

The **ENTREPRENEUR'S** Guidebook Series™

Next
Page

THANKS for selecting this guidebook! Many hours of painstaking work have gone into its creation. Send feedback or suggestions to www.patsulamedia.com. And check out our **highly rated planner / guide ...** at bp30.com



Highly Rated
Amazon.com



*It's one of the
best of its kind.*
- Alan Caruba
Bookview.com

COPYRIGHT INFO

© Copyright 2001-2007 by Patsula Media. All rights reserved. From the creators of **Smallbusnesstown™**.

No part of this guidebook may be reproduced, in whole or in part, in any form, by any means electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system now known or hereafter invented, without written permission of the copyright owner. This guidebook **may not be** resold or distributed on other web sites or in any other manner without written permission from the copyright owner.

NOTE The author and publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to be caused, directly or indirectly by any information contained in this guide. Although this publication is designed to provide accurate information in regard to the subject matter covered, it is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If **legal** advice or other expert assistance is required, the services of a competent professional should be consulted.



384 pages \$21.95

Successful Business Planning in **30 Days**™

A Step-by-Step Guide for Writing a Business Plan and Starting Your Own Business, 3rd Edition

Purchase this book online at bp30.com or by calling toll-free **1-800-247-6553** (orders only, please have credit card ready).



ISBN 0967840236

Immersing you in the language of business to help you think like an entrepreneur!

INCLUDES:

- The **30 Day Business Plan**™
- The **One Day Business Plan**™
- 150 pages of **Time-Saving Worksheets** including 100 + sample passages to get you started fast and thinking in the right direction!
- A **15 page** sample business plan.
- **200 +** motivational and fact quotes, 11 success stories, and 33 profit tips!

Praise from Readers and Critics

Five Star Reviews ★★★★★

Provides an important key to writing a business plan and starting your own business.

- **Midwest Book Review**, Oregon, WI
Amazon.com review

This is a must read for anyone before starting your own business.

- **Mike Milliken**, BN.com Review.

This book has helped me a great deal in thinking about my business

- **Jason Myers**, TX
Amazon.com review



PERSONAL PLANNING

Guidebook #68:

Preparing Advertising Records 4

Keeping Track of a Promotion's Effectiveness 5

 Conducting Surveys 5

 Questionnaires 6

 Advertising Keys 6

 Coded Coupons 8

Tell Them Joe Sent You Broadcast Ads 9

Keeping Track of Your Results 10

 Newspaper & Magazine Ad Record 10

 Item & Media Effectiveness Record 13

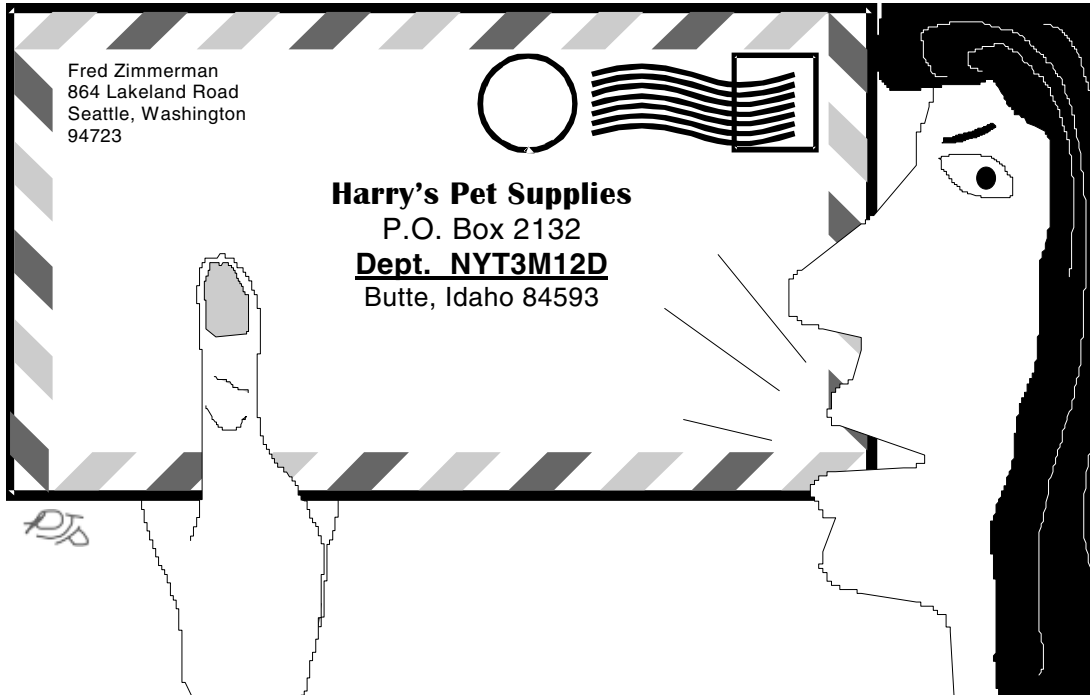
 Gross Catalog Analysis Sheet 18

 Catalog Item Sales Analysis Sheet 18

 Direct Mail Promotion Record 22



Advertising Cost Analysis Chart.....	27
Graphical Analysis Sheet.....	27
Form A – Newspaper & Magazine Ad Record	14
Form B – Item & Media Effectiveness Record.....	15
Form C – Gross Catalog Analysis Sheet.....	20
Form D – Catalog Item Sales Analysis Sheet.....	21
Form E – Direct Mail Promotion Record.....	24
Chart F – Advertising Cost Analysis.....	25



“Harry! Who the heck is department [NYT031201](#)?”

Smallbusinesstown.com

PREPARING ADVERTISING RECORDS

ADVERTISING records should be incorporated into your daily work flow, not to increase your administrative burden, but rather to increase your **profits**. Properly prepared advertising record systems can give you more accurate feedback on the results of your promotions.

With a little bit of planning and imagination, you can easily adapt all the strategies and record keeping methods contained in this section to meet your particular needs.

KEEPING TRACK OF A PROMOTION'S EFFECTIVENESS

BECAUSE ADVERTISING uses valuable resources, as a small business operator you must learn how to closely monitor the effectiveness of all your advertising and promotional efforts by keeping track of how effectively each medium pulls in customers. To do this you can:

- Survey customers directly.
- Encourage customers to fill out a questionnaire.
- Use what is called an *advertising key*.
- Design special coded coupons, order

If you could keep track of how effectively advertising pulls in customers, you would know exactly where to spend your money and save yourself thousands of dollars in advertising expenses every year.

SUPERTIP

forms, or labels that clue you in on the source of the advertising whenever the order forms or labels are used.

- Use “Tell them Joe sent you broadcast ads.”

Conducting Surveys

To find out what kinds of advertising customers respond to the most, conduct a survey, or more simply, ask them outright whenever they are placing an order at your store or over the phone. Make sure though that order takers have ready access to an *advertising key* table or handy

simple-to-use form to write down their findings.

Questionnaires

Questionnaires mailed to your customers or left in accessible spots in your retail locations can help you get an idea of how effective your promotions are. See the example below.

NOTE Questions regarding the effectiveness of a promotion can also be incorporated directly onto your order forms.

Advertising Keys

An **ADVERTISING KEY** is a special code, number or word added to an ad, coupon or company address, to help companies keep track of their advertising effectiveness and response rates. Every time the key is spotted, it is noted and the promotional media that generated the order is traced. Mail order and direct marketing companies in particular, have mastered the art of using ad-

vertising keys.

Below are some examples and strategies for making your own advertising key:

Add words and/or codes to your company address. The most frequently used advertising keys consist of additional words and/or codes added to an adver-

“In order to serve you better please answer the following:”

How did you hear about our product or service?

- | | | | |
|---------------|--------------------------|--------------|--------------------------|
| Referral | <input type="checkbox"/> | Yellow Pages | <input type="checkbox"/> |
| word of mouth | <input type="checkbox"/> | magazine | <input type="checkbox"/> |
| radio ad | <input type="checkbox"/> | newspaper | <input type="checkbox"/> |
| TV ad | <input type="checkbox"/> | direct mail | <input type="checkbox"/> |
| billboard | <input type="checkbox"/> | newsletter | <input type="checkbox"/> |
| other: | _____ | | |

tiser's address to indicate the advertising source (e.g., Studio 62, Suite 6, Room 121, Desk NW2, Dept. GH692, Shipping Dept. PS, Box Number 5.12).

