The Direct Marketing Association (www.the-dma.org) is the leading global trade association of business and nonprofit organizations using and supporting multichannel direct marketing tools and techniques. DMA advocates industry standards for responsible marketing, promotes relevance as the key to reaching consumers with desirable offers, and provides cutting-edge research, education, and networking opportunities to improve results throughout the entire direct marketing process.

Founded in 1917, more than 3,600 of the world’s leading companies and nonprofit organizations are DMA members, including a majority of the Fortune 100 companies, as well as nonprofit organizations and small- and medium-sized businesses. In human terms, DMA represents and serves more than 75,000 direct marketing professionals from dozens of vertical industries in the US as well as 50 other nations.

In 2006, companies spent an estimated $166.5 billion on direct marketing in the United States. Measured against total US sales, these advertising expenditures generated an estimated $1.94 trillion in increased sales in 2006, or 7 percent of the $28 trillion in total sales in the US economy (which includes intermediate sales). All together, direct marketing accounted for 10.3 percent of total US GDP in 2006.

**The Power of Direct: Relevance. Responsibility. Results.**

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Foreword

We are very pleased to present the fourth annual edition of the *DMA Response Rate Trends Report*. In its relatively short life span, this report has become a “must purchase” reference resource for many marketing companies. It offers marketers a very versatile tool for benchmarking their results against others in their particular field or industry.

This year for the first time we present trend data covering a three-year period, which provides readers with a more dependable and robust benchmark than ever before. In addition, improved methodology provides for more refined calculations and more precise results, in an effort to better serve direct marketers across a wide spectrum of industries, media, and campaign objectives.

We hope you will find these improvements helpful as you plan your future campaigns and establish new marketing goals.

Anna Chernis  
Senior Research Manager  
Direct Marketing Association, Inc.
A Note of Gratitude

DMA is very pleased to have worked with Bob Weinberg, whose expert advice guided our statistical analysis of campaign data for this report. His 30 years of experience implementing, improving, and analyzing direct and database marketing programs were an invaluable contribution to our efforts. Bob can be reached at rweinberg@rwconsulting.net.

The Direct Marketing Association would also like to thank respondents of the survey for giving their time to help make this valuable information available to all direct marketers.

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Introduction

Background and Objectives

This introduction highlights the structure of the DMA 2006 Response Rate Trends Report. For nearly thirty years, the question most frequently asked of DMA library staff has been, “What’s the typical response rate for a direct marketing campaign in my industry and product category, and what media vehicle(s) will yield the best response?” In the same vein, DMA’s most recent “member needs” surveys have ranked response rate benchmarks as a top information priority.

The report is segmented by the four factors listed below, which can greatly affect response rate variability.

1. Campaign Objective
2. Media Vehicles
3. Industry
4. Products and Services (where provided)

From these breakdowns, companies can determine those response rates most applicable to their particular operations. These important factors are further broken down by the following:

1. Campaign Objectives:
   - Direct Order – Direct response communications designed to solicit and close a sale. All of the information necessary for the prospective buyer to make a decision to purchase and complete the transaction is conveniently provided in the advertisement.
   - Lead Generation – Direct response communications designed to generate a request for additional information about the product, service or organization from prospective buyers or donors, so the inquiry may be converted to a final sale (often by a professional sales staff).
   - Traffic Building – Direct response communications designed to motivate the prospective buyer to visit a store or restaurant, or other business establishment to buy an advertised product or service.
   - Fundraising – Direct response communications designed to motivate the prospective donor to make a contribution of money, or to pledge a contribution, to any nonprofit organization, charity, or political campaign.

2. Direct Response Media: Listed below are the seven media channels that may have been used solo or in combination to achieve specific campaign objectives:
   - Direct Mail – Flat
   - Catalog
   - E-mail
   - Inserts (includes Co-op/Shared Mail, Free Standing Inserts, Package Inserts, Statement Stuffers)
   - Telephone (Outbound)
   - Newspaper
   - Magazine
### Definitions of Media Vehicles Used

