

# Hacker Group PowerTest<sup>®</sup> Strategy

HOW TO FIND A CONTROL FAST



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# Hacker Group PowerTest® Strategy

## HOW TO FIND A CONTROL FAST

### THE RIGHT WAY FOR ALL MAILERS TO ESTABLISH A CONTROL PACKAGE . . . FAST!

Traditional testing methodology tells us to 1) only test one thing at a time; 2) always test head-to-head; and 3) always test statistically valid samples. This works fine when you have lots of time and you mail in high volume so you can afford to allocate 5,000 or more names to each test cell. For example, a mailer dropping 1,000,000 packages at a time can test 40 cells of 5,000 each and still mail the control package to 80% of the file.

But what if your mailing universe is constrained to 100,000 names or less, as many business-to-business or geographically constrained direct marketers are? With a limited number of names to mail, conventional testing may limit the number of test cells to 5–10, even if you tested the entire file. Often, that's just not enough testing, particularly if there is no control package and there is little or no time to find one.

Recently, one of our clients gave us the following opportunity. If we could test in October and find a control package that hit their economic target, they would allocate \$2,500,000 to a rollout in January. Due to a very tight time constraint, we had to find a winner on the first drop. Since the client had no mailing history with this product, we had to conduct a PowerTest® because it was the only way to find a winner in time to hit the January rollout date. In this case, the test matrix contained 32 different offers and 288 discrete test cells distributed over about 200,000 pieces of mail.

### HOW TO DO A POWERTEST®

The objective of a PowerTest is to develop a control package as fast as possible. With a properly run PowerTest, you can usually find a winner — or several winners — in the first test, and almost always by the second test event. Here's how it works.

#### Phase 1

In a PowerTest situation, there is often no control. There has been no testing — or failed testing — and there is no meaningful performance data for lists, packages or offers. Therefore, the objective of Phase 1 is to determine these key success drivers:

- Discover which lists will work for the offer
- Determine which offers will work for the lists

To show you how it works, let's look at a simple 90,000 piece PowerTest. The key assumptions are:

- There are two package formats
- There are three offer splits
- There are ten lists being tested at 9,000 each

Based on the above test assumptions, the test matrix would look like this:

Test Matrix						
	Offer A		Offer B		Offer C	
	Package X	Package Y	Package X	Package Y	Package X	Package Y
List 1	1500	1500	1500	1500	1500	1500
List 2	1500	1500	1500	1500	1500	1500
List 3	1500	1500	1500	1500	1500	1500
List 4	1500	1500	1500	1500	1500	1500
List 5	1500	1500	1500	1500	1500	1500
List 6	1500	1500	1500	1500	1500	1500
List 7	1500	1500	1500	1500	1500	1500
List 8	1500	1500	1500	1500	1500	1500
List 9	1500	1500	1500	1500	1500	1500
List 10	1500	1500	1500	1500	1500	1500

In this matrix, there are 60 test cells, each with 1,500 names. The results from each cell are not statistically valid. To generate a statistically valid sample, this test would have to be about 300,000 pieces, which is often too risky, too expensive or both.

However, the results are still highly indicative. You will see strong trends and HotZones™ that tell you what to do next. Let's assume that the test generated the following response rates:

Response Rate Matrix						
	Offer A		Offer B		Offer C	
	Package X	Package Y	Package X	Package Y	Package X	Package Y
List 1	4.5%	3.8%	6.4%	4.6%	2.5%	1.9%
List 2	3.6%	2.8%	4.4%	3.9%	2.7%	1.8%
List 3	1.6%	1.3%	3.2%	2.8%	1.6%	1.4%
List 4	1.7%	1.6%	2.2%	1.6%	4.5%	3.2%
List 5	1.4%	1.5%	1.5%	2.1%	1.4%	1.4%
List 6	2.7%	1.9%	3.7%	2.4%	2.4%	1.9%
List 7	1.6%	1.3%	2.1%	1.9%	1.3%	1.5%
List 8	3.4%	2.2%	4.2%	2.5%	2.1%	1.7%
List 9	1.5%	1.4%	1.6%	1.8%	1.4%	1.5%
List 10	2.3%	1.8%	2.6%	2.4%	1.8%	1.6%

In this example, it is safe to conclude the following, assuming we need a response rate of 3% or more to hit the economic target:

- Package X is a clear winner over Package Y
- Offer A worked best with Lists 1, 2 and 8

- Offer B worked best with Lists 1, 2, 6 and 8
- Offer C worked best with List 4
- Nothing worked with Lists 5, 7 or 9

## Phase 2

In Phase 2 we conduct a CheckTest™ using the results of Phase 1, this time using cells that are large enough to generate a statistically valid sample size. The CheckTest matrix might look like this:

CheckTest Cell Counts						
	Offer A		Offer B		Offer C	
	Package X	Package Y	Package X	Package Y	Package X	Package Y
List 1	10,000		10,000			
List 2	10,000		10,000			
List 3			10,000			
List 4					10,000	
List 5						
List 6			10,000			
List 7						
List 8	10,000		10,000			
List 9						
List 10						

With a response rate of 3% or higher and test cell counts of 10,000, the results from the CheckTest would be statistically projectable. And we've been able to find a winning control package with only 180,000 names instead of the 600,000 (10,000 pieces X 6 offer/package combinations X 10 lists) that would have been required for a test of this magnitude with traditional testing.

Now that you have a control, you can keep program performance high with a standard test methodology and conduct a PowerTest again if you need to. For each pass through the universe, mail 90,000 control packages and test two new offers or packages to two panels of 5,000 each. The statistical reliability of the tests will be high. At the same time, program performance is protected since 90% of the file will receive the control.