

HIGH PERFORMANCE DIRECT

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AT&T EMAIL CAMPAIGN TURNS PROSPECTS INTO GOLD

By any measure of success, this email was a big winner

AT&T's goal was to use email to drive new customers into local stores in the New York metropolitan area to purchase wireless service and devices.

At a very low cost per touch—including creative, production and rental list costs—the email campaign drove more than 3,000 new sales and delivered new customers at a marketing cost that was significantly lower than AT&T's new customer acquisition goal!

The email included a secondary call to action that outperformed usual direct marketing efforts by driving 9.5% of prospects to purchase through the call center.

WHAT CAN WE LEARN FROM THESE REMARKABLE RESULTS?

- **Use coupons as visual cues.** People are hardwired to respond to coupons, even in an electronic medium. That's especially true during this economic downturn. The bar code, which was for in-store use only, reinforced the perceived value of the coupon.
- **Create an event.** This email campaign stirred up excitement and urgency by limiting the sale to only three days.
- **Be exclusive.** Positioning the event as a "Friends and Family Sale" made prospects feel valued.
- **Make it easy.** A store locator link was built into the email. A pop-up window revealed a list of all participating stores in the New York metropolitan area.
- **Encourage sharing.** By including a reminder for prospects to share the deal with their friends and family in the New York metropolitan area made it easy to spread the news. Facilitating a viral component gained even more sales.
- **Make a strong offer.** In this case, the \$50 offer was presented as a coupon that's hard to throw away, especially since it can be applied to any wireless device the prospect wants.
- **Geo-targeted email can be a drive-to-retail tool.** Smart targeting can get prospects into their neighborhood stores.

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ENHANCE THE CONVERSATION BOOST THE RESULTS

Find out more on page 4 . . .

FIND OUT HOW Kaiser Permanente added dimension to its business-to-business communications using targeting from the offer, message and media deployment.



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A PERSONAL NOTE FROM

► THE PRESIDENT



SPYRO KOURTIS, President
HACKER GROUP

“As mass marketing expires, targeting makes direct marketing more important all the time.” ”

Dear Colleague,

Mass marketing is dead!

It's proven itself too wasteful to absorb the outsized portion of the marketing budget that it has eaten up. Besides, where are you going to spend your mass media budget these days? With literally thousands of channels, television has become fragmented. Mass-circulation magazines have, for the most part, gone out of business. Newspapers—at least in print—seem to be dying.

As mass marketing expires, targeting makes direct marketing more important all the time.

So we're focusing this issue on targeting. To me, that means more than simply finding out where your prospects hang out and putting your marketing messages in front of them. It means maximizing the data you gather, and using it to talk to the right people, in the right places, at the perfect time.

Do they subscribe to an email newsletter about fashion? Do they follow a political blog topic over the Web? Are they updating their Facebook page or looking for colleagues on LinkedIn? Do they stay up late to watch cable or are they TiVo-ing the new season of “Heroes”?

And even more, what do all these things say about how we should open up and maintain a dialogue with each prospect? How can we use the information we have to deliver a relevant message that will get them to engage, keep them hooked and lead them to buy . . . and keep buying? These questions are the most interesting—and potentially profitable—we have to deal with right now.

And it's doubly true right now, when every consumer—B-to-B or B-to-C—is watching every penny.

In this newsletter, you'll see how experts at Kaiser Permanente targeted their business-to-business audience . . . how Hyatt Vacation Club segmented for success . . . and how AT&T targeted an email campaign that brought new customers into their stores.

Don't miss any of these marketing case studies. No matter how many years you've been in the business, there's always more to be learned about targeting.

Here's to your success!

A handwritten signature in black ink that reads "Spyro Kourtis".

Spyro Kourtis

CLIP TIPS

Clip these tips from
High Performance Direct!

Instant relevance

It's our job as direct marketers to motivate actions we can count: clicks, calls, responses. That means the tools of our trade must be more immediately persuasive than those used by general advertisers and PR pros. Because, let's face it, until you make it relevant nobody will care about your message, product or offer. And since you've only got about two seconds to make your message relevant, you've got to make the most of it.

