

**FIVE**

# **Tracking for Gold: How to Get the Most Out of All Your Promotions!**

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FROM **THE ADVERTISING SOLUTION**

The promotional Legends who were the stars of *The Advertising Solution* all stressed the importance of measuring campaign results. And they invented most of the methods that are still used by promoters today to determine and compare outcomes.

Now it's time for you to put their discoveries into practice for yourself. Let's say you just spent \$3,000 promoting your business. Maybe you bought ads on some popular websites, or you sent out an email campaign or a direct mail campaign. You just have to fulfill all those orders that are about to flood in. There's nothing more to do with the campaign, right?

Wrong.

Now comes one of the most critical parts of the entire process – assessing the results so you know:

- Was it worth it to spend the \$3,000 in the first place?
- Of the different sites you advertised on, or different versions of your email or direct mail copy you tested, what did better (so you know what to use for your next campaign)?
- Which of the two mailing lists you sent to did better (so you know which list to rent again)?

We're talking about tracking. Tracking your campaigns isn't about the past. It's about the future. It's about understanding every element of the promotion you just ran so that you can refine everything you do for future campaigns. That's the only way to systematically get better results as you grow your business.

I can't tell you how many new clients tell me they didn't know the results of their campaigns before I came on board. They had a sense that orders had picked up, but they didn't have any hard data. And maybe they tried out several different ads or sales pieces over the years, but they didn't really know which one did better.

A few years ago I was contacted by a well-known marketer who targeted dentists. His company had tried direct mail a number of times, but said it was no longer working.

I asked them for all the data relating to their five most recent direct mail campaigns. After I dug in and reviewed the data, I found that they had a few segments that were not only working, but they were working extremely well! They were thrilled when I showed them how they were making a nice profit. They just needed to target their mailings a little better. Unfortunately, this is not uncommon! They were missing the gold hidden in the tracking of their mail campaign.

Most people are lazy when it comes to tracking their marketing campaigns. Frankly, I don't get it. Why would you spend thousands of dollars on something and then make very little effort to truly find out if it's successful or not?

Sometimes a mailing works, sometimes it doesn't, but if you don't know why, you can't use the information to create more effective campaigns. You could waste thousands of dollars on future campaigns, using methods and lists that don't work. And even more frustrating, you could fail to use methods and lists that you've already proven to yield the best results – but you haven't done the simple math to see it.

When you track a campaign, you need to become a master of logic. No emotions involved! We collect the data, crunch the numbers, and up comes the answer we need to continue building our success.

We're about to look at ways to LOGICALLY assess the results of our promotions so we always know what is our next best step. I'll explain how to determine if the campaign is worth it in the first place. Then I'll share how to know which version of the copy and which list did better. Finally I'll put it all together for optimum planning of all your campaigns.

## **It All Starts with a Code**

If you've been in business for a while, you should already be getting calls and orders on a regular basis. Now you've run a promotion and you want to know whether your campaign increased those numbers. You could go back and figure out your average number of calls and orders for each month for the past year, two years, etc., and then base your response on the increase from your average. BUT, how accurate would that be?

Sure, you could try to estimate your mailing results by looking at the increase from your past call volume, but the way I view it, that would be a complete waste.

There could be a number of reasons why orders have picked up, like changes in the economy. How do you tease out the direct result of your mailing?

You need to make sure you have a system in place to track each campaign – to determine the number of orders it generated. There are two things you can do to make tracking REALLY easy:

Use a dedicated Phone Line and/or URL/Landing Page. That way you know that 100% of the leads/orders came in from your promotion.

Put a tracking code on the ad or mailing piece. Then when customers call in orders, the operator can ask for the code. Of course this isn't necessary if customers click through directly from a link as they will automatically be taken to their unique landing page and you just need to count the number of hits.

Consistency in tracking every order is key. That's the only way to determine if the campaign was worth the cost.

## **Was the Campaign Worth It?: First, How Much Did it Cost You?**

Let's say you sell high-end fitness shoes. You run a campaign that costs you \$3,000 for buying email or street address lists, placing ads on sites, fees or postage for sending out the message, printing if it's a direct mail campaign, etc. That's an obvious cost you need to subtract from your sales to determine how much you actually made.

Then there's the cost of the product itself. If your shoes sell for \$150, but they cost you \$25, subtract \$25 for each pair you sell. Plus there might be other fulfillment costs, like packaging or the phone operator's salary. Maybe that's another \$10 per order. So for each order you subtract \$35.

Note: I wouldn't take it much further than that. I wouldn't include rent or other basic costs for running your business. Just taking out the hard costs associated with the campaign and product fulfillment will give you a good idea of your cost per acquisition (CPA).

## Was the Campaign Worth It?: Second, How Much Money Did You Make?

We've just seen the costs you have to subtract from the money you make from the campaign. Next we need a figure from which we'll subtract those costs.

