

net dollars to fulfill the organization's mission.

Here's a true story. . .

Years ago, I went to a county fair with a friend. As we were walking down the fairway, a "barker" came out and offered us a silver dollar for 50 cents. Immediately, I accepted the offer yet my friend refused. Why? She said, "I don't want to spend the money."

Unfortunately, that's how too many people look at their direct mail. Even investing more can generate additional net dollars, the don't want to spend the money.

If you're satisfied with a .01% or .02% improvement in results, then save the cost of premiums and test the color of ink on your envelope or copy changes on pages 2 and 3 of your letter. But if you want major improvements to your mailing's profitability, try offering a premium.

Here's 3 ways premiums can work for you. . .

Front-End Premiums

When testing a "front end" premium, you're giving it away in the mailing. For example, a fundraiser might include free name labels or a software company may include a free CD in the mailing.

Other front-end premiums I've used successfully include pamphlets, Certificates of Appreciation, membership cards, name stickers, decals, pens, greeting cards, note cards, flower seeds, key chains, plastic luggage tags, bumper stickers, iron-on patches and membership cards

Front-end premiums often generate a higher response rate but are more expensive since you're paying to send the free gift to all recipients – respondents and non-respondents alike. (And yes, "Free Gift" is worth the repetition of words.)

It's also true that front-end premiums can reduce the average order/contribution and long-term value of the respondent since some responses will be guilt-motivated.

Front-end premiums may even "lock" you into premium mailings when it comes time to renew these donors/buyers. But, because they generate a higher

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response, they're great if you want to build your donor/customer file.

And ***the bottom line is still net dollars***. If you increase net dollars, a higher cost or smaller average order shouldn't matter. You're still returning more money on the organization's investment and generating more dollars to fulfill the group's mission.

Backend Premiums

With a "backend" premium, the recipient must respond to receive the gift. For example, a magazine publisher might offer a free book to people who respond before a certain date. Or, a nonprofit might offer to send you a free coffee mug once they receive your contribution.

I've successfully used calculators, American flags, emergency road kits, coffee mugs, calendars, ball caps, plaques, lapel pins, membership cards, free trips, software, travel bags, tool kits, digital cameras and books as backend premiums.

Their advantage is that you're only fulfilling the premium to those people who buy/contribute so your overall costs are lower. Additionally, those who respond to back-end premiums typically have a higher average order and their lifetime value tends to be higher than those who only respond to front-end premiums. But backend premiums may not generate as many responses as a front-end premium and they do require added fulfillment costs.

Fast 50 Premiums

A "Fast 50" limits the premiums to the first fifty people who respond. (You can also have Fast 100's, Fast 75's, etc. There is nothing sacred about "fifty" but it's what I've used and it works.)

Lately, I haven't seen Fast 50s used but they can give you the best value of any premium offer.

You're limiting your premium to the first 50 people who respond so your costs are lower than either front-end or back-end premiums. And, because you're only fulfilling 50 gifts, you can offer a higher-value premium.

Yet because everyone receiving the mailing is eligible, your copy can have the same "hype" as any other backend premium.

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Typically, I gained a 25-30% lift when adding a Fast 50 premium offer to the mailing. (For nonprofits, I've also tested offering gifts to the first 50 people who responded from each state but found little difference in results from a straight Fast 50 offer.)

Conclusion

When testing premiums, you're changing the package's offer so the return on investment can be immense. And when used intelligently, there should be no stigma associated with premium offers.

What premium should your organization test first?

It's nice to test a gift that relates to the organization's mission – the environmental group's backpack offer for example. But don't overlook the greed factor. For years, it was hard to beat a hand-held calculator but you have to test and see what offer is best for your group. It's simply a search for balance – perceived value vs. cost.

Do you test front-end, backend or a Fast 50 premium?

Ideally, you will test all 3 and see what works best for you. If you can't do that, ask yourself, "what is your objective?" Are you trying to build your file quickly? If so, you may want to test front-end premiums or a Fast 50. If you're looking to increase the average contribution or order, consider a backend premium.

And premiums aren't just for acquisition mailings. Test them to your house file too.

But whatever you decide, ***do the math first!*** Know how much the premium must increase response to breakeven with the control. It makes no sense to test a premium that's so expensive it needs a 500% lift to break even.

Good luck and let me know your results.

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