

# Lab creates winning story for Reader's Digest tests

Already a highly successfully direct marketer, Reader's Digest Canada engaged the Xerox Canada 1:1 Lab, Transcontinental Printing and Terminal Van Gogh in controlled experiments to see how much better it could do with customized, variable data print mailings. Here are the details on their award-winning efforts along with the impressive results.

By Susan Maclean

A direct mail campaign that increased sales by as much as 111 percent is no fictional tale at Reader's Digest Canada, the publisher and direct marketer of magazines, books, music and DVDs.

The campaign also conclusively proved the worth of variable data packages to Reader's Digest Canada and Transcontinental Printing. As well, it earned Xerox Canada 1:1 Lab another year's win at the Canadian Marketing Association's (CMA) Awards last November with the Resource Partners: Best Practices award, sharing it with the company CMA describes as Canada's largest and most sophisticated user of direct mail.

With new developments in data mining technology and digital print, Reader's Digest Canada was keen to test the capabilities of data-driven, customized direct marketing with the 1:1 Lab, which provides an environment for comparing the results of data-driven one-to-one direct mail with more conventional methods. The high-end equipment and software includes the Xerox iGen3 Digital Production Press, a 110 impression-per-minute digital colour press with image quality comparable to offset, and Exstream Dialogue one-to-one software. Terminal Van Gogh Ltd. (TVG) provides strategic consulting on data-driven campaigns, builds the 1:1 Lab participants' programs, re-purposes existing creative to function within the data-driven environment and develops the metrics in the data to gauge results.

"We were keen to test a different approach based on data-driven communications to surpass the strong performance of our direct marketing efforts," explains Mathieu Peloquin, vice-president, marketing product lines, Reader's Digest Canada. "There is little doubt that customized communications is the future of direct marketing, and as an industry-leader, Reader's Digest wanted to include the 1:1 Lab as part of its innovative testing program."

When selecting a campaign that would make an appropriate test case, Xerox and TVG talk to various companies seeking an apples-to-apples comparison, says Bob Pente, TVG chief strategist and head of Pente Corp., a direct marketing agency specializing in data-driven strategy and creative.

"It begins with asking how much can be duped perfectly and how much can be duped in spirit," he explains. "You can't go with something completely different or

the data-driven variable will be called into question."

## Epitome of 1:1 marketing

Xerox Canada 1:1 Lab and TVG first met with Reader's Digest to assess the appropriateness of using the latter's first cross-sell promotion for the Lab. When they heard the company's typically high existing response rate that they would be testing against, "we almost choked," admits H el ene Blanchette, national marketing manager, graphic communications, Xerox Canada. As it turns out, she had nothing to worry about and now describes this Lab test case as "the epitome of 1:1 marketing."

In addition to seeking an increase in what can be double digit response rates, Reader's Digest wanted to test whether using intelligent information to cross-sell its offerings, including CDs, DVDs and books, versus a single product line approach of either CDs, DVDs or books, could positively influence customers' purchasing behaviours. Further, it wanted to evaluate whether variable graphics and offers could still positively influence customer behaviour sufficiently to justify simplifying its current direct mail package that encompassed multiple marketing pieces and a return envelope.

"We always do a test with a regular package, but this campaign tested three approaches against a traditional direct mail one," Blanchette says.

A typical Reader's Digest DM package would include: a 24-page catalogue of CD products only, 8.5 x 11 inch folded to 5.5 x 8.5 inch self adhesive labels stamp sheet, contest device, sweepstakes certificate, personalized customer letter and second order upgrade.

For the Reader's Digest tests, approximately 47,000 records from recent Books Home Entertainment campaigns were selected. The control group received a traditional package while two test groups received fully variable mailings.

However, one test group – Test 1 – was further subdivided into a full sweepstakes package and a simplified package. Test 1A and B offered items based on the same product line as the most recent purchase. The other test group – Test 2 – cross-sold product lines based on the most recent customer purchase.

## Affinity table code

Reader's Digest provided the product selection for the testing as well as an affinity table, which predicts the highest probability of purchase by customers, based on their most recent buying behaviour. TVG then programmed each affinity from the table into software code to drive the variable messaging within the catalogue and stamp sheet, with some affinities requiring more than 5,000 lines of code.

Each mailing fit into a 6 by 9 inch envelope. The different packages were organized as follows:

- The control or standard package included a 24-page catalogue with 43 CD products only, 8.5 x 11 inch folded to 5.5 x 8.5 inch self adhesive labels stamp sheet, full sweepstakes package with only the letter/certificate personalized by black imprinting of personal information. There were 15,701 of these mailed.
- Test 1A was the fully customized package where the single product lines were based on the most recent purchase affinity. All images in the 16-page catalogue were variable, based on affinity patterns, and were matched by products and sequence on the stamp sheet. There was a full sweepstakes package with all items customized in four colour process, except for the wallet and envelopes. There were 10,468 of these mailed.
- Test 1B was the simplified customized package differing from Test 1A only by not including the sweepstakes elements. There were 5,234 of these mailed.

