THE TRUTH ABOUT

Direct Response Offers

McCarthy & King
Marketing, Inc.

Welcome

If you are using or planning to use direct response, you need to know about the Offer.

The Offer sounds like a simple concept – and it is – but for some reason, many people, including many in the advertising profession, have never fully grasp it.

The problem, as I see it, is that almost everyone views advertising from a so-called “branding” perspective where creative concepts, clever wordplay and eye-catching graphics rule the day.

But if start seeing your advertising from a “direct response” perspective, you will begin to see that real drivers come from your list and your offer.

In the pages that follow, I hope to clarify exactly what an offer and what’s not, how the offer is used in marketing and why it’s so important in your planning.

If you start to use some of the advice from this report, I’m convinced you will start seeing some very positive results, and most important, you will see a very clear pathway to success.

Good luck!

Bob McCarthy
bob@mccarthyandking.com
508-473-8643

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The secret sauce of direct response

In real estate, they say it's all about location, location, location.

In crime, it's means, motive and opportunity.

Well, in direct response marketing, it's all about AUDIENCE and OFFER.

Reach the right audience (meaning lists or media) with the right offer and you are almost guaranteed success.

This is contrary to the way most people think about advertising and marketing. Most believe that good advertising and marketing is more about the creative - the cleverness of the ad copy, the appeal of the design. While these

Reaching the right audience is a challenge in its own right (and subject of a different booklet).

Here we are talking about the offer.

What you should know about response rates

The response rate – the percentage of people who respond to a mailing – is the chief measuring stick for direct mail. When compared with other direct mail campaigns, it gives you some sense of the relative success of the two campaigns.

But it only goes so far …

- Response rates do not reflect the quality of the response. Sometimes mailings with lower response rates are actually more effective because they contain more qualified leads. Therefore, a "qualified response rate" may be a better measuring stick.

- Response rates do not reflect the relative costs of two mailings. Some mailings are simple, low-cost postcards while others are more complex and expensive. Shouldn't a more expensive mailing produce a higher response? Consider measuring your response against your costs – "cost per response" or "cost per qualified response."

- Response rates based on small mailing quantities are subject to large margins of error. There is nothing wrong with a mailing of 2,000, 1,000 or even a few hundred pieces, but don't look at their results with any sense of future expectations. Many catalog companies mail test quantities of 10,000 to get a reliable read.

- Response rates do not work with on-line or off-line advertising. If you are going to compare two advertising campaigns or a direct mail campaign vs. an advertising campaign, you need to compare them by "cost per response" or "cost per qualified response" instead of the response rate.

The offer – in everyday life

I don't know about you but I very seldom call people just to chat. Almost every call I make – for business or personal matters – has a purpose behind it.

It might be as simple as setting up an appointment and asking a question – but there is always a reason for calling.

My phone calls usually begin with some friendly small talk – how have you been, how's the family, etc. – but at some point in the conversation, I will get to the point and I will say "Listen, the reason I'm calling is …"

The rest of this sentence is the real purpose of my phone call. It is, in essence, my offer. And, as you can see from the variety of options below, my offer can vary greatly in desirability.

… I have two tickets to the ball game tonight. Would you like to go?"
… Are you free for lunch tomorrow?"
… I am looking for volunteers for the community cleanup. Can you help?"
… I am selling tickets to the fundraising dinner. How many would you like?"
… Could you help me move a refrigerator?"

No matter how desirable or undesirable my offer is, I always have an anticipation of a response. I know that some will say "yes" and some will say "no." (And some will say "yes" when they want to say "no.")

But the simple truth is that the more appealing (desirable) my offer is, the more people will answer "yes."

Common sense to be sure, and exactly the way the offer works in direct marketing.

The power of the offer

One of the original rules of direct marketing (that still applies today) is the 40-40-20 Rule. What it says is this: the success of every direct mail program will depend on 40% the list, 40% the offer, and 20% everything else.

(The 40-40-20 Rule also applies to direct response advertising except that we replace the list with the media – the magazine, newspaper, website, or broadcast placement.)

Some of us might quibble over the percentages but I think we are all in agreement with the basic premise – that the list and the offer are the two most critical components in direct marketing.

The importance of the list is pretty obvious. If you're not reaching the right people, nothing you do will get them to respond and buy.

The offer is more difficult for many people to understand because it is embedded in the copy and creative. In fact, many people – even those in our industry – tend to confuse the offer with the creative.

Too often, in my opinion, the creative design of the mail piece is given the credit for a successful campaign when it's very clear to the trained eye that it was the offer that drove the response.

This is not to take away from the creative. Copy and design play a big role in the full sales presentation, which includes the offer.

But it's important to be able to parse out the offer from the creative. This is particularly important when you are testing copy, formats or anything related to the creative. When testing copy or creative, it is absolutely critical that you use the EXACT same offer and list for the test to have any validity.

