

# THINKING DM

CASE STUDIES PRESENTED BY NEW ZEALAND POST'S DIRECT MARKETING ADVISORY SERVICE

New Zealand Post 

## THE QUEST FOR STAMP BUYERS TO RULE THEM ALL



### CASE STUDY 2

Sector: Stamps / collectors  
Audience: Current and new stamp collectors and those interested in the *The Lord of The Rings*  
Campaign: Addressed / unaddressed letterbox mailings  
Key service: Hot Leads with Geocoding and LINZ mapping.  
Letterbox Channel

# FINDING OUT WHO BUYS STAMPS DELIVERS GOLD FOR ADDRESSED AND UNADDRESSED MAILINGS

## CASE STUDY 2

To mark the release of *The Lord of the Rings: The Return of the King™*, New Zealand Post issued a special commemorative stamp series in November 2003. The Stamps team wanted to promote the series to collectors and *The Lord of the Rings* fans around the country. But their promotional budget was small – it was essential to make every dollar work. The Stamps team came to New Zealand Post's direct marketing advisory service, looking for the best way to target potential buyers.

### CHALLENGE

In 2002, to promote *The Lord of the Rings: The Two Towers™* stamp issue, the New Zealand Post Stamps team had sent an addressed mailing to 40,000 rural delivery addresses, using the RuralPost database. They had also sent an unaddressed mailing to households nationwide, using the Letterbox Channel. In 2003, the team had a smaller promotions budget. They planned to send an addressed mailing to 10,000 of the same rural delivery addresses; supported by an unaddressed mailing to 140,000 households nationwide.

In analysing the 2002 campaign, it was clear that the rural mailing had resulted in more sales than the unaddressed mailing – but the level of response was still low. With a great stamps issue, and a huge awareness of *The Lord of the Rings* – there had to be a better way to target prospective buyers.

### THINKING

- First we asked the Stamps team to provide us with a sample of names from the stamps database. They did so, with the sample from the database segmented into 1,000 customers making purchases of \$0-\$99, \$100-\$499, \$500-\$999 and \$1,000 and over respectively. There was also a segment of 1,800 customers who were not stamp collectors but had purchased previous *The Lord of the Rings* stamp products.
- The goal was to find out more about these customers, thereby building a profile of the most likely buyers of the stamps.
- To protect privacy (as we would be dealing with a third party) we removed all names from the list.
- We had a local mapping company geocode all the addresses. This gives every customer location a reference point, which can then be defined with a wide range of potential variables.
- Relevant data from the 2002 New Zealand Census was then overlaid over this geocoded list, which identified a range of common characteristics: Buyers were likely to have internet access; earn income from investments and dividends; be born overseas; have a tertiary qualification; and have a household income of around \$86,720.
- Using these common characteristics we searched the New Zealand Post database of 1.5 million addresses.
- **A database of 10,000 addresses in areas which matched the common characteristics was compiled. A further 140,000 letterboxes were also identified for the unaddressed Letterbox Channel mailing.**

*“The key was taking the results from the 2002 mailing and using that to build up a picture of customers. It was amazing how just by having an address and a purchase amount it was possible to build up such a clear picture of who our most likely customers are – without threatening anyone’s privacy in any way.”*

**Simon Allison** – Marketing Co-ordinator Stamps Business.

## KEY FACTS:

- Targeted addressed response rates were 52% up on the previous year
- Average customer spend in response to the addressed campaign increased by 284% on the previous year
- Targeted unaddressed response rates were 280% up on the previous year
- Average customer spend in response to the unaddressed campaign increased by 186% on the previous year
- Targeting can increase sales while reducing costs
- Customer privacy is assured, even during outsourcing
- Fixed quotes and timings can be agreed before work starts

## RESULT

The result demonstrates the power of customer knowledge, and targeting the right people. With no more investment on creative, the 2003 mailings achieved far superior levels of response.

Most notably, the response to the addressed mailing was 0.76%, compared to the 2002 response of 0.5% (a 52% increase in the rate of response). The Letterbox Channel mailing achieved a response of 0.56%, compared to 0.2% in 2002 (up 280%).

## HOW IT WORKS: GEO-DEMOGRAPHICS, GEOGRAPHICAL INFORMATION SYSTEMS AND DATA MINING

The emergence of effective technology and human methods of understanding what is otherwise complex data is called geo-demographics...

All of us belong to a social 'type', defined by a unique mix of common social characteristics such as wealth, age, education, family structures and so on. The location of one defined social type generally indicates that similar types can be found nearby. From a marketing perspective, knowledge of types can be used in two smart ways:

1. the location of your existing customers can reveal their type.
2. the location of suitable types can reveal the location of prospective customers – people who are more likely to respond to your offer, based on response by the same or similar types to past offers.

This knowledge enables you, for example, to make an offer exclusively to types who live in a defined location and who are known to have a high response ratio to the kind of offer you're making. A GIS (Geographical Information System) can assist in both the above steps. First by taking your known customers and using their addresses and data segmentation to assign them types (this process is called Geo-coding).

Second, by exploiting the known locations of market areas which have higher densities of the same customer types. Applying GIS is made easy with the use of aggregated census data, in bricks called mesh-blocks. Mesh-blocks are small enough to precisely define customer types, but never small enough to identify individual people: privacy is assured.

One of the most compelling uses of GIS is the ability to use CAD tools to make a database selection (called data mining) in seconds. For example, a border can be drawn around a geographical area or a boundary pointed to, and the underlying data is selected. This process used to take hours: now every business can mine both their customer and marketplace data quickly and efficiently. The power of GIS platforms has advanced to the point that all available data can be mined and the results displayed thematically, using colours and shapes, while you wait.

The output is often a visualisation referred to as eye-candy – but the very same database can then output address lists for immediate use.



# ALL YOU NEED TO HELP YOUR DIRECT MARKETING PERFORM

## LOOKING FOR NEW CUSTOMERS?

New Zealand Post can help you find:

- **New Movers** – New Zealanders who have just moved to a new home. A new home means new relationships, new household needs, often a new level of household income, and an excellent opportunity for the astute advertiser.
- **Hot Leads** – New Zealanders who have told us they like shopping from home, and told us what they want to hear about. So, you can target your mail – while they get offers that are relevant to them.
- **Rural Post** – Farmers and lifestyle block residents. Targeting options include occupiers of sheep, beef or dairy farms, lifestyle, and tourist activity.
- **Household Addresses** – Over 1.5 million deliverable, privacy-compliant addresses.
- **Unaddressed Mail** – Via our unaddressed mail specialist, the Letterbox Channel.
- **Targeted Audiences** – We use geocoding and other data mapping tools to refine a new or existing database – reducing the size of your required mailing list while increasing response rates.

## NEED TO KEEP TRACK OF YOUR CUSTOMERS?

New Zealand Post can help you with:

- **Address Correction** – Mistyping, misspelling, postcoding and incorrect formatting on your address database
- **Database Updating** – Have your customers moved without telling you? They may well have told us. We can help update your database, saving you money on mailing costs and increasing response rates.

## LOOKING FOR DIRECT MARKETING EXPERTISE?

At the direct marketing advisory service our goal is to support the success, innovation and growth of direct marketing in New Zealand. If we can't answer your direct marketing related question – we will find someone who can.

## PRIVACY

All New Zealand Post Databases company with the New Zealand Privacy Commissioner's Recommended Code of Practice.

## CONTACT US

To ask for other case studies from the THINKING DM series or to discuss how we can help you get the best results from your direct marketing investment, please contact us on **0800 804 307** or at **dmas@nzpost.co.nz**

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