



July 2009

IPC Strategic Perspectives

[print](#) | [next](#)

DIRECT MAIL A Winning Solution



Promoting Direct Mail in an Economic Crisis

It is no surprise to anyone with a stake in the postal industry that we are in the midst of an economic crisis that has driven down Direct Mail volumes and expenditures over the past year. According to *DMNews*, half of US advertisers expect a further decline in volumes throughout 2009. Winterberry Group¹ predicts that Direct Mail expenditure will drop another eight to nine percent this year.

In the postal world there is a high degree of consensus that direct mail volume will never return to peak levels. A portion of the lost Direct Mail revenue will be redirected to online media, including E-mail, internet advertising and search engine marketing, thus becoming the favored return on investment (ROI) driver of the marketer.

In a recent Forrester Research² survey of chief marketing officers worldwide, Direct Mail spending was cut by 52 percent in 2009, however 40 percent of the sample had increased their online marketing budgets³.

This growth in online marketing is not a surprise. As mentioned in the April 2009 edition of *IPC Strategic Perspectives*, we are living more and more in a digitized, electronic world. Internet penetration continues to grow, and those with access are spending an increased amount of time surfing the Net. Internet access will take a giant leap as mobile and smart phones are being designed to become mini, but high performance portable computers. In addition to access, there is the element of price. E-advertising in most cases is available at a lower price compared to Direct Mail, making this a particularly attractive option for local marketers with smaller budgets. But is it really all bad news for Direct Mail and the postal industry?

Now that we have laid out the challenges facing Direct Mail, let's focus on the opportunities an economic crisis can create for Direct Mail.

Here is a fact: end-consumers and advertisers believe that Direct Mail provides a high ROI and is more targeted and appealing than e-advertising.

However, this comes with a caveat: to realize the maximum ROI, Direct Mail must be relevant and creative. This provides opportunity for posts to play an important role with customers, by providing them with front-end expertise in design, creative, audience segmentation and address hygiene. Upfront customer interface is more important than ever when budgets are being cut and advertising spend is typically a target of cost savings.



1. Winterberry Group is a global strategic consulting firm in marketing and advertising. See also www.winterberrygroup.com/

2. Forrester Research is a technology and market research company that provides pragmatic advice to global leaders in business and technology. See also <http://www.forrester.com/rb/research>

3. Source: <http://www.brandrepublic.com/DMDaily/News/918652/Advertising-budgets-slashed-favour-online/?DCMP=EMC-DMDailyBulletin>

So, how do cuts in the marketing budget affect a business?

When a company pulls back on customer communications to economize, the result can cause short and long-term damage to the brand. Advertising is not just a cost, but an investment resulting in added value through awareness, image and sales, Ad-ology⁴ has proven this link with the company's image. When a company reduces its advertising during a recession a "warning signal" goes off in the consumer's mindset and they may believe that the company is suffering hard times. In some cases, they may switch to a competitor that is maintaining a visible market presence. In contrast, businesses which continue to advertise at the same level are perceived as more active and retain a more positive image.

According to PIMS⁵, database companies that invested less in advertising during the recession after 9/11 maybe had better short-term results to the bottom line; however, in the long term this revenue decreased dramatically once the recession was over. Those who maintained pre-9/11 marketing and communication had a significantly higher return once the economy revived.



A Bright Future for Direct Marketing

During a crisis, attention is focused on how to spend reduced advertising budgets in the most effective manner. Marketers must find the most targeted, relevant and effective way to ensure that the messages they convey reach the right audience, at the right cost, and deliver the ROI needed for a successful marketing campaign.

Media that doesn't deliver ROI expectations will drop out of the advertising mix. Television advertising is expensive and less targeted than its online and Direct Mail counterparts. Because of the high-reach potential of television, costs are more or less fixed and cannot as easily be reduced as costs associated with Direct Mail. Direct Mail is not "all or nothing". This medium is much more flexible, allowing marketers to pinpoint specific messages to specific addresses and hone mailing lists down through better data management, thus reaching only those customers most prone to respond to an offer; reducing costs and increasing ROI. Wim Tjaberinga, president of Smin, the association of customer media⁶ in the Netherlands, sums up this issue perfectly, "You cannot make a half mass medium campaign. In the case of classic mass media such as television, the advertiser pays the whole amount, or nothing."

