



# NAHAN

## WHITE PAPER

A Guide to  
Direct Mail  
Testing Today

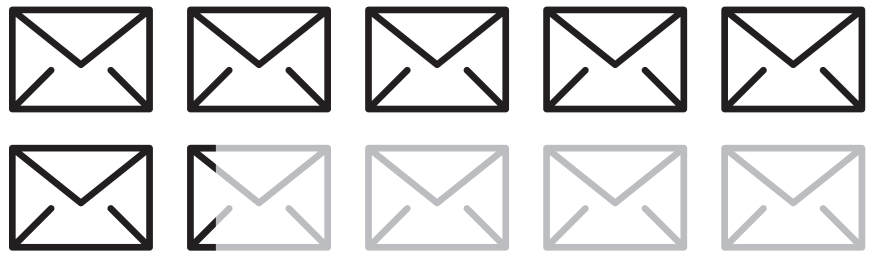


**OVER 85%**

of consumers regularly read direct mail immediately, the same day, or at a later time.

**62%**

say a direct mail piece inspired action.



**DIRECT MAIL WORKS.**

**BUT CAN WE  
IMPROVE RESULTS?**

**YES – BY TESTING.**

# A True Test.

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Testing is a key component of any successful direct marketing program. The most impactful direct mail marketers are constantly testing creative, lists, and offers, which enables them to make marketing decisions armed with more insight. And because marketers are continually challenged to do more with less, well-targeted messaging is vital in reaching prospect segments. This all results in a substantial investment. That's why testing—especially consistent testing for the long term—is needed to find the optimal mix of offer, list, and creative to maintain and grow response.

We have found that testing means different things to different people. Clients approach it in a variety of ways. In this white paper, we provide a high-level guide to effective direct mail testing.

## Summary

We see a range of testing frequency by marketers—from *no testing* to testing as *part of every campaign*.

Testing frequency depends on budget, your product or service, and your appetite to learn and improve. A lack of testing leads to performance decline, whereas regular testing is a continual investment in future performance.

## Four phases of the testing process:

### 1. Research

Learning as much as possible about your audience and understanding competitive tactics and strategy.

### 2. Pretesting

The pretesting phase establishes a test plan and then develops the appropriate creative and data to power the test.

### 3. Testing

This phase is the execution of creative and/or data testing within the scope of a campaign or series of campaigns. This can be done either through A/B testing or multivariate testing (MVT).

### 4. Post-campaign assessment

In this phase, results are measured and we derive learning from the measured results. Based on the assessment, recommendations are made for future campaign testing.

## Two kinds of testing can be used.

### **A/B Testing**

Where a single variable or format is tested

### **Multivariate Testing (MVT)**

Where multiple variables and the impact of different combinations of those variables are tested at the same time

With MVT, we learn faster, but frequently, there are greater creative, production, and postage costs involved. Fractional factorial multivariate testing lets us set up and mail a lower cost subset of testing variables.

## How much is enough?

Interest in testing among direct marketers varies greatly. Some marketers do no testing at all; others test every single campaign. For others, testing is done on an occasional, ad hoc basis. Ideally, marketers should test with each campaign, or at least on a quarterly basis. Regular testing is an investment in the future.

# Running the Testing Gamut.

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## No Testing

Surprisingly, some marketers don't test consistently or simply don't test at all. Instead, a creative package is produced, a list generated, and the finished work mailed—with fingers crossed. If results are “good enough” (based on the appropriate metrics), the process continues.

But what happens when results aren't so good or decline over time? This is inevitable if a marketer targets the same people again and again. Recipients get tired of seeing the same creative. The piece becomes “invisible.” This is why a regular testing program is a proactive process.

Even if the marketer is not targeting the same people over multiple mailings, how do we know that performance can't be better? We can find the better-performing creative package via testing. That is why an “always be testing” approach is essential to direct marketing success.

## So why the reluctance to test?

Some marketers simply don't realize the true worth of testing. Others may not want to risk the company's budget on a test that might not outperform the control. Sometimes it's a combination of the two. So, why take a chance?

The old saying goes, “If it ain't broke, don't fix it.” It's a maxim often applied to direct mail testing. The fact is, however, every creative package's performance declines over time. There is greater risk in NOT testing.

## Minor Testing



**When marketers barely dip their toe into testing, it rarely moves the needle.**

Some marketers are so risk-averse that they test only tiny executional attributes, such as the “P.S.” at the end of a letter. This approach rarely affects results in a significant way and can even prove to be a waste of energy and money. Another miscue? Testing the data less frequently than the creative, even though data has a more significant impact on results.

## Regular Testing



**Consistent testing improves results.**

This means testing new creative and data on an ongoing basis. Frequency will vary—it may be monthly, quarterly, or twice a year. But an organized program dedicated to generating fresh creative and data, done correctly, will maintain or grow response rates and lower the cost of acquisition.



**Data testing is high-value testing.**

Testing data is just as important (many would say *more* important) as testing creative. But there is a natural inclination among many marketers to focus more closely on creative. We can hold and touch creative—it feels more “real” than data, and we receive fresh examples and inspiration every day in our mailboxes.

