

Direct Mail Math

Calculating Campaign Value

Cost per Mail Piece

- **Cost of Campaign ÷ Total Mail Pieces x 100 = Cost per Mail Piece**
- **\$50,000 ÷ 10,000 Mail Pieces = \$5 per Mail Piece**

Response Rate

- **Number of Responses ÷ Number of Pieces Mailed x 100 = % Response Rate**
- **1,000 Responses ÷ 10,000 Mail Pieces x 100 = 10% Response Rate**

Conversion Rate

- Responses Resulting in Sales \div Total Responses \times 100 = % Conversion Rate
- 150 Responses \div 750 Total Responses \times 100 = 20% Response Rate

Acquisition Cost

- Campaign Expenses ÷ Number of Orders = Cost per Acquisition
- \$50,000 ÷ 2,500 = \$20 per Acquisition

Break Even Analysis

- Campaign Costs \div (Average Sale – Cost of Goods Sold) = Number of Sales to Reach Break Even
- $\$50,000 \div \$20 (\$25 \text{ sale} - \$5 \text{ COGS}) = \underline{2,500 \text{ Units Need to be Sold to Break Even}}$

Incremental Sales Volume

- Sales Recorded During Campaign – Typical Sales Recorded in Same Time Period
÷ Sales Recorded During Campaign x 100 = % Incremental Sales Volume
- $\$2,500 - \$1,500 \div \$2,500 \times 100 = \underline{40\% \text{ Incremental Sales Volume}}$

ROI

- Campaign Profit

- Net Profit Resulting from Campaign – Campaign Expenses = Campaign Profit
- $\$75,000 - \$50,000 = \underline{\$25,000 \text{ Campaign Profit}}$

- ROI

- $\underline{\text{Campaign Profit}} \div \text{Campaign Expenses} \times 100 = \% \text{ ROI}$
- $\underline{\$25,000} \div \$50,000 \times 100 = \underline{50\% \text{ ROI}}$

Work Sheet - Homework

- If campaign cost = \$25,000 and 10,000 mail pieces were sent out, what is **Cost per Mail Piece**?
 - **Answer \$2.50**
- If 10,000 pieces were mailed out and 675 responses were received, what is **Response Rate**?
 - **6.75%**
- If 675 responses were received that resulted in 180 sales, what is **Conversion Rate**?
 - **26.67%**
- If the campaign cost \$25,000 and we received 180 orders, what is the **Acquisition Cost**?
 - **\$138.89**

Work Sheet - Homework

- If the campaign cost \$25,000, the average sales price is \$50, COGS is \$15, how many units do we need to sell to break even?
 - **714.29**
- If \$75,000 in sales revenue was recorded in January campaign and in previous January \$48,000 in sales revenue was recorded, what incremental sales volume has the new campaign generated?
 - **36%**
- If net profit from the campaign was \$80,000 and campaign expenses were \$50,000 what is the campaign profit?
 - **\$30,000**
- If campaign profit was \$30,000 and campaign expenses were \$50,000, what is the ROI?
 - **60%**