So, what is the offer exactly?

The offer is simply the deal you are proposing. It's a contract of sorts between the mailer (or the advertiser) and the recipient.

For order generation campaigns, the contract involves a purchase and a financial transaction. For lead generation campaigns, the contract is simply an exchange of free information. More about this later.

Let me give you an example of a straightforward order generation offer:

> "I will send you my book if you send me $29.95."

Now let me show you some ways to modify this offer to gain greater appeal:

> "Order before June 1 and you'll also receive my book on tape."
> "Order two copies of the book and shipping is free."
> "Order the book today and we will bill you later."
> "Order the book today and return within 30 days if not satisfied."

Although the book still costs $29.95, we have created four new offers to encourage more orders and faster orders.

Each one of these offers brings different elements to the table –

- giving away a free tape
- covering shipping costs with a second order
- minimizing customer risk with a bill me later option
- minimizing customer risk with a guarantee

The implicit offer

In all of the offers, the details are very explicit, but sometimes – especially in lead generation – the offer has implicit elements.

For example, we often use white papers as an offer for a lead generation program.

We offer it for free and without obligation. But when prospects request the white paper, they do so with the understanding that they are initiating a sales process and that they are likely to receive a phone call as a follow-up. This is not always explained up front, but it's implied.

Another common offer is the free seminar.

We sell the seminar as an informational workshop where prospects will learn something new and important to them. But they also come with the understanding that at some point during the seminar they will hear a sales pitch and that perhaps one the company's sales representatives will try to arrange a follow-up appointment with them.

Again, unless the prospect is extremely naïve about business, this is an implicit element of the free seminar offer.

What the offer is NOT

When we talk about the offer, we need to talk about it in its entirety.

It's not enough to say "Save 20%" is our offer. We need to explain what the "save 20%" actually means – 20% off everything, off certain products, off what price, during what time period, under what conditions?

"Save 20%" is the tease – and an important tease at that – but it represents just a portion of the offer.

For many years, Sports Illustrated ran countless direct response commercials offering its free videos if you subscribe to the magazine.

Some might say the video was the offer, but it's not – it's just a premium that is used to sweeten the offer. Premiums are commonly used to make offers more appealing and, sure enough, they helped sell subscriptions to Sports Illustrated.

But the offer is not the video. The offer is the magazine subscription for a specific number of issues at a specific price – along with the video premium.

The whole offer

When we talk about our offer – usually for brevity sake - we usually talk about the main component or the most compelling component of the offer.

For lead generation, we talk about the free white paper or the free seminar or webinar or the free sample.

For order generation, we talk about the price or the premium or the guarantee.

That's okay as a reference, but if you are serious about understanding your offer, you need to look at the whole offer.

Take the white paper, for example. Here's what the whole offer would include:

You get a white paper on xyz subject.
The white paper is free but you must answer three qualifying questions.
You must also provide your telephone and email.
You can obtain it as a download or by mail.
You can respond via a website landing page, reply card, toll-free telephone or fax.

Each one of these items plays a role in the offer. To be sure, some are less important than others, but they all contribute.

Imagine what would happen to your response rate if the only response channel were by telephone – if you did not allow for web, reply card or fax response. In our experience, the telephone is the least appealing response channel for prospects probably because prospects expect they will have to talk to a sales person before they can get their white paper.

Imagine again if the telephone number were not a toll-free number.

I have noticed in recent years that more and more companies are getting away from using reply cards in their mailings because they believe the phone and the web are sufficient, and because the reply card costs extra money. This is a big mistake in my opinion. When offered multiple channels for responding, the reply card is still popular with some people. More importantly, reply cards provide a reminder or re-emphasis that a response if desired.

Now let's take a look at all of the components of an order generation offer:

You get a book on xyz subject.
The book costs $29.95.
You can order a second book for 50% off - $15.
If you place an order before June 1, you also get a free audio tape of the book.
30-day guarantee. If you're not satisfied, you can return it for a full refund.
Shipping costs $4.95.
Overnight shipping is available but costs $14.95.
Payment may be made by credit card, check or money order.
You can respond via the web, reply card, toll-free telephone and fax.

Once again, all of these items play a role in the offer. Any change you make – even small changes – will affect your response rate.

The “strong offer” myth

You hear this comment all the time from people in my field: To be successful in direct marketing, you need a “strong offer” – you need a “compelling offer.”

I would prefer the term “appropriate offer.” You need an offer that is appropriately matched to your sales needs.

Let me explain: Strong offers and compelling offers help generate high-volume response, but high-volume response isn’t always what you need.

In lead generation, there really is such a thing as too many leads. And generally speaking, there is an inherent trade-off between quantity and quality. When lead quantity is high, lead quality is low.

The real challenge, therefore, is to develop an offer that provides a steady quantity of qualified leads. The right quantity AND the right quality.