List your address as 1238 Washington Street, Room 33. Keep in mind that many customers figure out obvious codes and leave them out. Don't for example if you are advertising in the January 98 issue of *Popular Mechanics* list your address and 1238 Washington Street, Dept. PM-1-98.

NOTE If you use a key code like Suite 2200, you may confuse visiting customers who drive down your street

Careful and inconspicuous coding is also important when submitting a news release and other advertising material to personnel within the media industry. Media personnel are aware of these codes and may not repeat them. An address code is of no value to you if it doesn't get used.
SUPERTIP

looking for a skyscraper.

Add a suffix to your address. Add a suffix to your address like P.O. Box 123-A; 3456-A Hornby St.; or Seattle WA, 98111-1234. Check with your local postal authorities to make sure there will be no confusion.

Add a special number to your address. Use, Wilshire Shoe Factory, 604 Strubbing Street (121), San Diego CA, 93234.

NOTE Avoid "I" and "1," "u" and "v," "G" and "6," "Z" and "2," "O" and "0" and "4" and "H." These letters and numbers are easily

confused when written.

Use staff names or even fictitious names. Use Attention: Pete J. Sanders (Popular Science; June) or Attention: Cary Grant (Car & Driver).

Vary the words or spelling of words in your company name. Spell your company or product in different ways. Change *Walden's Emporium* to Walden Enterprises, or *Super Scooper* to Super Scoop. Use *Billy B. Bobs Software House*, instead of Billy Bobs Software House.

NOTE For fun, take a look though magazines with mail order ads, and try and spot their advertising keys.

It is difficult to measure response rate from TV ads and other general advertising strategies. One of the advantages of direct Marketing is that the response is measurable.

POWERPOINT

Coded Coupons

Special codes including numbers, letters and words can be put on order forms and coupons to indicate which magazine, newspaper, direct mail, or other promotion they come from. Usually this code will include a date of issue and an abbreviation (e.g., GH692; which means – Good Housekeeping, June of 1992). Likewise, special stick-on labels or even specially produced reply envelopes and BRC's can be provided in direct mail or catalog mailings to give you keyed information.

NOTE Magazine coupons can also be distinguished from the ads behind them.

Tell Them Joe Sent You Broadcast Ads

You can monitor the effectiveness of broadcast media by asking customers at the end of your radio or TV ad to state a phrase or keyword when they enter your store (this usually works best if this phrase or keyword entitles them to a special price, discount or free gift). This technique can also help you discover exactly what areas your customers are drawn from so you can target that area more specifically with other kinds of advertising.

Many people ask, "But won't the post office object to all this added information?" The answer is no, as long as the essential addressing information is there so they may easily determine where to direct your mail.

DAN POYTNER

*The Self-Publishing
Manual*



KEEPING TRACK OF YOUR RESULTS

THE FOLLOWING forms are designed to help you keep track of a promotion's progress, and more importantly evaluate the response rates and advertising returns of different ad mediums.

NOTE Many of the forms contained in this section are geared towards analyzing and keeping track of direct marketing promotions. However, all can be used as models to help you set-up a promotion record keeping system appropriate for your type of business.

ALL FORMS in this Guidebook can be printed out using **Guidebook #8** "Designing a Business Planner."

Every time you place a newspaper or magazine ad you should fill out an advertising record sheet.

Newspaper & Magazine Ad Record

Every time you place a newspaper or magazine ad you should fill out an advertising record sheet. A "Newspaper & Magazine Ad Record" (see Guidebook #8,

Form #32 to print a user copy of this form) is set-up very similar to a publisher's SRDS rate card (all relevant information concerning the periodical can be found on its rate card), except that in addition, it also contains room for keeping track of an advertising mediums performance over a period of days, weeks or months, and other important calculations useful for analysis and comparison purposes. The form on **page 14** is designed to keep track various products being promoted in the New York Times (Sunday Edi-

tion).