4. Ad-ology is an online source containing sales, marketing and demographic data about industries and companies plus all the latest facts and figures on who's spending what where. See also <http://www.ad-ology.net/>

5. The Profit Impact of Market Strategy (PIMS) database was developed with the intention of providing empirical evidence of which business strategies lead to success, within particular industries. It is administered by the American Strategic Planning Institute. See also http://www.pimsonline.com/about_pims_db.htm

6. Smin is the Dutch customer media association representing the interests of its members and providing them platforms in terms of masterclasses, meetings and workshops. See also <http://www.smin.nl/>

In 2009 UBA⁷, the Belgian advertisers' association, analyzed the impact of the financial crisis on the media budget of Belgian advertisers. A small majority of the 53 respondents intend to invest less in television, while 50 percent say they will invest less in sponsorships and 40 percent plan to reduce their print advertising and events budgets. The online marketing media are the big winners: four in ten plans to invest more in internet and e-mail marketing.

Addressed and unaddressed Direct Mail results are mixed. On one hand they will lose money, but on the other they will attract new investment. Almost two in ten respondents want to reduce this budget, but four in ten indicated they would spend more in this area. The same conclusion is made by *Target Marketing's Media Forecast for 2009*⁸. Although two out of ten of those surveyed will decrease Direct Mail investment, three out of ten plan to spend more in this area.

According to the DM Pige⁹ from De Post / La Poste, the Belgian investments in DM were five percent higher in the first quarter of 2009, compared to the same period last year.

The Future of Search Engine Advertising

Many advertisers choose online marketing media simply because it's cheaper and in step with expanding digitalization trends. The growth of online media in recent years is in double digits. In 2008, the European online advertising market grew by 20 percent compared to the previous year. The story was similar in the US, where the growth was 10.6 percent. As the US market has led the online market for several years, the increase over last year was not as great as in European countries. However, in both Europe and the US, growth in 2008 was less than in 2007.

The biggest growth area for online marketing is search engine marketing, growing 26 percent from 2007 to 2008, making its share of total online investment around 43 percent. And this area is expected to grow further. Forrester Research predicts that US spending in search engine marketing will double in 2014, compared to 2009¹⁰.

Growth in 2009, according to online marketing experts from the IAB¹¹, is less optimistic. CEO Alain Heurreux expects zero growth, or at best, a maximum of five percent. The final outcome will depend on how advertisers spend their reduced marketing budgets and the return measured.



7. UBA means Unie der Belgische Adverteerders / Union Belge des Advertisseurs. It's the membership organisation of Belgian advertisers. See also www.ubabelgium.be

8. Source: http://www.targetmarketingmag.com/article/i-target-marketing-i-s-third-annual-survey-direct-response-media-spending-403583_1.html

9. Source: <http://www.bdma.be/getfile.php?id=2776>

10. Source: <http://blogs.forrester.com/a/6a00d8341c50bf53ef011570df8e04970c-pi>

11. IAB is the Interactive Advertising Bureau, the Belgian platform for everybody working in the internet sector. See also <http://www.iab-belgium.be>



Online vs. Direct Mail Who Comes out on Top ?

Research shows that many consumers are adverse to banner advertising and e-mail marketing. A Dutch study¹² asked consumers to rank direct marketing channels in the order they most preferred. The choices included Direct Mail, advertising in newspapers, TV adverts and Internet banners. Of these four choices, Internet banners were the least liked. Of all Direct Marketing media surveyed, consumers favour Direct Mail as the most informative direct marketing channel. When asked if e-mail marketing is a good alternative for addressed Direct Mail, most respondents said no¹³.

In Canada, Direct Response TV and addressed Direct Mail were the most welcome of all direct marketing media¹⁴. Telemarketing, banner ads and e-marketing were disliked by the majority of respondents. Direct Mail was also viewed as a secure and trusted medium, although concerns were highlighted over the protection of personal information. Canadian recipients felt their information less at risk through advertising by mail (only 19 percent felt at risk versus 29 percent with e-mail, and 36 percent with telemarketing).