Make it official

The more important your message appears, the more attention it will get —whatever your message. This kind of approach often pulls better than pieces with a highly promotional look and feel.

The one thing you should always consider

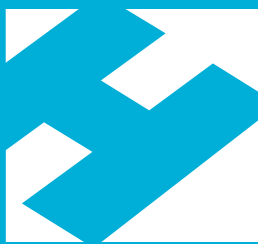
If you know your target reader, you know what that person wants to know and needs to know. Exploit it. Tease all the valuable insights up front. “What you should never eat on an airplane” was a famous tactic that ran for years.

FREE!

Never forget the power of the free offer. If you have an attractive offer (please, always have an attractive offer!), then for goodness sake, put it out there! Tease it! If your offer is weak, try to strengthen it enough that you aren't afraid to exploit it.

Your answer is already here . . . waiting for you

By teasing an offer as “reserved for you,” or “waiting for delivery,” you're easing the reader a step or two further along in the process. It's called an assumed close and, used correctly, it can be a very powerful tool in your arsenal.



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SECRETS OF E-MARKETING — RE-TARGET!

It's never easy to gear up for a marketing campaign: the strategy development . . . the media selections . . . the briefings . . . the creative approvals . . . the sign-offs on final art . . . and, at long last, the launch. Whew! Now you can sit back and watch the responses roll in.

As terrific as it is to welcome all those new customers, you have one more step to get the most out of any online campaign.

We call it a Quick-Turn Responder program.

Among all those who visit your Web site or call your contact center, there will be some who will not buy immediately. And if they don't buy now, they probably never will. Unless you reach out to them again.

Re-targeting the people who show an interest but don't follow through is an inexpensive way to leverage your direct response campaign and get more results.

For example, it's possible to:

- Set cookies with site visitors and then dynamically serve them new targeted ads with a sweeter offer when they are seen elsewhere on the Internet.

- Email them a brief survey to find out why they didn't buy.
- Send a quick letter telling them how much you want them as a customer—and repeating the offer that got them to click.

All of these strategies depend upon your tracking capabilities and the channels you use, but they also illustrate how a proven strategy can work across a variety of media.

Responders have already demonstrated they're interested in your offer. Quick follow-up is a proven method for getting a high response with a much lower investment. Typically, these programs pull three to eight times better than the original campaign—and usually there's a much lower acquisition cost. For example, if you mail or email, you don't pay any list costs because they've already responded once. The name is now yours.

Extend your e-marketing campaign with re-targeting and you can get the most from all the hard work you did for your original campaign. ▲

AT HOME, WHO WEARS THE CROSS-HAIRS?



As you're targeting your business-to-consumer projects, remember that how you position your benefits to each audience can have a big effect on response. For instance, if you're marketing a dating service, you will certainly want to consider targeting men and women in different ways. If you were to talk with your male audience in the same way as your female one about a topic like dating, you'd be wasting most of one or the other list. On the other hand, if you're selling mobile communications, or Internet services, your service is your benefit, so gender targeting won't have much of an impact.

YOUR FALL TO-DO LIST

In difficult economic times, it's natural to consider cutting your marketing programs. However, most experts agree that companies that continue to advertise when times are hard tend to grow market share—possibly because their competition has left the field wide open to them.

Pick up the pace.

Timing is more important at year-end than any other season. Make sure all your resources are brought to bear on campaigns that hit before the holidays.

Review the year now.

Next year is coming up fast. What has worked this year? What hasn't? What do you want to be sure to do next year?

Reallocate.

Budgets are tight. Put more eggs in the basket that had a winning track record this year.

Measure.

If you aren't sure what moved the needle for you, invest in the technology or people that it takes to learn about results. Otherwise, you'll be working in the dark for another year.



AN EXERCISE IN TARGETING

CHANGE THE CONVERSATION

Imagine you are an HR manager in charge of choosing your company's health care coverage. You have a responsibility to ensure all of your employees have access to reliable, affordable health care that will keep them healthy and productive. However, you must consider budget constraints and choose a coverage option that keeps your bottom line in good shape. Plus, because company-wide health care contracts are so competitive, you are often bombarded with mailers vying for your attention.