For our example, let's say you received 40 coded orders. At \$150 each, you collected \$6,000 from the campaign. First we subtract the \$3,000 cost of the mailing, which leaves you \$3,000.

Then for each order we subtract the \$35 product cost that we determined earlier:  $40 \times 35 = \$1,400$ .

Subtracting that from \$3,000 gives us a profit of \$1,600. That's better than losing money, but it's not a huge boost to your income. So was it worth it?

We're not finished yet.

## Was the Campaign Worth It?: Third, What Is the Lifetime Value of Each Buyer?

Lifetime value is the amount of money you make from each buyer, not just from this first campaign, but from all the additional purchases the buyer makes over an extended period of time. And this is where you really determine how profitable your mailing is. After all, we're always looking to the future!

So let's say that because you've been tracking your customer orders, you know that half your customers will buy another pair of running shoes over the next year. We do the math to see how much more income these additional orders bring in:

\$115 – Price per pair after product cost is removed.  
x 20 – Number of repeat customers  
\$2,300

Add that \$2,300 to your initial profit of \$1,600 and you receive an overall mailing profit of \$3,900.

What would happen if you did 6 mailings a year – one every other month??? You'd bring in an extra \$23,400 and gain a rapidly expanding customer base – customers who would continue buying and increasing lifetime value.

As you can see, tracking your orders is essential to making the right decisions for your business. So how do you accomplish that?

## **A Good Data Management System – Your Key to Accurate Tracking**

Your customer database holds the numbers that tell you when and what your customers are buying. You can use it to track your promotions and calculate customer lifetime value.

Each new customer must be tracked to see if they came from one of your campaigns, and if so, which list or version of your copy they came from.

They must also be tracked on whether they continue buying other products from you, and what they're purchasing. Are they buying more shoes? Or accessories like socks? Knowing these details allows you to select new products to offer or build your stock of proven big sellers.

Then, assuming you continue to promote new items to your existing customers, your database must let you accurately track your backend (follow-up) campaigns as well. Without accurate tracking you don't know what products work best for which customers, and you could end up promoting products your prospects aren't buying, or ignoring products that could be big sellers if you only promoted them more actively.

So far our review of tracking has been pretty straightforward. It gets a little more complicated when you're looking at multiple variables, like several different sales pieces that you're sending to several different lists.

Our sample promotion for selling high-end fitness shoes worked well. It brought an initial profit, and did even better considering customer lifetime value. But maybe we can do better. Perhaps we have some ideas for improving the copy we're using. But we don't want to make changes at random. We must be able to compare results so we can start teasing out the parts of the campaign that work, and the parts that don't.

We'll now look at how to determine the success of different aspects of a campaign where we're testing several variables, such as which version of the copy did better, which list of names did better (or even which site we advertised on brought the biggest response). Then we'll put it all together for a promotion that can make a business grow.

## Which Version of Your Copy Did Better?

Suppose you have copy that you've used several times and you know works. But things can always be improved, so you want to try out some different headlines, and maybe switch up the offer a bit.

That's great. Test as much as you can! It never hurts to test. BUT do it logically so you know what your results mean. The version of your ad you most often is your "Control." You know how it performs, and you want to see if any of your changes perform better. So, let's say you decide to test one different headline. You also decide to test one different offer; maybe the control offers the product for \$79.95, and you want to see if \$99.95 is a better price. So you're testing two variables, and you have to be able to tease them apart. That requires setting up your test groups (with codes) in every possible combination, like this:

<b>Control Piece</b>	<b>Test 1</b>	<b>Test 2</b>	<b>Test 3</b>
Headline A	Headline B	Headline A	Headline B
Offer A	Offer A	Offer B	Offer B

If the Control gets the best response, you know that Headline A and Offer A can't be beat by the changes you made. You can forget Headline B and Offer B, and try something else for the next mailing.

If Test 3 outperforms the Control Piece, you know it's good, but is it because of Headline B, Offer B, or both? We look to our other two tests to tell us. If Test 1 outperforms the Control we know Headline B worked. If Test 2 outperforms the Control we know that Offer B worked. But, if Test 1 bombed, we know that

Headline B did not work, and the reason Test 3 worked was because of the Offer B, and not because of the Headline. If you had only tested Test 3 against the Control Piece, you'd never know that.

But because you did things logically, you now have a new, better Control that uses Headline A with Offer B. Next mailing you can test another variable!

One last note on this. IF the Control Piece is beaten by one of the test pieces, depending on the response, you may want to retest the sales pieces. Mail the control against the test piece that won. That way you can safely confirm the results before rolling-out with the new piece.

## Which List Did Better?

Your list broker probably has many lists to sell you. For example, one list may include buyers of exercise equipment. Another list may be subscribers to a running magazine. You buy a number of lists, and then you want to track the response so you'll know next time whether to keep buying one of the lists, or drop a list because it doesn't bring results.