To use this form:

1. After placing an ad, fill in all information regarding its rates, discount, circulation and deadlines.
2. Also fill in all information regarding the promotion's name and type of ad, as well as the ad's key, position, size, cost per unit, total cost, page number, insertion date and number of times the ad will be run. Furthermore, give the ad an ad# for easier organization in your filing cabinet.
3. Make preliminary calculations regarding the product's gross margin, break even point, and number of orders to

*A tough lesson
in life that one
has to learn is
that not every-
body wishes you
well.*

DAN RATHER
Newscaster

- make a 50% return on your advertising investment. These figures can be calculated using a "GM, BE, ROI & Projected Profit Sheet" (see Guidebook #8, Form 28, to print a user copy of this form and Guidebook #80 for more information on how to use this form).
4. When an order comes in check its key and record it. Write down the date of the first order. Use a "Record of Responses" form (see Guidebook #8, Form 30 to print a user copy of this form and Guidebook #50 for more information on how to use this form).
 5. At the end of a suitable period, either every day, week, month or any date of your choosing (in the case of the ex-

ample on **page 14**, at the end of the first week), total up all orders and enter them in the first column. Use the column beneath this to keep track of your cumulative totals.

6. After all orders have been processed write down your total sales, and then calculate your actual R.O.I. to determine whether the promotion was a success or not.

ANALYSIS A 50% R.O.I. is the suggested minimum level of profit for running a mail order ad. However, depending on other operating costs not factored into your calculations, and profit goals dependent upon the type of business you are in, you may find another minimum percentage more suitable.

On **page 14**, in **example 1**, the *Railroad*

*You see, but
you do not observe.*
**SHERLOCK
HOLMES**

Watch Promotion in the Sunday edition of the New York Times was moderately successful. With an R.O.I. of 55%, it recovered an initial investment of \$5,600, plus a profit of \$3,082 (see **page 28** for a graphical representation of the results of this promotion).

In **example 2**, a compass was tested in a space ad of 280 lines costing \$980. Having a gross margin of \$18.22, its break even point was 54 units. Unfortunately, only 35 units were sold, creating a loss of 33%. Unless, you can see a pretty clear way of improving this promotion dramatically with a better ad or offer (you could try making the ad half as big), you should drop it fast.

In **example 3**, the Swiss Army Knife

promotion created a loss of 13%. This item is not a serious loser but nevertheless should be discontinued. Phase it out, don't reorder it, and consider taking it out of your catalog, if you have one, and putting the balance of inventory on sale at a retail location or clearance center.

Item & Media Effectiveness Record

After a promotion has run its course, and totals have peaked on your advertising record sheet, you can further analyze how good the performance was of either the advertising medium or the product being promoted, by comparing over a certain period of time:

- the same product in different periodicals (using a “Media

Business is like sex. When it's good, it's very, very good; when it's not so good, it's still good.

**GEORGE
KATONA**
Director

Effectiveness Record”)

- different products in the same periodicals (using an “Item Effectiveness Record”)

The “Item & Media Effectiveness Record” on **page 15** combines both these comparative evaluations on one simple, but concise form Use a “Record of Responses (see Guidebook #8, Form 33 to print a user copy of this form).

To use this form:

1. Choose whether you want to show and compare the cumulative performance of an advertising medium or a certain product.

NEWSPAPER & MAGAZINE AD RECORD

Promotional Medium: New York Times (Sunday Ed.)

Date: May 7, 1995

Address	220 E. 42nd St. New York, NY 10017	Ad Rates	Market	Business People			
Phone	212-315-4713	Display	\$49 / inch	NOTES:			
Fax	212-315-4713	Display Class.	\$3.50 / line	Circ.	900 M	Freq.	daily
Ad Rep.	Jack Lawrence?	Classified	\$0.56 / word	Cash Disc.	10%	Agency Disc.	15 %
		Full Page	\$9,800 / pg.	Deadlines	2 days before insert date		

