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The ROI of Campaign Response Optimization with Predictive Marketing

The ROI of Campaign Response Optimization

WITH PREDICTIVE MARKETING

As marketers, we often make the mistake of mailing too many people and often have difficulty determining how far down in our lists to market.

It's a question that we ask ourselves with every campaign, and the problem isn't going away.

Most campaigns have thin ROI margins to begin with making it far too easy to accidentally sabotage your own campaign with bad targeting and wasted costs, which is why it's so important that marketers optimize their campaigns based on predictive response modeling.

Optimizing campaigns by mailing to your most-likely responders has not always been easy; in fact, in many cases the process can take days, or even weeks, and requires teams of data scientists. That's what sets DDG's Reach Platform apart. Our marketing platform identifies your most-likely responders by tile—quickly and easily—so that anyone can identify when to suppress targets and cut future losses - no data expertise required.

Let's look at a past, real-life customer

In this instance, the customer decided to run a direct mail campaign to 1,000,000 names. For their campaigns they typically saw a 0.50% response rate, had a price-per mailer of $0.90 and an acceptable cost-per-sale of $150.

| INPUT PARAMETERS	
INPUT FILE SIZE	1,000,000
CAMPAIGN — RESPONSES	5,000
TOTAL RESPONSE RATE	0.50%
PRINT COST PER PIECE	$0.62
POSTAGE COST PER PIECE	$0.28
FULLFILMENT COSTS	$-
ACCEPTABLE COST PER SALE	$150.00
REVENUE PER SALE (OPTIONAL)	$150.00

[FIG. 1]

The customer mailed everyone (all 1 million names) in their initial campaign and got a total of 5,000 responders. In order to get the most value out of their list, the company prepared to run a second campaign.

Normally, this customer would continue to send second and third campaigns, etc., out to all prospects, including those who hadn't responded to the initial campaign. This time however, prior to their second campaign, they used Reach's predictive response modeling to score their list and get a breakdown of their audience by propensity to respond to this particular campaign and offer.

A "tile" is just 10% of your scored responder list. Tiles help you identify at what volume your marginal revenue equals your marginal cost and what list cut-off point will make your campaigns most profitable.

Rapid response modeling allowed the customer's marketing team to calculate for themselves, in minutes, whether or not it was profitable to mail parts of the list again, or if the cost of garnering a response would be too high, given their acceptable cost-of-sale.


NAMES SCORED
WITH AI-MODELING
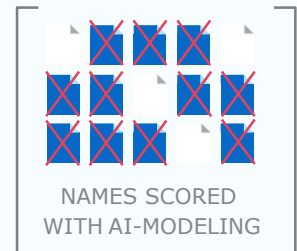
FULL LIST SCORED AND TILED BY PROPENSITY TO RESPOND

Tile	Cum. INDEX	Input	%RR Non-Cum.	Response	Cum. Response	Revenue per Tile	Cost per Tile	Cost / Response	Decision	Cost to Save	Cost to Suppress
1	185	100,000	0.93%	925	925	$138,750	$90,000	$97.3	KEEP	$-	$-
2	158	100,000	0.66%	655	1580	$98,250	$90,000	$137.4	KEEP	$-	$-
3	144	100,000	0.58%	580	2160	$87,000	$90,000	$155.2	SUPPRESS	$90,000	$5,000
4	136	100,000	0.56%	560	2720	$84,000	$90,000	$160.7	SUPPRESS	$90,000	$5,000
5	128	100,000	0.48%	480	3200	$72,000	$90,000	$187.5	SUPPRESS	$90,000	$5,000
6	122	100,000	0.46%	460	3660	$69,000	$90,000	$195.7	SUPPRESS	$90,000	$5,000
7	117	100,000	0.44%	435	4095	$65,250	$90,000	$206.9	SUPPRESS	$90,000	$5,000
8	110	100,000	0.31%	305	4400	$45,750	$90,000	$295.1	SUPPRESS	$90,000	$5,000
9	105	100,000	0.32%	325	4725	$48,750	$90,000	$276.9	SUPPRESS	$90,000	$5,000
10	100	100,000	0.28%	275	5000	$41,250	$90,000	$327.3	SUPPRESS	$90,000	$5,000
TOTAL		1,000,000	0.50%	5,000	5,000	$750,000.00	$900,000.00	$180.0		$720,000.00	$40,000.00

[**FIG. 2**]

With predictive scoring, they learned that of the 995,000 non-responders from their initial campaign, only the top 20% were worth mailing again, the rest were best suppressed.