In terms of quantity, you need to generate the right number of leads to match the number of sales people you have and the number of new leads they can reasonably handle over a period of time.

In terms of quality, you need leads that represent future buyers – not information collectors and tire-kickers. (Information collectors and tire-kickers will always be among your leads but you want to keep them to a minimum.) You also want leads that will keep your sales people enthusiastic. If too many of the leads are unqualified, your sales people will begin to ignore them.

It’s a similar issue with order generation.

To generate high volume, you would need a quality product at a low price and an appealing premium as an incentive. But will that also generate the highest profit for you? Premiums cost money which tightens your margins. Low prices might bring in more customers but once again, it gives you smaller margins.

Order generation programs almost always rely on back-end sales to be profitable.

In many (if not most) cases, the first sale is accomplished at break-even (and sometimes at a loss) because your marketing costs are high. The real profits are seen with the second or third or fourth purchase because the marketing costs are relatively low.

If your initial offer was designed to bring in the highest possible response, chances are fewer of those first-time customers are going to become second-time customers.

So while a strong offer might produce the highest response rate, it doesn't necessarily produce the strongest bottom line.

The power of predictability

This is where the offer stands apart from the list. While both are critical, with the list, you never know what to expect. It's a crapshoot. If you rent three or four lists, the only way to know which is more productive is to test.

(The one exception to this is when you use your House List of customers and/or prospects. Your House List will always out perform any list you might rent.)

But with the offer, you have the power of predictability.

By this, I don't mean you can predict actual response rates. But you can predict relative response rates – how a particular offer is going to perform in relation to another offer.

Much of this is common sense but take a look at these two lead generation offers:

Free white paper – mailed to you or as a free download
Free information seminar – delivered at your location

Which will produce the higher response rate? It should be the white paper and here's why:

The free white paper provides useful information that you can obtain with very little effort or commitment on your part. The free seminar also provides useful information but you need to dedicate a significant amount of time to obtain it.

The rule of thumb is the more commitment someone has to make to obtain your offer, the lower the response rate (although the quality tends to be higher).

Here's another example:
Free white paper- just provide contact information
Free white paper – provide contact information and answer three qualifying questions

Although asking the three qualifying questions is usually a good idea because it can provide useful information for your sales and marketing people, this will produce a lower response rate than the white paper with no questions asked.

This predictability also applies to order generation. You can predict how offers will perform (on a relative basis) just by looking at it.

Let's start with the price. If you offer the same product as a lower price, you can expect more responses, but this cuts into your profit margin. So the question to ask yourself is will the lower price produce enough additional orders to compensate for these tighter margins?

It's the same with premiums. A free gift for ordering will almost always increase your response rate, but premiums cost money so this impacts your bottom line.

"Bill me later" are three simple words that can dramatically increase your response rate. Think about how much easier it is to check that box rather than write a check or fill out a credit card order. But "bill me later" options also come with some serious baggage – namely bad debt. Not everyone will pay their bill – that is to be expected. But if the bad debt amount is small enough, the "bill me later" option still may be worth it because it will increase overall response.

Every order generation offer should come with a guarantee, but there is a big difference between an unconditional life-time guarantee and a limited-time, limited-use guarantee. The first produces the higher response rate, but you don't want the guarantee to be exploited.

So here's what predictability can do for you.

If you are told the current direct mail package needs to produce more responses, you simply look for ways to make the offer more appealing with less commitment on the part of the prospect.

If you are told the packages need to produce better quality responses, you simply tighten up the offer to require more commitment.

Types of offers

As we discussed earlier, offers fall into different categories depending on the application or objective of the direct marketing campaign.

Lead generation and order generation are the major categories, but we also have fundraising (a form of order generation because we are asking for money) and traffic-building (which is designed to bring traffic to retail stores, restaurants, trade shows and other public events).

Lead generation offers

With lead generation offers, we are asking people to raise their hands to say they are interested in what we have to sell. This level of interest can vary greatly from "just curious" to "let me see a proposal."

Lead generation offers can help identify these various levels of interest.

Hard offers.
A hard offer is any offer that helps you identify people who are serious about a purchase. Respondents to these offers are looking for a proposal, an estimate, a demonstration or a meeting with your sales rep.

They may not be ready to buy today, but they have made it priority. We know this because they have demonstrated a high commitment and willingness to meet with your sales representatives.

Examples of these hard offers include:

* free estimate
* free consultation
* free demonstration
* free seminar
* free webinar

Hard offers have high conversion rates – meaning that a large percentage of these leads convert to customers – but their big problem is that they usually produce a relatively low response rate.

Soft offers.
Soft offers identify people who have some interest – mostly long-term interest – in your product or service.

They typically request information that does not commit them to face-to-face sales call or other meeting.

