeal, emotional resonance, big ideas).

Brand Categories and Effectiveness

The chart below shows the mix of FMCG sub-categories.

Pet	14
Health & Beauty	8
Homecare	6
Convenience Food	2
Beverages	1

Percentage of FMCG categories included in the study

This cannot be considered representative of the FMCG sector as a whole. These categories are typically considered more emotionally involving than say butter (almost 50% of the projects are for pet foods, a high involvement category where direct marketing has a significant presence).

However, when the mailings are ranked by performance, eight of the Pet brands fall in the bottom 10 on the basis of short-term results, while four Health & Beauty, three Homecare, one Convenience Food and the Beverage brand appear in the top 10.

According to Professor Jenkinson, "Mail media's capacity to achieve involvement and emotional effectiveness and its preferred use in such categories, including charities, paradoxically contrasts with a widespread assumption that it is a 'rational' rather than emotional' medium. The evidence is that it can be as emotional or rational (or both) as the creative advertiser wants to make it."



The study suggests, in line with media neutral thinking, the need to resist past assumptions and a significant opportunity to test other FMCG categories for effectiveness.

Audience Volumes

The consumer audience volumes in the 31 brand projects may appear relatively low by some mass media standards (124,000 to 831,000, mean 303,456). However, this needs to be factored for targeting accuracy and other medium-to-medium comparisons. Furthermore, some of the mailings included test cells with significant rollout capacity.

In any case, in an age of highly segmented media and TV/radio channel-zapping, a tuned-in audience of 300,000 is useful.

How Was Communication Effect Measured?

dunnhumby used its unique Crucible dataset to analyse the projects and measure the impact on the brand's sales. Crucible contains data on almost every British household derived from a variety of sources including the Census, Electoral Register, lifestyle and credit data suppliers, plus the wealth of information contained in anonymised Tesco Clubcard profiles. This enabled matched control groups to be identified.

Communication mailing files were matched to Crucible and analysed to determine the changes in purchase behaviour of the mailed recipients using the Tesco Clubcard transactions as a source. Transactions outside the Clubcard or Tesco could not be included, possibly depressing the results. Tesco has about 27% of the UK grocery trade and some 80% of their transactions are through Clubcard.

All analysis, measurement and reporting of the results was conducted under the prescribed MRS code of conduct as well as Data Protection Regulations to ensure the privacy and confidentiality of customers.

Control Groups

As such a high proportion of grocery shoppers in the UK do their shopping on Tesco Clubcard (up to 21%), research and statistical analysis by dunnhumby was able to derive control groups to enable like-for-like comparison with mailed groups.



Results were compared to a control file in order to isolate the effect of the mailing on the recipients purchase behaviour. In about half of the campaigns the control groups used were those provided by the advertisers. Where these were not provided, dunnhumby created a control for each communication using retrospective Clubcard profiles that were matched on demography, region, lifestyle segmentation and purchasing of the brand mailed in the pre-period. These were tested by comparing predictions with actual results in other periods. The match between the statistically derived control samples and the mailed groups is sufficiently close to give confidence in the results.

Analysis Period

For each mailing file, recipients were matched to Crucible and their group purchasing behaviour was analysed for a period before receiving the mailing and a significant period afterwards.

Results were investigated over the short and long term for each brand. To assess short-term results the measured period was the life of the mailed product offer, where appropriate. These varied from 5 to 37 weeks, so a typical cut-off of 12 weeks was selected. Long-term assessment is based on a period between 29 and 52 weeks depending on the data provided.



Calculating Uplift

The chart below illustrates how a communication's effect on the mailed customers was compared to the control group. The difference in the purchase behaviour of the two anonymised groups after the mailing defines the mailing effect.

Week	Control Group	Mail Group	Pre-project
	total weekly sales	total weekly sales	
1	434	450	Pre-project
2	446	430	
3	425	440	
4	498	470	
5	480	495	
6	450	450	
7	490	480	
8	461	558	Post-project
9	465	560	
10	429	525	
11	447	541	
12	472	571	
13	463	555	
14	435	531	
15	480	581	
16	456	558	
17	478	570	
18	449	543	
19	459	558	
20	428	528	

Illustration of the difference in purchase behaviour between the control and mailed groups after mailing, proving mail's communication effectiveness

By tracking the two groups of customers (mailed versus control) over time we have been able to measure sales uplift, brand share change and penetration change attributable to the effect of the mailing.