Then there is the "mail moment", which cannot be replaced by e-marketing. The majority of consumers open their letterbox daily and the majority of people read their mail immediately. The likelihood of being read also increases if the piece is addressed rather than not addressed. This data appeared in the Canadian survey: 84% of Canadians spend some time reading addressed Direct Mail every day.



12. Source: Q&A presentation at the "Dag van de Brievenbusreclame" event (Dutch Day of Advertising Mail), 12th of May 2009. See also <http://www.brievenbusreclame.nl/congres2009.html>

13. Source: WDM presentation at the "Dag van de Brievenbusreclame" event (Dutch Day of Advertising Mail), 12th of May 2009. See also <http://www.brievenbusreclame.nl/congres2009.html>

14. Source: Canadian attitudes towards Direct marketing and Mail 2007, study conducted by Canada Post. See also http://www.canadapost.ca/cpo/mr/assets/pdf/business/canadianattitudes_en.pdf

Direct Mail: The Clear Leader in Customer Retention

After ROI, another important consideration in making marketing decisions during crisis times is customer retention. During hard financial times it is crucial that companies maintain and tighten their relationships with their existing clients. It's always more cost-efficient to retain a customer than to win a new one. For example, 28 percent of French advertisers declared that the hard economic times affected their decision to divert more attention to existing client relationships, rather than courting new ones.

According to *IPC's Direct Marketing Intelligence*¹⁵, addressed Direct Mail was by far the most effective medium for customer retention in all participating countries (Belgium, France, Netherlands, Sweden, UK and USA). So, the more focus placed on customer retention, the more attention there will be for Direct Mail.

Direct Mail is the most effective medium for customer retention, because consumers are more likely to open a piece of mail from a company with which they already have an established relationship, and if a customer knows and trusts the brand, he or she are more likely to purchase or respond positively to an offer.

Direct Mail is not only an effective tool for retaining customers, it is also perceived to be the most effective method for attaining new customers. The *IPC Direct Marketing Intelligence* found that 23 percent of respondents believe Direct Mail delivers the strongest ROI for customer acquisition.



15. Source: IPC Direct Marketing Intelligence publication, p. 18

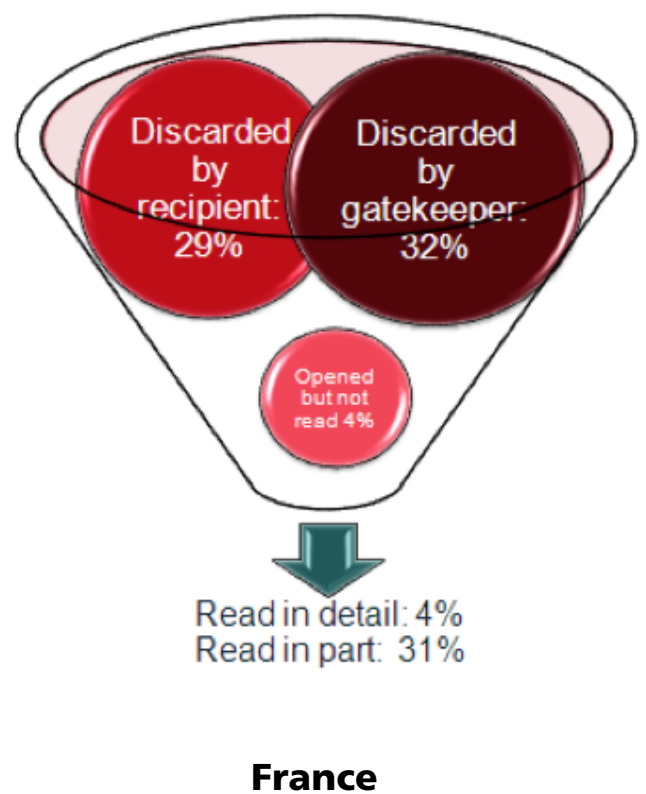
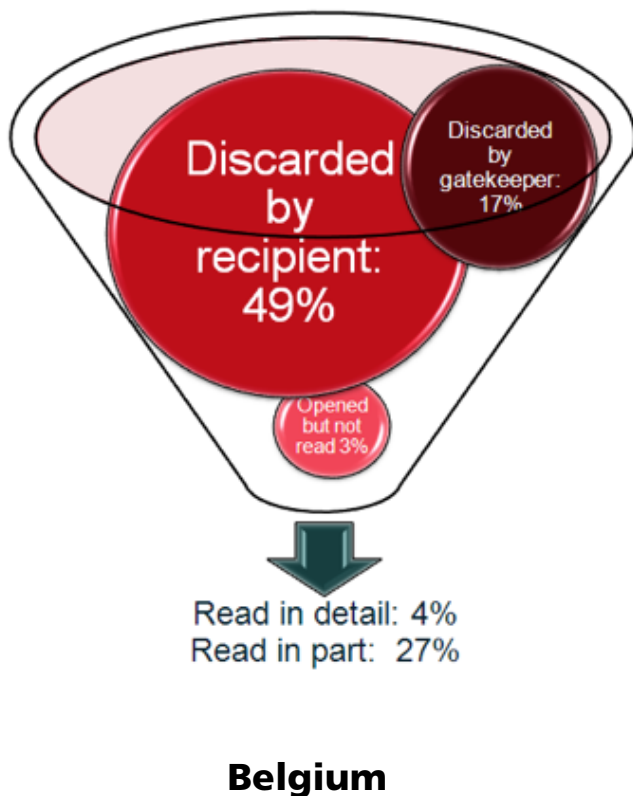
The 3 Rs of Direct Mail: Respect, Reward and Relevance

