



PRESENTATION
TO MPA



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Today

- Why you are here
 - To learn how to improve the bottom line of your business
 - Through the implementation of more effective marketing
- What you'll learn
 - How to keep your best customers
 - How to find more 'best' customers



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Today

- What you'll take away
 - A better understanding of marketing and direct marketing
 - Tools that you will be able to use tomorrow to improve your marketing effectiveness
 - Resources and contacts for further information and more help in all areas
- What you'll be able to do
 - Carry out campaigns with a more targeted and effective approach
 - Measure your results and learn how to constantly improve your marketing



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Ben Cochrane
Mail Marketing Service



Ben Goodale
justONE



Paul O'Conner
Datamine



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About Mail Marketing Service

Supporting you by...

- ...planning more memorable and relevant 1:1 communications, ultimately to encourage more people to use personalised mail.
- Through:
 - Senior 1:1 planning support and customer analytics
 - Education programmes
 - Networking opportunities
- Our work is helping businesses:
 - Understand their favourite customers better
 - Find more of them in an accountable way
 - Encourage more customers to stay with the brand



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About justONE

- Established April 2006
- Media neutral but fundamentally start our thinking in 1-1
- Strong, senior, experienced team
- Awards to Date:
 - NZ DM Awards: Gold, Silver x 2 for SUBCARD™; Gold for ADT (Tyco)
 - NZ Advertising Effectiveness Awards, Retail Category: Finalist, Subway 'Guess the Sub'
- Finalist, 2008 Agency of the Year – Independent Agency, Direct Agency

Ferrit.™

SUBWAY

GIB®

Farmlands

DVS™

ADT®

ING 

Heart of a Healthy Home™



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About Datamine

- Established 1995
- Datamine uses advanced analysis techniques to unlock the extensive knowledge companies hold within their own data
- Our focus is on actionable knowledge, which enables clients to
 - gain a clearer understanding of their customers and markets, manage them better and treat their customers as individuals
 - create smart, data-driven marketing solutions and deliver better ROI
 - improve forecasting, policy setting and other business decision making by ensuring they are evidence-based

EZIBUY
Empowering Marketing

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IAG
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STATE



FOODSTUFFS
The Food of New Zealand



Westpac

DEPARTMENT
OF COLLECTIONS
THE GOVERNMENT OF NEW ZEALAND



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Direct Marketing

- Building one to one relationships with your customers without face to face meetings
 - Not just a set of tactical tools but a strategic approach to all your marketing activity

Advertising

- Seeks awareness
- Aims to change minds
- Suspects into prospects
- Talks to communities
- Is theatre

Direct Marketing

- Seeks response
- Seeks to change behaviour
- Prospects into customers
- Talks to individuals
- Is retail



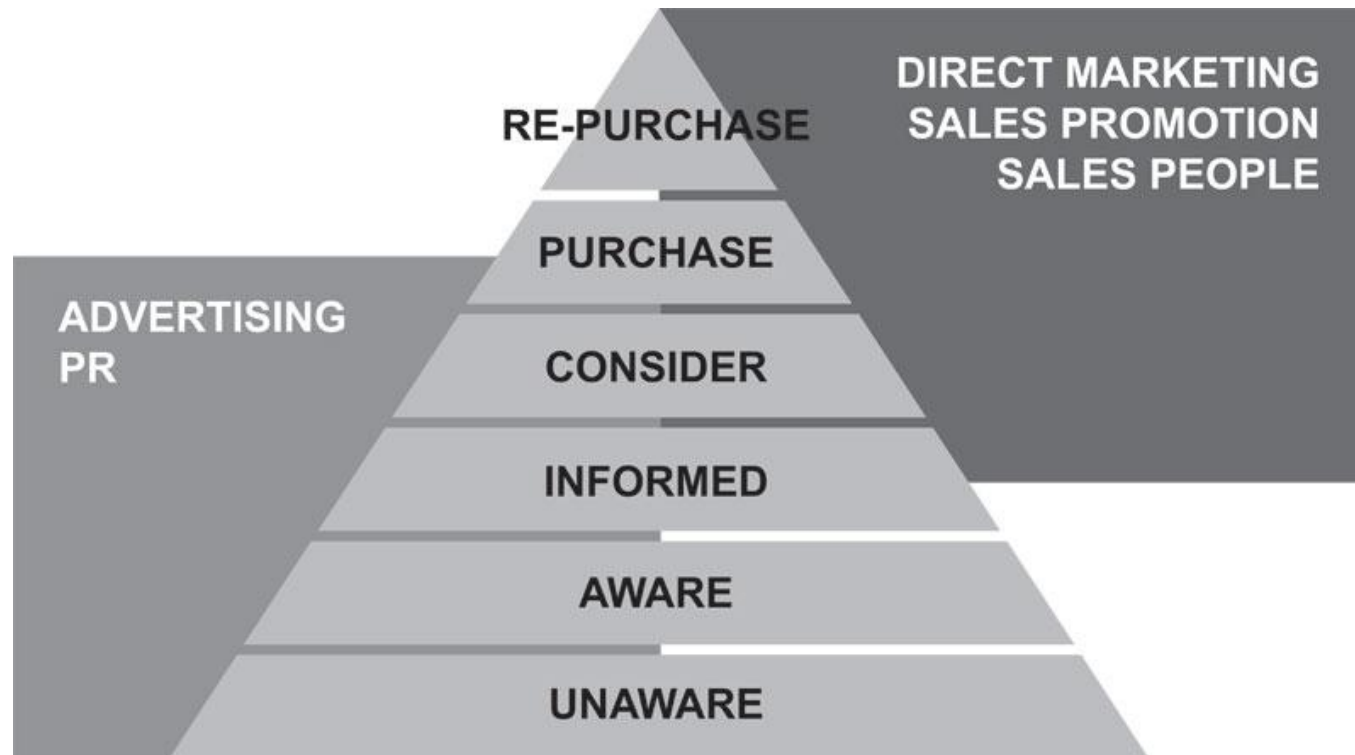
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Media