Examples of soft offers include:

- free information kit
- free brochure
- free catalog
- free case studies
- free samples
- free videos

Softer offers
Softer offers are designed to maximize your response rates. The offers are more informational – and less sales oriented – than the soft offers. They help to identify people who have an interest – in some cases, a small interest – in the industry or subject matter you represent.

Unlike the soft offers above, respondents have not yet shown an interest in your company but are more interested in the information you have to offer. The most common examples are:

- white papers
- how-to booklets

Today, these offers are also known as "content" which has become a cornerstone of Internet marketing.

How surveys work in lead generation offers

Do you want to know more about your prospects and what they are thinking? Just ask them. It's amazing what people will tell you – if you are willing to ask. That's the thinking behind survey or questionnaire mailings.

When we send out a survey to prospects, we ask them about their needs and whether there is a match to our product or service. We ask them about their current vendors and what they like or don't like about them. We ask them about their goals and frustrations. We ask them about their time-table, their budget and their authority to make a purchasing decision. We ask them about other people in their company and their roles in the decision-making process.

You would be surprised by how many people are willing to respond.

Survey mailings typically produce high response rates in part because their purpose is to collect information rather than identify serious sales leads.

But this information can lead to a sales lead and that's why we use them.

Response rates can vary greatly but they are usually higher than other lead generation efforts.

How does this relate to the offer? Good question because generally when people respond to offers, they are getting something in return. The good news is that people are willing to respond to your surveys simply out of cooperation.

To maximize response, though, we often use a free gift, or premium, as a thank you for completing the survey. The premium can be a small item of value that is related to your product or service (free software or a free white paper, for example), but it can also be simply a free gift (a gift certificate to Amazon, for example).

We use premiums with questionnaire mailings as a thank you for providing us with so much useful information.

But as a rule, I don't recommend using premiums in lead generation.

I strongly disagree with any strategy that offers a gift of value in return for requesting your brochure or information kit. If, in the eyes of the prospect, the gift is worth the aggravation of a follow-up sales call, he or she will respond whether or not there is a need or interest in your product. But what kind of lead is that?

I am equally concerned with lead generation campaigns that give away golf clubs, souvenirs and other items of value just for the opportunity to meet with a top, hard-to-reach business executive.

I understand the motivation. It can be difficult and frustrating getting in to see these people, but is it really worth it to buy your way into a meeting with people who are not interested in what you have to offer?

Lead generation should identify prospects who are sales-ready. Just bribing your way into a meeting doesn't seem to me to be that effective.

Order generation offers

Order generation, also known as mail-order or direct order, is pure direct marketing – traditional direct marketing.

Unlike lead generation which is just the beginning of the sales process, order generation completes the sale. Response is much more difficult to achieve because it requires a financial commitment from the prospect.

As a result, an order generation offer takes more thought, more creativity and more testing. Your offer may be an evolving process. Here are the key elements:

Product or service
Order generation direct response mailers and ads tend to be longer in content than lead generation promotions.

That's because you need to describe the whole product – all of its benefits, all of its supporting features, credibility with testimonials and endorsements, the full explanation and justification of the price and conditions and the entire ordering and payment process.

Short copy works just fine in lead generation because you need to do is convince the reader to request a free report or white paper. But order generation is a long-copy exercise.

Price.
For obvious reasons, price is by far the most important element in your order generation offer. That's why the first recommendation for any start-up mail-order business is to test price.

Take, for example, this client of mine who wanted to introduce a new business-to-business newsletter to the market at a price of $195 per year. This price was based on other similar newsletters. While this was a good starting point, we recommended he also test $95 and $295.

Common sense will tell you that $95 will produce the most responses (and it did) and $295 will produce the fewest responses (and it did). But each price also comes with different profit margins so we will need to let the overall profits decide which price was best.

Notice the three prices were $100 apart. We purposely set prices that were vastly different so that the response rates would be dramatically different. If the prices were close, we might not see enough of a difference.

Even if you are starting with a small price – say $19.95 – ask yourself what is the lowest reasonable price I can charge and what is highest reasonable price I can charge.

Price packaging

After price, you should consider the packaging or presentation of your price.

Is this price a limited-time discount from the regular price? If so, is this a dollar-off or percentage-off discount? Which is the more appealing presentation?

Is there a multiple purchase discount being offered? For example, "buy one, get the second for half price" or "buy two, get a third for free."

Payment terms

Clearly, we would always like our customers to pay in full before they receive our product. (And for some of you, that's the only option.)

But there are other options, including:

- bill me later – pay nothing and get billed after you receive the product
- cash on delivery (COD) – pay nothing now – payment is collected on delivery
- payment plan - pay a deposit now and pay the balance after delivery

Each one of these other options will increase sales but they all come with risk.

Your decision to use these other options will depend on your audience (and how much you trust them) and the leverage you can retain even after delivering your product.

