



IPC Direct Marketing Intelligence 2008

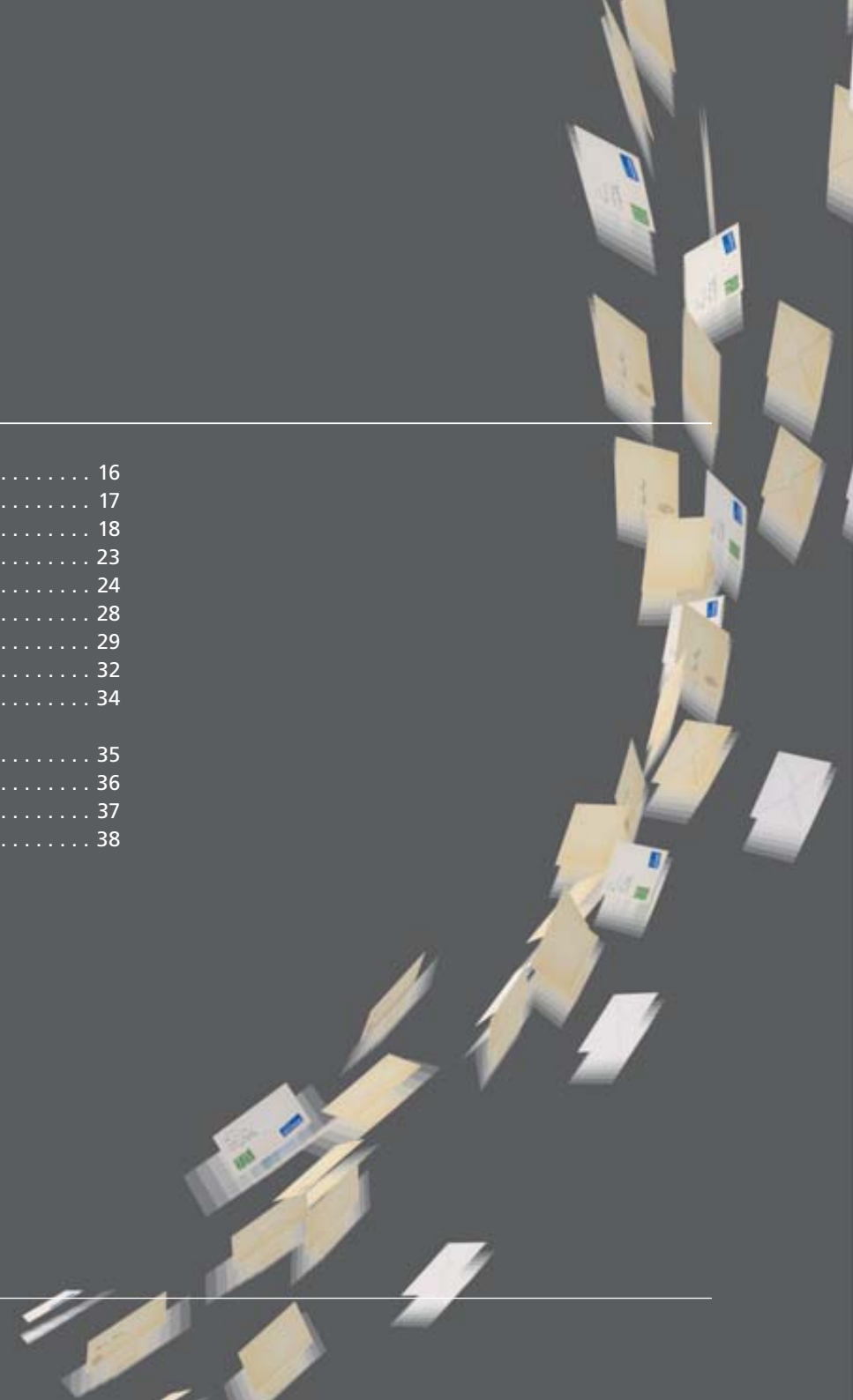


THE NATURAL PARTNER FOR THE POSTAL INDUSTRY

International **Post**
Corporation

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Foreword

In 2008, in response to requirements put forth by Marketing Directors from throughout our membership, the International Post Corporation carried out an independent research study on Direct Marketing. The *IPC Direct Marketing Intelligence Report (IPC DMI)* was the first of its kind to provide a comparative and comprehensive view of direct marketing across seven countries in Europe and North America.

