

Adding Profits Through Multi-Channel Services



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Direct marketing is changing

and the service providers who serve direct marketers need to evolve in order to continue to serve their customers and remain profitable. Postal mail – “Snail mail” – remains an essential marketing channel, but direct mail volumes have dropped in the last few years, and it is expected that they will continue to show decline, although at a less rapid rate. Still an oversupply of mail production capabilities continues to drive down sales of direct mail production related services and to put downward pressure on margins.

The response of industry leaders is that traditional direct mail providers should become Marketing Service Providers, offering multi-channel marketing solutions to their clients. Just as web-based companies were anxiously scraping the term “.com” off of their logos and letterheads during the tech crash of 2000, it is getting harder and harder to find a “printer” or “mailer” in today’s market. They have all become Marketing Service Providers.

Of course there is more to making such a transition than simply changing your name and tag line. Service providers need to develop a competency in unfamiliar services, and successfully market those services at a profitable price. With margins already tight, it is difficult to find the required resources to develop these services, and providers need to be careful.

Still, transforming your business doesn’t need to be an enormous gamble. You can begin offering new services and boost your profitability as you go. Properly done, offering multi-channel marketing services can enhance your bottom line today while building for your future. Our objective in this paper is to discuss the pricing models and costs that you need to consider in beginning this transition.



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Making Money at Multi-Channel

Selling and Pricing Multi-Channel

In many respects, your work is half done when selling multi-channel services to your clients. They already have marketing projects with you, which include art and copy. This is what you're using to create their mail pieces. It's not much of a stretch to suggest adding email, web and PURL/QR code elements. It's almost a given that your clients are using some of these elements in their marketing efforts, whether through you, or from another vendor. Hopefully your marketing has made them aware that these are services you offer, and that you make them more valuable by providing them from a single source they already trust – you!

Ideally, your sales and customer service staff should be looking at your clients' mailings, and understanding the value proposition – what your client is trying to sell. This really does require training – most sales and customer service reps look at each project as a production project – getting them to look beyond that can be a challenge, but is an essential step in making the transition to being a marketing services provider – you need to get involved in your customers' marketing.



One Source

Pricing Based on Value

Selling print and mail services is often a cost-plus proposition. Figure out what your costs are, add a percentage, and hope there's enough left to cover your overhead. You price that way because your competitors do – you're not adding value, you're selling a commodity.

Marketing services can be sold as a value add, so you don't need to be so tied to cost. When you suggest adding these services, your customers may ask, "How much more per thousand will that cost?" Do not answer that question! Once you have managed to switch the conversation to marketing instead of production, you're discussing your customers' success instead of just how to keep costs down. It takes time, training, and marketing to make this transition, but this is really at the heart of transformation to a marketing services provider.

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Billable Services:

Campaign Design/Planning

With any multi-channel campaign, there will need to be planning and strategy. How you choose to charge for this varies with the complexity and anticipated value of the campaign. Most campaigns will have an ongoing component – these tend not to be one-shot efforts. Planning out how the channels mesh together will require expertise from your organization. If you need to bring developers and marketers into planning meetings to lay out a flow chart and strategy, you may be able to charge for such meetings and planning, or add the cost into overall campaign pricing.



Time + training + marketing

Landing Page and Email Design and Programming

Creating and hosting landing pages and emails is a real cost you will encounter in setting up a campaign. Even if your clients provide formatted art files, there will still be programming and testing required. Things like additional links, additional data captured, payment acceptance and more can all add to the complexity. There is a tendency to compare setting up an email or a landing page to setting up a laser document for a mailing project, but setting up a digital asset is generally more complex and requires a more costly developer. Still, smaller customers need an affordable option for getting into multi-channel.