Promotional Sub-groups and Tests

It is typical in direct marketing to build a series of test cells into each project. This is one of the strengths of mail as a medium.

As an example, project 15 (pet food) had 6 sub-groups included within the total of 140,000 mailed, which was one of the smaller projects. These included groups tested for different offers (BOGOF, free trial, free litter tray etc.) as well as comparison between different customer types (e.g. loyals, known/unknown dog sizes, competitor customers), with slightly varying copy and creative to match. Responses within the projects varied from 9.2% to 22.4%, with the mean of 16.4% used in the final study. This indicates the long-term ability of the expert brand manager to use mail to:

- Improve results
- Make strategic decisions about investments
- Deliver targeted messages/effects.

It also suggests that the variability of results found in the study, and in particular the poorer results, may be attributable to poor targeting, creative or offers that need to be addressed by a learning process.

Sales and Customer Behaviour Effects

On both a short and long-term basis the results are encouraging for planners and for marketers. Mail increases brand share, penetration and sales, and enhances other media spend.

These results should be considered against a backdrop of factors that have been acknowledged in shaping this study:

- The majority of these mailings were appropriately targeted, often using a client's consumer database to ensure the offers were relevant to the recipients. This means that the results are not necessarily as applicable to sectors where mailings do not benefit from reasonable targeting.
- All brands assessed in this survey were FMCG with potentially emotional brand resonance.
- The consumption of FMCG brands is typified by wide and frequent purchasing, with the barriers (i.e. cost) for a consumer to respond or purchase these brands comparatively lower than other market sectors.
- To assess short-term results the measured period was the life of the mailed product offer where appropriate.

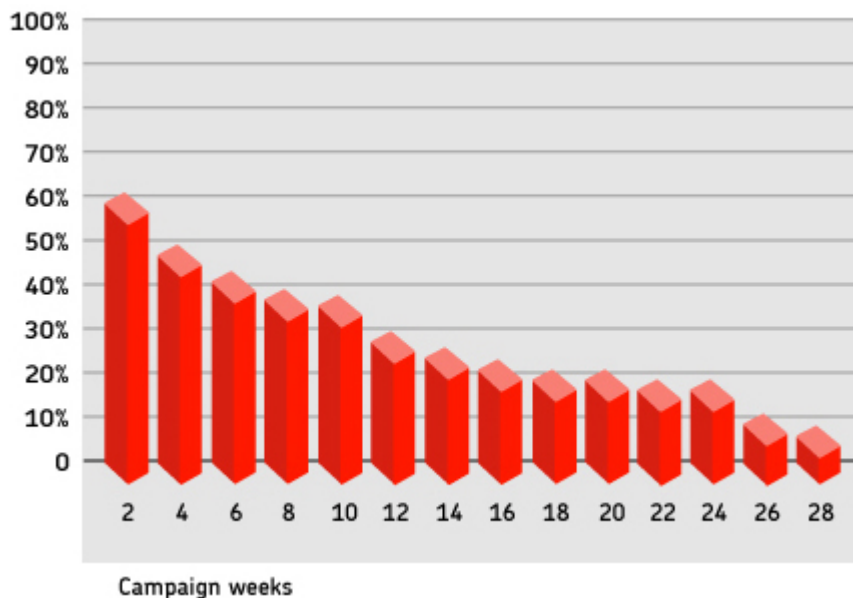


- The value of any offer was not subtracted from the sales uplift as it was considered an investment to drive total sales. In some cases the value of the mailed incentive was close to the value of the product.

Sales Effect

Of the 31 communications included in this study, 29 showed a positive short-term effect due to direct marketing. *Short-term sales* increased by a median of 21.2%, with the majority of communications seeing an uplift of between 10 and 50%.

Median results are used rather than means because these are more conservative – particular since highly effective projects can produce very strong returns. In the chart the gap between projects 1 and 2 is similar to the combined effect of projects 26-30. However, it should also be noted that the use of means discounts the possibility that with good targeting, and brand creative marketers can achieve exceptional results: indeed this is what they and their agencies seek and what wins awards.