Some of this varies with audience. If you are targeting businesses (especially medium to large businesses), you might consider accepting a purchase order. If you are marketing to existing customers who already have a relationship with you, you might be willing to take a risk.

You might still have collection problems but the cost of that bad debt could be more than compensated by the additional sales.

In terms of leverage, if you provide some type of continuing service (for example, a newsletter or an online database), you always have leverage because you can shut off the service at any time if your customer fails to pay

Payment plans are usually reserved for products that are expensive – generally a few hundred dollars or more. Many marketers who offer payment plans set the initial deposit price at their cost so they are not out any money if a customer fails to pay the balance.

Delivery options

The standard operating procedure for delivery is to charge the customer an additional fee for shipping and handling. This can include the internal processing costs as well as the delivery charges.

Some marketers use the same sliding scale as the shipping companies (which combines shipment size and weight with distance) while others find this too complicated for the customer – so they just pick a price that covers them for all or at least the vast number of deliveries.

And some companies don't charge anything for shipping. All orders are delivered free of charge – in some cases, overnight.

The point is you can charge what you want. Shipping is just one more item added to the overall cost of producing and delivering your product. How you present it to your customer is your choice.

In other words, free overnight shipping isn't really free. It's just include in the price.

Guarantees

Guarantees are an essential part of every business. As customers, we all expect the products and services we buy will have some level of guaranteed satisfaction.

As marketers, we never hesitate to tell people our product or service is guaranteed.

But what does that mean exactly? Under what conditions or limitations will the guarantee be applied?

In direct marketing, we know that a guarantee has no meaning – and therefore, no credibility – unless it is specific … unless you can spell out the details of the guarantee.

- How long? – typically 30 or 60 days – sometimes lifetime
- Under what conditions? - dissatisfaction, unworkable product, buyer's remorse
- What compensation? - full refund, double refund, partial refund, replacement product

Unless your product simply doesn't work as advertised, product guarantees are seldom used by customers.

Clearly, the more appealing your guarantee, the more refund requests you are likely to see. But if an appealing guarantee is also going to produce more customers, it may be worth it.

Premiums

Premiums, or free gifts, are used to sweeten the offer. And they usually do provide additional sales. But premiums also cost money which eats into your profit margins.

So the question is not whether premiums will increase sales, but whether they will increase profits.

The best premiums are low-cost, high-value items that are related to your original product. For example, Sports Illustrated offers free videos as a premium when you subscribe to their magazine. The premiums include Super Bowl highlights, season highlights, sports follies and much more.

On the business-to-business side, premiums may include informational products like white papers and special reports. Although these are more commonly used in lead generation program, they are sometimes used as premiums for a purchase – such as a subscription to a newsletter.

Sometimes the premium is more appealing than the product itself. This is very likely the case with the Sports Illustrated videos. This may seem like an insignificant issue – after all, people are still paying money whether it's for the premium or the subscription – but this can become a problem when you go back to those same subscribers for a straight renewal with no premium.

Free trials

Who can resist a free trial? For decades, the free trial has been a very successful offer for magazines and newsletters. It's the best way to get people to experience your product before they actually pay for it.

Please note a free trial is not the same thing as a free sample. With a free sample, you might get, for example, a free issue of the magazine. You will then receive several efforts (by phone, mail and email) to get you to subscribe. With a free trial, however, you receive the free issue or issues with the understanding you will be invoiced for the full subscription. You can still cancel if you want, but there is an assumption that you have agreed to subscribe.

And this is also different than a money-back guarantee where you actually pay for the product but have an extended period in which to cancel and get your money back.

But remember, the free trial is only part of the offer. The full offer needs to include the conditions of the free trial – the subscription length, cost, payment terms, etc.

Negative option

This is an offer that is used by book clubs, video clubs, coffee clubs and the like. It gets you to join the club or the program for little or no money with the agreement that you will receive additional orders in the future without asking for them.

So you join the book club and get six books for $1, and pretty soon, you start receiving additional books at full price along with an invoice.

You are always free to return the books and write cancel on the invoice. It is only through this negative option that you can decline the offer.

Some do decline, but many others pay the invoice – either out of laziness or because they want the book. Some pay the invoice unknowingly because payment is often made automatically by credit card

This type of offer may seem like a great deal for the marketers, but what about the buyers?

To be sure, many buyers get tricked into this program and find themselves in a hole very quickly. But there are many buyers who like the convenience of regular shipments of new products and don't want to be bothered by ordering every time.

Bottom line – be clear about the conditions of your free trial.

Fundraising offers

Fundraising offers are very much like order generation offers in that they ask for a commitment of money. The difference, of course, is that with fundraising, they are giving money for a cause rather than a product.

“Ask” amounts

The “ask” amount is the suggested donation a person might make. The “ask” amount – which is actually a range of amounts – varies with each campaign and each donor. For example, a donor who has donated an average of $100 in previous campaigns might receive an “ask” amount range starting at $100. Someone who has given just $25 might start at $25.