Roles of different promotional elements



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We believe that...

- To subscribe to something is to commit
- To commit to something you have to be engaged
- To engage with someone you need to be relevant



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We believe that...

- To be relevant, you have to understand your customer and deliver value
 - More likely for them to subscribe
 - More likely for them to hold multiple subscriptions
 - More likely for them to keep subscribing

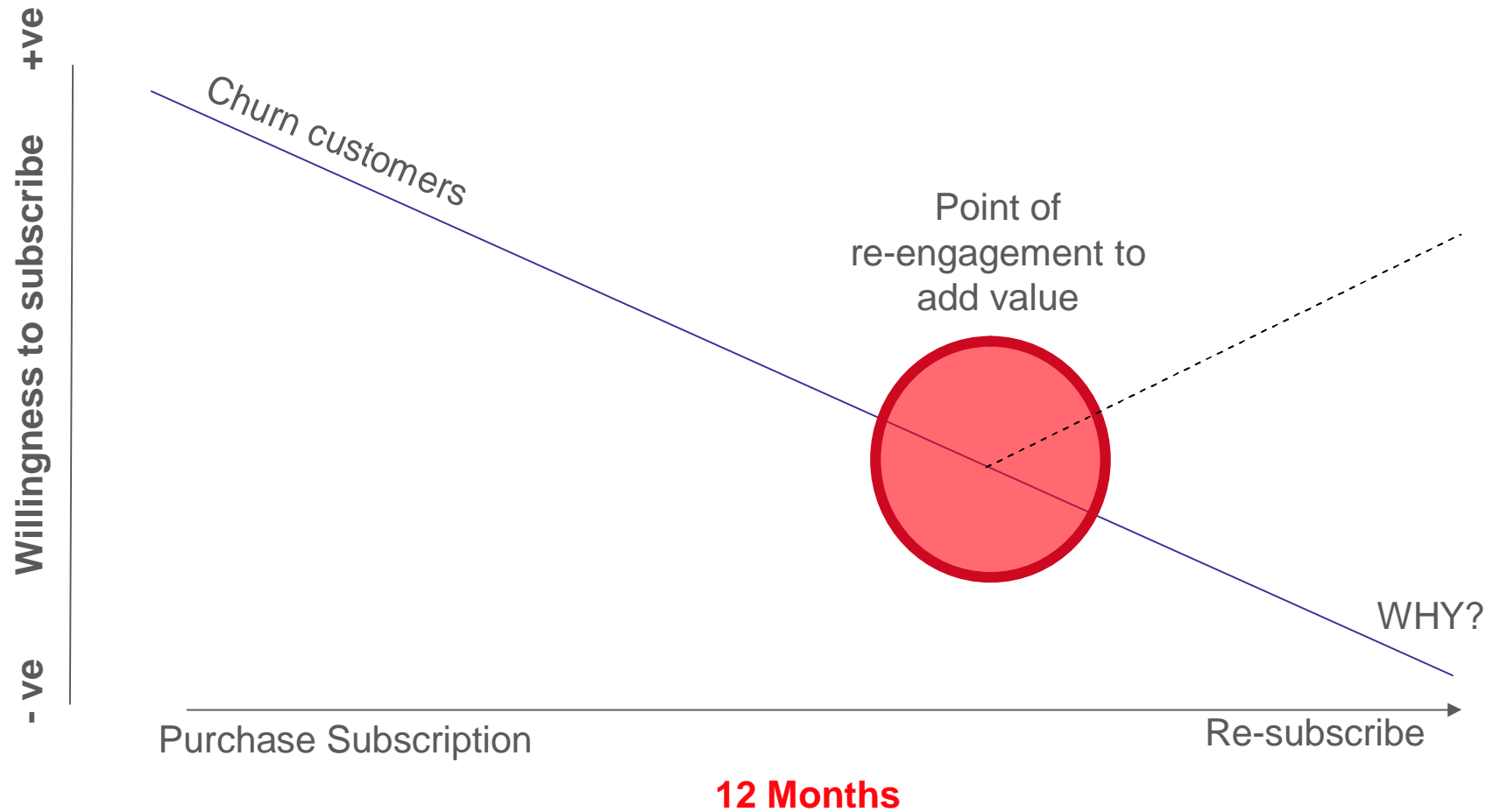


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Relationship Marketing



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How do you keep subscribers subscribing?

