

## The Cumulative Effect of Postcard Marketing

Marketing is an important aspect of every business. Huge corporations invest millions of dollars each year in marketing. Executives know that the millions they **invest** (notice, not using the word **spend**) in smart marketing will reap rewards in the long run. Unfortunately, this is where many small businesses fail. Many small business owners look at marketing as “spending” vs. “investing.” Small business owners see the money leaving their pockets, and worry that this is money they could have kept as profits. It is a tough transition, but small business owners need to see through the lens of “investing” in their company growth.



All business owners want an effective marketing campaign to grow their business. This is a no-brainer. However, the continuous and persistent carrying out of the marketing campaign is often where small business owners struggle. Great marketing companies know that marketing takes time and continuous efforts. Many of these marketing strategies are planned out over months and years. Too many small business owners look at a one-time marketing effort and decide that it didn't work good enough, and put an end to the strategy. Unfortunately, many times, the owner may have had a good strategy that was called off too soon... before the strategy had time to produce.



Postcard marketing is a perfect example of an effective strategy that takes time to work. In the service industry, postcards can produce a steady growth of business over time. The financial payback of postcard marketing can be huge. However, many small businesses do not calculate Return on Investment (ROI) accurately to see the real financial impact on the business growth. Let's look at postcard marketing more in depth and see how this type of marketing can grow a small service oriented company.

$$\text{RETURN} = \frac{\mathbf{R}}{\mathbf{i}}$$

We are going to look at a fictional company called: **Bob's Carpet Cleaning**. Bob Smith, owner, has been in business for a couple years. Over these years, Bob has grown his business with word of mouth, a nice website, and a few advertisements in the local paper. However, Bob has now come to a point where he wants to put an actual Marketing Strategy into play. He wants to actively “Invest” in his company to make it grow. Now, a true marketing strategy should put into play multiple forms of marketing. However, we are only going to focus on one part of Bob's marketing strategy: **Postcard Marketing**.

Let's look at Bob's Marketing Strategy: \$10,000 Yearly Postcard Marketing Budget

Bob wants to mail out around 1,000 postcards targeting potential residential customers in his service area each mailing. Bob already calculated that it will cost around \$0.35 per postcard (includes design, printing, & mailing costs) that he sends out. (Bob got a great deal from cleancraft.com). So, Bob knows that it will cost around \$350 each time he sends out 1,000 postcards.

Bob decides to send out 1,000 postcards each week, skipping a few weeks here and there, because he was too busy to get more customers. Overall, Bob sent out postcard mailings 28 times during the year, totaling 28,000 postcards at a cost of \$9,800 (\$0.35 x 28,000).

Bob was smart. Bob put a coupon code on the postcards. So, when a customer called, Bob asked how the customer first found out about his company. Bob tracked this information in the computer using his accounting software. Bob was then able to create a report at the end of the year to find out how much money his postcard marketing strategy made him. Bob's report showed him that he got a 0.25% (that is ¼ of 1%) job booking rate on this postcard marketing. That is about 2.5 jobs\* per 1000 postcards mailed. His average job ticket was \$200. So, each 1000 postcards sent out brought him in \$500 in revenue (2.5 x \$200) at a cost of \$350 (cost of printing & mailing postcards). So, he received 70 jobs over the year (70 jobs = 0.25% x 28,000 postcards) and \$14,000 in revenue over the year (\$14,000 = \$200 avg ticket x 70 jobs).



**\*Note:** 2.5 jobs per 1000 postcards is our average for this example – other companies may be more or less. Maybe Bob received 0 jobs on one mailing and 5 jobs on another. Customers hold on to postcards, and you will even get calls many months down the road from a customer that held on to a postcard. Remember, what are the odds that a particular customer needed their carpets cleaned in that moment in time of receiving the postcard? Customers hold on to postcards for future use! Stick with it, calls will come in later and average out.

Looking at the profit, Bob figured, he only made \$4200 in profit (\$14,000 revenue - \$9800 costs) from mailing out the 28,000 postcards.

**DECISION POINT:** Bob was getting worried. He only made an extra \$4200 in Year 1 doing the postcard marketing. So, Bob had to decide if he was going to quit postcard marketing, or continue doing it again the next year. What would you decide???

Most small businesses would quit. They do not see a good enough ROI on this type of marketing. Unfortunately, this could be the wrong decision for the company. Read further to see why.

Bob decides to give it another go. He continues with the strategy (Year 2), and budgets the same \$9800 as the previous year. Bob gets the same results: 0.25% Job Book Rate..... \$14,000 Rev - \$9800 Exp = \$4200 profit.

**DECISION POINT:** Is this getting any better? Should Bob continue?

Again, most small businesses would say that is enough. 2 Years and only \$4200 more profit each year! However, we missed some data here. Read on to see the data and “Hidden Profits.”

$$\frac{x^a}{x^b} = x^{a-b}$$

Oops... Looks like Bob didn't calculate some hidden profits into his Year 2 results. After looking further into his customer base, Bob noticed that around 25% of his first year postcard customers called back and booked again in the second year of postcard marketing. So, Bob had 18 customers repeat (approx. 25% of 70 new customers from last year). At the same average ticket of \$200 each, this brought in another \$3600 in profits (\$200 x 18). So, really, Year 2 of postcard marketing brought in \$7800 in extra profit (\$4200 in Year 2 New Customer profits and \$3600 in Repeat New Customer profits from the previous year).

I think you see where this is going... Bob continues again for another year (Year 3) with same budget and same results: \$4200 profit from new customer mailings. 25% repeat rate from Year 2 = \$3600 profits. Plus, repeats from Year 1 – which we will calculate at 35% (25% “Yearly Repeaters” + 10% “Every-Other Year Repeaters” from Year 1 that skipped Year 2 and are now calling in Year 3) = \$5000 Profit (Approx. 35% x 70 ‘Year 1 Repeaters’ x \$200). Now, let's add this up...  
**\$4200 + \$3600 + \$5000 = \$12,800 Extra Profit in Year 3.** (Notice, each year grows exponentially)

So, three years of postcard marketing brought in a total of \$4200 (Year 1 profit) + \$7800 (Year 2 profit) + \$12,800 (Year 3 profit) = **\$24,800 Total Extra Profits over the Three Years.**

Now, you should be getting the point of the **TRUE VALUE** of Return on Investment. However, we can even take this further. Let's say out of the 70 new customers per year Postcard Marketing brought in, that another 10% was brought in from referrals from these happy customers. So, the 70 new postcard customers brought in another 7 new customers (10% of 70). Now, snowball this through Year 2 and Year 3, and you have \$1000's more in profits each year! Now, the math is getting a little complex. So, for the sake of argument, we will cut it off here. 😊



As you can see, the Cumulative Effect of Postcard Marketing is an ongoing growth opportunity. What if Bob stopped after Year 1 because of marginal returns on his investment? Just think of all the future business growth & profits Bob could have lost!

The service industry is a great industry for Postcard Marketing. The growth potential of the cumulative effect is great. Plus, CleanCraft Products, Inc. makes it easy for professional carpet cleaners. With professionally developed postcards that can be customized for your business and mailing services to get these postcards in your potential customers' hands, perhaps, it is in your company's interest to grow with postcard marketing.