## Sales Results over Control Table

CUSTOMIZED TEST	CD SALES INCREASE (over control mailing)	DVD SALES INCREASE (over control mailing)	BOOK SALES INCREASE (over control mailing)
Test 1A single product	27%	111%	45%
Test 1B single product	7%	68%	9%
Test 2 three product lines, with sweepstakes	35%	78%	83%

- Test 2 was the fully customized package cross-selling multiple products. The products offered were based on an affinity pattern determined from a customer's previous purchase, but included the other two product lines. Remarkably, the fully customized catalogues were 16, 20 or 24 pages and were matched in product, sequence on varying length stamp sheets. A full sweepstakes package was included with all items personalized in four colour process, except for the wallet and envelopes. These numbered 15,700.

"Each catalogue was 100 percent customized," Blanchette stresses. "The CD catalogue was based on past purchasing history. The cross-sell message was 'if you like this CD,' for example, 'we believe you would like this book and this movie.'"

She adds that one lesson learned was to never vary the number of pages in the catalogue. That number varied according to the number of products being marketed to a particular customer and resulted in thousands of pieces being finished by hand.

#### Test results

The test results convincingly proved the effectiveness of variable print-on-demand. Response rates were significantly higher with all the variable packages than the traditional package. Test 1A, the full sweepstakes package, achieved a greater response rate than Test 1B, the simplified package, although both variable packages did better than the control package (see Sales Results over Control Table).

The benefits of variable data direct mail go even beyond these impressive results. "Reader's Digest can better manage inventory and opportunities," says Blanchette in describing the return on investment of digital printing. "They can market when the products are hot on the market and not wait six months. They can remove a product if it is out of stock."

Another benefit is the change in relationship between suppliers and client. Vital to the success of this campaign was the enthusiasm for variable, four-colour, digital printing by Transcontinental Direct, Montreal, one of the main direct marketing services and print providers for Reader's Digest's direct marketing initiatives. Transcontinental sees this change in print technology as an opportunity to offer its clients a new way of reaching their customers.

"In getting involved in variable printing, you get more involved up front in the customer's marketing strategy," says Nathalie Royer, Transcontinental's director of business development. "You get a better

overview of where the customer is heading and how to contribute to their commercial success. We are partnering with customers like never before."

The impact of this change in the dynamic of the relationship from supplier to partner is significant, Royer finds.

"You can get closer to better understanding your own customer and their needs, better adjust your approach and find ways in the future to meet their objectives," she explains. "We look at solutions beyond the traditional business and open our eyes to what will satisfy the customer. We envision in the future what we can provide to better service the customer."

"Before, we were only a supplier. Now the customer is happy to share results and have an open discussion we've never had before. Everyone is interested in knowing the outcome of the test and how we can improve it next time."

"It was a true solutions oriented partnership," Peloquin agrees. "We will go much further into sharing our learning than with a traditional print mailing. There was collaboration at all levels. It was a learning experience for all partners because of the

new technology which automatically brings people around the table."

"This is direct marketing 2.0 where every direct marketer in business 20 to 30 years ago dreamed it could go," Pente adds. "The technology has caught up, allowing us to do what we've always wanted to do—develop a relevant dialogue with the target. First we get their attention that we're worth talking to."

The triple testing campaign certainly did that, although Pente says they could not be as cost-effective within the constraints of the testing as they would have been in a true roll out.

Now Reader's Digest wants to revisit all programs to apply 1:1 marketing to increase and manage sales, says Blanchette.

"We constantly look to lead the direct marketing industry and the Xerox 1:1 Lab program keeps us at the forefront in Canada and around the world," Peloquin confirms. He cautions though, that a variable catalogue will only be as good as the marketing and data-driven strategy up front. ■

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Test group 1 with single products was divided into group 1A with sweepstakes offers, shown here, and 1B with no sweepstakes offer. Test group 2 consisted of three product lines with sweepstakes. Groups 1A and 2 far outstripped the results of test group 1B with no sweepstakes and the control group.

## About the campaign

Client: **Reader's Digest**  
Agency: **Terminal Van Gogh**  
Art Director: **Bruce Graham**  
Acct Mgr: **Sheila Berg**

Campaign: **Variable Catalogue Test**  
Campaign Strategy & Creative Dir: **Bob Pente**  
Copywriter: **Paula Purdon**  
Prod Mgr: **Linda Brock**