Generally, donor acquisition campaigns (mailings designed to find new donors) will have low starting “ask” amounts to maximize the response. Future “ask” amounts to responding donors will vary depending on the size of their previous donations.

As I said, the “ask” amount is actually a range of amounts – for example, $25, $50, $75, $100. If you change this example to $25, $50, $100, $200, you will have actually changed your offer – albeit in a small way.

Premiums

As with order generation, premiums are often used to increase response in fundraising programs. There are both *front-end premiums* and *back-end premiums*.

Front-end premiums are mailing labels, decals, calendars and other items that are sent out with the mailing to everyone on the list. The hope is that enough people will feel a sense of obligation for receiving the gift and they will respond with a donation. These types of offers have proven to be very successful over the years.

Back-end premiums are gifts that are given out only to those who respond – sometimes only to those who give a certain amount of money. These premiums tend to have more value because it is being used as a true incentive and because you only have to give out these gifts to those who respond.

It is possible to use both front-end and back-end premiums in the same campaign. For example, you might send out a decal package (so everyone gets the decal) but then offer a free gift for those who respond with a specific dollar amount.

Retail traffic-building offers

Traffic-building offers are most often used by restaurants and retail stores where the goal is to get local customers to visit their store. Traffic building is also used to bring prospects to a trade show booth.

Price off.

The most common traffic-building offer is the price-off discount. This can take many forms - $10 off with $50 purchase, 20% off with $50 purchase, buy one get one free, buy one get the second one for half price and many other combinations.

These are, in effect, order generation offers so regardless of the discount, you need to look at the total offer. For example, a buy-one-get-one-free for a $10 item is very different from a buy-one-get-one-free for a $100 item.

Events

Many traffic-building offers are promoted as part of a special event. Some examples are an open house, a going-out-of-business sale, a spring clearance sale, and a Presidents Day Sale.

Most of these event-driven sales are combined with a price-off discount, but the event provides both a time-frame and a justification for the discount.

Some retail event offers are designed to generate leads. For example, Home Depot and Lowes frequently offer free "how-to" seminars on various home repair topics. While no one is required to buy anything, it does generate good will from those who attend. And yes, many, if not most, attendees end up buying their supplies from the store.

Loyalty

Loyalty offers are designed to produce additional purchasing from existing customers. This additional purchasing could be through cross-selling (of additional products), up-selling (an increase of current purchase) or re-selling (for consumable products that need to be purchased over and over again).

The applications will vary depending on your objective. For example, a restaurant might offer current customers a special discount:

- if they visit during off-peak hours,
- if they if bring in a larger-than-normal party,
- if they visit the restaurant a certain number of times.

Trade shows

If you have a trade show booth at an industry conference or other event, you want to see traffic. Now most of the responsibility for traffic will be the trade show organizer. But not all attendees walk the trade show floor. And sometimes the trade show is so large, many people are unlikely to ever see you.

Many companies give away promotional items to visitors of their booth. Some will ask you to enter a drawing. They will usually ask for your business card or they will ask if they can swipe your conference registration card.

But this strategy only grabs the people who pass by. And they may not even be your prospects.

A better strategy is to identify your best prospects before the show, then mail or email them with an offer that will get them to purposely look for you at the show. Your mail or email would probably include your booth number and a response card to carry with them.

This pre-show promotion might be a combination offer that includes:

- a small premium or drawing just for visiting your booth
  (we suggest they fill out a qualification card rather than just giving their business card)

- a larger premium for scheduling a demonstration or a meeting with a sales rep at the booth or in space set aside for meetings.

The point is that your offer or offers can be used not just to thank people but as a motivation or incentive to get the right people to visit your booth.

The lead spectrum

As you can see from the above discussion, offers vary greatly depending on the level of commitment you ask of people. How much commitment you demand will determine the level of response – both the quantity of response and the quality of response.

Think of it as a lead spectrum.

At one end of the spectrum is all the free stuff – the lead generation offers. This is where your highest response rates are found. As you extend out, you reduce the commitment requirement which increases your response. At the same time, you reduce the lead quality because as the commitment drops, you begin to pick up more and more low-interest prospects.

At the other end of the spectrum are the order generation offers starting with the lowest priced products located near the middle and working your way out as the price increases. Higher priced offers require more commitment. Offers that are enhanced by premiums will produce higher response than equal-price offers with no premiums (you're getting more for your money), but the quality will be compromised. You may find it more difficult to renew or re-sell customers who bought with a premium.

In the middle of the spectrum are the free trial offers – still free but with a commitment or a promise to buy when the invoice arrives.

But remember, all of this is relative. Try not to think in terms of a good offer or a bad offer. Think of it only as a better offer or a worse offer.

