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Subject: Top 10 DM Metrics

Welcome to RP Direct Tips 7th e-newsletter. We are happy to announce the expansion of our consultant team to include a select group of marketing, Internet and creative consultants whose capabilities add a broader range of services to the RP Direct services portfolio.

My clients and prospects in direct marketing often ask me “What are the key metrics I should be looking at?” While there is no right answer for every business, there are certain metrics specific to direct marketing that need to be included in your information dashboard. I have come up with the Top 10 for every direct marketing CEO. As with most metrics, you need to calculate yours and then compare to previous time periods, competitors or industry benchmarks to get any value out of the numbers.

1. RPC = Revenue per Catalog or Mailing Piece. This metric is simple to calculate and distills down all other revenue metrics like sales, response rate and average order. You simply take net revenues generated from a marketing campaign and divide that figure by the number of pieces you mailed. This can also be measured as revenue per thousand.
2. CPM = Cost per Mail Piece. Take all your marketing campaign costs like postage, lists, creative, printing, lettershop costs, add them up and then divide that by the number of pieces mailed. This can also be calculated on a cost per thousand basis.
3. AC = Acquisition Cost per Customer. The simplest calculation is to take your total marketing campaign cost and divide that by the number of new customers accepting your offer. Another approach used is to calculate a full profit & loss analysis on your campaign and take the net loss (most businesses prospect at a loss) and divide by the number of new customers responding or accepting the offer. Be careful when discussing this metric to make sure you know which method was used.
4. AOS = Average Order Size. Take revenues and divide by number of orders. Look at AOS sizes for different types of customers (new vs. old, different SIC's, etc.), different marketing channels like phone vs. web vs. retail store. Strive to increase AOS and the increase falls to the bottom line.

5. CHFG = Change in Housefile Growth. Not mentioned often but a critical measurement is the # of 12 month customers on your file at the beginning and ending of time periods (usually 1 year, 2 year and 3 year). You want to see continued growth and measure your percentage increases. A decrease is a signal that you have to make adjustments in your customer retention or customer acquisition strategies.

6. Churn = The opposite of Retention Rate, this represents the percentage of existing customers who stop purchasing your products or service measured in a year or for certain frequent reorder products, sooner. Strive for reducing Churn through customer satisfaction techniques and customer contact touch points. The opposite Retention Rate is how many customers return and purchase again with you in these time periods.

7. CSAT = Customer Satisfaction Rating. Less of a quantitative measure than the others, but this is just as important. Measure it by asking "Would you recommend this product or service to a friend or colleague?" On a 10-point scale, only those who circle 9 or 10 for definitely recommend should be counted for your score. This is the "net promoter" score that so many businesses use as a quick measure of how they're doing.

8. CLTV = Customer Lifetime Value. Take a group of new customers that started buying at the same time (i.e. same month) and measure their sales over a one year and two year period. Calculate the marketing cost over these time periods for this group. Run a profit & loss statement on this group at the end of these study periods. Take the profit on the group and divide that by the number of customers you started with. Finally, take the year 1 and year 2 results and apply a NPV – Net Present Value calculation on the stream of cash flows and add up the stream. This resulting figure is critical in determining how much you can afford to pay to acquire a new customer.

9. ROA = Return on Advertising Dollars spent. Net revenue divided by advertising cost. ROA measures the efficiency of generating net revenue from ad dollars spent when the end action is the purchase of a product or service.

10. TR = Take Rate. Percentage of customers accepting a marketing offer. Also known as conversion rate. This may be your most important measurement for both off-line and on-line marketing programs. For Internet marketing, the click through rate (CTR) is multiplied by the transaction conversion rate (TCR) to get the Take Rate measured by clicks on Internet impressions. For offline campaigns this could be your orders divided by mail pieces sent.

You may have your own favorite direct response metrics to regularly measure your business. RP Direct invites readers to submit some of their favorites.

If you would like a FREE phone and email evaluation of how RP Direct can help your customer acquisition or customer retention efforts, give me call or email me at rudyp@rpdirectmarketing.com.

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