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Marketing by the Numbers

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If you can't measure the results, you might as well kiss the money goodbye.

Mark Hurley is a firm believer in knowing how his marketing dollars are performing. The 10-year Hungry Howie's Pizza franchisee in New Baltimore, Michigan, can tell you which of the two new mover programs he has used brings more people in the door, which coupon mailing service keeps his ovens busier, and how much traffic is generated by advertising on local Kroger receipts compared to the neighborhood paper.

Hurley's ability to separate the marketing wheat from the chaff stems from his use of promotional strategies that deliver measurable results. Let's face it: if you can't track the success of a program, you can't know if it's worth your money the next time around. That's why there's a resurgence in direct response marketing. Numbers talk.

When you run a local radio commercial, TV spot or corporate branding ad, you have no way of knowing how many pizzas you sell as a result. When you ask the customer to bring in a certificate for a free pizza or a mailer for a birthday special, you can measure the effectiveness by the number of people who hand in the letter or card. It's that simple.

If you have a computer system capable of documenting the returns for comparison and customer tracking purposes, so much the better. But even without sophisticated data analysis, you can tell the difference between a hit and a miss simply by eyeballing the pile of returned coupons (for example). Here are some guidelines to get you started.

1 – Always make an offer

Whether you use a postcard, letter, ad or email, you need an offer that requires direct action by the customer. It can be anything from two large pizzas for \$9.95 to free breadsticks, and it doesn't even have to be a discount. Suggestive selling with your everyday pricing works, too, as long as there's a coupon to be redeemed.

Even a radio or TV spot can be measured if you say something like "Mention this ad and we'll give you a free pizza cutter." You will never know how many people actually heard or saw the ad, but you'll know how many responded.

2 – Use unique identifiers

"Almost anything is trackable if it has a unique offer or code," says Jay Siff, CEO of Moving Targets, a Pennsylvania-based provider of new resident direct marketing

programs for pizzerias and other small businesses. “As long as you can identify where it came from, you can determine how well it pulled.”

In the case of Moving Targets, the get-a-free-pizza gift certificate sent to new community residents is a one-of-a-kind piece that is instantly identifiable without any coding required. If you’re running the same special in several newspapers, code the coupons so that you can trace the source. And so on.

3 – Create excitement

Fresh ideas sometimes help boost redemption rates. For Mothers Day, independent 180-seat operator Georgio’s Pizza in Pensacola, Florida, offered \$10 off the check as well as family snapshots taken at the table. For Fathers Day, in a spoof on the Dad’s gift cliché, the offer was \$15 off plus a tie. Both incentives were sent to the 500 customers in Georgio’s email database via Loyal Rewards, an email loyalty marketing service.

“Those offers drew 55 people for Mothers Day weekend and 70 for Fathers Day, and we increased our sales over the previous year even with the discounts,” says Georgio’s president Carl Hixon III. “I try to make the specials for my regular customers really enticing, and it pays off.”

4 – Track via POS

If you have a POS system that is capable of tracking coupons or other offers, you can capture precise response data and then compare the results of different pricing, packages, publications or programs. For shops that run dozens of promotions, this is the only way to distinguish between good, better and best returns.

“Most pizzerias are in the delivery business, but how many drivers come back with a coupon? If they don’t, simply counting the redeemed coupons doesn’t give you an accurate picture of response,” says Tom Bronson, CEO of Texas-based DiamondTouch, which specializes in pizza POS systems. “If you can instead identify that coupon in the POS system at order time, you can see precisely how each program performs.”

5 – Mine your database

Another advantage to computerizing your response data is the ability to track customer purchasing behavior for followup marketing. With this information, for example, you can send “lazy customer” incentive mailings to people who haven’t ordered in 30, 60 or 90 days. These reminder cards should include offers that can in turn be tracked.

“We’ve been seeing a 35% return on lazy customer mailings and twice that rate on offers to frequent customers,” says Jennifer Wiebe, marketing manager for Vancouver-based POS vendor SpeedLine, which runs a database marketing program called SpeedMail in conjunction with California-based direct marketer Mailmark. “You should never forget to market to your existing customers.”

6 – Crunch the numbers

By knowing the precise response to a given marketing program, you can make an intelligent decision about whether to run it again. On the most basic level, you can see that a program cost X to run and produced Y in sales. There's no guessing game like there is with a TV spot or a pre-movie commercial in your local Cineplex, where you never know how many impressions translate into sales.

Then compare the results of each initiative and decide what goes and what stays based on the numbers. If you want to get more scientific, you can also calculate the lifetime value of a customer — that is, the total profit on all purchases the customer makes as long as they remain a customer based on your average sale, average number of repeat visits in one year and typical relationship length — to help determine how much to spend overall.

7 - Discard poor performers

This is where the rubber meets the road. Hungry Howie's Hurley, for example, stopped using ValPak coupon mailings when he realized that ADVO was yielding a better return. Likewise, he prefers Moving Targets over another new-mover program because he gets over an 80% return on Moving Targets mailings, sees many redeemers turn into repeat customers, and has the added benefit of certificates with names and addresses that can be harvested.

As management consultant Peter Drucker once said, "Other than marketing and innovation, everything else is just an expense." The question is how to choose from the dozens of strategies competing for a slice of your advertising pie.

If you use direct response methods, the choice is easy. All you have to do is count.

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