



Dudley Stevenson
Pat McGraw

Direct Response Advertising Circulation Planning

For Successful Marketing Campaigns

Introduction

Circulation planning is not media planning, even though circulation planning involves selecting media channels and mediums. Circulation planning is a much more rigorous approach to media and contact universe selection. Unlike media planning, circulation planning generally involves performing a breakeven analysis on the selected media or advertisement. Generally, all media used in a circulation plan have been or are being tested for continued use.

The media plan describes the marketing objectives, strategies, tactics, resource allocation, media schedule and media mix that will be used to reach the target audience. The circulation plan is more of an operational and financial plan that details every aspect of the use of mailing lists and other media to be used for a direct marketing advertisement or campaign. It includes expected response rates, segmentation and selects, breakeven analysis, revenue and profit projections.

Circulation planning begins with mailing lists and then incorporates other media if they are used. Direct mail, catalog and email marketers use circulation planning to select lists and contacts that they will mail their catalog or direct response advertisement. This is also referred to as mail planning. It involves planning the use of both your house file and outside mailing lists. In the mail plan, you set out your plans for who within your house file will receive the advertisement, what kind of outside list will be used, what kind of testing will be conducted, and what your breakeven, response and financial objectives are for the mailing. All direct marketers have to develop a circulation plan, mail plan or a contact plan for their direct marketing activities.

Every medium and channel has a universe of names, contacts, readers, viewers, visitors, etc.

A circulation plan should be developed for each advertisement regardless of medium or channel being used. For direct mail and email, the media universe is the number of contacts, whether they are customers or prospects that you intend to mail for a given list. For other forms of direct response advertising, the contact universe could be the reading, listening or viewing audience depending on the medium. In the case of a magazine advertisement, the universe of contacts would be the magazine's circulation. In the case of a radio advertisement, it would be a program's or station's listening audience. For a website where you want to run a banner ad, the universe would be the number of visitors to that site during the day, month or period. The circulation plan is developed for each tactic or advertisement regardless of medium or channel. Direct marketing analytics, which focuses on response analysis, forecasting and breakeven analysis, are all based on being able to determine the size of a universe of contacts and then based on responses generated from that universe forecast inquiries, leads and transactions/sales. In fact, circulation or contact planning can even cover non media promotional activities such as trade shows and conferences.

Circulation planning is broken into several components depending on your business model, house file (customers and prospects), outside rented lists, and outside purchased media. If your business involves using a catalog, then one and possibly the only component of your media/circulation plan will involve the use of your house file and outside rented mailing list. If you do direct sales and prospecting outside of renting lists, then your media/circulation plan may also include purchased media such as space ads in magazines, banner ads on the Internet, commercials on broadcast and digital media such as YouTube and other digital video media.

The circulation plan shows all of the mailings and media insertions that are planned for a specific period of time, usually a year.



The plan is critical for sales forecasting and budgeting. After the actual results are entered into the plan, the plan becomes an important tool for building future media/circulation plans. The plan is very important for catalog and advertisement production and media purchasing.

The plan has strategic and tactical elements. It starts with looking at last year's results and this year's response and revenue objectives. Do you spend more or less on backend marketing to your house file versus front end marketing for prospecting? What should be the breakdown? What kind of media should we use? What should be the frequency of those advertisements? What tests

should we run? You need to make these decisions in order to decide how much money is going to be spent on communicating with your house file and segments within that file and how much you're going to spend on external lead generation and sales. You need to decide on the types of media and the circulation for each of those. You need to decide on mail, insertion dates, what prospecting media to test, retest and go full scale with.

Planning needs to start with historical data. If this is your first time mailing or first time doing this direct response advertisement, for example a new catalog, or a new solo offer and you don't have historical data, then you need to start your planning with the fundamentals of target market identification.

Whether you're mailing a catalog, solo direct mail or email advertisement, or running an advertisement in print, broadcast, digital or other media channels, you need to develop a circulation plan to support that activity. The circulation plan is your operational and financial plan for that activity. Circulation plans are developed for each activity and then rolled up into media plans, advertising calendars or marketing communications plans.

In direct response marketing, each advertisement or activity requires that breakeven analysis be performed and response and financial projections be made for that activity. And, these have to roll up to meet the business's overall response and revenue and profit projections.