Many times, the responsibility for list generation, analytics, and targeting falls to a separate group in an organization. Lists are challenging to work with.

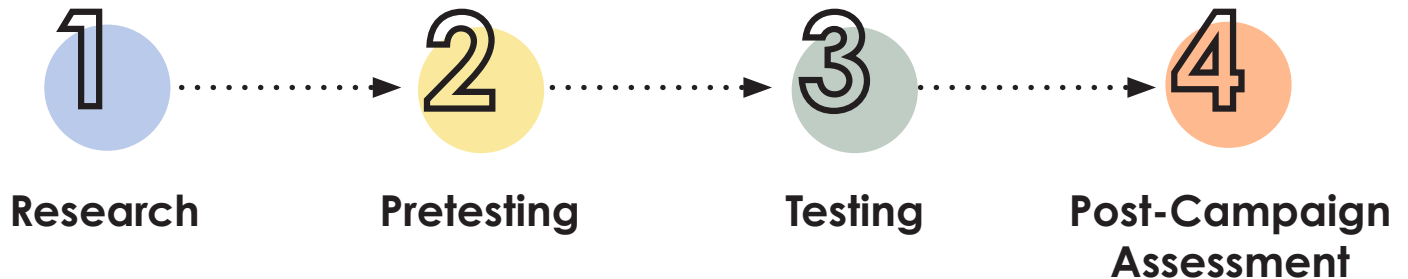
To ensure greater cost efficiencies, predictive models are used to rank and select from lists. Model groups and segments within data files are selected; it would be unusual to mail an entire list.

Some data partners can build models that draw from multiple data sources—sources that years ago would have been considered lists to test against. Such multi-sourced models by their very approach identify the most responsive attributes across sources, reducing the need for list testing.

Ultimately, figuring out what elements will move the needle for your consumer is what’s most important.

# Four Phases of Testing. A Deeper Dive.

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## 1 Research

The purpose at this point is to achieve a solid understanding of the target audience and the market for your product or service.

- What are their demographics, attitudes, and needs?
- Are there certain characteristics of the audience relevant to what you are offering?
- What are competitors up to? What offers and product benefits are they promoting and mailing? How are they speaking to their audience? Based on their mailing volumes, can we determine their control creative?

If you are a new business with minimal insight into your audience, your customer file is a gold mine. It can be used by a data partner to build an informative customer profile with demographic insights.

Any existing research is useful. Competitive insight can be gained via marketing partners with access to creative with direct mail tracking. Customer and competitive insights are key for the next phase—pretesting.

## 2 Pretesting

Now it's time to strategically partner with your creative team (as well as data and analytic resources) to develop the optimal creative and data.

### Some key points:

- **Pair your product with a unique offer and clear benefits.** Your product or service should be presented in such a way that uniquely distinguishes it from competitors. Even better, make the offer and benefits unique to direct mail.
- **Develop a testing hypothesis.** What do we think will improve response (or other

metrics, such as cost per acquisition)? What exactly should be tested? It can include a multitude of items: package type, components, design, copy message and tone, personalization, calls to action, and material costs. Other strong drivers are lists, modeled lists, modeled groups within a modeled universe, cross-channel digital campaigns, and more

- **Develop the creative and offer.** What has worked in the past? What has worked via other marketing channels? What hasn't worked and should not even be considered? Particularly if new to direct mail, it is often a good idea to test two creative formats to increase your chances for success. Ideally, creative should be developed by a direct mail marketing agency in partnership with your team. Direct mail marketing know-how is different from branding expertise. It calls for vast experience in direct mail design and copywriting.
- **Develop the data list for targeting.** Based on what you know about your customers, what types of lists and data sources should be tested? Are analytic tools such as predictive models needed? Do you need help identifying the most likely to respond? A strategically driven direct marketing agency can handle these challenges. Some agency/data providers can build predictive models drawn from multiple sources, reducing or eliminating the need to test multiple lists.
- **Develop or update the test plan.** It's important to set testing ground rules. The test plan establishes test timing, test cell(s) creation, mail volumes, test/control volume ratios, and more. Marketers should be clear on what is being tested and how. Testing mail volumes must be sufficient enough to generate statistically significant results. Finally, a test plan should be a flexible, ever-changing plan designed to accommodate your ongoing updated strategy.

### 3 Testing

Testing in the actual live campaign is aimed at determining the ideal combination of:

- **Offer and supporting benefits** – Ideally, an offer is unique to direct mail and not found in a marketer's other go-to channels. Remember, the offer is just as important as creative; we encourage marketers to field aggressive offers and think about how offers are displayed and worded (for variation).
- **Creative format** – Varying the size and shape of the direct mail package (and components) generates the most significant performance gains.
- **Optimal audience** – The best creative in the world will fall flat if we are targeting the wrong people. Having the right list is paramount to success.

Budget, mailing volume, and other factors will dictate which of these will be tested simultaneously. Ideally, though, each should be tested on a regular basis.