In early 2008, Kaiser Permanente worked to formulate a lead-generation strategy that targeted nearly 2,000 benefits decision-makers from medium- and large-sized businesses in the Mid-Atlantic states. This campaign would be the first to introduce new brand messaging. "A fresh approach to health care" was the theme of the campaign, and Kaiser Permanente wanted to position itself as the provider that would help benefits managers create the greatest return on their health care investment. This attempt to change the conversation on health care required a new voice to help Kaiser Permanente stand out from other health care providers.

A two-touch strategy (with outbound telemarketing) plus a video-enhanced microsite provided the solution for this unique opportunity. The first-touch dimensional mailer was a large cube-shaped box that included a Kaiser Permanente-branded coffee mug—a package that had no problem standing out from other mail. The letter and brochure spoke about key health care issues, like ROI, productivity and consumer engagement—terms usually associated with business and finance rather than health care.

This messaging was Kaiser Permanente's new approach brought to life. In addition to getting benefits managers to think differently about health care, they were also encouraged to call and to visit KPValue.org to learn more.

The microsite included streaming video of a guide who walked the audience through the site, using charts and graphs to highlight the benefits of Kaiser Permanente's unique approach

to health care. Motion graphics were also used to present content, helping to showcase specific Kaiser Permanente benefits. Along with value messaging, the site included an offer to register for a free copy of *Realize* magazine and gave visitors the opportunity to set an appointment with a Kaiser Permanente representative. This comprehensive site presented information in a variety of ways and delivered a unique user

experience tailored specifically to this audience.

The second touch was a low-profile dimensional mail piece that included a faux coffee card in the amount of \$5. The look and feel remained consistent with the first touch, and the unique messaging related to Kaiser Permanente's fresh approach to health care. Recipients were encouraged to set an appointment to learn more about health care coverage from

Kaiser Permanente, where they would receive their \$5 coffee card.

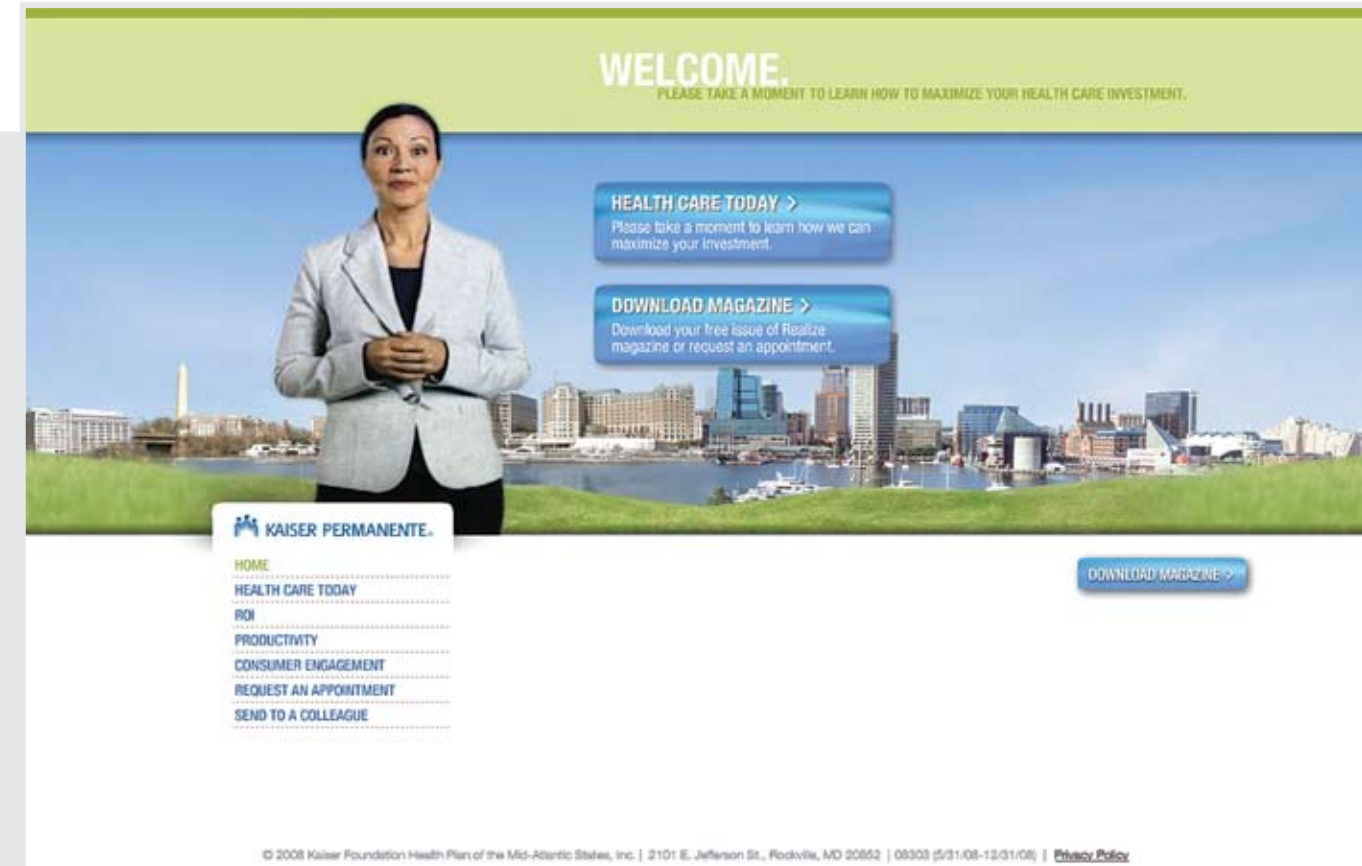
By using the premise of changing the conversation, Kaiser Permanente effectively created and placed thought-provoking value messaging throughout all aspects of the campaign. The results were a positive pre-launch buzz and strong positioning with key health care decision-makers. As Kaiser Permanente's initial foray into using