20%

RESPONSE RATE

80%

SUPPRESSED
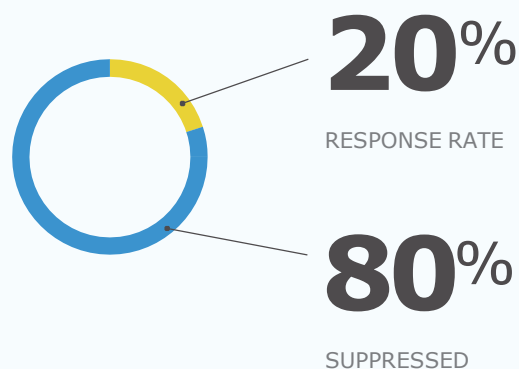
By optimizing their campaign and predicting likely responders, this customer was able to achieve a completely different cost table (Fig. 3) for the remainder of the campaign.
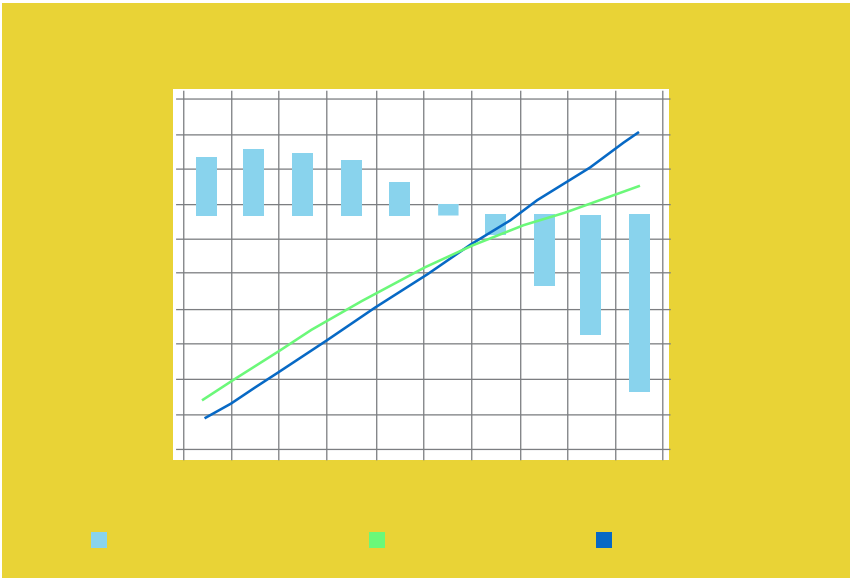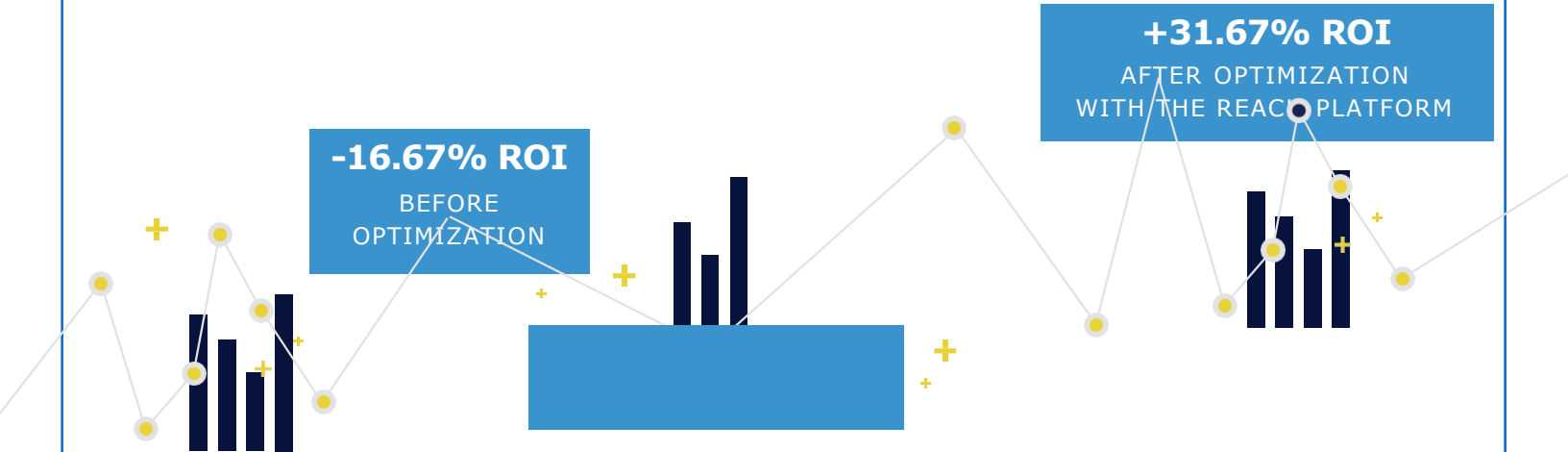