The median short-term brand sales increase across the 31 brands was 21.2%

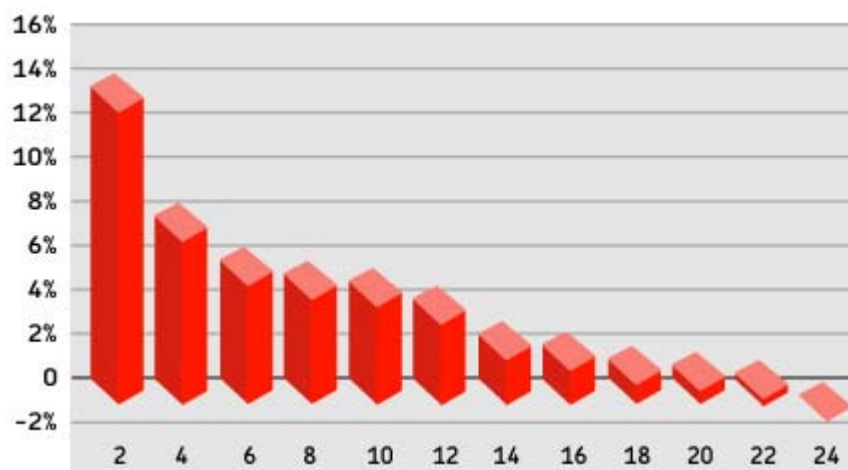
Mail communications also resulted in long-term sales uplifts. The median *long-term uplift* was 12%.



Percentage uplifts are comparable across mailings irrespective of mailing volume, product price, and brand size. This figure can therefore be used as a benchmark against which to set expectations for mailing performance. Although actual financial uplifts depend on the parameters of the particular mail communication and cannot therefore be used as benchmarks, they are useful for illustrative purposes. In this study the 12% uplift translated to an average of 37 pence extra spend per mailed customer or £85,000 per mail project.

Brand Share

In the short term, brand share increased by a median of 2 percentage points, with the top quartile of mail projects showing brand share increases of at least 3.2% points. In the longer term, brand share increases were not so dramatic, but were still positive with a median of 0.4 percentage points.



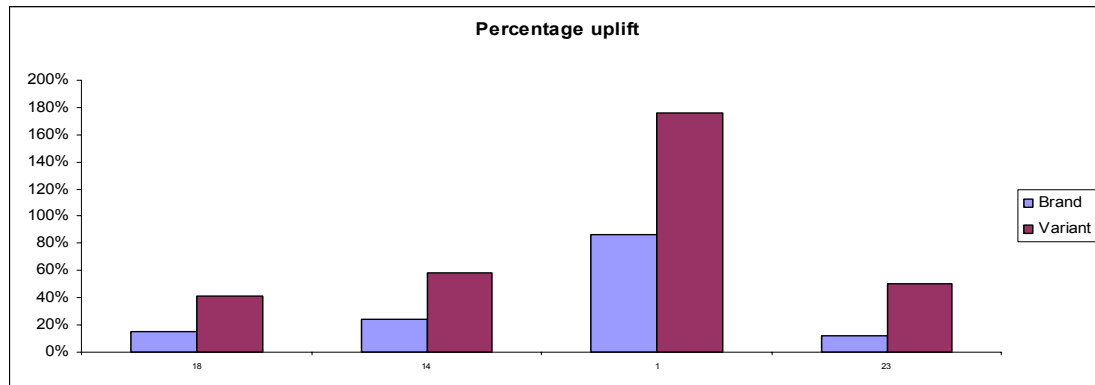
Brand market share increases can be considerable

Sales Effect At The Variant Level

The key results presented in this study are at the total brand level, even though mailing mail projects often focus on a particular variant. This means the results are conservative. This eliminates unrealistic percentage uplifts caused by comparison to low baselines for new variants or cannibalisation by a particular variant of other variants within the same brand. For illustrative purposes, however, we consider it worthwhile to present a few examples of variant level uplift.

