

Scenario E-Mail Marketing ROI Analysis

Promotion: Back to school bonanza

Date: 9/9/01

	\$39 Best Price	\$39 service	\$49 - with offer	\$49 free shipping	\$49 n/d shipping	\$49 - gd creative
Price of Product Sold Via Promotion	\$39.00	\$39.00	\$49.00	\$49.00	\$49.00	\$49.00
Other charges (postage & handling, etc.)	5.95	5.95	5.95			5.95
Adjusted price of product	\$44.95	\$44.95	\$54.95	\$49.00	\$49.00	\$54.95
Variable costs:						
Cost of product or service	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
List rental (per 1,000)	100.00	100.00	100.00	100.00	100.00	100.00
Handling and order processing cost (per unit)	1.00	1.00	1.00	1.00	1.00	1.00
Packaging Expense (per unit)	0.75	0.75	0.75	0.75	0.75	0.75
Shipping costs (or digital delivery charges - per unit)	2.00	2.00	2.00	2.00	7.00	2.00
Variable cost per unit of filling order	\$6.75	\$6.75	\$6.75	\$6.75	\$11.75	\$6.75
List rental cost per unit sold	\$6.67	\$5.71	\$5.00	\$4.55	\$4.76	\$5.26
Fixed costs (for entire campaign):						
Creative costs	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Other fixed costs	1,111	1,111	1,111	1,111	1,111	1,111
Total fixed costs	\$13,111	\$13,111	\$13,111	\$13,111	\$13,111	\$13,111
Contribution margin per order	\$38.20	\$38.20	\$48.20	\$42.25	\$37.25	\$48.20
Number of orders to break-even	343	343	272	310	352	272
Response rate to break-even	0.343%	0.343%	0.272%	0.310%	0.352%	0.272%
Projected response rate	1.5000%	1.7500%	2.0000%	2.2000%	2.1000%	1.9000%
Number of e-mails to be sent	100,000	100,000	100,000	100,000	100,000	100,000
Projected number of orders	1,500	1,750	2,000	2,200	2,100	1,900
Projected Revenue	\$67,425	\$78,663	\$109,900	\$107,800	\$102,900	\$104,405
Projected Total Contribution Margin	\$57,300	\$66,850	\$96,400	\$92,950	\$78,225	\$91,580
Projected Net Income	\$34,189	\$43,739	\$73,289	\$69,839	\$55,114	\$68,469
Projected ROI of Mailing	147.14%	175.49%	275.41%	249.77%	145.86%	263.99%

Descriptions of the Offers

\$39 Best Price

This creative will emphasize the best price

\$39 service

This creative will emphasize the best service

\$49 - with offer

Includes free roadmaster game

\$49 free shipping

Fre shipping as offer

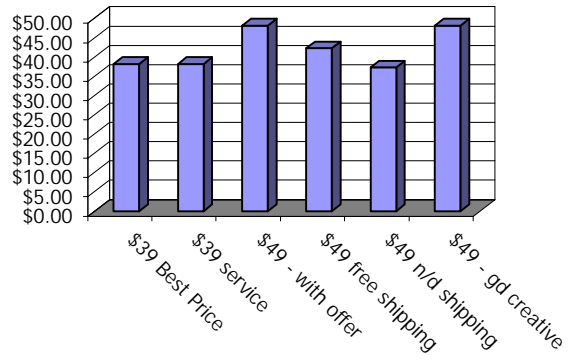
\$49 n/d shipping

Free next day shipping

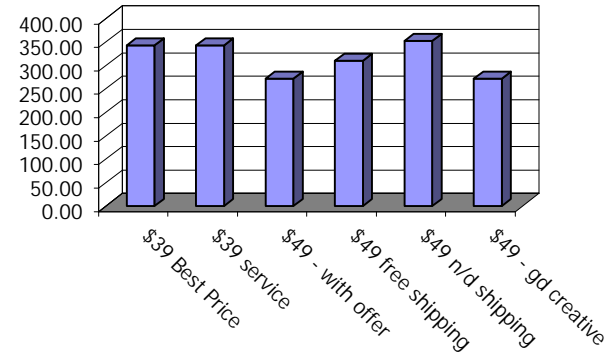
\$49 - gd creative

Very different creative - the corkscrew offer

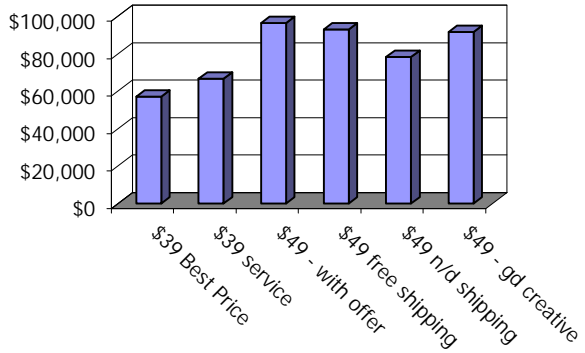
Contribution Margin Per Order



Number of Orders to Break-even



Projected Total Contribution Margin



Projected ROI

