

Do the Math

Making direct cost-per-response comparisons between multimedia mail and on-line click costs!

Multimedia mail is the integration of digital media (CD/DVDs/memory cards) with traditional direct mail. This cross channel marketing tool combines the functionality of web based marketing with all the advantages of direct mail. And on a cost-per-response basis, multimedia mail delivers greater functionality at a lower cost than most search engine marketing campaigns.

The cost of producing multimedia mail

The cost of direct mail is calculated by determining its in-mail cost. This *in-mail cost* includes printing, list or data work, mail prep, fulfillment, addressing, and postage costs. Multimedia mail adds to this list the cost of the digital media. When produced in quantity (100m pieces), CD based multimedia mail has an in-mail cost of less than \$1.00 per piece mailed. The cost of programming is an additional cost.

Traditionally a response for direct mail has been defined as a purchase or some other significant consumer action. Logically, in-mail costs are compared to the revenue they generate to determine a campaigns' success or failure.

The cost of search engine marketing

The direct costs of SEM are pretty easy to calculate. Marketers bid on keywords, agreeing to pay the bid price if someone clicks on their 70 character ad. Therefore the direct cost of SEM is the bid cost per click. *A click, by definition, is when someone opens an ad for more information.* Click costs can run from \$0.10 per click to ... well the sky's the limit. Advertising Age provided information in their *Search Marketing Fact Pack (11/06)* indicating that the average click cost for the top tier search engines was \$1.83 per click. Recently, Yahoo set the minimum bid for the keyword "DVD Mailer" at \$3.60 a click. The indirect costs of programming ads, setting up landing pages and the management of search campaigns are in addition to the click cost.

A response for SEM is defined as a consumer's activity, clicking on an ad, which generates an expense for the marketer. Success is measured by the size of the bill the marketer receives from the search marketing firm. The larger the search engine bill, the more successful the campaign. Small bills are interpreted as failed campaigns with a need to tweak the ads (all 70 characters) and increase the bid price in an attempt to increase total costs. Actual revenues (sales) are never part of the equation when evaluating paid search.

Determining an equivalent response

The only response search engine marketing can provide is a click! Therefore it's necessary to find a consumer action, in response to direct mail, which is equivalent to a click. As it turns out the USPS in its annual *House Hold Diary Study* has been tracking just such an activity. The study has found that 16% of recipients of mail *do not read, partially read or scan their mail.* If 16% do not at least scan their mail, then 84% do! Since a click on-line is opening an ad for more information (nothing more, nothing less),

reading, partially reading or scanning a mail piece is certainly an equivalent (or superior) action.

Do the Math!

Knowing direct mail's click rate, it's possible to convert an in-mail cost to a click cost. By dividing the in-mail cost by the click rate percentage we can calculate the *click cost* of the mailing. In other words we divide the total cost of a mailing by the number of pieces that were read, partially read or scanned to determine the cost-per-click. With an equivalent cost-per-response, it is now possible to directly compare multimedia mail and on-line advertising costs to determine which delivers the most bang for a buck.

For a fair comparison multimedia mail must be used in these calculations. On-line advertising's claim to fame is its delivery of interactive multimedia. Only multimedia mail is capable of delivering the same digital functionality through the Postal Service.

Multimedia Mail is CHEAPER than Search Engine Marketing!

If multimedia mail has an in-mail cost of \$1.00 and direct mail has a click rate of 84%, then multimedia mail's click cost equivalent is \$1.19 ($\$1.00/.84 = \1.19). Another way to explain this click cost calculation is if 100 pieces are mailed at \$1.00 each, the mailing would cost \$100. If 84 pieces are read, partially read, or scanned then the cost-per-response would be $\$100/84$ clicks for a click cost of \$1.19.

It's possible to use on-line advertisements' click cost to determine what can be spent on multimedia mail to achieve an equivalent cost-per-response. Accepting \$1.83 as the average click cost of the top tier search engines and multiplying it by direct mail's click rate of 84% yields \$1.54 ($\$1.83 \times 84\% = \1.54). This means that \$1.54 spent on multimedia mail is the same (on a cost-per-response basis) as spending \$1.83 per click on SEM. Instead of spending \$3.60 per click (Yahoo's minimum bid for *DVD mailer*), marketers could spend \$3.02 on multimedia mail achieving the same cost per identical response. Of course multimedia mail's in-mail-costs are substantially less than \$3.02 and therefore less expensive than SEM.

If marketers are using search engine marketing (or other forms of on-line advertising) and are paying more than \$1.20 per click, they could be taking advantage of the greater functionality delivered by multimedia mail. Multimedia mail can deliver sensory information to all five senses; it's targeted to specific demographics or geographic locations, provides one click access to the internet and is the only *proactive* digital advertising available to marketers.

Oh, you also get more than 70 characters to differentiate your products or services from the competition.

Todd Butler
Butler Mailing Services
513-870-5060
toddb@butlermail.com
www.ekeymailer.com