Loyalty beyond price



Transactional

No Loyalty beyond price
No customer understanding
Not relevant
Feel 'bought'



Value

True loyalty
Deep customer insight
Relevant
Feel 'Privileged'



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Relationship Programs

- A great way to Keep Customers is through relationship Programs
- Loyalty is an emotional response based on empathy, not a logical response based on bribery.
- A relationship program must be seen by the customer as providing something of value
 - a 'thank you' rather just providing discounts.
 - The customer should feel special and rewarded – not pushed into increasing spend.



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Loyalty Programs

There are four major types of relationship schemes

1

Points-led – encouraging members to collect and spend their units of value.



2

Discount-led – preferential pricing based on the premise 'the more you shop the less you pay'.



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Loyalty Programs

3

Information-led – loyal customers may value help and advice as much as cash.

consumer.org.nz
ACCURATE · UNBIASED · NON-PROFIT

4

Privilege-led – e.g. American Express – giving members access to services or facilities that have a rarity value, or that might be difficult to attain.

Often, successful schemes incorporate features from all of these categories.



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Create Relevant Value Beyond Price

- Teaming up
 - Team up with Audi to offer a personalised free test drive for their new model
 - Perfect mailer prior to re-subscription

- Team up with a beauty company to offer a free beauty event for a subscriber + Friend
 - Creating a relevant environment to promote re-subscription



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Affinity Marketing

- Find companies with similar targets
- Actual purchase behaviour
- Understand who spends on high value items within certain categories and target
 - For upmarket lifestyle magazines
- Understand who shops for pregnancy items and target
 - Great for new mother magazines



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Lifetime Value of a Subscriber



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Simple Arithmetic

- Doris:
 - \$50 pa.
 - 30 years
 - $30 \times \$50 = \1500
- 20,000 Doris's
 - $20,000 \times \$1500 = \$30,000,000$
- Plus less reliance on news-stand, less acquisition costs, less admin



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You are all Direct Marketers



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**What do direct
marketers
think about
every day?**

Relationships!



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Relationships

- Lifetime value
- Moments of truth
- Single customer view
- Relevance
- Timeliness



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Lifetime Value

- Year 1: Recover cost of Acquisition
- Year 2: Profit
- Year 3: Profit
- Year 4: Profit
- Year 5: Profit
- Repeat until they die, run out of money or you fail to manage the relationship



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Sub acquisition and retention

Qty: 10,000 base, 50% annual attrition

R Rate	R Qty	Sub	1 Year	Year 2	Year 3	Year 4	Year 5	5 Yr Rev
1	100	\$50	\$5,000	\$2,500	\$1,250	\$625	\$313	\$9,687
2	200	\$50	\$10,000	\$5,000	\$2,500	\$1,250	\$625	\$19,375
3	300	\$50	\$15,000	\$7,500	\$3,750	\$1,875	\$938	\$29,063
4	400	\$50	\$20,000	\$10,000	\$5,000	\$2,500	\$1,250	\$38,750
5	500	\$50	\$25,000	\$12,500	\$6,250	\$3,125	\$1,563	\$48,438

Qty: 10,000 base, 30% attrition

R Rate	R Qty	Sub	1 Year	Year 2	Year 3	Year 4	Year 5	5 Yr Rev
1	100	\$50	\$5,000	\$3,333	\$2,222	\$1,481	\$988	\$13,025
2	200	\$50	\$10,000	\$6,667	\$4,444	\$2,963	\$1,975	\$26,049
3	300	\$50	\$15,000	\$10,000	\$6,667	\$4,444	\$2,963	\$39,074
4	400	\$50	\$20,000	\$13,333	\$8,889	\$5,926	\$3,951	\$52,099
5	500	\$50	\$25,000	\$16,667	\$11,111	\$7,407	\$4,938	\$65,123

Qty: 10,000 base, 10% attrition

R Rate	R Qty	Sub	1 Year	Year 2	Year 3	Year 4	Year 5	5 Yr Rev
1	100	\$50	\$5,000	\$4,545	\$4,132	\$3,757	\$3,415	\$20,850
2	200	\$50	\$10,000	\$9,091	\$8,264	\$7,513	\$6,830	\$41,698
3	300	\$50	\$15,000	\$13,636	\$12,397	\$11,270	\$10,245	\$62,548
4	400	\$50	\$20,000	\$18,182	\$16,529	\$15,026	\$13,660	\$83,397
5	500	\$50	\$25,000	\$22,727	\$20,661	\$18,783	\$17,075	\$104,246



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Subscription value when your bucket doesn't leak much

Total Sub base - revenues based on 10% attrition and then gains from other acquisition