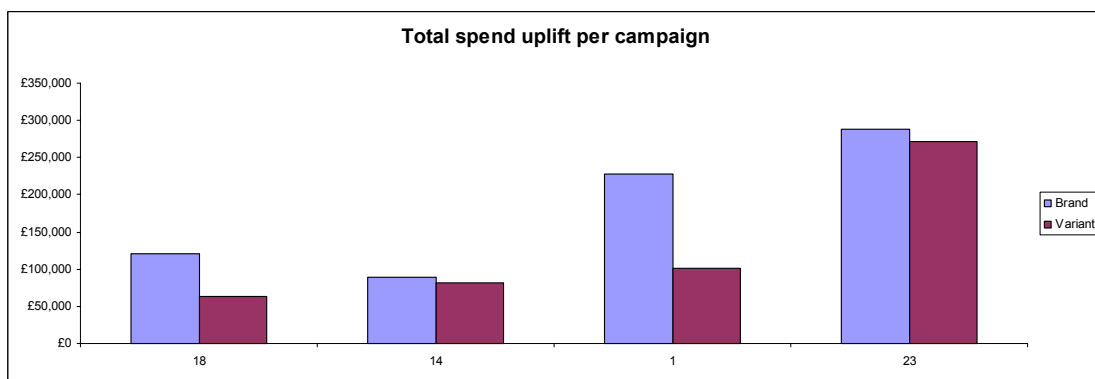


The effects on brand variant sales due to a mail media campaign were very significant. In terms of percentage uplift the variant always performed better than its overall brand, with uplifts as high as 170% observed.



Percentage uplift of variant always exceeded main brand

However, the extra spend generated as a result of these mail communications was always higher at the overall brand level in terms of total spend uplift per mail project and uplift per household. This is encouraging as it suggests projects focussing on specific variants are likely to produce 'halo effects' at the total brand level rather than simply cannibalising from other variants of the same brand.



The extra spend generated as a result of mail was always higher at the overall brand level, suggesting halo effects

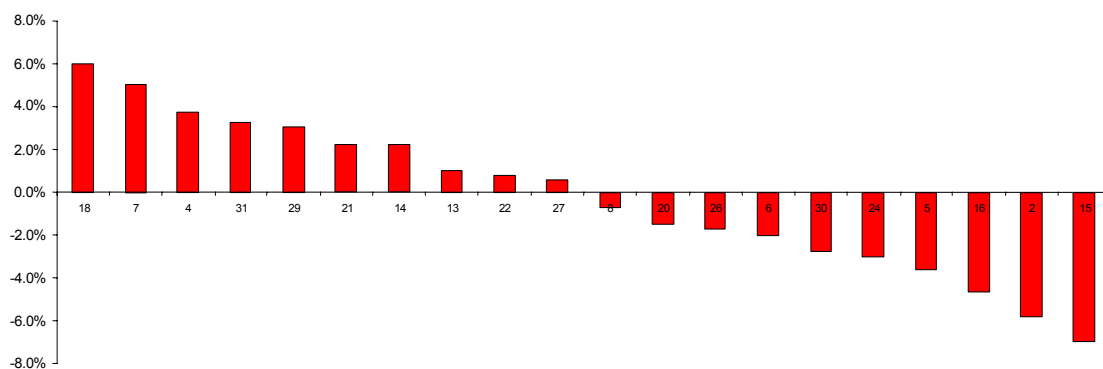


Customer Penetration Effect: Gaining New Customers

Penetration is defined as the percentage of the mailed customers who bought the products over a 12-week period. It can therefore be a useful measure of how well a communication has driven trial of the brand by new customers. Short-term penetration frequently increased by up to 10 percentage points among mailed households, with a median increase of 4.9 percentage points. The mailings continued to cause penetration to increase over the longer term, albeit to a lesser degree, with a median increase of 2.9 percentage points. Long-term penetration is defined as the average 12-weekly penetration over the long-term evaluation period of the study.

Behavioural loyalty is defined as the brand's share amongst customers who buy it brand (also known as "share of wallet"). Due to the number of new customers (trialists) brought in by the communications, an unchanged or even slightly decreased share is to be expected (18 of the 20 projects with known objectives included customers acquisition for the brand or variant). In fact loyalty changes were evenly spilt between the positive and the negative. In the short term the median share of purchase was -0.1% down and in the longer term it was -1.1%.

Loyalty % points change



Paradoxically, the effect of winning many new trialists is also in many cases to reduce overall share of wallet or behavioural loyalty

The communication objectives of each project were identified with their objectives being classified as acquisition, loyalty or both. It was found that projects that were specifically aimed at driving loyalty among existing customers were more likely to achieve this objective.



Return on Investment (ROI)

The potential to measure the ROI of a direct mail project is exceptional. In the context of the media options available to clients, the understanding of the relative ROI of each media channel when allocating communications budgets is becoming increasingly paramount.

Although not all the costs associated with the various campaigns were available, reasonable assumptions can be used to assess typical ROI.

For the purpose of this study the calculation is kept relatively simple:

ROI Calculation

$$\text{ROI} = A / B$$

A = Total extra margin generated from project

- The long-term sales uplift for the project estimated for Tesco grossed up to give an overall total UK sales uplift with a 50% margin incorporated.