Although consumers say they prefer addressed Direct Mail over e-marketing, they have certain requirements they expect from their Direct Mail piece. To satisfy the receiver, a mail piece must fulfill three important criteria, which were described by Royal Mail as "The Three R's"¹⁶.

The first one is **Respect**, which means an honest and transparent message without clichés. The receiver doesn't want to be patronized.

The second important factor is **Reward**. What does the consumer gain from the offer? What is the benefit of opening the envelope? The offer has to deliver something that is desired or sought after by the receiver.

The third and most important factor is **Relevance**. The piece must be focused and of interest to the consumer. If Direct Mail is not targeted and relevant to the recipient it is more than likely discarded. People throw it away, as *IPC's Direct Marketing Intelligence* has shown for B2B Direct Mail. In Belgium and France, almost half of the B2B mail pieces were discarded before they were opened or read. That is why the envelope design and messaging is crucial to getting the piece noticed, opened and read.



16. Source: <http://www.royalmail.com/portal/rm/content1?catId=21000361&mediaId=21000371>

Relevance is the key to the success of a Direct Mail campaign and it encompasses motivational relevance, which means understanding the customer's needs, and lifestyle. Creative relevance means that the look of the mail piece itself, its tone of voice and the brand have to suit the personality of the receiver. It must also have pragmatic relevance, which means personalization including a correct name, address, and other personal and demographical information that give the receiver the impression that the mail piece was designed especially for them.

Making Direct Mail relevant to prospective consumers is an opportunity for posts to get involved upfront with their mailing customers to ensure their Direct Mail campaigns will be successful and deliver a greater ROI than competing direct marketing channels.



Database Management: The Key to Relevance

Advertisers need to be certain their mailing reaches the right customers or prospects. According to the book *Never Sell to a Stranger* by Ramon Guardia Masso¹⁷, the address list is the most important component of a Direct Mail campaign: sixty percent of a campaign's success depends on the accuracy of the database. Other success factors include the actual offer or premium (thirty percent) and the design format (ten percent).

Superior address lists which possess optimal data quality are indispensable. They are continuously honed and cleansed so that only relevant consumers remain. These databases use segmentation and modeling to predict which customers best fit with certain offerings. Optimising databases means less waste per campaign, resulting in less costs for the advertiser and a higher ROI. Kelly Ronayne, vice-president of the American Association of Retired Persons (AARP), which manages a multi-million record database, said: "good data management provides us with ways we to reduce costs without impacting response."¹⁸

Good database management also keeps irrelevant mail out of the hands of consumers that are not interested in an offer, have no connection with the brand or receive an inappropriate offer just because their name appeared on a "bad" mailing list. According to Winterberry Group director, Jonathan Margulies, these drops in Direct Mail volumes aren't a bad thing, "the decline represents a trend that marketers are using databases to drive improved choices."¹⁹



17. Guardia Masso Ramon. *Nunca Vendes a un Extranero. Marketing Directo Hoy*. Editorial Deusto, Barcelona, 1991.

18. Source: <http://issuu.com/dmnews/docs/dmnews-management-survey> and go to page 5

19. Source: <http://issuu.com/dmnews/docs/dmnews-management-survey> and go to page 4

Maintaining a customer database requires investment

Maintaining a customer database requires investment in time and money. Some estimates put the costs of poor quality data as high as twenty-five percent of revenues or total budget of an organization.