<table>
<thead>
<tr>
<th><strong>Catalog</strong> – A promotional book offering a variety of merchandise that contains descriptive copy and prices. E-catalog – “page-turning” feature that mimics a printed catalog from the same company.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Mail, Flat</strong> – Includes letters, postcards, brochures, pamphlets, and flyers. Direct mail pieces are intended to sell a product or service, generate a lead, or build traffic.</td>
</tr>
<tr>
<td><strong>E-Mail</strong> – The transmission and receipt of messages electronically over the Internet.</td>
</tr>
<tr>
<td><strong>Inserts: Co-op/Shared Mailing</strong> – A shared mailing in which different offers, often from different companies, are presented to consumers in the same direct mail package, with each participating mailer sharing the mailing cost.</td>
</tr>
<tr>
<td><strong>Inserts: Package Inserts</strong> – Any freestanding promotional piece included in a fulfillment shipment package. It may be for different products from the same company, or for products and services from other companies.</td>
</tr>
<tr>
<td><strong>Inserts: Statement Stuffers</strong> – A printed piece inserted in an envelope carrying a customer’s statement of account.</td>
</tr>
<tr>
<td><strong>Inserts: Free Standing Insert (FSI)</strong> – An advertising supplement, either solo or cooperative, inserted in newspapers, usually the Sunday edition, delivered with the newspaper.</td>
</tr>
<tr>
<td><strong>Magazine</strong> – Includes all direct response space advertising and “marketplace” advertisements in periodical publications designed to sell a product or service, identify a lead, or generate traffic.</td>
</tr>
<tr>
<td><strong>Newspaper</strong> – Includes all direct response space advertising in community, local, regional, and national newspapers distributed daily, weekly, or monthly that are designed to sell a product or service, identify a lead, or generate traffic.</td>
</tr>
<tr>
<td><strong>Telephone</strong> – Includes all outbound direct response advertising communications conducted over the telephone. This includes all outsourced and in-house telephone marketing designed to sell a product or service, identify a lead, or generate traffic.</td>
</tr>
</tbody>
</table>
3. **Direct Response Industries:** This report covers nineteen major industry categories (a complete listing appears below). DMA used the North American Industry Classification System (NAICS) to devise both industry and product/service listings. (Industry definitions can be found in the appendix.)

4. **Specific Products and Services:** Throughout the industries, survey participants were provided with a list of 135 products and services. We are able to present results for almost 30 product and service categories.

### Industry Products and Services in Survey

Respondents were asked to provide direct marketing campaign and response rate information for the industries and the corresponding products and services listed on the next few pages. Product and service categories for which we received sufficient response rate and cost metric data to report on separately are marked with an asterisk.

**Building and Construction**
- Air Conditioning Contractors
- General Contractors/Home Builders
- Painters
- Plumbing, Heating, and Electrical Contractors

**Business Services**
- Advertising Services*
- Commercial Printers
- Computer Services and Repair
- Computer/Data System Designers
- Consulting Services (Marketing/Management)*
- Copying and Duplicating Services
- Employment Agencies/Services
- Graphic Designers
- Mailing and Shipping Services
- Mailing List Services (Brokers, Compilers, Managers)
- Rental Services
- Training and Education Services

**Catalog/Retail Stores**
- Apparel/Accessories*
- Books and Music
- Building and Garden Supplies
- Cars/SUVs/Trucks/Parts/Accessories
- Collectibles
- Computer Hardware and Software
- Food*
- Furniture and Home Furnishings*
- General Merchandise*
- Gifts*

**Communications**
- Broadband Services
- Cellular/Wireless Services*
- Long Distance Services
- Radio Stations
- Television/Cable Services

**Computer and Electronic Products**
- Audio/Video Equipment
- Computer Hardware*
- Computer Software*
- Copy Services
- Telephone/Cellular/Wireless Equipment

**Eating and Drinking Establishments**
- Banquet Rooms
- Bars
- Carry-out
- Caterers
- Pizza
- Restaurants
Education
Conferences/Trade Shows/Seminars*
Libraries – Public/Institutional/Special
Schools – Primary and Secondary
Schools – Vocational/Secretarial/Business
Schools – Colleges and Universities*
Training Programs and Services*

Entertainment and Recreation Services
Amusement Parks/Casinos
Cable
Entertainers
Fitness and Recreation Centers
Movies/Films
Sports Events

Financial Products and Services
Banking/Credit Union Services*
Credit Cards
Insurance: Automobile*
Insurance: Health and Accident*
Insurance: Homeowners
Insurance: Life
Insurance: Property and Casualty
Securities/Commodities
General Loans
Investment Services
Mortgage*
Payment Services

Health Services
Hospitals/Other Care Facilities
Physicians/Dentists/Other Health Practitioners
Mental Health Services
Home Health Services
Nursing and Convalescent Homes
Retirement Communities and Homes
Laboratories
Medical Equipment/Products
Health Maintenance Organizations (HMOs)

Manufacturing
Apparel & Leather
Chemicals and Related Products
Electrical Equipment & Appliances
Furniture and Fixtures
Industrial Machinery and Equipment (excluding
Computers)*
Paper and Allied Products