Qty	Sub	1 Year	Year 2	Year 3	Year 4	Year 5	5 Year Rev
10000	\$50	\$500,000	\$454,545	\$413,223	\$375,657	\$341,507	\$2,084,932
12000	\$50	\$600,000	\$545,455	\$495,868	\$450,789	\$409,808	\$2,501,920
15000	\$50	\$750,000	\$681,818	\$619,835	\$563,486	\$512,260	\$3,127,399
18,000	\$50	\$900,000	\$818,182	\$743,802	\$676,183	\$614,712	\$3,752,879
20,000	\$50	\$1,000,000	\$909,091	\$826,446	\$751,315	\$683,013	\$4,169,865



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Moments of Truth

- Signing up
- First issue
- First renewal
- Post renewal
- Annual renewal
- Birthday
- Christmas
- Macro economic event

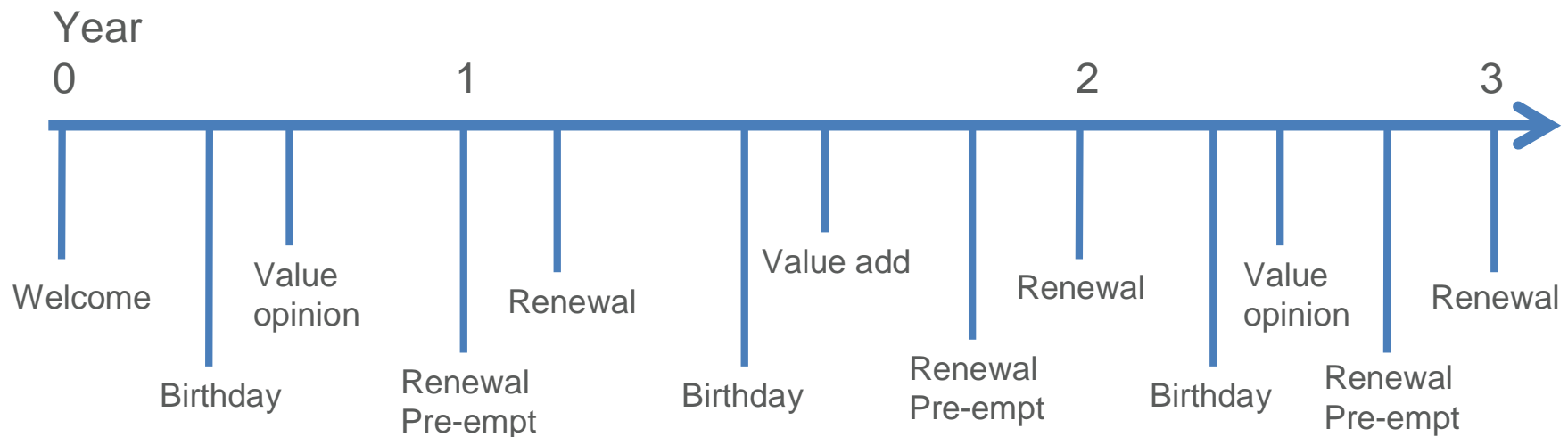


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Managing Moments of Truth



Lapse at any point: winback programme



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Single Customer View

- How many titles do you have?
- Do you cross sell?
- Do you understand the total value each customer to you?
- Do you understand the campaign history of cross sell attempts and historic value?



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Relevance and Timeliness

- What do you say to people?
- When and how do you say it ?
- Do your communications with them convey the value you place on them/what they are worth?
- What do you understand about what is of interest to them ?
- Do you determine the communication programme derived from subscriber or audience research in terms of hierarchy of interests ?



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Overview

- Background
- Current situation
- Aim & objectives
- Step 1: data pooling
- Step 2: smart selective targeting
- The results



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Background

- The New Zealand magazine market struggles to get and keep new subscribers
- There is a shortage of reliable 'cold acquisition' lists
- Most magazines cater to specialist interests
 - it's a challenge to locate and target the relevant audience!
- Laws and protocols around consumer privacy are getting tighter