this value messaging, the campaign laid the groundwork for repositioning Kaiser Permanente value in the health care landscape. The dynamic Web site continues to complement existing sales and other marketing efforts as an introduction to the value of Kaiser Permanente's model of health care. There will be more campaigns this fall that will continue to leverage the microsite as an engaging vehicle that generates leads and delivers Kaiser Permanente's value messaging. ▲



PUTTING MORE DEPTH IN THE FIELD

Using every opportunity to convey the value message and drive response, Kaiser Permanente drove clicks using a dramatic dimensional package. Each piece was designed to reinforce the message of a better conversation about health care between the consumer and the provider, and a value message to the business.



MAKE THE DIALOGUE REAL—OR AT LEAST VERY REALISTIC

Once online, the responder received more value—and more engaging interaction—from an interactive video with answers to benefits questions. The responder to the Kaiser Permanente piece found him or herself interacting with a site that they could navigate to get their own questions answered.

SHOULD BEHAVIORAL TARGETING CHANGE MARKETERS' BEHAVIOR?

Many new media outlets want you to know about their ability to target your audience based on its behavior. This brings up a few questions:

- Which behaviors can be targeted?
- Which should be?
- Does behavioral targeting have a significant impact on the bottom line?

Behavioral targeting is already a familiar idea to offline direct marketers. The difference in mailing lists between compiled files and mail-order buyer files is behavioral. Mail-order buyers have shown by their behavior that they are responsive to direct marketing—and they almost always prove to be more responsive than files that have no more in common than random names in a phone book.

SOME DEFINITIONS

The definition of behavior by direct marketers—even direct mailers—is not always about actions taken by the target market. This can lead to confusion. Some organizations

include demographics in their definitions. Others may segment by lifestyle based on aggregated neighborhood data and call it “behavioral.”

Online advertising networks may include geo-demographic definitions, as well as actual consumer behaviors, in their behavioral targeting offerings.

Location may be a very important audience characteristic for some marketers—but for others it makes no difference. Age and gender might be significant, as well. But those characteristics are often less important than key behaviors.

For decades, general advertisers have defined their audience by age and gender because that was all they could really measure, based on Nielsen households and magazine data. In this new era, they're finding it hard to let go.

BEHAVIORS THAT SHOULD BE TARGETED

The reason we check references before hiring a new employee is that the best predictor of future behavior is past behavior.