To resolve this, we suggest offering different tiers of service aimed at different kinds of customers. For smaller customers who may be making their first stab at additional marketing channels, you can offer a “basic” email or landing page format that allows them to use images from their mail piece and capture basic data items in a limited number of formats for a moderate cost. For more sophisticated customers with greater demands, develop pricing based on anticipated hours. In today’s market, a development price of \$250/hour should not be considered excessive.

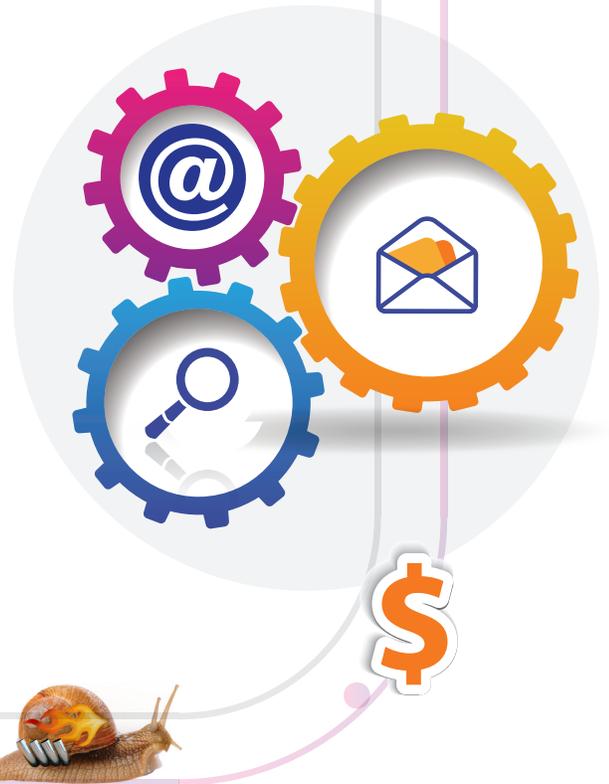
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PURLs, QR codes, and Mail Tracking

If there is any item begging to be commoditized in this process, it is the piece-based elements of the mailing – the PURL, and mail tracking. These are often paid for by the thousand, and your clients will have that expectation. Still, understand that the market price for PURLs remains quite high, and this is an opportunity to boost margin by staying away from the cost-plus pricing model. In the 10,000 – 20,000 piece range, a price of \$30 - \$40 per thousand is not excessive, and can allow for a generous margin. Even simple mail tracking takes on a new dimension when it is being used to trigger other channels. Importantly, because all of these elements are part of a campaign you’re creating for your client, all of these elements take on greater value – you’re running their campaign for them: they can’t just run off and have someone else do the mail tracking or the PURLs. The success of the campaign is more important than the cost of the pieces to create it.



Multi-Channel campaigns can include countless elements including social media posts, video channels and more. To the right is a listing of some of the more common components and their typical price range:

Multi-Channel Campaign Pricing Components

Item	Typical Price Range
Tactical Planning session	\$0 - \$1,000
Landing Page Design - simple	\$125 - \$250
Landing Page Design - complex	\$250 - \$1,500+
HTML email	\$250 - \$500
Mobile landing page	\$125 - \$500
PURLs	\$20 - \$80/M
Mail tracking	\$1 - \$10/M

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Reports – The Key to Value Pricing

As a marketing service provider your relationship with your client is changing. You can no longer just provide postal forms and delivery tickets to prove your value. You are invested in your clients' response, so you need to provide reports that show how their campaigns are working. As a printer or a mailer, you are responsible for delivering printed pieces or mailers. As a marketing service provider, your value is based on success. You need to show it.

The most basic reporting will show when mail is delivered, and how email was delivered. Reporting should also show how all of the marketing activities you coordinated are driving response.

By seeing how your efforts helped with response, your client begins to view you as more a partner than merely a vendor.



