

# OKLAHOMAN PROVES LESS IS MORE

by Rick Matsumoto



9 times out of 10, more is more. The Oklahoman (Oklahoma City, OK) conducted a split mail test with two discount levels and stumbled on that 1-in-10 occasion — it's the **lesser** of the two discounts that is performing better!

## Background

The Oklahoman has historically focused on selling Sunday Only subscriptions using a direct mail offer of 50% off for a four-month term. The tactic has been working well, but the question arose of whether it might work better with a deeper discount. The so-called "25% Rule" allowing newspapers to count subscriptions sold at 25% of the regular price has been around since July 2001, but executives at the Oklahoman were reluctant to make use of it for fear that the ROI would be negative.

This is the classic "price versus volume" issue that circulators debate every day. In fact, it is the same debate that occurs in advertising departments. If you lower the price, will you gain enough volume to make it worth doing?

## The Offers

In the spring of 2003, the Oklahoman launched a split direct mail test to answer this question. The mailing list was defined using MicroVision codes to identify areas that indexed highly for Sunday Only subscribers. Of the 77,000 records, half were sent offer A and half were sent offer B.

Offer	Regular Price	Offer Price	Discount	Term
A	\$85.20	\$30.00	65%	One year (lifetime)
B	\$28.40	\$14.20	50%	Four months

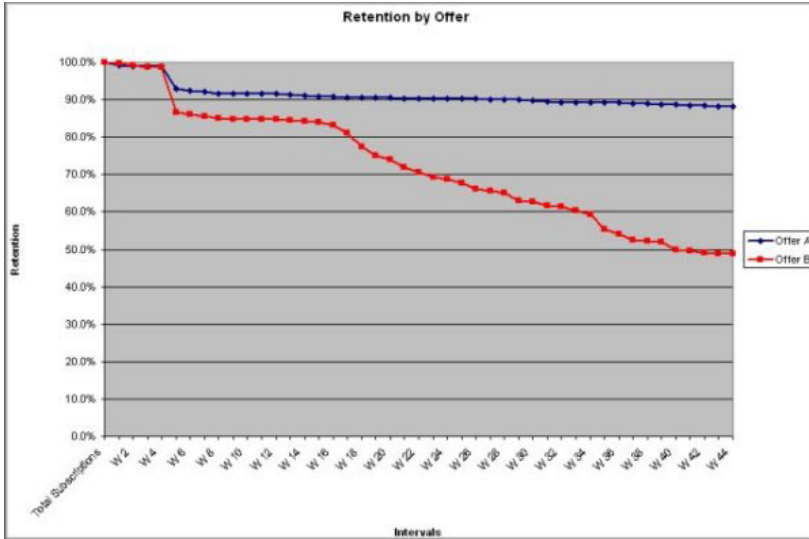
## The Results

The short-term analysis revealed that offer A had a higher response rate. "Bigger discount with a longer term," said Joann Larkee, circulation sales and marketing manager for the Oklahoman, "it wasn't hard to predict. The same is true of the retention rate — it's one year compared to 17 weeks, so of course the retention will be higher."

The Oklahoman used R-Logic® to analyze the retention of these offers. At the time of this writing, there were 44 weeks of retention history available for analysis. The chart to the right validated Larkee's prediction.

So with a higher response rate and a higher retention rate, offer A is a slam dunk, right? Not exactly. Remember, this is a price versus volume issue, so we still need to review sales and ROI

Oklahoman Proves Less is More



figures. The table below, re-created from the Worksheet in R-Logic, put all of this information together:

This analysis reinforces the importance of looking at both marketing and financial metrics before making a decision. Offer A is the better offer based on response and retention rates, but falls short when it comes to revenue and return on investment.

"The offer with the shorter term and smaller discount appears at this time to be the better option," concluded Larkee. Over time, offer A will continue to outperform B in terms of retention (the gap will continue to increase) because of the renewal cycle, so there's some concern that offer A will become the better option at some point in time. However, Larkee pointed out that it's unlikely the retention gap will ever make up for the price gap.

Offer	Pieces Sent	Orders	Rate	Revenue	Investment	CPU	CPO	ROI
A	38,500	530	1.4%	\$12,245	\$15,354	\$31.83	\$28.97	-20%
B	38,500	374	1.0%	\$14,999	\$15,352	\$57.37	\$41.05	-2%

"Keep in mind these customers [on offer B] have paid the initial discounted bill and two subsequent full-rate bills," Larkee explained. "These are established customers who value the newspaper, so while their retention might not be as good as those on a 'lifetime' offer, it's still very good."

Larkee plans to continue monitoring the performance of these offers as more data becomes available, but her focus will be on future pricing strategies that take advantage of what she learned from this test.

"This test helped us see that deep-discounting is not the answer. There's some opportunity to modify our pricing structure by segment using smaller discounts with smaller step-ups. We can also determine a break-even point for customers that churn frequently and adjust terms accordingly."

[Joann Larkee](#) is the circulation sales and marketing manager at the [Oklahoman](#) (Oklahoma City, OK). She can be reached at (405) 475-4065. This article was written exclusively for ASTECH and may not be reproduced in any form without the express permission of [ASTECH InterMedia](#).