Quantity vs. quality

One of the biggest mistakes people make in direct marketing is they place too much emphasis on the response rate. The response rate is the simplest, most common measurement but it is, by no means, a clear indication of a campaign's success or failure.

For a true evaluation, you should take into account both the response rate and the conversion rate – meaning the percentage of responses that actually become sales.

Of course, not all marketing programs can be easily tracked and analyzed that way. Some companies have long sales cycles so it could be many months or even years before you can accurately determine the conversion rate.

For those companies, it may be more efficient to evaluate based on "qualified response rate" – meaning the percentage of responses that are truly qualified based on established criteria. You would need to make that determination either with a follow-up phone conversation or with a few qualifying questions on the reply device.

Consider this example of two programs:

Program 1 – 3% response rate – 10% qualified leads – net qualified response is 0.3%
Program 2 – 1% response rate – 40% qualified leads – net qualified response is 0.4%

Although Program 2 had a much smaller response rate, a larger percentage of those leads were qualified resulting in a higher net qualified response rate (0.4% vs. 0.3%).

Please remember this is a hypothetical example. There is no way of knowing what kind of results your program will produce until you've done it. But I hope this example shows you the importance of looking at the full picture and not just the response rate.

The offer perception

If you have a $100 product being offered at $75, is it better to promote it as 25% off or $25 off? You will probably get different opinions on this.

My view has always been if the dollar amount is substantial, go with it. Percentages require another step – a calculation that may or may not be simple – in the buyer's mind to determine the dollar amount. But if the dollar seems insignificant, then the percentage might be the way to go.

Of course, the real answer here is to test. Send out half of your promotions with the dollar off and other half with the percentage off – and see what happens.

Another common example is the "buy one get one free" (aka BOGO) offer which is exactly the same offer as the "get two for the price of one" offer. Most marketers prefer the "buy one get one free" offer because it includes the word "free" and that's always a good thing.

Yet another example is how organizations treat the early bird and last-minute registrations when promoting a course, seminar or conference.

Consider this example: if the basic price is $75, the late fee might be $20 for a net $95. In my opinion, it makes more sense to charge $95 for the basic price, but give people an early bird discount (of $20) if they register before the cut-off date.

It's the same net pricing. I just think it's better to reward the early registrants instead of penalizing the late registrants.

Early bird offers also give you more flexibility. For many conferences, an early bird deadline might be as much as eight weeks prior to the conference, but try using that same deadline for a late fee. Try penalizing someone when they register six or seven weeks prior to a conference. You will have many angry people.

Of course, how much you offer as a discount for early bird registration (or if you insist, how much penalize for late registration) will have the greatest impact on response. A $50 discount on a $1,200 conference fee may not be worth the extra effort to sign up early. But a $200 discount would generate significant response to the deadline.

Presentation of your offer

Once you have a finished offer, it's time to decide how exactly you want to use it – how you will present it within your marketing message.

If, for example, you are using direct mail, it will obviously be the focal point of your reply card, but what about your letter or outer envelope? How will it be presented on those pieces?

Three strategies

For some marketers, the offer might be presented at the end of the letter after the general message is conveyed. The offer, in this case, would be almost an afterthought.

But another strategy would be to give the offer more play. It might place the offer in the top headline of the letter (this is called the Johnson Box), or somewhere in the first three paragraphs – perhaps indented and underlined to gain attention. It might even be mentioned on the outer envelope. Clearly, this approach would produce more response than the previous approach which, in comparison, hides the offer.

A third strategy – one that would maximize response – would be to make the offer the message. Some marketers call this making the offer the hero. In this case, the offer would make up approximately 90% of the overall sales message. It would be prominently described on the envelope and in the letter.

In the letter, you would lead with the offer and then you would use most of the text to sell the offer – e.g., reasons why this free white paper will improve your life, etc. I know it seems odd that you would have to sell a free offer, but if you want to maximize your response, you will want to consider this approach.

Of course, where you place your offer – and how prominently you display it – will depend largely on how appealing the offer is and how it compares with your other sales messages.

Presenting the order offer

This same issue applies to order generation offers as well.

Let's say you are selling a training video for $195. If the $195 is a relatively low price, you might want to display it everywhere in your mail piece including the outer envelope. However, if price is similar to the competition's – or not an important factor in your audience's decision-making process – you may want to just leave it on the order form and briefly mention it at the end of your letter.

The price and other conditions of the offer need to be mentioned somewhere. You need to use your own judgment to decide how strongly you want to promote it.

Adjusting your offer to match your need

This is where the offer can really show its strength.

Let's say you've done a mailing of 5,000 pieces and your response comes in at 2% or 100 leads. You have plans to do the same thing every month but you want to make sure that future mailings are as productive as they can be.

Here are two scenarios you are likely to hear:

Scenario #1 – your sales manager comes to you and says "We need more than 100 leads. We have 10 sales people and 10 leads a month for sales person isn't going to do it."