Campaign Summary		Sent	Delivered	Undelivered	Opened	Clicked	Landed	Captured
Campaign Name:	2013 Seminar Promo	4,949	3,595	1,354			14	11
Campaign PO:		256	250	6	32	3	3	1
Drop Date:							9	3
Estimated Qty:	8000						0	0
							110	26
							30	0
Totals:							166	41

Direct Mail Delivery			e-Mail Delivery			Landing Page Hits			Leads Captured		
InHomeDate	Count	% Complete	Email Status	Count	Date	Count	% Complete	Date	Count	% Complete	
Sat Apr 27, 13	644	13.0	Clicked:	3	Tue Apr 09, 13	1	0.0	Wed Apr 10, 13	3	0.0	
Mon Apr 29, 13	2,897	58.5	Forwarded:	0	Wed Apr 10, 13	8	0.1	Thu Apr 11, 13	3	0.0	
Tue Apr 30, 13	4	0.1	HardBounced:	6	Thu Apr 11, 13	4	0.1	Mon Apr 15, 13	1	0.0	
Wed May 01, 13	6	0.1	Opened:	32	Sun Apr 14, 13	1	0.0	Thu Apr 18, 13	9	0.1	
Thu May 02, 13	44	0.9	OptedOut:	2	Mon Apr 15, 13	1	0.0	Fri Apr 19, 13	4	0.1	
Total:	3,595	72.60	Sent:	256	Tue Apr 16, 13	2	0.0	Mon Apr 22, 13	2	0.0	
			SoftBounced:	0	Wed Apr 17, 13	2	0.0	Tue Apr 23, 13	2	0.0	
					Thu Apr 18, 13	44	0.6	Wed Apr 24, 13	1	0.0	
					Fri Apr 19, 13	6	0.1	Mon Apr 29, 13	3	0.0	
					Sat Apr 20, 13	1	0.0	Tue Apr 30, 13	7	0.1	
					Mon Apr 22, 13	4	0.1	Wed May 01, 13	6	0.1	
					Tue Apr 23, 13	6	0.1	Total:	41	0.40	
					Wed Apr 24, 13	1	0.0				
					Thu Apr 25, 13	8	0.1				
					Fri Apr 26, 13	2	0.0				
					Mon Apr 29, 13	13	0.2				
					Tue Apr 30, 13	30	0.4				
					Wed May 01, 13	26	0.3				
					Thu May 02, 13	6	0.1				
					Total:	166	2.20				

Social Media		Count
Source		
LinkedIn	4	
Facebook	26	
Twitter	0	
GooglePlus	1	
Email Share	0	
Social Other	0	
Total:	31	

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The **Cost** Side of Multi-Channel

How you approach providing the service drives these costs.

Fixed Cost Factors:

On the cost side of multi-channel you need to look at fixed and incremental costs. For our purposes, we'll discuss overhead costs that are specific to your multi-channel efforts. It is unlikely, for example that you will need to pay additional rent or insurance in order to add such services. There may be some additional overhead required however, depending on how you approach the business:



- **Development labor** – If you choose to provide services in-house there can be significant labor costs in hiring developers, graphics artists, and marketing specialists. Web developers in particular tend to expect large salaries. Even if you choose to use a service for creating PURLs, landing pages, or emails, you may still need sophisticated staff to be trained in and create projects with these services, particularly if you are using multiple service providers for different channels.

- **Software costs** – most providers need to acquire software to provide these services. In most cases you will use online software with a start-up cost and monthly license costs, in addition to per record charges in some cases depending on what multi-channel services you are providing.

- **Hardware** – If you choose to provide web hosting services you may need to acquire additional server capacity as well as redundant servers and back-up capabilities such as generators.

- **Sales and Marketing** – MSPs will need to develop specific marketing materials, skills, and promotions in order to sell multi-channel services. Failing to market these new services to your existing clients and prospects really defeats the purpose.