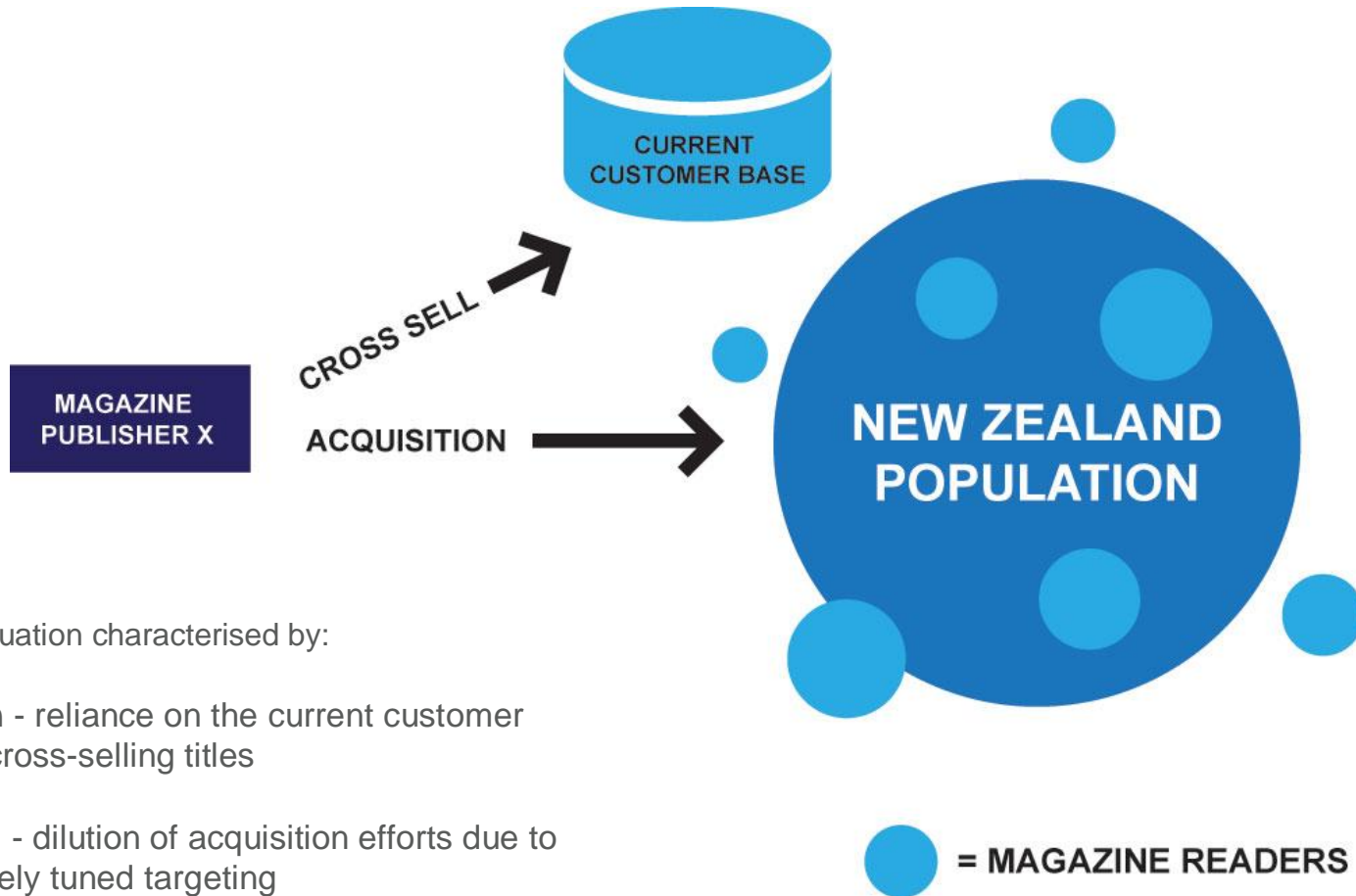


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Current Situation – Hit and Miss



Current situation characterised by:

limitation - reliance on the current customer base for cross-selling titles

dispersal - dilution of acquisition efforts due to lack of finely tuned targeting



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Hit and Miss

It's akin to pinning the tail on the donkey!



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Removing the Guesswork

The answer?

Redefine
the game...



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Aims and Objectives

- To develop a best practice data pooling and analytics service for New Zealand magazine publishers
- To facilitate collaboration between magazine publishers in order to utilise shared customer data
- To create an analytical resource via which magazine publishers can create cost-efficient and effective understanding and targeting strategies



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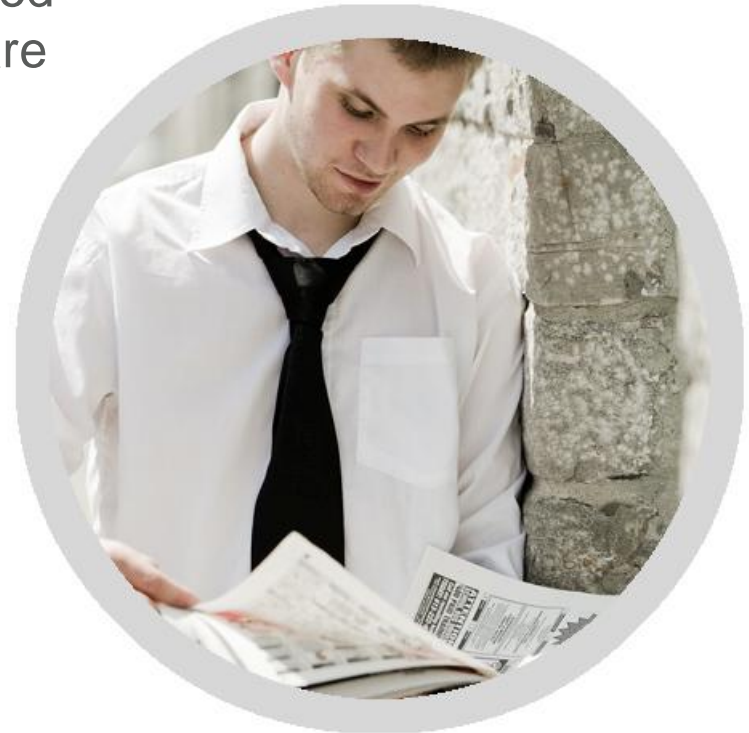
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Methodology