Printing
Motor Vehicles

Nonprofit Organizations
(includes Membership)
Business and Trade Associations/
Organizations/Clubs*
Charities*
Educational/Alumni Associations
Labor/ Fraternal Organizations
Museums and Galleries
Religious Organizations/Churches*
Symphony/Orchestra/Chorale
Theater/Plays
Botanical Gardens and Zoos

Packaged Goods
Beverages
Food*
Health and Beauty Products (Cosmetics)*
Household Products
Wine/Beer/Liquor

Personal and Repair Services
Automotive and Equipment Repair
Beauty Salons/Barbers
Carpet and Rug Cleaners
Laundries/Cleaners
Photographers/Photofinishing
Spas/Weight Control Services

Professional Services
Accounting/Tax Preparation
Architects
Engineers
Human Resource Services
Legal Services
Research Services

Publishing
Books*
Consumer Magazines/Newsletters*
Trade Magazines/Newsletters
Music/Videos
Clubs (Books and Media)
Newspapers
Electronic Media
Real Estate
Office Building and Parks
Real Estate – Noncommercial*
Real Estate – Rental Services
Real Estate Developers
Real Estate Management
Shopping Centers and Malls

Travel and Transportation
Airlines
Car Rental Services
Cruise Lines
Hotels & Other Lodging Places
Tourism/Travel Agents*
Rail/Train Services

Utilities
Electric and Gas
Water

* Indicates enough data was received to provide response rate and cost metrics for this product category.
How to Use This Report

This year for the first time we combined campaigns received in 2004, 2005, and 2006 to create trend data for the last three years. This included data for more than 1,500 campaigns submitted in these three years.

Understanding and Interpreting Averages

For the first time, the DMA 2006 Response Rate Trends Report computes three different averages for combined data that appeared in the 2004 and 2005 reports and that were collected in the 2006 survey. To determine which of the averages best suits your needs, it is helpful to bear in mind the components on which they are based:

- **primary data**: (circulation, orders, leads, and revenue) submitted by respondents
- **secondary measures**: (e.g., response rate) calculated from primary data
- **summarized data**: (primary or secondary) annual totals or averages from prior reports

**House Average**: A proper average calculated from the house campaigns of all years’ primary data. House Average for any given category is calculated by first summing primary data for promotion quantity, orders, leads, and revenue for all relevant campaigns in all years. Then, secondary measures are calculated by performing the appropriate arithmetical operations on the totals, exactly as if they were data from a single campaign.

For example, House Average Response Rate for any given category is: (Sum of Number of Orders for all relevant campaigns in all years) divided by (Sum of Promotion Quantity for all relevant campaigns in all years). We expect the “House Average” will most closely reflect the category’s central tendency (marketers’ “typical” experience for that segment) over the last few years.

**Prospect Average**: A proper average calculated from the prospect campaigns of all years’ primary data. Prospect Average for any given category is calculated by first summing primary data for promotion quantity, orders, leads, and revenue for all relevant campaigns in all years. Then, secondary measures are calculated by performing the appropriate arithmetical operations on the totals, exactly as if they were data from a single campaign.

For example, Prospect Average Response Rate for any given category is: (Sum of Number of Orders for all relevant campaigns in all years) divided by (Sum of Promotion Quantity for all relevant campaigns in all years). We expect the “Prospect Average” will most closely reflect the category’s central tendency (marketers’ “typical” experience for that segment) over the last few years.

**Total Average**: A proper average calculated from the totals of all years’ primary data. Total Average for any given category is calculated by first summing primary data for promotion quantity, orders, leads, and revenue for all relevant campaigns in all years. Then, secondary measures are calculated by performing the appropriate arithmetical operations on the totals, exactly as if they were data from a single campaign.

For example, Total Average Response Rate for any given category is: (Sum of Number of Orders for all relevant campaigns in all years) divided by (Sum of Promotion Quantity for all relevant campaigns in all years).
years). We expect the “Total Average” will most closely reflect the category’s central tendency (marketers’ “typical” experience for that segment) over the last few years.

**Total Unweighted Average:** A simple average of summarized primary data or secondary measures from individual years. For example, assume summarized average response rates of 2%, 5%, and 10% were reported for the years 2004, 2005, and 2006, respectively. To calculate the unweighted average, we would sum these average response rates and divide the result by three (in this example, 5.67%). We expect such unweighted averages will represent an outer boundary of “typical” marketer experience over the last few years, and as such, will probably be less useful than Total Average.

**Weighted Product Average:** An average of annually reported summarized secondary measures, weighted by the number of campaigns per year. Unfortunately, DMA Research no longer has access to prior years’ primary data at the individual product campaign level. So, for **product categories only**, we compute averages by weighting the summarized secondary measures from each year’s report, based on the number of campaigns used to construct them, where such information is available.