B = Total cost of the project

- The cost to produce and mail the pack (estimated at £0.60 multiplied by the total number of mailings in the project) plus the cost of the discount multiplied by the redemption rate.

ROI is expressed as: Profit generated from uplift/ Cost of project

The results showed a median long term ROI of 31%.



Notes on ROI Estimate

This estimate is based on of the following assumptions.

- Margin assumption: 50%
- Mailing cost assumption (mail pack and postage): 0.60p
- For projects with multiple value coupons we have estimated the spread of redemptions across the different values.
- For projects where the redemption rate is not known, we have either used estimates from the agency, or applied the average redemption rate from all projects where known.
- The only costs included have been for discounts redeemable in-store.

Effects of Direct Mail With Other Media

Media are rarely used in isolation. An important consideration when planning the media strategy for a brand is how the individual media will complement each other. Using the results of this study in conjunction with media spend information sourced from Thomson Intermedia, it was possible to estimate that some extra sales were generated as a result of combining DM and above the line media. Put simply, the interaction effect is an additional gain that we do not see when these media are run separately. This is variously known as the media-multiplier or media synergy effect.

How This Was Calculated

An econometric model was built for each brand in the study to express weekly sales as a function of:

- relative price
- promotions (brand and competitors)
- distribution
- seasonality
- spend on each of the major advertising media for the brand and the category (TV, Radio, Press, Outdoor).

Based on this model it was possible to separate weekly sales into 'base' sales (including all effects apart from media), and those sales that were caused by each of the media. This normalised model enables an estimate of the extra sales that could be expected in any week from incremental spend in each medium.



For each brand, the model was repeated for the buyers of that brand who received mail and the weekly sales uplifts from each medium were again estimated. For any medium the difference

between the predicted uplift and that actually achieved was interpreted as the interaction between direct mail and that medium.

Results

Interaction effects of up to 10% were observed for individual brand and media combinations, with others smaller, but with a consistent increase. Thus, across all the brand/media combinations, actual performance results of other media with mail added were significantly higher than predicted.

The median interaction values for each medium are shown in the table below.

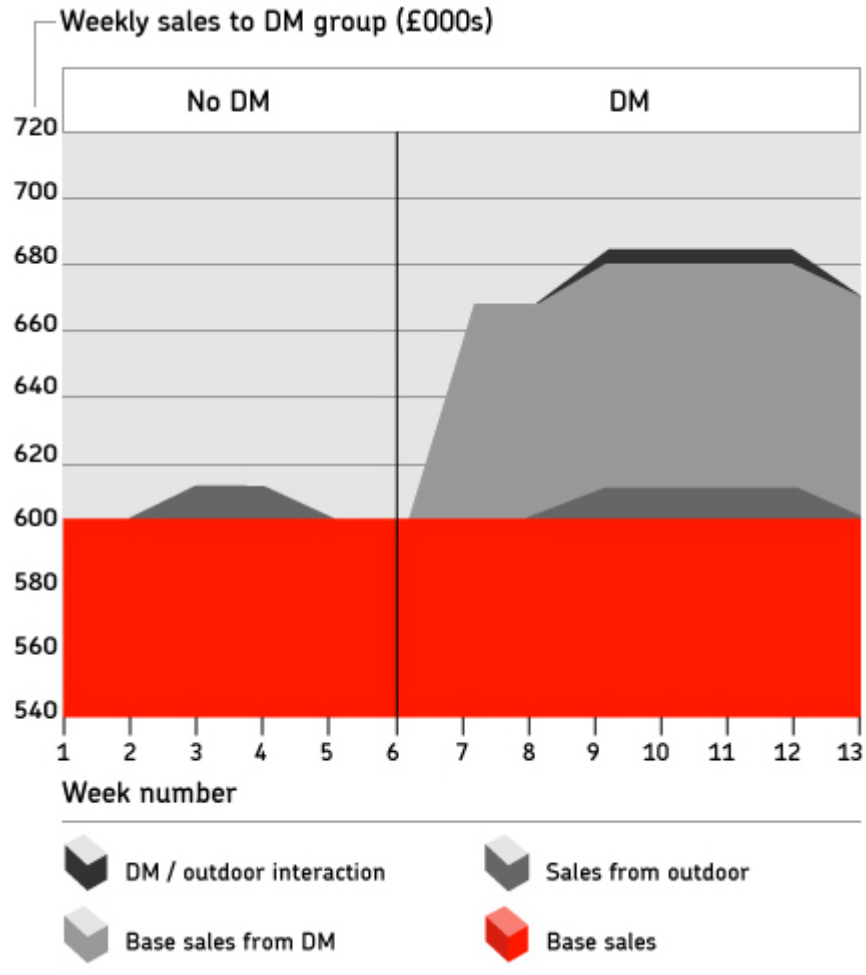
Medium	£ incremental return per £1000 spend on medium	Incremental return as % of sales generated by medium
Outdoor	£0.10	1.4%
Press	£0.61	2.2%
Radio	£0.04	1.7%
TV	£0.11	1.2%