So how do you increase the numbers? You have several choices:

- You can increase your budget. If you mail more and maintain your response rate, you will get more leads.
- You can try (and test) new lists. This could increase or decrease your response rate. It's not a bad idea because your list choice can dramatically change your response rate, but there is no way to predict it.
- You can try (and test) new formats or new messages. Although the impact will be less than a list change, it could help. But once again, it could either increase or decrease your response.
- The fourth choice is to change your offer. Take a close look at the offer that produced the 2% response rate and evaluate exactly what the commitment was on the part of respondent. Is there anything you can do to remove some of that commitment – to make it easier or more likely people will respond? With some simple adjustments to your offer, you can increase your response.

Scenario #2 – your sales manager comes to you and says, "our sales people are getting frustrated with these leads. They are unqualified. These people just want to collect information. There are no buyers here. My sales people are starting to discard these leads even without a phone call."

Obviously, this is an issue of lead quality. Although list selection could be a factor in lead quality, it is almost always the result of the offer.

So-called soft offers – those offers that require very little commitment but produce high response rates – will produce a lot of poor quality leads. Good leads will be in there too but you have to be patient – and chances are your sales people aren't going to be that patient.

Soft offers may not be right for you. It may be time to look at very different offer. Remember though, if you shift to a harder offer – one with higher commitment – your quantity is likely to come down which may create another problem for you and your sales expectations. There is always that trade off.

But there are some things you can do to "harden" your soft offers. For example:

- You can add qualifying questions to the reply card. This will weed out some poor quality leads but more importantly, it will allow you to segment your responses according to quality for appropriate follow up.
- You can require a telephone number and a "best time to call." Some people will still not fill it out, but it says to everyone that yes, you will get a phone call. Some unqualified prospects will be scared away by this.
- You can remove some response channels. The mail-back reply card is essential if you want to maximize your response, but this channel also tends to bring in more tire-kickers. If you remove the reply card, you will reduce your response rate but you may improve response quality. Instead, put more emphasis on the phone. Many unqualified respondents would prefer not using the phone in part because they know they might have to talk directly to a sale person before they can receive your offer.

Of course, another strategy would be to hold the sales leads for further qualification and lead nurturing before they go to sales. This again will reduce the lead volume going to sales.

Conclusion

Direct marketing is a complicated business. Many factors go into the creation of a successful program.

But two factors – the list and the offer – trump everything else. If you understand these two factors, you are on the way to success.

In this report, we've tried to show how the offer can be used (and manipulated) to produce a measurable – and eventually a predictable – response that is designed to fit with your sales objectives.

The offer is a fairly simple concept to grasp. You don't need any special training or degree. You don't need decades of marketing experience. And you don't need to be particularly smart or clever.

But you do need an open mind. You need to rid yourself of all those pre-conceived notions of what an offer is. You need to start looking at all marketing promotions not as a whole package (as laymen do) but as separate components that can be plugged in and out to adjust response.

Above all else, you need to be committed to tracking and measuring response with everything you do. Personal creative preferences and gut feelings don't fly in this business. You need to let the numbers do the talking.

Good luck!

The Author

Bob McCarthy has been planning, creating and executing direct mail programs since 1980.

After a four-year stint as a direct mail copywriter for The DR Group, Bob started freelancing in 1984 working with both businesses and agencies.

Over the years, he has expanded his knowledge and experience to include direct marketing strategy, mailing list research, offer development, format selection, vendor relations, budgeting and back-end marketing.

Then with the emergence of the Internet, Bob and his firm, McCarthy & King Marketing, further expanded their services to include email, web and other online marketing activities.

Bob is a past president of the New England Direct Marketing Association (NEDMA).

In addition to his client work, he spent 10 years teaching direct response copywriting at the Bentley College (Waltham, MA) Direct Marketing Program.

He is a graduate of Northeastern University.

About Us

McCarthy & King Marketing is a marketing services firm specializing in direct response marketing and lead generation.

Founded in 1990, the firm works with a wide range of businesses to develop direct response strategy and creative services in support of the lead and sales process. Focus areas include:

Lead Generation
>Direct Marketing (direct mail, email, telephone)
>Online (SEO, pay per click, blogs, social)
>Offline (print, trade shows, speaking, writing)

Lead Capture
>Landing Pages, PURLs, QR codes
>Reply cards, telephone

Lead Qualification/Scoring
>Telephone
>Online surveys

Lead Nurturing
>Short-term email drip campaigns
>Long-term email newsletters
>Postcards and other direct mail

Lead Measurement
>Response rate/conversion rate analysis
>ROI
>Cost of sale analysis

Content Creation
>Whitepaper, tip sheets, how-to reports, research reports
>Interviews, case studies, customer stories
>Blog posts, articles, newsletters

To learn more, contact Bob McCarthy at 508-473-8643 or go to www.mccarthyandking.com.