To track lists, send equal numbers of emails or direct mail pieces to each list. Make sure you can track the responses as we discussed in Part 1. Then compare the number of orders from each list.

If you keep going back to the same lists for new promotions, keep track of the list history. For example, you may find that certain lists do better at certain times of the year. I once had a client who mailed to farmers, and had great results during certain months, but awful results during others.

The list history showed me exactly what was going on. If the mail arrived during harvest season, it got no response at all. No farmer reads the mail when there are crops to bring in. So I knew exactly when to mail to this list to get the response I wanted, and it was because I kept track of list history.

Tracking list history is critical to identifying which lists perform consistently well time and again, which lists are losing steam, which lists are becoming more responsive, and whether factors like seasonal tendencies come into play.

Keep a spreadsheet of your mailing totals so you can track the history. Tracking the mailing totals from each mailing in one easy-to-read spreadsheet has helped



me find specific dates throughout the year that are excellent mail dates. In general, sending mail so it arrives in mailboxes around the first of January is very good timing for most offers. People seem most open to making changes and improvements at this time. Tracking mailing results also helps me identify dates that I know to avoid (like tax time – nobody's in a buying mood then).

To find critical patterns look at all your mailing results in a single, comprehensive report. The more years of mail history you can look at, the more valid your results will be, so if you haven't been keeping records, start now. You'll reap the benefits in the months and years ahead.

## Putting It All Together

Using simple logic you can plan a campaign that tracks everything at once: ad format, copy changes, lists – whatever you want. You just set up a table with every possible combination of variables represented and then keep track of the number of orders you receive in each cell.

The only limitation is the number of names you have to mail or email to. You have to start out with enough names in each cell of your table to make your results statistically accurate. A minimum number of names I feel comfortable with is 1,000 per cell, but 5,000 would be better. If you don't have enough names you should limit the number of variables you're testing so you have enough names in each cell.

If you design your campaign properly, you can get amazing information that can maximize your profit potential. For example, I've run direct mail campaigns where I discovered that one sales piece format (a 16-page letter) did better with one type of list (buyers of a financial newsletter), while another format (a magalog) did better with another type of list (alternative health). This enabled me to tailor the sales pieces to the lists for the best results.

The key to getting this kind of information is using list segmentation to systematically split up your lists into smaller units so you can keep track of your different parameters. In other words, use basic logic to keep all your variables straight.

For example, let's say you have five lists with 20,000 names each, and you want to compare two formats (a short email that links to a longer online letter versus a long initial email) with two different headlines. (Other variables you might

compare are plain text email versus HTML format, or different headlines or subject lines. The possibilities are endless.)

Here's one way you can effectively segment your lists:

#### **Short email/Headline 1 List Segmentation**

<b>List</b>	<b># of Names</b>	<b>Code Assigned</b>
List #1	5,000	M1000AC
List #2	5,000	M1001AC
List #3	5,000	M1002AC
List #4	5,000	M1003AC
List #5	5,000	M1004AC

#### **Short email/Headline 2 List Segmentation**

<b>List</b>	<b># of Names</b>	<b>Code Assigned</b>
List #1	5,000	M1000AD
List #2	5,000	M1001AD
List #3	5,000	M1002AD
List #4	5,000	M1003AD
List #5	5,000	M1004AD

#### **Long email/Headline 1 List Segmentation**

<b>List</b>	<b># of Names</b>	<b>Code Assigned</b>
List #1	5,000	M1000BC
List #2	5,000	M1001BC
List #3	5,000	M1002BC
List #4	5,000	M1003BC
List #5	5,000	M1004BC

#### **Long email/Headline 2 List Segmentation**

<b>List</b>	<b># of Names</b>	<b>Code Assigned</b>
List #1	5,000	M1000BD
List #2	5,000	M1001BD
List #3	5,000	M1002BD
List #4	5,000	M1003BD
List #5	5,000	M1004BD

In this example you have two formats and two headlines that you use on five different lists. That gives you 20 possibilities. You assign a code to each of those possibilities.

In the Code Assigned column, the Letter “M” represents your offer (product). The number (1000 to 1004) represents the list. The next to last letter (A or B) represents the email format you’re testing. And, the last letter (C or D) represents the headline you’re testing. You can add the code into the copy of each piece.

When orders start coming in, use the code to determine which of the 20 groups the buyer falls in. To catch the buyers who order directly from the site, the URL they come to gives you the information you need. For customers who call in their order, the operator just asks for the code placed in the email.

Keep track of how many orders come in from each group. After a certain period of time, you can easily see which of the 20 possibilities brought the best results. You should be able to see which format did best, which headline did best, which lists did best, and how the variables interacted. There are statistical programs you can use to help determine if the differences are significant. But sometimes just eyeballing the results is enough to give you the big picture.

The point of all this is to determine what works best so you can refine your campaigns for improved sales. It all starts with tracking your buyers – a simple process that leads to golden results.

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