Adding mail to the mix increases the effectiveness of other media by an average of 1.6%

This means that, for example, on average we would expect outdoor projects to be 1.4% more successful when run in conjunction with mail. Or if press spend would have generated £1000 increase in sales, it will now generate £1022.

To further illustrate how the interactions work we use an example of Outdoor for "Brand X". This was a strong project and it also had a particularly high interaction with Outdoor. It shows how outdoor and mail both add incremental sales to the 'base' level, with a small further, incremental, interaction effect. This incremental, media-multiplier effect is attractive because 'free'.





When outdoor works with mail there is a small but useful incremental effect that costs nothing extra



What Works?

The study shows that mail media works for fmcg products, with significant effects on customer behaviour. The level of effect however varies from case to case as would be expected.

Certain products and brands and their customers are more responsive to marketing activities, such as direct mail, than others. Other important factors include the variations in offer made, different creative treatments, copy and levels of targeting.

This study did not set out to define how these various factors influence the effects on customer behaviour individually; however observation of the projects assessed provides some broad indications of what works well.

The brand which achieved the highest *short term sales uplift* at 60%, benefited from two key features:

- Accurate targeting of the brands own users and those of its key competitor using the company's own database.
- An effective offer: 2 x £1 off coupons that were time-banded to match the purchase frequency of the product, therefore locking out the competition for two purchase cycles.

Other brands with strong short-term uplift all had generous offers, with discounts redeemable in-store that accounted for a high proportion of the product price.

There was not a strong correlation between short and *long-term sales uplift*. The main characteristic of projects generating long-term sales uplift was that they involved multiple mechanics, for example an in-store coupon plus a product sample or the chance to send in a postcard and enter a prize draw. A further characteristic of one of the top performing communications for long term sales uplift was that it linked to the introduction of a new variant (pack size) to the brand that made it attractive to a specific group of customers who may previously have concentrated on other brands that had more convenient pack sizes.



Brands which increased their long and short-term *penetration* by the most had mainly identified customer acquisition as the primary objective of the communication. They had pursued this objective with clear targeting; often focussing on customers who had a tendency to try new products or were new buyers in the category and therefore had not developed a strong brand preference.

Communications cannot always be expected to drive customer *loyalty*: the fact that the majority are designed to attract new customers to the brand means that success in this primary objective can result in the overall loyalty of the customer base being diluted by the newly acquired customers. However, several communications did drive an increase in loyalty.

In some cases this was attributable to the communication objectives and targeting. For example the best performer on this metric was a communication targeted at existing users of the brand to educate them about a forthcoming change in pack design and formulation.

Finally, it is interesting to note that although the study included brands from a wide range of categories (Haircare, Deodorants, Feminine Hygiene, Laundry Detergents, Household Cleaners, Snacks, Pet Food, Beverages and Canned Food), there was no discernable pattern of particular categories performing better than others.

Unfortunately we did not have access to enough of the creative work used to make considered judgement as to what worked well.



Using The Findings

For advertisers of FMCG brands the findings provide a guide to results they might expect to achieve using mail as a medium.

It should be noted that there are many variables that affect individual communication effectiveness and the following guide is based on the average results from the communications we have studied.

It is important to remember that this study focussed on fmcg brands and as such we recommend the findings be used to estimate the results of direct mail for similar products.

Advertisers are advised to test their mailings on a small group of customers in advance of implementing the full-scale project. In this way they can estimate the likely results at reduced cost and risk and also trial different offers and creative treatments. Testing is one of the key advantages to the direct mail channel and a key principle of good direct marketing.

1. Sales uplift prediction

$(\text{Volume mailed} * \text{Average weekly sales} * 21.5\%) = \text{£ Extra weekly sales in short term}$

This figure may be multiplied by the length of the post-mailing period to estimate total returns from the mailing.

