

CASE STUDY

CYCLING GUIDE Treads Bicycle Outfitters – Aurora, Colorado

Catalyst Communication, Inc.
1515 Walnut Street
Boulder, CO 80302-5429
info@catacom.com
Phone: (800) 444-5548
(303) 444-5545

Direct Mail Drives More and Larger Purchases

Treads Bicycle Outfitters co-owner Gene Hodges carefully tracked his customers' responses to the Cycling Guide. Because he registers 97% of his sales to individual customers, he can precisely measure their response to his advertising.

Hyper-Competition demands smart advertising

Treads is in the Denver market with more than 50 national and local retailers, including five Bicycle Village, three Performance, one Supergo and two REI stores. Gene produced his own mailers from 1995 to 1998, and has been selling online since 1998. He has also advertised with radio, newspaper and coupon books.

Treads mailed and distributed 35,000 Cycling Guides at events and at its three stores. This analysis comes from the original Treads location, which has the most comprehensive customer account history. A "control group" (10% of customers) did not receive Cycling Guides.

- Number of Cycling Guides mailed: 8,602
- Measurement period of study: 6 weeks after delivery
- Cost to print and mail Cycling Guides: \$4,129 (\$0.49 each)
- Additional sales ("lift") from Cycling Guide customers: \$29,419
- Additional gross profit in 6 week period: \$29,419 x 40% margin = \$11,767
- Return per dollar invested: \$11,767 / \$4,129 = \$2.85

Different customers behave differently

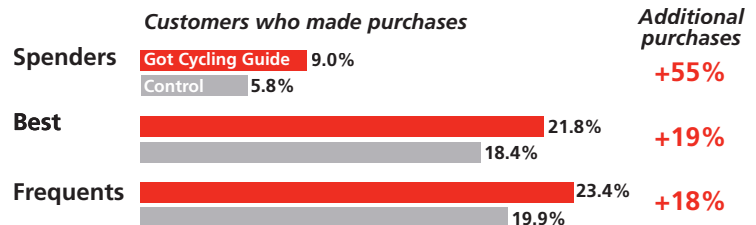
Treads groups customers based on their average number and size of purchases. Best customers delivered by far the highest increase in sales, especially compared to the cost of mailing.

Customer Group	Purchase Volume and Frequency Characteristics	Cycling Guides Mailed	Cost of mailed Guides	Increase in sales	Sales Increase to Cost
Best	Spend and purchase more than average	885	\$433.65	\$16,063	37 to 1
Spenders	Come in less than avg. spends more than avg.	1,543	\$756.07	\$6,860	9 to 1
Frequents	Come in more than avg. spends less than avg.	1,673	\$819.77	\$6,496	8 to 1

The fourth, "Uncertain," category comes in less than average and spends less than average. They were unaffected by the mailing, so we left them out of this report.

Profitable response on all active customers

Customers who received Cycling Guides were significantly more likely to make purchases than those in the control group who *didn't* get a Guide.



Confirmed the value of best customers

Not only did the best customers who received the Guide make **additional** purchases — they also made **larger** purchases than those who didn't get the Guide.

Average sales to the 163 best customers who received the Guide increased from \$143 to \$204.

The \$61 increased sales to existing customers yielded almost \$10,000, and the 30 additional customers it brought in more than covered the cost of the mailing.

	Number	Added per sale	Lift in sales
Increase from "Best" customers	163	\$61 (\$204-\$143)	\$9,943
Additional "Best" customers	30	\$204	\$6,120

Gene's Conclusions

- "I don't have to produce my own catalog! I've done it before and Catalyst does a better job at a much lower cost in money, time, and stress."
- "Sales were still being generated after the 6 week measurement period. In fact, the Guide brought in additional business for 4 months."
- "Capturing new customers from the rental databases. Prospecting for new customers is typically the most expensive advertising. Because that cost is so small as part of the total Cycling Guide mailing to existing customers, it's the most economical way of prospecting that I know."
- "It gives us a powerful in-store handout."
- "Core customers yield the highest increase in sales."

"The Guide is still bringing in additional business after almost four months."

– Gene Hodges