P	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Promotion Type of Ad									50% R.O.I.	Actual R.O.I.	NOTES Comments		
				Position	Page #	Cost	Total Ad Cost	Insert Date		# of times	1st Order			
1	J.J.'s Railroad Watch			NYT0512	0321	160 li.	\$ 9.69	578		867	55%	Ad ran every Sunday.		
	Display			Bottom left	p. 78	\$ 560	\$ 5,600	5/14		10 wks	5/15	Adequate results		
	125	100	99	86	75	98	65	79	65	90	11	3	-	T
	125	225	324	410	485	583	648	727	792	882	893	896		896
<i>Total Sales: \$22.95 x 896 = \$20,563.20</i>														
2	Compass (test)			NYT0521	0322	280 li.	\$ 18.22	54		36	(33%)	Ad ran once		
	Display			Middle left	p. 65	\$ 980	\$ 980	5/21		1	5/22	Drop like a hot cake		
	30	4	1	-	1	-	-							T
	30	34	35	36	36	36	36							35
<i>Total Sales: \$42.95 x 35 = \$1,503.25</i>														
3	Swiss Army Knife			NYT0528	0323	160 li.	\$ 15.00	149		130	(13%)	Item losing its appeal		
	Display			Top Right	p. 27	\$ 560	\$ 2,240	5/28		4 wks	5/29	Discontinue		
	36	31	32	28	3	-	-							T
	35	67	99	127	130	130	130							130
<i>Total Sales: \$34.95 x 130 = \$4,543.50</i>														

ITEM & MEDIA EFFECTIVENESS RECORD

Start Date	ITEM MEDIA	<input type="checkbox"/>			<u>Total Responses</u>	<u>Cost Response</u>	<u>% of Total Responses</u>	<u>Cost Line</u>		<u>Ad Cost Total Sales</u>	
End Date	# of Times Ad Ran	GM			CPM	<u>Cost Order</u>	<u>% of Total Orders</u>	<u>\$(1000) Lines Circulation</u>		<u>Profit Investment \$</u>	
Oct 5/95	Railroad Watch New York Times		1020					\$560		\$5600	
Dec 7/95	SundayEd. for 10 wks.	\$22.95 \$9.69	896	1.14	\$ 5.49	69.4%	160 lines	\$3.50	\$20,563	0.27	
			\$560					\$3500		\$3082	
			900 M	\$0.62	\$ 6.25	61.0%	900 M	\$3.89	\$5600	55%	
1	Comments:										
Average Results.											
Oct 1/95	Railroad Watch Popular Mechanics		450					\$950		\$950	
			331	1.36	\$ 2.11	31.6%	160 lines	\$5.94	\$7,596	0.13	
			\$950					\$3500		\$2257	
			2200 M	\$0.43	\$ 2.87	39.0%	2200 M	\$2.70	\$950	238%	
2	Comments:										
Excellent Results. Run ad 3 more months											

7. Write the starting date and the ending date of the first promotion, item being promoted, medium used, number of times the ad ran, cost of ad per line, total cost of ad, and the selling price and gross margin of the product.
8. From your “Advertising & Magazine Ad Record” or other sources write down your total responses and orders once you believe the promotion has run its course (in the case of a magazine promotion this is usually three months).
9. Calculate your cost per response, cost per order (this ratio can be used to compare the effectiveness of various media as shown on **page 25**), and your actual CPM (actual CPM

Since the circulation is 900,000, and the cost per line is \$3.50, then the “Net Cost of 1000 Lines Per Circulation” is \$3.89.

differs from the estimated SRDS CPM by taking into consideration the exact advertising costs rather than a cost per unit standard).

10. Calculate the cost of the previously decided upon number of lines of advertising space per circulation. Use the “Net Cost of So Many Lines Per Circulation” formula as follows (explained in more detail in Guidebook #56 “Selecting Advertising Media”):

Since the circulation is 900,000, and the cost per line is \$3.50, then the “Net Cost of 1000 Lines

*Per Circulation” is $(\$3.50 \times 1000)/900$
M = **\$3.89/M.***

NOTE The “Net Cost of So Many Lines” is an important piece of information, because

it makes it easy to compare apples and oranges, that is to know how much it costs from one medium to another, to reach a given number of readers with a standardized advertising space (in this case 1000 lines is chosen to simplify calculations).

11. Calculate your ad cost divided by sales ratio. This ratio can also be used for comparison purposes.
12. Calculate your profit per investment dollar (this is the same as the R.O.I. calculation on **page 14**).
13. As more data is accumulated from other promotions, up-date this form with their results.
14. After the comparative period is over,

If you want a thing done well, do it yourself.
NAPOLEAN BONAPARTE

assess and compare your results.