2. Customer uplift prediction

$\text{Volume mailed} * 4.9\% = \text{Number of new customers buying}$

3. ROI forecast

$\text{ROI} = (\text{Volume mailed} * \text{Average weekly sales} * \text{Margin on product} * 21.5\%) / (\text{Volume of mailing} * \text{Cost of mailing}) + (\text{Cost of offer} * \text{expected redemptions})$

N.B. These illustrations are broad guidelines based upon the results from the Study.



Your Questions Answered

What did participating advertisers get from being included in the Study?

The study identified the performance of each advertiser's project(s) in detail, providing unique insights, which was provided to participating clients. In addition, each client will receive more detailed results on the communications that they included in the study so that they can see the effects of their own communication(s) and benchmark against the overall results of the study.

What were the criteria for including communications in the Study?

Given the size of the Tesco database (around 40% of UK households shop with Clubcard), relatively small mailing files can be analysed. Our recommended minimum number of records per project was at least 75,000. All projects analysed were mailed to at least 100,000 households.

Projects were included if they were mailed between February 2002 and February 2004.

What about data protection?

This research project complies with current data protection regulations. All results are reported anonymously and at an aggregated level to ensure customer/respondent privacy is protected. Please note that, as a result of our statistical analysis, readers of the report will not be able to make marketing or other decisions about individuals as such personal information will not be revealed. The research study provides information that enables direct marketers to have the latest information on trends and behaviours in relation to their marketing activities.

What is the 'median' and why have you used this?

The median is the mid-point in a range of observations. This has been used to summarise our findings across all of the projects analysed. The median is less subject to distortion by extremes than the "mean" figure, which is commonly used in defining the average. Thus the median is more conservative and here gives a lower estimate or assessment of performance.



How were control groups defined?

Control groups were either provided by the advertiser, or in the absence of these created by dunnhumby. Where created by dunnhumby, a control group was selected to match each mailing file in terms of demographics, region, and lifestyle and purchase behaviour.

What's the distinction between brand and product variant?

There are often many variants within a brand that are based on flavour, pack-size and format. Thus for the Persil brand, Persil Liquid is a variant, as is Persil Liquid 200ml.

Why do we focus on brand level results and not product level?

Analysis shows that the impact of mailings on sales at product variant level is significant. When consumers receive an offer on a particular product variant they will often buy this in preference to other variants of the brand. For this reason we suggest results are measured at the brand level, which typically is how the advertiser will measure their performance versus competitors.

Definitions of measures

- Penetration – this is the % of people who have bought the product within a given time period.
- Brand share – this is the % share in value terms of the brand compared to the overall product category in which it competes.
- Sales – this is the value of consumer purchases of the brand within a given time period expressed in total for the brand or per household.
- ROI – return on investment is a guide showing how much money was generated from the mailing compared to the cost of the mailing. There are many ways to calculate this and it will vary from one case to another. The method and inputs we have used are to provide a general guide only.

How did redemption levels relate to sales uplift?

There was no clear relationship between sales uplift and the redemption level of any offers in the communication. This is unsurprising as historical purchase levels



as well as coupon redemption influence sales uplift. Thus, a mailing could have a high coupon redemption rate but this may not translate into a strong sales uplift if it was already being bought substantially by the mailed group.

What about other measures such as Awareness, Attitude, Intention to Purchase?

This study has focussed on actual customer behaviour in terms of how mail really influences what people buy – sales, brand share, and customer penetration. Awareness, attitudes and intentions to buy are widely used marketing metrics because they are drivers of how customers actually behave. In order to optimise your results it is important to assess how your mail actually affects recipients. This is a good supplement for hard response analysis and should lead to faster improvements in communication effectiveness. However, it was outside the scope of this study to research these projects. However, the fact that long-term increases were achieved means that the mail projects were probably generating these ‘soft’ brand-building effects.

How do results compare to those in the RAB study?

A study published by the Radio Advertising Bureau and conducted by dunnhumby reported that radio increased sales by 9% on average across 17 FMCG brands (2.2% per 100 Gross Rating Points). This increase relates to an increase in sales of the brand in total. The results in this study report increases for those customers that were mailed.

Didn't in-store promotions affect the results?

Our analysis took account of in-store promotions as both the mailed groups and control groups were equally exposed to offers within the store. The effect of these could thus be removed from our analysis, leaving the change in sales and behaviour to the effects of the mailings.

What about seasonality?

The effects of seasonal purchase patterns were also removed as both the mailed group and controls were equally subject to seasonality and other external influences.



