Total Pieces to be Mailed		100,000
Direct Mail Fixed Costs		
Art / Creative Development		\$5,000
Other (e.g. Consultant fee)		\$500
Fixed Costs		\$5,500
Mailing Piece Variable Costs	Each	
Circulars	\$0.30	\$30,000
Cover Letter	\$0.07	\$7,000
Inserts	\$0.00	n/a
Lift Note	\$0.00	n/a
Envelopes	\$0.03	\$2,500
Order Form	\$0.00	n/a
List Rental	\$0.00	n/a
Assembly (folding, stuffing, etc.)	\$0.00	n/a
Addressing — Lettershop	\$0.00	n/a
Other	\$0.00	n/a
Total Development Cost	\$0.40	\$45,000

Gross Margin per Unit					
Average Unit Selling Price	\$65.78				
Add: Handling Charge	Add: Handling Charge				
Total R	\$73.73				
Average Unit Cost of Goods Sold		\$8.36			
Shipping & Handling Costs	\$7.00				
Order Processing / 800# Cost	\$2.00				
SPIFF to Telesales People		\$0.00			
Credit Card Charges	\$1.66				
Cost of Returns / Bad Debt		\$1.00			
Other					
Tot	\$20.02				
Gross M	\$53.71				
•					

Postage Analysis: Mail 1st Class or 3rd Class?									
(3rd Class deliverability is usuall	y X% of	f 1st Class)		85%					
First Class Postage Cost	\$	0.23	\$	23,000					
Third Class Postage Cost	\$	0.20	\$	20,000					
Difference in Total Postage Co	\$	3,000							

Title	% Mix	ASP		COGS	
Product 1	35%	70.00	\$24.50	\$8.80	\$3.08
Product 2	2%	30.00	\$0.60	\$8.80	\$0.18
Product 3	18%	78.00	\$14.04	\$8.80	\$1.58
Product 4	12%	78.00	\$9.36	\$8.80	\$1.06
Product 5	2%	30.00	\$0.60	\$8.80	\$0.18
Product 6	2%	30.00	\$0.60	\$8.80	\$0.18
Product 7	12%	60.00	\$7.20	\$8.80	\$1.06
Product 8	1%	30.00	\$0.30	\$8.80	\$0.09
Product 9	11%	78.00	\$8.58	\$8.80	\$0.97
Product 10	5%	0.00	\$0.00	\$0.00	\$0.00
Product 11	0%	0.00	\$0.00	\$0.00	\$0.00
x	0%	0.00	\$0.00	\$0.00	\$0.00
x	0%	0.00	\$0.00	\$0.00	\$0.00
x	0%	0.00	\$0.00	\$0.00	\$0.00
x	0%	0.00	\$0.00	\$0.00	\$0.00
x	0%	0.00	\$0.00	\$0.00	\$0.00
	100%	•	\$65.78	•	\$8.36