ANALYSIS On **page 15**, although the Sunday Edition of the *New York Times* produced only adequate results for the railroad watch promotion – nothing to worry or get excited about but nevertheless worth repeating – it met with resounding success in the *Popular Mechanics* media with a whopping 238% return on its advertising (\$2.38 for every dollar invested); which is almost five times its minimal goal of 50% return per dollar invested.

Considering that this kind of success is rare, if by chance you come across such a spectacular profit performer, should spread the item through all possible media similar to the one in which it was successful in, especially including those with large circu-

lations, and ride it for all it is worth. Get in there fast before the competition catches on.

Gross Catalog Analysis Sheet

A gross catalog analysis is a relatively straightforward analysis of total catalog sales as compared with the total cost of designing, printing and mailing the catalog (see Guidebook #8, Form 34 to print a user copy of this form).

ANALYSIS In the example on **page 20**, a catalog mailing of 10,000 copies, cost \$23,000 to print and mail.

After 12 weeks, the catalog had produced total sales of \$45,283. Since the sum total of all the GMs of all the individual products was \$25,760 (the cost of goods sold plus

operating costs totaled \$19,523), the net profit was \$2,760.

NOTE One way to judge the effectiveness of a catalog is to compare its Net Profit/Catalog with that of other catalogs. In the example on **page 20**, the Net Profit/Catalog was \$.28. This figure is a little low. It would have been nicer if it was closer to \$1. In fact, for most mail order catalog promotions you should shoot for around \$1 profit/catalog.

A gross catalog analysis is a relatively straightforward analysis of total catalog sales as compared with the total cost of designing, printing and mailing the catalog.

Catalog Item Sales Analysis Sheet

When analyzing the performance of a catalog, not only do you have to analyze the sales per catalog compared with the costs of the catalog, but you also have to analyze the individual products of your

catalog – usually 200 or more – and their overall contribution to the profitability of the catalog. To do this you need to perform a catalog item sales analysis.

A catalog item sales analysis is the analysis of every item in the catalog. Included in the analysis is the item's contribution to profit and what is called its index. This analysis, although more complex and involved than the analysis of space advertising and direct mail, is an indispensable tool for planning which merchandise to continue and which to discontinue in your next catalog (see Guidebook #8, Form 35 to print a user copy of this form).

To use the “Catalog Item Sales Analysis Sheet” on **page 21**:

A catalog item sales analysis is the analysis of every item in the catalog.

1. Total the entire cost of the catalog. Include photography, typesetting, all preparatory work and, of course, printing, postage and fulfillment.
2. Divide this total by the number of pages, which gives you the cost per page.
3. Then determine (without attempting to get too precise) what fraction of a page every given item occupies. This will be quite easy if you have a modular catalog. However, it will take a little “eyeballing” if you don't.
4. Fill in the remaining part of the analysis sheet.
5. Calculate the catalog index for each item.

GROSS CATALOG ANALYSIS SHEET

THIS WEEK				CUMULATIVE		
Date	# of Orders	\$ Sales	\$ Avg/Order	# of Orders	\$ Sales	\$ Avg/Order
10/6/95	125	\$4,426.10	\$35.41	125	\$4,426.10	\$35.41
10/13/95	192	\$5984.50	\$31.17	317	\$10,410.60	\$33.29
10/8/95	168	\$5507.12	\$32.78	485	\$15,917.72	\$33.12

Projected Sales	\$60,000.00			Gross Profit Margin	(GMs of Items sold) = \$25,760
Total Sales to Date	\$45,283			Net Profit	\$2,760
Total Orders to Date	1308			Gross Profit /Catalog	\$2.58
Av. \$ Spent/Order	\$34.62			Net Profit/Catalog	\$0.28
Sales/Catalog	\$4.53			Av. # of Orders/Week	1308/12 = 109
Time Period of Analysis	10/6/95	12/22/95	12 wks	Orders/Mailings (%)	13.1 %

