

How to reduce your marketing risk

What's your biggest marketing concern?

For Jim, who owns a small package plant in the suburbs of Chicago, it's money. "Do you have any idea what a 5,000 piece mailing is going to cost me," he asked. Unfortunately, the high cost of promotion coupled with a constant fear of failure have kept him from experiencing any significant growth during the six years he's been in business.

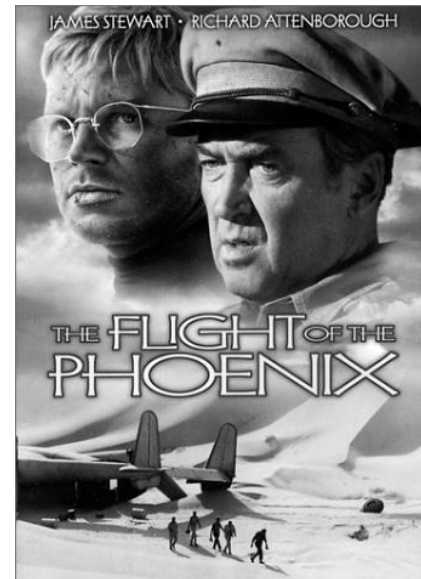
Advertising doesn't have to be a crapshoot. There are simple ways to minimize risk.

One of my favorite movies is the original 1965 version of The Flight of the Phoenix starring Jimmy Stewart, Richard Attenborough and Hardy Kruger as Heinrich Dorfmann, the German aircraft designer.

As you probably remember, the survivors of a plane crash in the Sahara desert have only enough water for about 12 days. With no hope of rescue they reluctantly accept Kruger's idea to cut up the aircraft and use the parts to build another plane, which will allow them to fly to civilization.

Of course, the plan itself is risky enough, but when Stewart and Attenborough discover that Kruger designs model planes with wingspans of less than two meters and has never worked on large aircraft, their confidence is completely shaken.

At that moment, though, Kruger makes a key point by saying that a model airplane is not a toy and stresses that the very same principles which apply to large aircraft such as airfoil surfaces, lift and drag coefficients, weight thrust equations and the entire history of modern aviation all originate from models.



The question still remained. Would they trust the calculations of a man who designed only small models and not full sized aircraft? Their lives were on the line.

Many cleaners, such as Jim from Chicago, find themselves in similar situations. They need to stimulate sales but before they can do so they must weigh the risk and overcome their fear of failure. Unfortunately, some never do and are destined to live lives of quiet mediocrity, never realizing their true potential.

The key to minimizing risk in marketing is to build small models... like the German aircraft designer. The principles that apply in the model can easily be applied to a full-scale marketing plan.

Take Jim's 5,000-piece direct mail project, for example. I can understand his reluctance. After all, he's not exactly sure who his prospects are. He's never written a word of copy in his life... doesn't know the first thing about headlines or offers or lists or guarantees... doesn't know the pros and cons of first class and standard rate postage and, for that matter, he's not even sure whether to use an envelope or a postcard. Part of what it means to develop a working model has to do with getting all of the above components in synch.

A good rule to begin with is this. Don't do a large mass mailing if you have a micro-sized budget. And don't assume a single mass mailing will bring a flood of business to your door. Usually it won't. If you have a lot of money to throw around, go for it. But the focus of this article is to reduce risk, which means making every dollar count.

Test small inexpensive mailings until you find a formula that works. With continued success, that formula will develop into a model. In time, you could have several working models depending on what you wish to accomplish with any particular mailing.

For example, if your market is 5,000 homes, try mailing to a list of 200 but don't expect to make money on your first mailing. Even though direct mail is a proven and effective means of marketing for drycleaners, it takes time to find the direct mail package that works best for you. Don't get discouraged if your first mailing doesn't make a lot of money. Keep trying. Keep it small... but keep trying!

Know your break-even point. Successful direct mail campaigns typically get a response rate of 1 to 3 percent. Know how many responses you need to break even on your mailing costs. Let's say you need two responses per hundred. If you do a 200 card mailing, you'll need four responses to break even. If you get only one response or none at all, it's a good sign the mailing is not working and chances are, it won't work no matter how many you mail so make the appropriate changes to your model.

Your list is the most critical mailing component. An accurate and up to date list will bring a better response more quickly than if you make changes to the mailing piece. Also, remember that your house list (those customers who currently use your service) will yield a much higher rate of return than a prospect list will, so always keep a good list of past and present customers.

Work your best lists frequently. Generally, your top tier customers will make up your best list. This is where most of your profit lies so don't be afraid to experiment extensively in this area. Even a small tweak to a top tier customer control model can increase response tremendously.

Focus your message by being specific and to the point... especially if you are using a postcard format and be sure to give a call to action. A call to action makes the response to your test model easy to calculate. Coupons and offers give your target audience a reason to act soon and coupons with redemption dates give your offer a sense of urgency. Experiment with each of these components to see what brings the best response.

Keep testing small. When you are confident that your model works on a small scale then you can open it up to a larger application. Test small... fly big!

My friend, Jim, was so overwhelmed at the thought of having to reach his target audience of 5,000 all at once that he did nothing and consequently gained nothing. If, instead, he had regularly made contact with at least 200 people every 2 weeks, he would have sent out 31,200 mailings. Just ask a cleaner who actively promotes his business what a difference 31,200 contacts makes to the bottom line. Best of all, Jim's budget would have been easily manageable at just under \$120 a month or about \$1400 a year. Who can't do that?