That's why the best audience for any product or service is **current customers**. They are much more likely to buy than a cold prospect, because they've done it before. That's a behavior you can bank on.

When you're looking for new customers, the best predictor of responsiveness to a direct marketing appeal is not necessarily a particular target group that matches your current customers in age, income or gender; but that they have **responded to direct marketing in the past**. Some people don't. They will not be moved to respond no matter how much incentive you give—usually because they have trained themselves to ignore your messages.

Another action you can target is **shopping** behavior. That's why search-engine marketing and Yellow Pages advertising have been so successful.

As with any new idea, it's important to test into this approach. Some

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DON'T TAKE YOUR TARGETING FOR GRANTED!

No matter how successful your program may start out, or how resilient it may seem, over the course of several years, you'll see fatigue. After years with a very successful program, Hyatt Vacation Club had seen the trend begin to point in the wrong direction.

It had been an astounding run with a formidable control format: inexpensive, flexible and for years, unstoppable. But the time had come to take a hard look at unseating it.

DON'T ASSUME ANYTHING'S WORKING WELL

Hyatt Vacation Club looked at every aspect of its program data, studying information from initial response down through bookings and tours to find out where leads were falling off. Hyatt examined its sales data to find out if

there were tweaks it could make. And what about cost-per-response and cost-per-tour data?

Hyatt brainstormed possible alterations for improvement to offers: Was the price they were offering for a tour too high? Too low? Was the creative pulling its weight? And what about the lists being used?

THE TARGETING TEST

Hyatt had been using one of the nation's most well-known list and model providers for its targeting. Now the question became, could it do better using another approach?

To find out, Hyatt conducted a test.

A champion/challenger test structure was developed and, over the course of four weeks, the lists were split. Hyatt's

current “champion” would mail even ZIP Codes and the “challenger” would mail odd. Each side's lists would then be split again. The “champion” chose to mail half of its own sources and half of its own model. The “challenger” chose half of the new rental records and half from the “champion's” own sources, to test methodology and list modeling as well as the lists themselves.

The result? The best response rate did not come from any of the “champion's” lists. The best results came in from sources that the “challenger” had found and applied its own logic to. And more strikingly, the “challenger's” logic system outperformed the “champion's” previous performance by a remarkable 65%!

This renewed focus on targeting has

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THE CONTROVERSY

WE'RE ON THE VERGE OF A NEW WORLD OF MARKETING TO INTELLIGENT DEVICES

AGAINST IT!

No!

Jon Bell, Associate Creative Director for copy at Hacker Group

Marketing to cell phones and smart devices is not the new world, not yet. Before we arrive there, a couple of important things have to happen. First, people will have to see marketing to a gadget in their pockets as less intrusive (and my goodness, how much more intrusive can you get than a hip-pocket jingle?). The second thing that'll have to happen is that more wireless numbers will need to become available to target. As it stands, it's hard enough to get enough email addresses. Now if you're the wireless company, and you're marketing to your own customers, it's a different story. But you've still got to be careful not to anger your customers with too much hip-pocket marketing. ▲

FOR IT!

Yes!

Paul Ford, Associate Creative Director for copy at Hacker Group

Of course, we're not on the verge of small-screen utopia, but public awareness and affordable technologies are starting to add up to something like a tipping point. Most mobile devices now have email. And when Apple sells a couple million of its 3G iPhones over the course of a month or so, you know that the tech is catching up with the hype. And with wireless phone ownership reaching market saturation (over 85% of us now have some kind of third screen in our pocket), we're well on the way. Jon's right, we may not be crossing the borders of a new world. But we're definitely on the way. ▲



BEST OF THE BLOG:

THE FUTURE OF PRECISION TARGETING

Brian Gilbert, VP of Integrated Marketing

I have hope that one day general advertisers and direct marketers will speak the same language. That day is not yet here—but we're getting closer. In a July 7 article in *Advertising Age* about the changing consumer market, Peter Francese said, “In the past, target marketing focused mostly on what TV shows people in a segment watched or what radio formats they preferred or what periodicals they read.” Good to see someone in *Ad Age* use the words “target marketing” like that.