Catalog Cost (total all costs including, photography, type-setting, preparatory work, printing, postage and fulfillment)	# of Pages	# of Copies Printed	Cost Per Page	Cost Per Catalog
(\$2.20 x 8000) + (\$2.70 x 2000) = \$23,000	24	10,000	\$958.33	\$2.30

CATALOG ITEM SALES ANALYSIS SHEET

Rank	Item Number	Page Number	# of	\$Unit Price	\$Unit Margin	Space Factor	Net Profit	INDEX	Remarks
	Item Description		Units Sold	\$Total Sales	\$Gross Margin	\$Ad Cost	<u>NP</u> AC		

39	12054	10	19	\$35.95	\$15.00	.25	\$45.42	0.56	Drop item.
	Watch			\$683.05	\$285.00	\$239.58	.19		
5	12055	11	35	\$59.95	\$25.00	.17	\$712.08	2.53	Item is hot. Keep.
	Ring			\$2098.25	\$875.00	\$162.92	4.37		

- Rank the merchandise in your catalog, giving a one to the item with the highest index, two the second highest etc.

ANALYSIS All items that have a catalog index of one or greater, should be kept. Items below an index of 1 should be discontinued. It should also be noted that the NP/AC calculation (net profit divided by ad cost), is similar to the R.O.I. calculation used on **page 14**, except that it is left as a decimal rather than a percent. Profitable items will generally have an NP/AC of 0.5 or greater.

All items that have a catalog index of one or greater, should be kept.

Direct Mail Promotion Record

Tracking the results of a single direct mail promotion is much the same as tracking the results of a space ad promotion. In

both cases, you want to determine the return on your investment.

However, in the case of a DM promotion, more specifically, you want to compare the returns of different mailing lists, as well as, portions of lists that perhaps contained different sales letters or other marketing variables to test response. This will help you determine which list to continue using, which to drop, which products need to be dropped, what variables should you keep, and which promotions are worth improving (see Guidebook #8, Form 31 to print a user copy of this form).

To use a “Direct Mail Promotion Record” (see **page 24**):

- Determine how many units need to be sold to break-even on your house list

and for outside lists. Next, determine how many units per 1000 need to be sold to reach your minimum goals of a \$50 contribution per thousand (an acceptable mailing) or a \$100 contribution per thousand (a good mailing).

2. Fill in the name of the list, number of names mailed to, date mailed, advertising key of the promotion, and the number of units that have to be sold to break even.

NOTE It is essential to know your BE points for all products. You need to know exactly when an item becomes profitable and when an item will lose money.

3. Once a week, enter your results into the appropriate column until the mail-

ing has run its course (there are thirteen columns for thirteen weeks), and a final totals column. Update your cumulative totals. All results will usually be in before the end of the 13-week period.

Success is that old ABC – ability, breaks and courage.

**CHARLES
LUCKMAN**

When the mailing has run its course, calculate your *net* and *net contribution per 1000 pieces* mailed. The *Net* refers to your net profit. For the house list, this profit is your break even point (568) subtracted from your total number of units sold (927), times your gross margin (\$9.69). Performing this calculation gives you a total of \$3479.

DIRECT MAIL PROMOTION RECORD

PROMOTION: J.J.'s Railroad Watch
Date: May 12, 1995

Description of Promotion		Product Price		\$19.95		House List Cost / m		\$220						
DM letter will be sent to house		Gross Margin		\$ 9.69		Outside List Cost / m (avg.)		\$270						
list and 5 outside lists.		BE / m (house)		22.7		# of Orders / m Needed For		33		74				
Results Totaled end of week		BE / m (outside)		27.9		A) \$ 100 B) \$ 500 Profit / m		38.2		80.5				
P	5/26	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	Total
	List			# of Names		Date Mailed		Key	BE	Net	Net/m	Comments		
1	House			25,000		May 12, 95		0012	568	\$ 3479	\$ 139	Excellent		
	80	400	270	76	33	25	16	8	7	9	2	-	1	T
	80	480	750	826	859	884	900	908	915	924	926	926	927	927
2	McCalls Magazine			5,000		May 12, 95		0013	140	(\$ 68)	(\$ 14)	Repeat?		
	31	36	24	14	12	8	-	4	3	-	1	-	-	T
	31	67	91	105	117	125	125	129	132	132	133	133	133	133
3	Time			5,000		May 12, 95		0014	140	(\$485)	(\$ 97)	Out (forget it)		
	20	25	15	10	9	4	4	1	1	-	1	-	-	T
	20	45	60	70	79	83	87	88	89	89	90	90	90	90