- Step 1 – Create a data pool
- Narrowing the target population
- A data pool, or data co-operative, is formed when a group of companies agree to share their customer data
- Member companies can direct market to other members' customers
- Key benefits
 - Access to new prospects
 - Better targeting

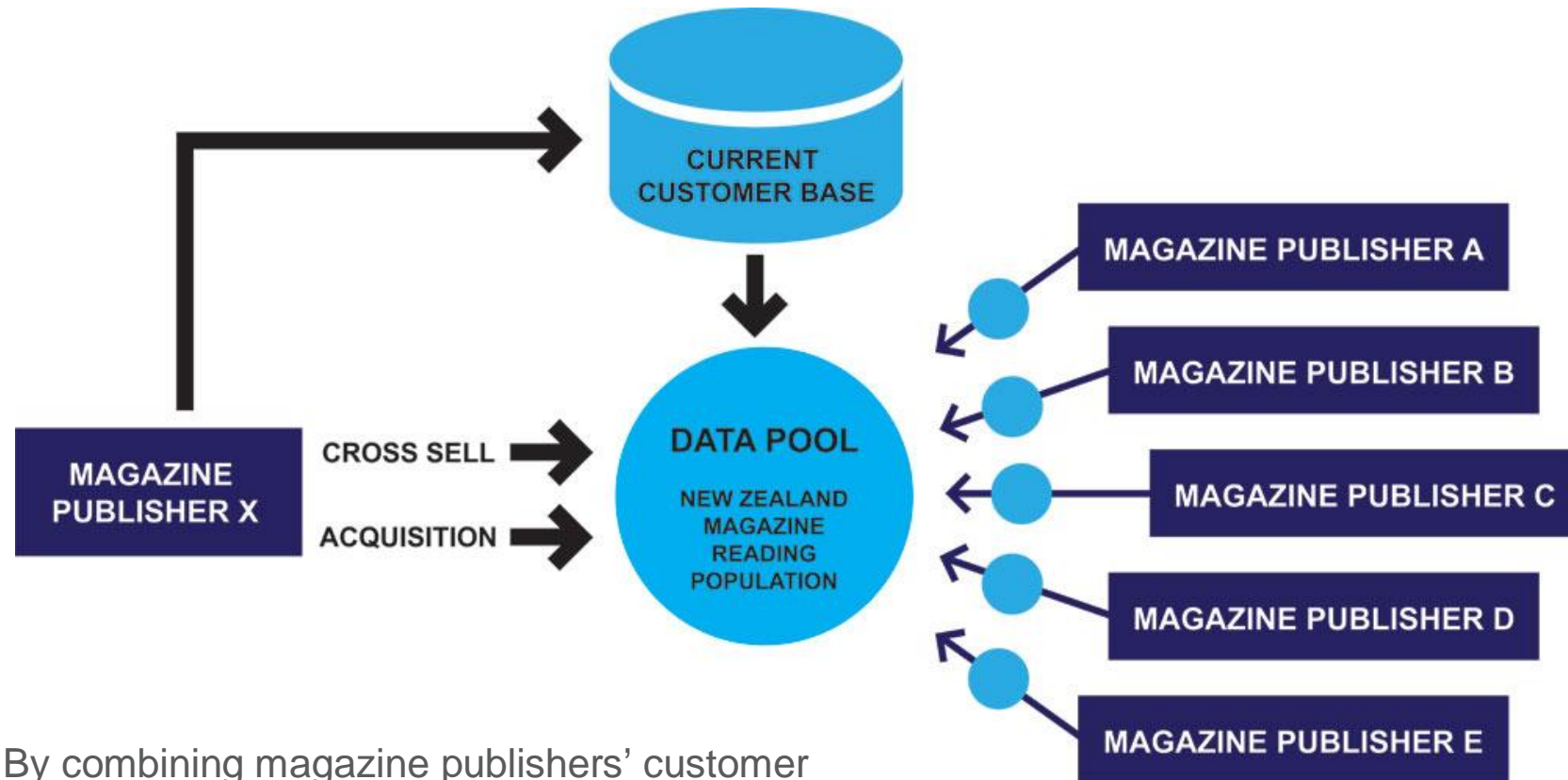


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Narrowing the Target Population



By combining magazine publishers' customer bases into a common pot, a 'New Zealand Magazine Reading Population' database is created



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Data pooling – Benefits

- A central resource for magazine publishers
- This immediately creates a target population tailored to the magazine market
- Incorporates behaviour specific to the magazine purchasing population, improving its relevance for magazine publishers
- Bigger base to profile and target for cross-sell and up-sell modelling purposes
- More receptive audience for acquisition



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Data Pooling

– Are there any Risks?