[FIG. 3]

Before optimization, they had a negative campaign ROI of -16.67%. After optimization with the Reach Platform, the campaign returned a 31.67% positive ROI (Fig. 4), while only spending 20% of their original $900 thousand budget.

SIDE-BY-SIDE ROI RESULTS		
	CONTACT ALL	REACH OPTIMIZED
CAMPAIGN COSTS	$900,000	$180,000
REVENUE PER MAIL	$750,000	$237,000
CUSTOMER ACQUISITION COST	$180.00	$126.58
REVENUE PER CUSTOMER	$150.00	$150.00
PROFIT PER CUSTOMER	$(30.00)	$23.52
CAMPAING PROFIT	$(150,000.00)	$57,000.00
ROI	-16.67%	31.67%

[FIG. 4]

+31.67% ROI
AFTER OPTIMIZATION
WITH THE REACH PLATFORM

-16.67% ROI
BEFORE
OPTIMIZATION

Getting More Bang For Your Buck

Consumer marketers and their agencies expect significant campaign optimization today. It's too easy to waste money on campaigns. Modern marketers have to move beyond traditional list filters for targeting, which simply fail to achieve profitable campaign results in too many cases.

Marketers and their agencies know that they need to get away from simple filter targeting and implement more advanced predictive modeling in order to target their marketing efforts on their best prospects, but the hurdles were high before the Reach Platform.

Implementing predictive consumer targeting usually means having to hire a large team of data scientists and doing things manually, which does not scale (especially for agencies where manual data science teams just can't become a truly profitable predictive service offering as the marginal costs are too high). If they want to automate, companies have to implement a big, custom enterprise predictive analytics solution from a behemoth provider, which is cumbersome, very costly, and still requires data teams to use and manage.

This is what sets the Reach Platform apart. Our predictive platform is an advanced tool for marketing and data scientists, to help them get through the data wrangling and modeling process so that they can move more quickly to decision making for successful campaign execution instead of getting caught up analyzing variables for months.

Agency and enterprise teams can get started in minutes using super fast predictive marketing with the Reach Platform and start optimizing campaigns now to save money and create real ROI.

About Us

DataDecisions Group is a leading provider of data, research and predictive marketers services designed specifically for the life, P&C, and health insurance industries.

For over three decades, we have pioneered many of the industry's most effective data-driven strategies and methods for insurance customer acquisition, growth and retention. DataDecisions Group's new Reach Predictive Platform delivers advanced consumer targeting, profiling and consumer acquisition, enabling marketers to develop a deeper understanding of their customers and accurately discover and reach their best prospects - in minutes rather than weeks or months.

We are members of the Data & Marketing Association (DMA) and the Insights Association. We are an SOC2 Type 2 company with offices in Dallas, Chapel Hill, Atlanta, and Redwood City.

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For more information about our insurance data and marketing solutions, please visit:

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