## Now, the nuts and bolts.

There are two types of testing used in direct mail (and digital channels): **A/B testing** (also known as “**split**” testing) and **multivariate testing (MVT)**.

A/B testing involves testing the exact same direct mail package, offer, or list, except for changing one attribute which creates two (or more) versions—an A version and a B version (and C version and so on...).

For example, the headline in a letter might be tested against an existing headline in the control package—so just the headline is being tested.

This is traditional thinking. But if you have a creative team with direct mail experience and insights, you can often skip this slower, “iterative” A/B testing process and use innovative format testing for potentially better lifts in response. The following explains three types of creative testing and their corresponding levels of risk and reward.

### **Iterative Changes**

*(Good – low risk)*

These tend to be small changes vs. the control, and could include anything ranging from adding a signature to a light redesign or rewriting the copy, while maintaining the format (size, shape, components).

### **Format Change**

*(Better – medium risk)*

Introducing a new format with copy and imagery more closely attuned to audience segment. Offer and headlines can be reimagined and reworded.

### **Innovative Format Change**

*(Best – higher risk)*

The best results come from testing a new offer and benefits, a new package size or shape, new creative, and refreshed copy.

A **basic A/B test** is simply testing two items against one another like this:

	Mail Volume
Offer 1 – 20% off	80,000
Offer 2 – \$10 off \$50 purchase	80,000
	160,000

In contrast to A/B testing, **multivariate testing** enables you to test multiple elements in a mailing at the same time, generating much faster insights into the highest-performing combination of elements within the package. For example, you could test 2 iterations of the offer, and 2 versions of an envelope. It looks like this:

	Envelope 1	Envelope 2	
Offer 1 – 20% off	80,000	80,000	160,000
Offer 2 – \$10 off \$50 purchase	80,000	80,000	160,000
	160,000	160,000	

Showing every combination of tested items looks like the example below, a **2-factor 4-level test**. Factors are the attributes being tested; levels are how many versions of each factor are being tested. There are 4 cell permutations at 80,000 apiece:

	Factor >	Offer		Envelope	
Cell	Level >	1	2	OE 1	OE 2
1	80,000	X		X	
2	80,000		X	X	
3	80,000	X			X
4	80,000		X		X
	320,000				

**The challenge of large MVT tests** is the volume needed to populate multiple mail cells. The chart above is a relatively simple test. But if we add just one more item or test 3 offers and 3 envelopes, test cell amounts increase dramatically. Note that the increased associated creative, production, and postage costs of an increased number of test cells will need to be considered.

**Fractional factorial multivariate testing** is one solution to this challenge. It lets us take a subset of a full factorial test, with fewer test cells required. Rather than testing 1 variable at a time or 20+, we can run a manageable fractional factorial test with a smaller sub-group of select attributes. If structured properly, we often can take the results from the live subset test cells and project the results to the non-tested cells to provide insights into a full multivariate test. This ultimately means a greater amount of comprehensive learning in less time. The only disadvantage is that live testing is not performed on all test cells, so marketers must have confidence in the test set-up, measurement, and results.

Multivariate testing is typically used to improve existing creative controls but is also employed to launch a new direct mail program, accelerating the learning to quickly get to the best combination of creative elements.

## 4 Post-Campaign Assessment

So, we can measure campaign performance. But how did the tested work do compared to existing creative and data controls? Were differences large enough to be statistically valid? Many winning creative formats “win” by miniscule percentages, meaning results are not cut and dry. Yet, substantial investments may be made based on the results. If a particular list did not perform, did a sub-segment do better? What were the characteristics of the winning packages? What clues will give us good insights into what to test next?

### A holistic approach

To be sure about which specific testing metrics can help propel your business, look at your results from a holistic perspective. For example, Format B response and conversion might be higher than Format A. But Format A might be a lower-cost format—low enough to actually reduce the cost of acquisition to an amount lower than that of Format B. If cost is your main success metric, it’s helpful to review the entire performance picture.

Unlike digital marketing campaigns, we don’t get definitive direct mail results within a week. A direct mail campaign can take 60 to 90 days for fully mature results; allow sufficient time to pass to avoid making hasty reads.

It’s also good to know the incremental lift of the direct mail piece versus customers who did not receive the direct mail and instead were influenced by other channels. We do this by establishing a representative holdout cell that does not receive mail for a given period.

### Testing to roll-out

Ideally, a winning creative or list should be validated with a repeat test in a subsequent campaign—at higher volumes. This is because initial test cells are often mailed at the lowest volume possible. Depending on the audience size, a larger-volume follow-up test may include lower model-scored prospects, diminishing results. It’s important to confirm that what was tested can work in a larger, “roll-out” scenario.

### The truth is in the test.

We all have opinions about what will work in creative or the list. Sometimes the senior, “biggest voice in the room” has final say. But the assumptions we make are often proven wrong in testing. What works with our own personal style may not be something that works with prospects and customers. Ultimately, the numbers don’t lie.

Don’t assume you know what works ... test it. And above all, keep testing—it’s an investment that will pay out over time.

# NAHAN

Real Connections, Real People

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