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## CURRENT ISSUE

# MARKETING DIRECT

July 04, 2005

## Customized copying

By CHRIS DANIELS

### Xerox hopes marketers like the results coming from its new direct testing lab

## MARKETING DIRECT

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To unveil the first results of its new 1:1 Lab, Xerox Canada chose an apt location: Woodbine Racetrack, the horse racing complex in Toronto. After all, Xerox took a bit of a gamble last November when it created the lab at its Mississauga, Ont. head office with the goal of revolutionizing how companies execute direct marketing.

The lab is a testing ground to demonstrate the potential power of data-rich, one-to-one marketing. Hoping to increase sales of its printers, Xerox offered to create personalized direct mail campaigns for 10 marketers almost free of charge (marketers cover only the cost of postage). The results of the first test case were unveiled at the May 31 event at Woodbine and drew 120 attendees, including senior executives from Canadian Tire.

But just how revolutionary is Xerox's approach to direct marketing? Hélène Blanchette, national marketing director of the graphic arts division for Xerox Canada, believes marketers haven't utilized the "variable" technology that exists to execute highly personalized direct mail. Xerox has invested in state-of-the-art equipment like the Xerox iGen3 Digital Production press, which can create "variable" prints-meaning every page can feature different images and texts by using customer data captured from CRM databases. Yet Xerox has had few buyers of its iGen3.

Last year, Blanchette spoke to about 200 executives across Canada to discover why marketers weren't demanding more personalization from their direct mail suppliers. "They said the ROI model wasn't in their comfort zone," says Blanchette. "For the past 50 years, marketers went for the lowest price possible to hit as many people as possible. And they became comfortable with 1% returns. So when we tried to change the business model, marketers didn't know how to calculate the ROI." Therefore, the main goal of the Xerox lab is to build case studies to show one-to-one communications is truly worth the investment.

The first case study to emerge from the lab involved Heritage Education Funds, a provider of Registered Education Savings Plans (RESP). Jason Maguire, executive vice-president of marketing for Toronto-based Heritage, says he challenged his graphic arts firm, On The Mark Graphics, to find a way to personalize RESP statements. On The Mark found a potential solution with Xerox. As part of what Xerox calls "The Trilogy Alliance" the lab partnered with Terminal van Gogh, a strategic consulting firm specializing in data-driven marketing campaigns, and Exstream Software, which provides one-to-one software.

Every autumn, Heritage's direct mail campaign reminds clients they have until year-end to make an RESP contribution. In the past, the direct mail, delivered to about 50,000 customers, included only minimal personalization, such as the name of the recipient's child.

In a test last fall, however, the Xerox lab created roughly half of the 50,000-piece run. The Xerox pieces were specific to recipients by reflecting their child's age, ethnicity and gender through images and text.

"If a customer had a three-year-old son, for instance, we inserted a picture of a three-year-old boy because that's more relevant to the recipient," says Maguire. "Ethnicity is also relevant to our business because the number one reason new immigrants come to Canada is to provide their children with better opportunities." In comparison, Heritage's traditional piece featured a picture showing several kids of various ages and ethnicity.

The one-to-one piece delivered a 76% increase in the number of RESP units sold versus the traditional creative. The new piece also convinced clients to increase their monthly payments by, on average, \$40 thanks to a colour graph showing the recipient's return value when contributing \$100 per month. So while the one-to-one mail cost was roughly 60% more per piece than the traditional direct mail, Maguire says Heritage more than made up for that in increased sales. "I actually want to test it again to make sure the first time wasn't a fluke," says Maguire. "We want to broaden the scope and count next time."

Yet is Xerox's personalization really that unique? According to one major relationship marketing firm, this may be a good way to sell printers but variable direct mail isn't new. "We have been doing this kind of variable for years. Xerox is making it sound like this is new stuff, that they're the only ones that can do it, and they're not," says the executive, who didn't wish to be named. "Xerox has done a nice job, but we've done just as nice a job." The executive admits, however, variable printing is a "tough sell" because of the greater cost per piece.

A few direct marketing firms, like Toronto-based SourceLink Canada, have long offered variable direct mail capabilities. Michele Broad, director of account management at SourceLink, says it is the only Toronto firm with two iGen3s; SourceLink bought its first from Xerox over two years ago. SourceLink's clients include General Motors of Canada, for which it creates a personalized booklet featuring vehicle sales information based on a survey customers complete online, at dealerships and car shows. MacLaren McCann, GM's agency, provides the CRM data to SourceLink.

Louis de Bellefeuille, director of sales at Transcontinental Direct, agrees variable direct mail isn't new. Transcontinental produces personalized, variable mail for Brushstrokes Fine Arts, a reproduction company. But he says the market may not have realized the robustness of the iGen3. Transcontinental, for one, is interested in the technology. "Xerox didn't invent this, but they are taking it to the next level," says de Bellefeuille. "If some innovation exists here, it is the awareness they are giving to the market. No one has done justice to one-to-one like Xerox has."

Blanchette says Xerox isn't trying to compete against direct marketing or graphic arts firms, since it wants these companies to buy its technology. But Xerox has packaged the lab "as a product." Corporate divisions within Xerox can use it to potentially secure supplier contracts, promising corporations they can improve their direct marketing results (with the corporation's agency and graphic arts supplier, of course). And printers like Transcontinental can buy a "lab package" for \$25,000, which gives them so many hours in the lab to test variables with their clients (they also don't have to share results with Xerox, since Xerox isn't providing the technology for free).

Meanwhile, Xerox continues to tinker at the lab and says its next business case will be more ambitious: In the lab now are B.C. Tourism and its agency Cossette Communication-Marketing to test a 24-page tourist guide that features photos, hotels and text tailored to the individual. "Each piece is built from scratch," says Blanchette. "We want to go beyond traditional limits (and) let marketers' direct marketing dreams come true."

Marketers have handled direct the same way for 50 years. "So when we tried to change the business model, they didn't know how to calculate the ROI"

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