However, in the past, target marketing didn't really focus on TV all that much. Advertising did. It's great that advertisers are trying to target

now. I give them a lot of credit for that. Francese goes on: “To some extent, that type of targeting can still work. But precision targeting in the future will rely more heavily on ethnographic research into the culture, beliefs and activities of target consumer groups, as well as their media preferences.”

That makes the skeptic in me pause. Precision targeting now and in the future will not be about mind-reading—so why the ethnographic research into culture and beliefs? I have to admit, I wasn't completely certain I knew what ethnographic research was. So I looked it up on Wikipedia and

found this amusing nugget near the end of the article:

“Where focus groups fail to inform marketers about what people really do, ethnography links what people say to what they actually do—avoiding the pitfalls that come from relying only on self-reported, focus-group data.”

Consumer activities (we call them “behaviors”) and media preferences are extremely important to know. They're also observable and measurable. It doesn't really matter—to marketers—what people say, only what they do. Ethnography, while fascinating, can easily be left to the anthropologists. ▲

SHOULD BEHAVIORAL TARGETING CHANGE MARKETERS' BEHAVIOR?

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behaviors are more meaningful to marketers than others. Test them the way you would test list segments in email or direct mail.

BEHAVIORS THAT AREN'T AS CRITICAL TO SUCCESS

Self-reported behaviors are to be taken with a grain of salt. It may be helpful to know how a prospect answered a survey—but, then again, they may have inflated their interest in order to feel better about taking your offer for filling it out. Or they may have understated it, so they wouldn't be called by a sales rep.

Living in a certain ZIP Code could be defined as a behavior, but it's not predictive of much. You don't drive the same car as your next door neighbor, and you may not have the same taste in . . . well, anything. You may be a dog owner and your neighbor's a cat lover. You might vote Democratic while your neighbor may be a libertarian.

BEHAVIORAL TARGETING AND PRIVACY

The very term "behavioral targeting" raises issues for many people. It's

important that you have your own privacy policies clearly stated on your site and that you abide by them.

TNS Global and TRUSTe—a privacy advocacy organization—found that 70.5% of the 3,260 U.S. adult Internet users surveyed agreed somewhat or strongly with the statement: "When I am online, I am aware that my browsing information may be collected by a third party for advertising purposes." But awareness doesn't mean liking. A majority (57.2%) also said they were not comfortable with advertisers using their browsing history to serve them "relevant" ads—even if the data used could not be tied to their name or other personal information.

Targeting based on behaviors is likely to get easier technically—but it may become more difficult legally. Stay tuned. Targeting is a major part of our success as marketers. We can't abuse the tools we're given and hope it will be ignored by those who have the power to shut us down. ▲

PERK UP YOUR OLD CONTROL

Continued from page 3 . . .

resulted in an overall improvement in performance for Hyatt!

THE MORAL OF THE TEST

Even though lists are just a group of names and addresses, they should never be treated as a commodity. Your list is only raw material, and depending on how you manipulate it; segment it; model it for behavior, geography, income and age; you can make it produce vastly different results. ▲

AT&T EMAIL CAMPAIGN TURNS PROSPECTS INTO GOLD

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- **Keep copy short.** All of the important information, including links and phone numbers, appeared "above the fold" on the screen with no need to scroll down. By teasing other offers, the email enticed prospects to come into the store to find out more—and shop!

As a result of the success of this campaign, AT&T is continuing with this strategy. ▲

DM 101

GET YOUR MEDIA AND COPY TEAMS TOGETHER

Your copy team couldn't get along without your media team; and your media professionals wouldn't get very far without good copy. They really ought to be talking with each other. The people researching your media and targeting are often the only ones who know the intimate quirks of the audience you're talking to. And the copy people—if they're good—are more in the mindset of your target audience than anyone else. When they get together, some surprising and creative cross-pollination can take place. Copywriters tend to ask questions that no one else thinks of. And media managers have answers that no one else might imagine.



We're excited to let you know that the post-consumer waste (recycled content) of the paper used in *High Performance Direct* is 25%. And the total recycled content is 50%. That saves a lot of trees!