- Sharing data with other (potential competing) publishers
- Communications coming from one publisher about another magazine subscription could be confusing
- Subscribers getting too much communication
- Need a set of mutually agreed protocols



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Data Pooling – Protocols

- Secret to success - clear and fair guidelines
- Pool normally includes personal (name/address) and transactional data
- Contributors specify rules around use of their own data
- Collective contract
- Communications come from source publisher (not acquiring publisher)
- Clearly defined responsibilities for contributing and using companies; and for the co-operative itself
 - Suppression / opt-out
 - Timeframes / follow-up
 - Best practice / privacy



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Step 2 – Overlay some smarts

- Zero-ing into your target
- Access to a menu of analytical and modelling solutions
 - Tailored to each publisher's requirements, and produced on an as-needed basis, but using the common data pool
- Applications include
 - Subscriber profiling for ratecard information
 - Subscriber renewal analysis
 - Acquisition targeting
 - Cross-sell & up-sell selection
 - Segmentation
 - Targeted mailing list selection



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Subscriber Profiling for Ratecards

- Subscriber profiling - improve credibility of advertising ratecards
 - build advertiser confidence and help present a more attractive proposition
- Basic profiling can include regional and demographic characteristics (age, sex, ethnicity, occupation, household income etc)
- Result: greater ability to compete with other media spend

Include detailed and up-to-date subscriber information in advertising ratecards



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Analysis of Subscription Cancellations

- Once a subscriber has cancelled, it's costly to tempt them back
- Imagine if you could identify subscribers who are likely to cancel - before they actually do!
- You could then target these 'high risk' subscribers with special incentives to entice them to stay (or renew)
- These sorts of predictions can be achieved by understanding the types of subscribers who have cancelled in the past, and using this understanding to predict future behaviour



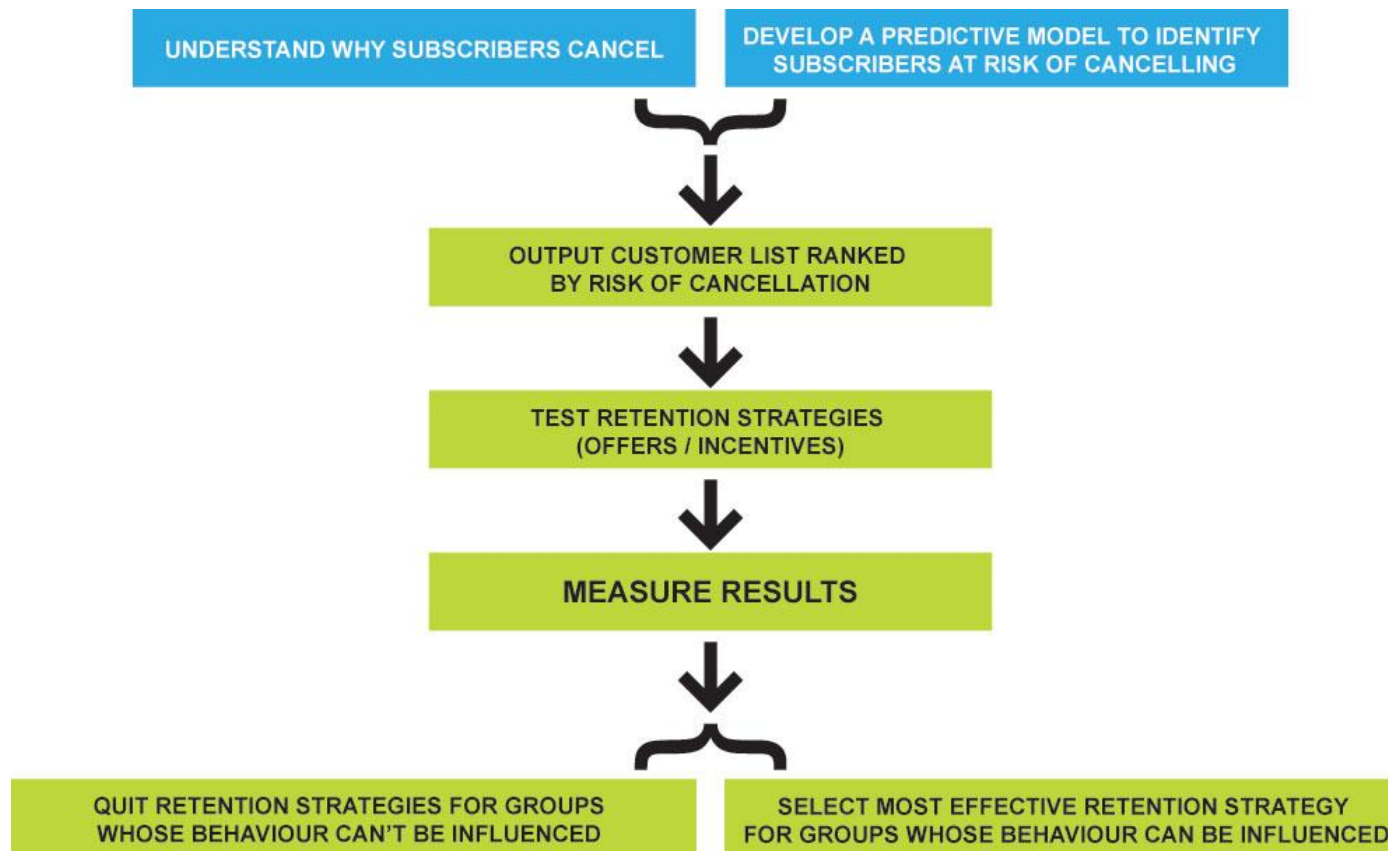
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Analysis of Subscription Cancellations