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Websites

www.royalmail.com/advertising

www.dunnhumby.com

www.DMIS.co.uk: a source of information on mail

www.OpenPlanning.org: Advice on media neutral planning implementation

www.theidm.co.uk: The Institute of Direct Marketing, the direct professional's body

www.thomson-intermedia.co.uk: source of information on advertising activity



Appendix

	Campaign Number	Volume Mailed	Short term uplift %	Number of weeks Long term	Long term uplift %	In-store / other offer	Behavioural loyalty or Acquisition	New Launch (Brand or Variant)	Clubcard mailing / manufacturer independent mailing Clubcard solus mailing
Pet	1	424,989	86.00%	-	-	In store	Unknown	No	Clubcard solus mailing
H&B	2	200,000	59.65%	40	41%	In store	Both	No	
H&B	3	429,114	49.00%			In store	Unknown	No	Clubcard solus mailing
Homecare	4	830,902	46.94%	52	18%	In store	Both	No	
H&B	5	392,183	44.32%	-	-	In store	Acquisition	No	
H&B	6	224,778	40.86%			In store	Acquisition	No	
Convenience food	7	250,000	36.00%			In store	Both	No	
Homecare	8	118,464	33.00%			In store	Both	No	
Homecare	9	399,966	32.40%	-	-	In store	Both	No	Clubcard solus mailing
Beverages	10	334,924	32.10%			In store	Unknown	No	
H&B	11	183,000	30.79%	34	25%	In store	Unknown	No	
Pet	12	124,000	26.02%	52	16%	In store	Unknown	No	
H&B	13	220,000	26.00%	-	-	Other	Loyalty	New pack	
Homecare	14	388,714	24.00%			In store	Acquisition	No	
Pet	15	140,000	23.36%	29	9%	In store	Both	No	
Pet	16	200,000	21.18%			In store	Both	New multipack	
Pet	17	707,719	20.64%	-	-	In store	Unknown	No	



	Campaign Number	Volume Mailed	Short term uplift %	Number of weeks Long term	Long term uplift %	In-store discount / other offer	Behavioural loyalty or Acquisition	New Launch (Brand or Variant)	Clubcard mailing / manufacturer independent mailing
Homecare	18	245,845	15.00%			In store	Loyalty	New formulation & pack	
Pet	19	500,000	14.70%			In store	Unknown	No	Clubcard solus mailing
Convenience food	20	149,885	14.26%	31	10%	In store	Unknown	No	
H&B	21	200,000	13.62%			In store	Both	No	
Pet	22	532,325	12.17%	33	14%	In store	Both	New large pack size	
Pet	23	553,806	12.00%			In store	Unknown	No	
Pet	24	300,000	11.83%			In store	Both	No	
Pet	25	147,135	11.16%			In store	Unknown	No	
Pet	26	300,000	6.76%	29	10%	Other	Both	New flavour	
Pet	27	130,000	6.65%			In store	Both	New format	
Pet	28	302,308	5.25%			In store	Unknown	No	
H&B	29	124,200	5.00%	52	9%	Other	Acquisition	No	
Pet	30	225,000	0.09%			Other	Both	New flavour	
Homecare	31	127,903	-2.38%	41	-4%	Other	Acquisition	No	



Authors: dunnhumby

dunnhumby is most well known as the company that manages Tesco's Clubcard data, which we have done since the first trial of the scheme in 1995. dunnhumby is a database marketing and analysis consultancy which provides its clients with a range of services to help them measure and understand their customers and apply this understanding to business applications.

dunnhumby now provide a range of advertising planning, measurement and research solutions for advertisers, agencies and media owners to complement our direct marketing solutions.

Measuring Your Own Campaign With dunnhumby

Your own campaigns promoting FMCG brands can be measured and benchmarked against this study and other media effects to help you plan and improve your use of direct mail and other media.

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Philip Kirk

Philip heads up the Media Development Team at the Royal Mail, where he concentrates on Thought Leadership and Educational Programmes focused on the increased utilisation of Direct Mail as the Media Channel of first choice.

He has an extensive academic background and sits on many special interest group committees such as the Marketing and Sales Standards Setting Body (MSSSB) steering group, the IDM Educational Committee, the DMA Education and Development Committee, the D&AD Awards Committee and a CIM Regional Board. His particular area of interest is in market metrics and the integrated use of media. He is a non-executive director of two companies in the Charity sector.