Response Analysis				L	owest Projected I	Response Rate:	0.0% 0.2%							
FIRST Class Postage					Kesponse Ka	ite increments:	0.2%							
Projected Response Rates	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%
Projected Product Unit Sales	0	200	400	600	800	1.000	1,200	1.400	1.600	1,800	2,000	2,200	2,400	2.600
Projected Revenue	\$0	\$14.746	\$29,492	\$44,238	\$58,984	\$73,730	\$88,476	\$103,222	\$117,968	\$132,714	\$147,460	\$162,206	\$176,952	\$191,698
Projected Costs	\$0	\$4,004	\$8,008	\$12,011	\$16,015	\$20,019	\$24,023	\$28,026	\$32,030	\$36,034	\$40,038	\$44,042	\$48,045	\$52,049
Projected Costs Projected Gross Profit on Product Sales	\$0	\$10,742	\$21,484	\$32,227	\$42,969	\$53,711	\$64,453	\$75,196	\$85,938	\$96,680	\$107,422	\$118,164	\$128,907	\$139,649
Total Investment in Direct Mail Promotion	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000	\$68,000
Projected Total Net Profit	(\$68,000)	(\$57,258)	(\$46,516)	(\$35,773)	(\$25,031)	(\$14,289)	(\$3,547)	\$7,196	\$17,938	\$28,680	\$39,422	\$50,164	\$60,907	\$71,649
Financial Analysis														
Cost Per Piece in the Mail	\$0.63													
R.O.I. on Mailing	(100.0%)	(84.2%)	(68.4%)	(52.6%)	(36.8%)	(21.0%)	(5.2%)	10.6%	26.4%	42.2%	58.0%	73.8%	89.6%	105.4%
Cost Per Customer (Order)	,	\$340.00	\$170.00	\$113.33	\$85.00	\$68.00	\$56.67	\$48.57	\$42.50	\$37.78	\$34.00	\$30.91	\$28.33	\$26.15
Net Profit Per Customer (Order)		(\$286.29)	(\$116.29)	(\$59.62)	(\$31.29)	(\$14.29)	(\$2.96)	\$5.14	\$11.21	\$15.93	\$19.71	\$22.80	\$25.38	\$27.56
Break Even Analysis	1.27%													
Mail Pieces to Break Even (at Projected Response Rate)		633,017	316,508	211,006	158,254	126,603	105,503	90,431	79,127	70,335	63,302	57,547	52,751	48,694
Product Unit Sales (if only Break Even # of Pieces are mailed)		1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266
THIRD Class Postage														
Projected Response Rates	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%
Projected Product Unit Sales (Factors in Lower Deliverability)	\$0	170	340	510	680	850	1,020	1,190	1,360	1,530	1,700	1,870	2,040	2,210
Projected Gross Profit on Product Sales	\$0	\$9,131	\$18,262	\$27,393	\$36,524	\$45,654	\$54,785	\$63,916	\$73,047	\$82,178	\$91,309	\$100,440	\$109,571	\$118,701
Total Investment in Direct Mail Promotion	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Projected Total Net Profit	(\$65,000)	(\$55,869)	(\$46,738)	(\$37,607)	(\$28,476)	(\$19,346)	(\$10,215)	(\$1,084)	\$8,047	\$17,178	\$26,309	\$35,440	\$44,571	\$53,701
Financial Analysis														
R.O.I. on Mailing	(100.0%)	(86.0%)	(71.9%)	(57.9%)	(43.8%)	(29.8%)	(15.7%)	(1.7%)	12.4%	26.4%	40.5%	54.5%	68.6%	82.6%
Cost Per Customer (Order)	\$0.00	\$382.35	\$191.18	\$127.45	\$95.59	\$76.47	\$63.73	\$54.62	\$47.79	\$42.48	\$38.24	\$34.76	\$31.86	\$29.41
Net Profit Per Customer (Order)	\$0.00	(\$328.64)	(\$137.47)	(\$73.74)	(\$41.88)	(\$22.76)	(\$10.01)	(\$0.91)	\$5.92	\$11.23	\$15.48	\$18.95	\$21.85	\$24.30
Break Even Analysis	1.21%													
Mail Pieces to Break Even (at Projected Response Rate)		605,089	302,545	201,696	151,272	121,018	100,848	86,441	75,636	67,232	60,509	55,008	50,424	46,545
Product Unit Sales (if only Break Even # of Pieces are mailed)		1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029
First Class vs. Third Class														
First Class Net Profit	(\$68,000)	(\$57,258)	(\$46,516)	(\$35,773)	(\$25,031)	(\$14,289)	(\$3,547)	\$7,196	\$17,938	\$28,680	\$39,422	\$50,164	\$60,907	\$71,649
Third Class Net Profit	(\$65,000)	(\$55,869)	(\$46,738)	(\$37,607)	(\$28,476)	(\$19,346)	(\$10,215)	(\$1,084)	\$8,047	\$17,178	\$26,309	\$35,440	\$44,571	\$53,701
Difference	(\$3,000)	(\$1,389)	\$223	\$1,834	\$3,445	\$5,057	\$6,668	\$8,279	\$9,891	\$11,502	\$13,113	\$14,725	\$16,336	\$17,947