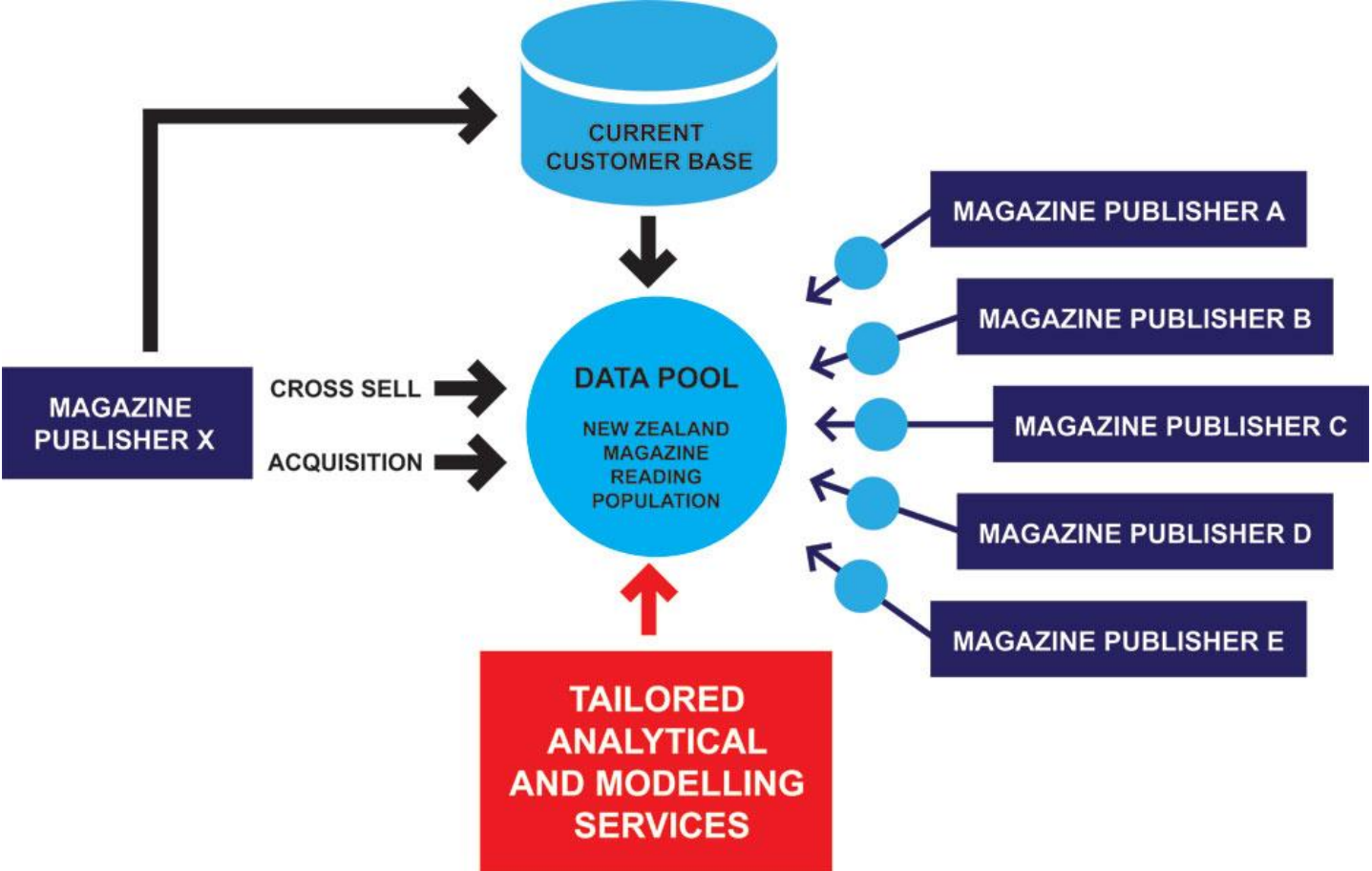
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Smart Selecting Targeting



The Result

- Industry best practice
- Expansion of acquisition opportunities
- More complete data set
= more accurate analytics
- Better understanding of market niches = accurate profiles to include on advertising rate cards
- Shared industry information
= option for benchmarking
- Up-skilling of existing internal analytical teams



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What Next?

- MPA will send an evaluation and next steps e-mail
- This will include a place to register interest for anything you want more info on
 - i.e. data pooling



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General Questions?



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Thank you



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