

Direct Mail Response Projection

Your Company Name Here!

10/15/16 15:11

Direct Mail Development		
Total Pieces to be Mailed		100,000
Direct Mail Fixed Costs		
Art / Creative Development		\$5,000
Other (e.g. Consultant fee)		\$500
Fixed Costs		\$5,500
Mailing Piece Variable Costs		
	Each	
Circulars	\$0.30	\$30,000
Cover Letter	\$0.07	\$7,000
Inserts	\$0.00	n/a
Lift Note	\$0.00	n/a
Envelopes	\$0.03	\$2,500
Order Form	\$0.00	n/a
List Rental	\$0.00	n/a
Assembly (folding, stuffing, etc.)	\$0.00	n/a
Addressing — Lettershop	\$0.00	n/a
Other	\$0.00	n/a
Total Development Cost		\$0.40 \$45,000

Gross Margin per Unit	
Average Unit Selling Price	\$65.78
Add: Handling Charge	\$7.95
Total Revenue per Unit \$73.73	
Average Unit Cost of Goods Sold	\$8.36
Shipping & Handling Costs	\$7.00
Order Processing / 800# Cost	\$2.00
SPIFF to Telesales People	\$0.00
Credit Card Charges	2.25% \$1.66
Cost of Returns / Bad Debt	\$1.00
Other	
Total Cost per Unit \$20.02	
Gross Margin per Unit: \$53.71	

Postage Analysis: Mail 1st Class or 3rd Class?	
(3rd Class deliverability is usually X% of 1st Class)	85%
First Class Postage Cost	\$ 0.23 \$ 23,000
Third Class Postage Cost	\$ 0.20 \$ 20,000
Difference in Total Postage Cost	\$ 3,000

Aggregate Unit Selling Price & COGS Calculator				
Title	% Mix	ASP	COGS	
Product 1	35%	70.00	\$24.50	\$8.80 \$3.08
Product 2	2%	30.00	\$0.60	\$8.80 \$0.18
Product 3	18%	78.00	\$14.04	\$8.80 \$1.58
Product 4	12%	78.00	\$9.36	\$8.80 \$1.06
Product 5	2%	30.00	\$0.60	\$8.80 \$0.18
Product 6	2%	30.00	\$0.60	\$8.80 \$0.18
Product 7	12%	60.00	\$7.20	\$8.80 \$1.06
Product 8	1%	30.00	\$0.30	\$8.80 \$0.09
Product 9	11%	78.00	\$8.58	\$8.80 \$0.97
Product 10	5%	0.00	\$0.00	\$0.00 \$0.00
Product 11	0%	0.00	\$0.00	\$0.00 \$0.00
x	0%	0.00	\$0.00	\$0.00 \$0.00
x	0%	0.00	\$0.00	\$0.00 \$0.00
x	0%	0.00	\$0.00	\$0.00 \$0.00
x	0%	0.00	\$0.00	\$0.00 \$0.00
x	0%	0.00	\$0.00	\$0.00 \$0.00
		100%	\$65.78	\$8.36

Response Analysis

Lowest Projected Response Rate:	0.0%
Response Rate Increments:	0.2%

FIRST Class Postage

Projected Response Rates	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%
Projected Product Unit Sales	0	200	400	600	800	1,000	1,200	1,400	1,600	1,800	2,000	2,200	2,400	2,600
Projected Revenue	\$0	\$14,746	\$29,492	\$44,238	\$58,984	\$73,730	\$88,476	\$103,222	\$117,968	\$132,714	\$147,460	\$162,206	\$176,952	\$191,698
Projected Costs	\$0	\$4,004	\$8,008	\$12,011	\$16,015	\$20,019	\$24,023	\$28,026	\$32,030	\$36,034	\$40,038	\$44,042	\$48,045	\$52,049
Projected Gross Profit on Product Sales	\$0	\$10,742	\$21,484	\$32,227	\$42,969	\$53,711	\$64,453	\$75,196	\$85,938	\$96,680	\$107,422	\$118,164	\$128,907	\$139,649
Total Investment in Direct Mail Promotion	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000
Projected Total Net Profit	(\$68,000)	(\$57,258)	(\$46,516)	(\$35,773)	(\$25,031)	(\$14,289)	(\$3,547)	\$7,196	\$17,938	\$28,680	\$39,422	\$50,164	\$60,907	\$71,649