This study was conducted for IPC by IPSOS Germany and was based upon the highly regarded Deutsche Post Direct Marketing Monitor in Germany. A common methodology was developed for the research which took place in Belgium, France, the Netherlands, Sweden, the UK and the US. Where possible, comparisons have been made to the German market.

Fundamental to this study was the agreement on standard definitions for direct marketing, together with standard questionnaires which were translated into the local languages. These were developed in consultation with marketing and research experts from the posts in each of the researched markets.

The findings are based upon qualitative interviews with some of the highest spending advertisers in the world, combined with quantitative telephone interviews from a representative sample of advertisers in each country, with an annual turnover greater than €250,000. The findings have been validated against existing secondary research and have been shared and endorsed by the postal operators in the respective markets.

The IPC DMI study provides data on the effectiveness of Direct Mail in each national market; the relative positions of Direct Mail and online advertising, and the performance of direct mail within cross-media campaigns. It also includes findings on the environmental sensitivity of Direct Mail, and the economic importance of the media to the national economy.

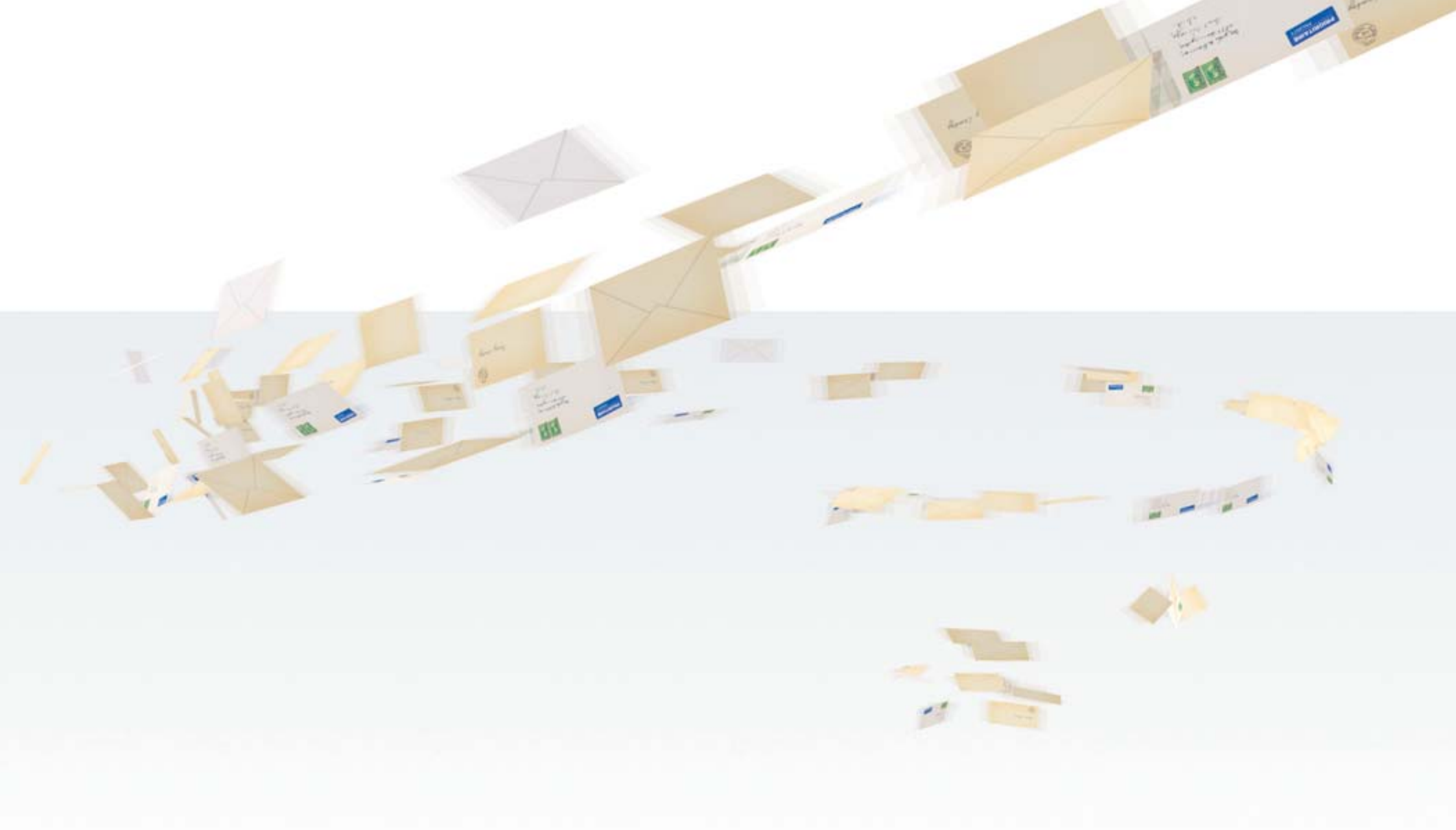
Key findings from this study are intended to assist postal operators to improve direct mail services to their advertising customers and to demonstrate how Direct Mail can provide, responsive, sustainable and cost effective communications to their consumers by making Direct Mail part of an integrated multimedia campaign. The responsible engagement of postal operators in educating advertisers on the need for mailing relevant, highly targeted, accurately addressed, mailings will be key to improving the perceptions of advertising mail.