Think of circulation as the available universe of contacts to be used for the advertisement, promotional activity or campaign. The circulation part of planning is selecting the actual name or contact universe that will be used. For example, you've decided that you will run your advertisement in magazines to generate catalog inquiries. One of the magazines that you've selected is The Atlantic. It has a circulation of 477,990. You've decided that you only want to run the advertisement in the northeast where the total circulation is 123,000. So, you've selected the medium – The Atlantic and you've selected the universe – 123,000. Regardless of the medium, you would follow the same approach whether you're using mailing lists, magazines, newspapers, television, radio, Internet banner ads, etc.

The key to running a successful direct marketing campaign is the circulation plan. You need to create a plan that maximizes your profits if you're selling a product or achieves the needed breakeven response for a lead generation campaign generating the appropriate number of leads. And, the plan has to fit your budget.

Direct response advertising, whether it be a catalog or web banner, is designed and intended to do one thing and that is generate a response...have the reader perform some sort of action. The response may be a purchase or a request for information. In the second case, the goal is to generate inquiries or leads that can be converted into a sale at some time in the future.

The most effective use of marketing dollars is spent on developing communications with your house file. It's much cheaper to communicate with your existing list, than it is to go out and prospect for new customers. So, the first step in developing your circulation plan is laying out to whom, within your house list you are going to send your advertisement.

If you're a cataloger or e-merchant that uses catalogs to drive visitors and customers to your website, then you will want to mail customers and people who have requested your catalog. So the first step will be to understand who those people are and review their purchasing history. Building a circulation plan involves segmenting your house file using RFM analysis and other data overlays.

Once you have done the segmentation on the house file, you will know how many contacts are in each segment and that will tell you how many are potentially mailable. It's standard practice to perform breakeven analysis and build financial projections around mailing to each segment. The goal is to profitably mail a segment by generating the necessary revenue and profits.

Developing Your Circulation Plan

This first step to developing an effective direct response media/circulation plan is to define your campaign goals and objectives. As a direct marketer, the given in all aspects of campaign planning is that the results are objectively measurable. This means that the campaign is designed to generate measurable responses in the forms of inquiries or transactions. Transactions are defined as sales and these sales may be direct as in buying a product from a catalog, placing the order through a website and having the

order shipped direct to you or your picking up the order at some distribution location. Sales may also be indirect as is the case of a retailer sending a customer / prospect a coupon or other form of offer which must be redeemed at a retail location. In all cases, the transaction is trackable and measurable.



The second step is to have a complete understanding of your target market and how they use media to gather information, make and execute purchase decisions. You need to know your audience's demographics, geographics, lifestyles, psychographics, and firmographics. You need to know their buying processes and how they make buying decisions. You need to know what mediums and media channels that they use. And, you need to know what their attitudes are towards your company and products/services. When you're working with your house file, this should be pretty straightforward because they are already buying from you and you should know

just about all you need to know about them. And, if you don't, you're in a position, at least, to more easily find out.

Once you know what your objectives are and who your audience is, the next step in the process involves selecting the appropriate media/channels that offer the best opportunity to reach the audience and communicate your offer. In an earlier chapter, we covered the available media options, but first among them is using your own house file mailing list.

Depending on your business's maturity, the size of your house file and the response and purchase history of that file, you will want to segment the list. The first level of segmentation for any direct marketer is usually based on RFM (recency, frequency and monetary) analysis. The goal of any campaign planning is to maximize the revenue and profits you generate from that campaign and to do that you're going to want to mail the most responsive and profitable segments of your list. You may even modify your mailing package depending on that segmentation.

For example, L.L. Bean's house file is composed of buyers of female and male apparel products, as well as home goods. If these were the only three categories upon which you could segment your file by product category, the best buyers would be those that purchased from all three categories. Now, if you were mailing a women's apparel only catalog, your best segment for this offer would be former buyers of women's apparel. They would be your top segment for this offer. Next you would break this category down by recency, frequency and monetary value. The customers who have purchased from you most recently are typically called your hot line buyers and they typically will be your highest responders for this offer. But, you would also take into consideration how frequently they have purchased, because buyers who have purchased multiple times are more likely to purchase from future offers. Then you would segment each group by monetary value. This would be their average purchase value, not their total accumulation of purchases. So, completing your segmentation, your best responders are going to

come from a group of women's apparel buyers who have purchased multiple times, and have made a purchase in the last six months, and who have the highest average order values.

Depending on the size of your house file and the detail information you have on them, your segmentation can become very precise and fine based on a host of factors including RFM, demographics, psychographic, geographic, lifestyle and other information. For business to business direct marketers your segmentation might include purchase/contact history, firmographics, geographics and other collected information.