Financial Analysis

Cost Per Piece -- in the Mail	\$0.63													
R.O.I. on Mailing	(100.0%)	(84.2%)	(68.4%)	(52.6%)	(36.8%)	(21.0%)	(5.2%)	10.6%	26.4%	42.2%	58.0%	73.8%	89.6%	105.4%
Cost Per Customer (Order)	\$0.00	\$340.00	\$170.00	\$113.33	\$85.00	\$68.00	\$56.67	\$48.57	\$42.50	\$37.78	\$34.00	\$30.91	\$28.33	\$26.15
Net Profit Per Customer (Order)		(\$286.29)	(\$116.29)	(\$59.62)	(\$31.29)	(\$14.29)	(\$2.96)	\$5.14	\$11.21	\$15.93	\$19.71	\$22.80	\$25.38	\$27.56

Break Even Analysis

Mail Pieces to Break Even (at Projected Response Rate)	1.27%	---	633,017	316,508	211,006	158,254	126,603	105,503	90,431	79,127	70,335	63,302	57,547	52,751	48,694
Product Unit Sales (if only Break Even # of Pieces are mailed)		---	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266

THIRD Class Postage

Projected Response Rates	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%
Projected Product Unit Sales (Factors in Lower Deliverability)	\$0	170	340	510	680	850	1,020	1,190	1,360	1,530	1,700	1,870	2,040	2,210
Projected Gross Profit on Product Sales	\$0	\$9,131	\$18,262	\$27,393	\$36,524	\$45,654	\$54,785	\$63,916	\$73,047	\$82,178	\$91,309	\$100,440	\$109,571	\$118,701
Total Investment in Direct Mail Promotion	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Projected Total Net Profit	(\$65,000)	(\$55,869)	(\$46,738)	(\$37,607)	(\$28,476)	(\$19,346)	(\$10,215)	(\$1,084)	\$8,047	\$17,178	\$26,309	\$35,440	\$44,571	\$53,701

Financial Analysis

R.O.I. on Mailing	(100.0%)	(86.0%)	(71.9%)	(57.9%)	(43.8%)	(29.8%)	(15.7%)	(1.7%)	12.4%	26.4%	40.5%	54.5%	68.6%	82.6%
Cost Per Customer (Order)	\$0.00	\$382.35	\$191.18	\$127.45	\$95.59	\$76.47	\$63.73	\$54.62	\$47.79	\$42.48	\$38.24	\$34.76	\$31.86	\$29.41
Net Profit Per Customer (Order)	\$0.00	(\$328.64)	(\$137.47)	(\$73.74)	(\$41.88)	(\$22.76)	(\$10.01)	(\$0.91)	\$5.92	\$11.23	\$15.48	\$18.95	\$21.85	\$24.30

Break Even Analysis

Mail Pieces to Break Even (at Projected Response Rate)	1.21%	---	605,089	302,545	201,696	151,272	121,018	100,848	86,441	75,636	67,232	60,509	55,008	50,424	46,545
Product Unit Sales (if only Break Even # of Pieces are mailed)		---	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029

First Class vs. Third Class

First Class Net Profit	(\$68,000)	(\$57,258)	(\$46,516)	(\$35,773)	(\$25,031)	(\$14,289)	(\$3,547)	\$7,196	\$17,938	\$28,680	\$39,422	\$50,164	\$60,907	\$71,649
Third Class Net Profit	(\$65,000)	(\$55,869)	(\$46,738)	(\$37,607)	(\$28,476)	(\$19,346)	(\$10,215)	(\$1,084)	\$8,047	\$17,178	\$26,309	\$35,440	\$44,571	\$53,701
Difference	(\$3,000)	(\$1,389)	\$223	\$1,834	\$3,445	\$5,057	\$6,668	\$8,279	\$9,891	\$11,502	\$13,113	\$14,725	\$16,336	\$17,947

Mail 3rd Class Mail 3rd Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class Mail 1st Class