For instance, looking at an example in Belgium²⁰, it is clear that improving data quality reduces annual costs. Consider all of the Direct Mail campaigns of a Belgian insurance company in one year. With its existing database eleven percent of the mailings were undeliverable. After improving data quality they reduced their undeliverable mail by seven percent resulting in cost savings of €105,000.

	Cost of postage per piece	Cost of Marketing material per	Mailings per year	Percentage of mail not delivered	Annual wasted direct mail cost
Original DQ:	0,40 €	0,35 €	2.000.000	11%	165.000 €
Improved DQ:	0,40 €	0,35 €	2.000.000	4%	60.000 €
Annual cost savings from data quality (DQ) initiative:					105.000 €

20. Source: Presentation given by Vivium and WDM at Marketing Day De Post / La Poste & WDM, 26th of March 2009. See also http://www.marketingday.be/2009/after.asp?ID=s_tKVIA6iCasssO&LANGUAGE=NL

Clean lists are a win/win

Clean, segmented and updated databases also save postal operators time, resources and money. Mail needs to be processed and delivered, which also has a cost. Every undeliverable address needs to be processed, sorted, returned or destroyed. For example, in the United States, processing 9.7 billion undeliverable mail pieces cost the USPS almost \$2 billion in 2004²¹.

Calculez votre économie avec OptiRetour !

Nombre d'adresses total de votre base de données	<input type="text" value="50000"/> (min. 50000)
Estimation du nombre de Direct mail par adresse	<input type="text" value="2"/> /an
Estimation du nombre de courriers administratifs (facture, ...) par adresse	<input type="text" value="12"/> /an
Pourcentage de retours postaux	<input type="text" value="3"/> %
Vos frais liés à un retour postal	
Coût de l'affranchissement	€ <input type="text" value="0.3"/> /pièce
Frais de production	€ <input type="text" value="0.2"/> /pièce
Coût de traitement des retours postaux	€ <input type="text" value="0.3"/> /pièce
Vos opportunités de vente (courrier DM)	
Pourcentage de vente par mailing (commandes)	<input type="text" value="2"/> %
Prix moyen de vente	€ <input type="text" value="27"/> HTVA
<input type="button" value="Calculer"/>	

In Belgium, De Post / La Poste has set up a product called OptiRetour. This aims to reduce the number of undeliverable Direct Mail pieces. With a simple calculation tool, businesses can see how much money they can save by using OptiRetour. To see the tool in French, please click on the following URL:

http://www.denkdm.be/fr/optiretour_calculator.asp



In June 2009, Royal Mail launched a new data management tool for small and medium enterprises (SMEs), called Clear Prospects. After using this diverse tool, the effectiveness and ROI of Direct Mail is improved even more. The tool enhances the accuracy of the databases, tracks lost customers and creates new prospect lists. And it's fast; a database with 5,000 records can be cleansed, enhanced, prospected and ready to use in only 15 minutes.

After logging in, the user has the option to cleanse their customer data, improve accuracy and decrease returns due to incorrect addresses. Cleansing includes correctly formatting addresses, identifying duplicates, and cleaning against files such as Royal Mail's National Change of Address Data and Universal Suppression Service. With the Prospect option, the SME can easily find new business by purchasing new consumer or business details (depending on the aim of the campaign: B2C or B2B) choosing parameters that can be tailored according to their business needs.

To access this tool, please visit

<https://www.ukchanges.com/royalmail/>

21. Source: <http://www.dmnews.com/USPS-looks-to-change-Move-Update-requirements/article/116338/>

Why Do Customers Open Direct Mail?