For example, assume the *DMA 2004 Response Rate Report* contained a summarized average response rate of 2% based on four campaigns for a given product category, and in 2005’s report, the same product category revealed a summarized average response rate of 3%, based on six campaigns (for a total of ten campaigns). To calculate the Weighted Product Average, we multiply the average response rate reported in 2004 by 4/10 (= 0.8%) and multiply the one from 2005 by 6/10 (= 1.8%), then sum the two results (=2.6%). (Remember, we can no longer access the primary data from which the product summary figures were calculated.)

While often not very different from an Unweighted Average, we hope the Weighted Product Average may be somewhat closer to the central tendency represented by the Total Average (see above) that we would calculate from primary circulation and response data, were they still available. In their absence, we believe this to be a helpful addition to a simple Unweighted Average alone.

**Calculation of Lead Generation Averages**
To provide comparisons on lead generation campaigns, total average Conversion Rate and Revenue per Contact use only observations, which include a number of leads, orders and order revenue. The Response Rate, Cost per Lead, and Promotion Cost per Contact calculations use all observations. Promotion Costs used to generate Cost per Lead and Cost per Contact are the pure cost of the lead generating promotion. Respondents were not asked to include any backend lead processing or follow-up costs in this number.

**Validation and Cleaning of Data**
To present the most accurate and relevant information possible, we scanned all data for illogical values. The one absolute rule was to eliminate observations in a category where the cost per contact was less than logically possible (e.g., $.20 in the mail or $1.00 on the phone). We also eliminated suspiciously high values for e-mail, and per-piece mail cost of tens or hundreds of dollars, and automatically eliminated response rates in excess of 100%. In addition, we eliminated “outlier” response rates, which were completely inconsistent with the rest of the responses. For example, we did not include a 50% response rate if the next highest response rate in a given sample was 10%. By doing so, the total average response rate will represent the average of all logical responses. These were our only logic checks since, by their very nature, they conveniently eliminate other illogical numbers.
Methodology

Primary data
While the final output of information for a direct marketing campaign for this report is comprehensive, we wished to streamline the process for respondents as much as possible. Therefore, they were only required to provide the following four (or five) primary data elements:

Promotion Quantity
Promotion Cost
Number of Orders
Average Order Value
Number of Leads Generated (if applicable)

Calculation of Baseline Formulas
The following are the baseline formulas that were used to calculate secondary measures:

Total Revenue ($) = # of Orders x Average Order Value
Response Rate (%) = # of Orders (or Leads, if applicable) ÷ Promotion Quantity
Conversation Rate (%) = # of Orders ÷ # of Leads
Revenue Per Contact ($) = Total Revenue ÷ Promotion Quantity
Promotion Cost Per Contact ($) = Promotion Cost ÷ Promotion Quantity
Promotion Cost Per Order ($) = Promotion Cost ÷ # of Orders
Cost Per Lead ($) = Promotion Cost ÷ # of Leads

Reconciling Totals
Because breakdowns for house and prospect data were not available for all campaigns, there are occasions where total figures appear not to reconcile with house and prospect campaign figures. Despite this appearance, however, figures do reconcile, as demonstrated in the following table and explanation.

Catalog/Retail Stores – Industry Results by Direct Order and Medium

<table>
<thead>
<tr>
<th>Medium</th>
<th>List Source</th>
<th>Response Rate</th>
<th>Revenue per Contact</th>
<th>Promo Cost per Contact</th>
<th>Promo Cost per Order</th>
<th>Average Order Value</th>
<th>Number in Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalog</td>
<td>House Average</td>
<td>3.77%</td>
<td>$3.68</td>
<td>$0.73</td>
<td>$19.29</td>
<td>$98</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Prospect Average</td>
<td>1.25%</td>
<td>$1.20</td>
<td>$0.52</td>
<td>$41.76</td>
<td>$96</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Total Unweighted Avg.</td>
<td>2.71%</td>
<td>$2.78</td>
<td>$0.67</td>
<td>$39.34</td>
<td>$137</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Total Average</td>
<td>2.54%</td>
<td>$2.52</td>
<td>$0.61</td>
<td>$23.99</td>
<td>$99</td>
<td>62</td>
</tr>
</tbody>
</table>

In this example, the chart shows 54 House responses, 40 Prospect responses, and 62 Total responses. Note that 54 and 40 are not supposed to add up to 62. In essence, 40 respondents were able to provide a breakout of House and Prospect efforts, (which counts as 40 “total” campaigns) in Total, an additional 14 provided only House response rates (which also counts as 14 “total” campaigns), and 8 respondents were only able to provide results in Total, (which also counts as 8 “total” campaigns), making for 62 Total campaigns (40+14+8).