For any marketer, B2C or B2B, this part of the media /circulation plan should constitute the bulk of your advertising budget. There is no set percentage of your budget that should be spent on retention vs. acquisition of new customers. The spend should be determined by type of business, the maturity of the business, the size of the house file, your business formula and your business objectives. There are some companies that have built profitable businesses around just acquisition. It depends on your model, but most marketers lose money on customer acquisition, so the bulk of their budget goes towards communicating with their existing house file.

Once you have developed the house file mailing plan, the next step is to develop the external list rental/exchange plan. I mention exchange here, because some marketers do exchange their lists with marketers of similar products/product categories. You will want to do similar types of segmentation, breakeven analysis and forecast on any external lists that you rent or exchange. At this stage, you would also select your other media channels. And, once you have done this, you would conduct your breakeven analysis and develop your circulation plans which include your response and financial projections.

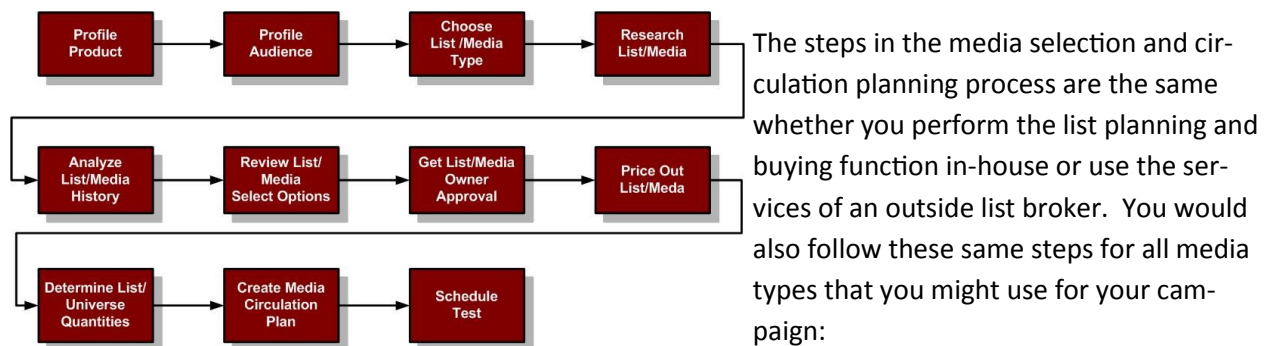
As a cataloger and/or e-commerce merchant, you may also spend additional front end advertising dollars on product specific offers and catalog requestor advertisements in print, broadcast, digital and other direct response advertising media. A good example of this is WeatherTech Custom-Fit Indoor & Outdoor Car Covers. WeatherTech is a manufacturer of car floor mats, garage flooring and cargo liners. The company sells direct via catalogs, space advertisements in magazines, via Internet banner and video advertisements and also television. The company uses both catalog requestor advertisements and direct product offers. Because of their high unit of sale, they are rare in that they can make money from one time and first time purchasers. They have a unique offer and niche.

Other media (e.g., print ads, broadcast ads, banner ads, etc.) are compared strictly on the basis of breakeven analysis, cost per lead and cost per sale. Direct response advertising does not use typical media planning measurements such as reach, frequency, cost per point, gross impressions, rating points, or impact. Measurement is based on response and breakeven analysis for either lead generation or sales. The basic units of measurement in direct response advertising are percentage of response, average order value and/or quantity of inquiries/leads.

After developing your circulation plan and calendar, the next steps would be to execute your full scale and test activities, collect campaign results, and the reconcile your results by comparing actual results against projected results. Based on your post campaign analysis, you would begin the circulation planning for the next advertising calendar.

Circulation planning can be approached top-down or bottom-up or both. Top-down, management establishes the sales goals or lead generation goals for the time frame of the plan. In bottom-up, the marketing or circulation manager determines what improvements in sales or lead generation can be achieved. Or you can use a combination of the two. Management sets the objectives, then the marketing or circulation manager determine if they are achievable.

