

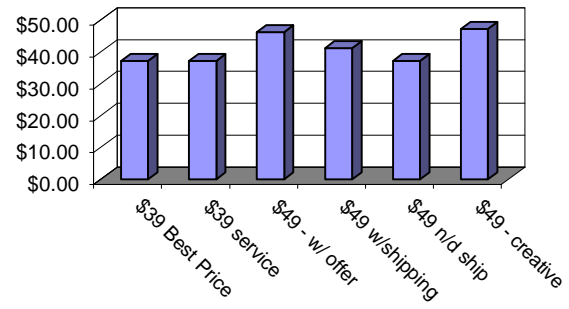
# Scenario Traditional Mail ROI Analysis

Promotion: Back to school bonanza

Date: 9/9/01

	<u>\$39 Best Price</u>	<u>\$39 service</u>	<u>\$49 - w/ offer</u>	<u>\$49 w/shipping</u>	<u>\$49 n/d ship</u>	<u>\$49 - creative</u>
Price of Product Sold Via Promotion	\$39.00	\$39.00	\$49.00	\$49.00	\$49.00	\$49.00
Other charges (postage & handling, etc.)	\$6.00	\$6.00	\$6.00			\$6.00
Adjusted price of product	\$45.00	\$45.00	\$55.00	\$49.00	\$49.00	\$55.00
Variable costs:						
Unit Direct Mail Cost	\$0.65	\$0.56	\$0.63	\$0.68	\$0.63	\$0.70
Cost of product or service	3.00	3.00	3.00	3.00	3.00	3.00
Handling and order processing cost (per unit)	1.00	1.00	2.00	1.00	1.00	1.00
Packaging Expense (per unit)	0.75	0.75	0.75	0.75	0.75	0.75
Shipping costs (per unit)	3.00	3.00	3.00	3.00	7.00	3.00
Fixed costs (for entire campaign):						
Creative costs	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Other fixed costs	900	900	900	900	900	900
Total fixed costs	\$8,900	\$8,900	\$8,900	\$8,900	\$8,900	\$8,900
Variable cost per unit of filling order	\$7.75	\$7.75	\$8.75	\$7.75	\$11.75	\$7.75
Contribution margin per order	\$37.25	\$37.25	\$46.25	\$41.25	\$37.25	\$47.25
Number of orders to break-even	238.93	238.93	192.43	215.76	238.93	188.36
Response rate to break-even	0.024%	0.024%	0.019%	0.022%	0.024%	0.019%
Projected response rate	2.0000%	1.0000%	1.5000%	0.5000%	0.0250%	0.2500%
Number of pieces to be sent	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Projected number of orders	20,000	10,000	15,000	5,000	250	2,500
Projected Revenue	\$900,000	\$450,000	\$825,000	\$245,000	\$12,250	\$137,500
Projected Total Contribution Margin	\$745,000	\$372,500	\$693,750	\$206,250	\$9,313	\$118,125
Projected Net Income	\$86,100	(\$196,400)	\$54,850	(\$482,650)	(\$629,588)	(\$590,775)
<b>ROI of Mailing</b>	52.53%	-227.31%	39.14%	-1012.91%	-5318.59%	-2089.39%
Descriptions of the Offers						
\$39 Best Price			This creative will emphasize the best price			
\$39 service			This creative will emphasize the best service			
\$49 - w/ offer			Includes free roadmaster game			
\$49 w/shipping			Fre shipping as offer			
\$49 n/d ship			Free next day shipping			
\$49 - creative			Very different creative - the corkscrew offer			

**Contribution Margin Per Order**



**Number of Orders to Break-even**

