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The

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Press



Stein On Premiums

The use of premiums in direct mail advertising has increased significantly over the past two years, despite efforts to slash marketing costs, consultant Lee Marc Stein recently wrote.

For publishers, premium usage means stripping packages down to voucher formats, then adding the premium. The voucher itself removes the editorial sell completely. The premium also detracts attention from the magazine's cover – all important in single-copy sales. Yet publishers say that premiums are working.

Look at the numbers, Stein urges. Without a premium, you might expect a 2% response. With in-mail expenses (including lists) probably running \$350 a thousand, gross order cost is \$17.50. You test a premium that costs you \$2.00 each to fulfill. To lower your cost per order by 10% and justify the premium, you'd need a 2.55% response, or a >25% increase.

If you spend \$3 per net order on the premium, under the same circumstances, you'd have to increase response to 2.75% to make it worthwhile. However, if your costs for the package were \$500/M instead of \$350/M, use of the \$3.00 premium would have to increase response to only the 2.55% level.

Hence, Stein calculates, the more costly your original package, the more you can afford for a premium.

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■ **Using Premiums To Reward Fast Response**

Normally, faster response means more response. You impel people who would put your mail aside (and later reject it) to act on impulse. Stein says:

1. Give the premium to everyone responding by a specific date; or
2. Give the premium to the first X people responding. This ploy is known as the "Fast 50," but if you mail large quantities, seriously consider expanding the quantity beyond 50.

In the case of No. 2, say your giveaway costs you \$100 and you offer 100 on a mailing of 500,000. That increases your costs by \$10,000 or \$20/M. Here, to decrease gross order cost by 10%, you'd only have to increase response to 2.333%.

■ **Premiums That Boost Average Order**

Long prevalent in the catalog area, use of premiums to hype average order size increasingly is used by publishers to spark longer-term subscriptions (i.e., two years versus one). Say a no-premium mailing generates a 2% response with a \$40 average order. If you can boost that average by 10%, or \$4, that means an increase in revenue of \$80/M mailed.

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