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Incremental Costs:

Depending on what multi-channel services you offer, you can expect to encounter a variety of costs per record or unit:

- **Email blasts** – Most MSP’s send email marketing out using an email service provider (ESP). Sending email out in bulk is a complex business, with a lot of deliverability and reporting requirements. Very few MSP’s want to tackle this on their own;
- **PURL’s** – Creating a PURL (Personalized URL) is not, in and of itself, expensive, but does require creating a landing page or multiple landing pages, and managing the variable data behind them. Many MSP’s will use a service provider for this. Per-PURL costs can be very high for these services, particularly if your volumes are small.
- **Creating email and landing page graphics** – Even the simplest email or landing page will require some graphics art work done to be converted to the HTML required. You can do this with in-house staff, which requires an expenditure of labor specific to the project just like any production task, or you can have the design work done by the landing page or email provider – generally at an hourly cost. These costs will be specific to a project.



Multi-Channel Service Offering Costs
Fixed Costs
Development Labor
Software
Hardware - Servers, Backup
Sales and Marketing Material
Training
Incremental Costs
Email services
PURLs
Creating email and web pages

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Controlling Costs While Providing Multi-Channel Services

Keeping costs under control for your multi-channels offerings is essential to making them profitable. Driving for the lowest price on each service is not as important as having a consistent predictable price that allows you to consistently make a margin on each project and cover your fixed costs. Some things to keep in mind as you consider your own multi-channel plans:

- **Maintain a sense of scale** – There is no way to start offering multi-channel without some investment. Still, as you start your program, be sure to keep the fixed costs proportional to the revenue you can expect to recoup in a reasonable time. Hiring programmers or adding to staff to develop your own program in-house can be an expensive approach.
- **Limit the providers you use** – most providers need to acquire software to provide these services. In most cases you will use online software with a start-up cost and monthly license costs, in addition to per record charges in some cases depending on what multi-channel services you are providing.
- **Hardware** – If you choose to provide web hosting services you may need to acquire additional server capacity as well as redundant servers and back-up capabilities such as generators.



- **Prices do vary** – A lot, sometimes. Make sure you understand the charges before you choose a provider. PURL prices, for example, can vary from a couple of dollars per thousand to more than \$100 per thousand on small quantities.

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The Bottom Line – Creating a Bottom Line

There are a lot of reasons why printers and mailers should be getting serious about offering a comprehensive multi-channel marketing solution. Ink-on-paper is becoming a more difficult product to sell, and margins are getting tighter all the time. Expanding your service offerings allows you to keep your core product while boosting margins.

For example, if you are producing and mailing a 10,000 piece self-mailer, you may be looking at revenue of \$3,500, yielding a margin of \$300 - \$400 if bidding is tight. You may be able to add a \$1,200 multi-channel component with a margin of \$400. We typically see that a well run multi-channel program can have a greater impact to the bottom line than the top line. Isn't that the point?

Still, these higher margins only work if you offer your clients a true marketing solution. You can simply offer email services or PURLs and mark them up a bit and you will still be dealing with new commodities. The key is to offer a coordinated service.

There is an element of investment to starting a new service – don't wait for your customers to ask you for it. When they do, it's already too late!

The Perfect Resource to Make You the Perfect Resource – SnailWorks™

Our mission at SnailWorks is to help print and mail service providers become true Marketing Service Providers. We provide a comprehensive solution that you can rebrand as your own. We provide simple yet in-depth reporting that allows you and your clients to measure their success with each campaign. Our pricing is affordable and predictable, so you can be assured of healthy mark-ups and margins, every time. And, most of all, we provide the marketing and expertise to help you sell these important new services to your clients. Whether you're a small direct mail firm, or a large organization, bringing on SnailWorks is like adding a high level multi-channel marketing department to your company at a fraction of the cost.



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ABOUT SNAILWORKS

SnailWorks™ is an integrated direct marketing platform from ProList, Inc. – the same team that made mail tracking easy in 2000. We've leveraged our expertise in mail tracking and web-based interfaces to create a solution that allows direct marketers to increase the effectiveness of direct mail through coordinated channels.



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