ADVERTISING COST ANALYSIS

	Daily News	Sunday Insert	Radio 60 Sec Ad	Cable TV 30 Sec Ad	Church Bulletin	Direct Mail	Bulletin Board	Referrals	Unknown
Circulation	7,500	15,000	10,000	12,000	1,200	100	40		
type of Unit	Col. Inch	Col. Inch	minute	minute	page	letter	number		
Number of Units	8	16	1	1	1	1	1		
Total Cost	110	345	1,400	1,900	35	300	120		
Cost per Circulation	0.01	0.02	0.14	0.16	0.03	0.20	3.00		
Total Responses	190	354	590	498	138	391	97	525	1,458
Total Sales	43	76	121	124	43	66	35	48	431
Circulations / Response	39	42	17	4	9	0	0	0	0
Circulations per Sale	174	197	83	97	28	2	1	0	0
Responses per Sale	4	5	5	4	3	6	3	11	3
Cost per response	0.58	0.97	2.37	3.82	0.25	0.77	1.24	0.00	0.00
Cost per Sale	2.56	4.54	11.57	15.32	0.81	4.55	3.43	0.00	0.00
% of Total Responses	4%	8%	14%	12%	3%	9%	2%	12%	34%
% of Total Sales	4%	8%	12%	13%	4%	7%	4%	5%	44%

On the other hand, the Net/m refers to the dollars contributed or lost in this segment of the mailing. Since 25,000 pieces were mailed (25 m), this corresponds to 37.1 units sold per thousand letters mailed (927 divided by 25 m) and a gross margin of \$359 per thousand (37.1 x \$9.69). And since the cost of mailing was \$220 per thousand, your total contribution for this segment is \$139 per thousand pieces mailed.

ANALYSIS In **example 1**, the contribution of \$139 is very good – you won't have too many successes like this one. Thus by all means, roll this promotion out to other lists. With the help of a broker, carefully select lists targeted as closely as possible to the offer itself and to demo-

A contribution of \$139 is very good –you won't have too many successes like this one.

graphics similar to those of your house list. However, be cautious. Test each new list first.

In **example 2**, the 5,000 names tested, from a portion of a list of subscribers to *McCalls Magazine*, before the results of the house list were known, produced a loss of \$14 per thousand. Although, this loss is minimal, considering that 133 new customers were acquired at a cost of \$.50 (these new customers will likely give you a profit later on), and its bad performance may be due to statistical variation, you should not go all out and, for example, mail 100,000 pieces from this list. Test 5,000 more names, along with 5,000 names from other lists.

In **example 3**, obviously, the Time

Magazine promotion was a real loser.

Advertising Cost Analysis Chart

Knowing how customers find out about goods or services is always difficult to monitor. Nevertheless, some kind of record should be set up to gauge the effectiveness of your advertising efforts spread out over different media.

The “Advertising Cost Analysis” chart on **page 25**, analyzes the results of several different advertising methods. It is best set up using a spreadsheet program where everything above “total sales” is in-putted; and everything below “total sales” is computed. By analyzing this data, you can make better decisions about where to put your advertis-

ing dollar and perhaps about how to direct your sales force.

NOTE The responses per sale calculation in the 10th row is a useful figure as it indicates the number of people who must be reached by the media in order to produce a sale.

ANALYSIS According to the advertising cost per sale, results, in the example on **page 25**, it is quite obvious that radio and television advertising is inappropriate for this particular product.

The “Advertising Cost Analysis” chart on page 25, analyzes the results of several different advertising methods.

Graphical Analysis Sheet

A “Graphical Analysis Sheet,” like the one shown below, can be used to give you a quick visual guide regarding the progress of a promotion. The example below, shows

the results of *J.J.'s Railroad Watch Promotion* (refer back to **page 14**).



NOTE See Guidebook #8 to print a user copy of the “Graphical Analysis Sheet” shown below.