Media/Circulation Planning Process



1. Establish your business goals and financial objectives.
2. Define the product profile. What are you selling? Define the target market(s). Who are you selling to?
3. Determine the acceptable cost per new customer for prospecting.
4. Decide on the level of prospecting investment.
5. Determine the major test goals.
6. Determine which kinds of lists or media are appropriate. If lists, determine what kinds of list: response, buyer, mass or compiled.
7. Research and collect data on lists and media available.
8. Analyze list histories in order to match your offer. For media other than mailing lists, you would look at historical use of the media for products and offers similar to yours. Some non list media sources will have some general performance data on offers similar to yours, but for the most part it will be anecdotal rather than the factual/statistical data that is available on most list sources.
9. Investigate selectivity within list or media. What kind of selects do they offer? Can they do product category, demographic, geographic, firmographic or lifestyle selects?
10. Screen lists that will allow you to mail your product offer or catalog. For other media, you would screen media based on which will allow and have had success with direct response advertising in general and for your product offer or category.
11. Price out lists and media to fit your marketing campaign budget.
12. Determine the quantities of names (contacts) or universe of names (contacts) available.
13. Develop the media/circulation plan.
14. Schedule a test for the list or media.

Remember

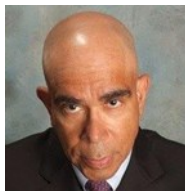
- Use the media that your target markets consume.
- Conduct breakeven analysis for all advertisements and campaigns for all media channels before testing or full scaling it.
- Test the medium, the message, the formats, the offers and the timing of advertisements.
- Test all media and channels that you intend to use before rolling out full scale advertising campaigns.

About DWS Associates

Founded in 1982, DWS Associates is a full service marketing firm that develops and implements multi-channel marketing programs for organizations targeting business-to-consumer and business-to-business audiences in global markets. Our focus is on data-driven, innovative lead generation, lead nurturing, retention, and referral programs that attract, engage and retain profitable customers. Our staff is highly experienced in market research, competitive intelligence, business intelligence and analytics, strategic planning and campaign management - so we help you increase sales and marketing performance while building strong, unique, differentiated brands.

About the Authors:

Dudley Stevenson



Dudley Stevenson, founder and CEO of DWS Associates, has over thirty-five years' experience in consumer marketing, business-to-business marketing, and direct marketing, including developing, planning, and implementing go-to-market strategies. He's also the author of "Marketing Direct: Breaking Through The Clutter." Working with organizations ranging from start-ups to Fortune 100 companies, he and his team have helped clients such as IBM, SAS Institute, Sony, Neiman Marcus, Arizona Highways, Marshall Field & Co., Mrs. Field's, UNICEF, SSA Global Technologies, Hartmarx, and Patagonia implement successful direct marketing programs. A longtime member of the Direct Marketing Association and the American Marketing Association, Stevenson is also a sought-after speaker. He's given hundreds of presentations and workshops on marketing and direct marketing. His "Marketing Planning 101" workshop alone has reached more than sixty thousand marketing and sales professionals.

Pat McGraw



For more than 25-years, Pat has been developing and leading integrated multi-channel direct marketing campaigns targeting B2B and B2C audiences for non-profit and for-profit organizations in education, technology, retail and other industries.

Drawing upon his experience in market research, competitive intelligence, data analytics and strategic planning, Pat identifies opportunities for success - new audiences

to pursue, new markets to enter, new programs, products and services to develop and launch, pricing strategies, etc. And with his operational experience, Pat launches and manages integrated campaigns (recruitment and enrollment campaigns that attract, enroll and retain students more effectively for colleges, and lead generation and retention campaigns for tech firms, retailers and service firms). The results include lowering the cost to enroll a new student/attract a new customer, increasing retention rates and more.

Within the education sector, Pat has worked with leading service firms including Noel Levitz, Hobsons, Aslanian Market Research, as well as a wide variety of institutions including Greenville College and Alvernia University to University of Maryland University College, Walden University, University of Chicago, Tulane University and others.

Outside of education, Pat has worked with leading corporations and service firms including Microsoft, IBM, Sears, Kmart, Insight, Barry Blau & Partners (currently Havas Worldwide) and more.

© 2016, DWS Associates. All Rights Reserved. Excerpted from our Book Marketing Direct: Breaking Through the Clutter.

Published by DWS Associates, Minneapolis-St Paul, Minnesota

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise except as permitted under Section 107 or 108 of the 1976 United States Copyright Act without either the prior written permission of the Publisher or authorization through payment of the appropriate per copy fee to the Copyright Clearance Center, Inc. 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400 or on the Web at www.copyright.com.

Limit of Liability/Disclaimer of Warranty. While the publisher and authors have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties or merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor the authors shall be liable for any loss of profit or any other commercial damages including but not limited to special, incidental, consequential or other damages.