In addition to an accurate database, the mail piece design is key to the success of the opening and reading process. Once a recipient opens the envelope, what happens next? According to research by the American Direct Marketing Association²², the creative aspect of a mail piece can generate a lift in response rate by more than 13 percent. A Royal Mail study²³ from 2007 concludes even higher figures: campaigns perceived by the receivers as possessing strong creative can generate over twice the average of response. This is true for both for B2B and B2C campaigns. Layout and content should be clear.

Potential for the postal industry

Postal companies also have a role to play to ensure their customers' Direct Mail campaigns are well designed and effective in eliciting a response... a well designed letter.

In June 2009, TNT Post launched the first true 3D card. This new DM product aims to offer a unique way of communicating a message to consumers by evoking immediate impact on the receiver and all those who view it. The card has dimensional effects which can be viewed from any angle without tilting the product and produce a realistic impression of floating elements. The whole concept is based on a printing technique which creates the illusion of depth.



In Hong Kong, a new distribution service called "Irregular Shape DM" has proven successful. Hong Kong Post created a special delivery service to enhance Direct Mail creativity. This service accommodates all the components of a full Direct Mail pack into an "envelope" which can be created in any shape and with any color scheme. Hong Kong Post then delivers these packages to all receivers within two working days. Thanks to this service, direct mailings don't necessarily need to be restricted to traditional letter size mail.

For more info regarding this service please visit <http://www.hongkongpost.com/dm/eng/postal/irregular.htm>

Be creative with the envelope

In Ireland, AnPost helps their customers by providing a service allowing them to customize envelopes with branding and messaging elements. The Personalised Postage product is part of PostAim, a programme which provides a range of discounted postal services for direct mailing campaigns with 2,000 mail pieces or more. After an initial fee of €250, AnPost creates advertiser-specific envelope designs which attract attention and improves read rates. This certainly makes the direct mail piece stand out from the moment it's taken out of the mailbox.

The set-up is simple: the advertiser provides a proposed design and sends it to AnPost for approval.



22. Source: <http://www.dmnews.com/Creative-generates-average-response-lift-of-13-percent-plus-DMA/article/94523/>

23. Source: Royal Mail Campaign Effectiveness Study 2007. See also www.royalmail.com/campaigneffectiveness

Postmark advertising

Another alternative offered by AnPost is a printed advertising message next to the postal indicia. With Postmark Advertising the advertiser has a presence on every piece of mail delivered. The message will be printed on every stamped mail piece, usually around seven million mail items within a designated two week period.



Help Them Help You

Direct Mail will become a more highly targeted, data-driven advertising medium with a great value for the advertising world. There has been a drop in Direct Mail volume and spend as a result of the current economic crisis, but these drops should be the incentive for posts to improve and demonstrate the value of Direct Mail to their clients.

In these tough times, ROI and customer retention become the most important issues in marketing and Direct Mail can be part of the solution. The drops in volume and spend also mean that businesses are paying more attention to their address databases by cleaning data and only selecting the most relevant customers or prospects. This is important because an irrelevant or wrongly addressed mailing harms the revenue of both the advertiser and Direct Mail as a media.

Posts can play an important role in the creativity area, which is also important. If a Direct Mail piece is creative, it generates a higher response.

IPC Direct Marketing Intelligence was established to measure the trends within direct marketing and to identify the ongoing relevance and efficiency of Direct Mail in comparison to on-line marketing and traditional commission based advertising. More than ever in times of declining mail volume and economic crisis, posts need to understand and adapt to the changing nature of the direct marketing community.



ABOUT THIS PUBLICATION

IPC Strategic Perspectives is an in-depth look at issues relevant to the postal industry.

IPC Strategic Perspectives is sent out exclusively to IPC member posts. If you have an idea for a topic of interest for an upcoming issue, please contact us via email at publications@ipc.be or send your submissions to:

IPC
Head of Communication
Avenue du Bourget, 44
1130, Brussels
Belgium

While every care has been taken to ensure the accuracy of this report, the facts and estimates stated are based on information and sources which, while we believe them to be reliable, are not guaranteed. No liability can be accepted by International Post Corporation, its directors or employees, for any loss occasioned to any person or entity acting or failing act as a result of anything contained in or omitted from this report.