Having established this benchmark, IPC would like to develop this study over future years to become the definitive measure for charting the trends in online and offline direct marketing as well as reporting on the effectiveness of Direct Mail in the ever changing world of direct marketing. Ideally, this study will be repeated and expand to additional markets on an annual or bi-annual basis, not only to benefit the postal industry, but for anybody with an interest in global advertising trends.

It is my pleasure to present this first *IPC Direct Marketing Intelligence Report*.



Jane Dyer
Director, Markets and Communication
International Post Corporation



Introduction

IPC Direct Marketing Intelligence (IPC DMI) report is the result of a comprehensive research programme conducted by IPC in 2008. This research aims at assessing and understanding the value of direct marketing activities and Direct Mail as part of organisations' overall marketing and communication strategies.

By developing and piloting research in several countries based on a consistent methodology and standardised definitions, *IPC DMI* provides in-depth market analysis as well as benchmarking direct marketing and Direct Mail development across countries. IPC delivers value for its members by providing a strong platform for influencing and driving the growth and development of an important income stream in the postal industry.

Understanding the dynamics within direct marketing media across a range of markets at different levels of online development, will provide a clear picture of how advertisers can best leverage the unique strengths of direct mail as a communication medium.

This report includes an overview of the key findings from research in the US, the UK, France, Belgium, the Netherlands and Sweden. A similar study has been conducted for several years by Deutsche Post in Germany and, where possible, these results are included in the *IPC DMI* analysis.

The research answers the following questions:

- What are the key developments and trends in direct marketing?
- How is Direct Mail perceived and used by advertisers?
- What are the concerns regarding the impact of Direct Mail on the environment?
- What are the optimum combinations with Direct Mail in cross-media campaigns?
- In what ways can Direct Mail become a more highly valued media?

Factors and perceptions influencing the use of direct marketing and Direct Mail are explored in detail as well as looking at future developments of Direct Mail.

In addition, *IPC DMI* includes research targeted at recipients of business-to-business Direct Mail, exploring the value of and the barriers to effective Direct Mail campaigns in this specific sector.

IPC conducted this research in conjunction with IPSOS Germany market research. All the findings and data included in this report refer to the year 2007.



Executive Summary

Exponential growth in the diversity of e-communication combined with the mainstream adoption of new technologies has resulted in unprecedented levels of complexity and fragmentation in the world of marketing and communication today. The ability to maximise returns from investments is critical for advertisers.

Recognizing the value of Direct Mail to their businesses, postal operators must therefore seek to understand different online media and how the unique strengths of Direct Mail can help their customers build more effective communication campaigns.

A Healthy Share of Marketing Expenditure

IPC DMI research measures the expenditure of Direct Mail and the online media in the direct marketing mix in countries with different levels of marketing sophistication. By understanding the current and potential threats to the use of Direct Mail, posts can help position it as a highly-valued communication media.

- Direct Marketing accounts for approximately 50 percent of all marketing and communication expenditure in the mature markets researched.

- Addressed and unaddressed Direct Mail account for approximately 15 to 30 percent of marketing and communication expenditure.
- The service industry sectors such as finance remain the greatest users of Direct Mail targeted to individual consumers.

Direct marketing activities are likely to remain important in the future. The continued progression from push to pull media puts the consumer firmly in control of advertising messages they wish to receive.

Direct Mail Strengthens Existing Customer Relationships

Direct Mail is perceived as a more effective media for customer retention. It is also seen as effective for customer acquisition, short-term sales and product advertising.

- Up to 60 percent of users consider Direct Mail to be the most effective medium for customer retention. E-mail marketing does not currently receive such strong endorsement.
- Advertisers using Direct Mail believe it delivers creative and impactful communication. In the US, up to seventy five percent of Direct Mail advertisers say they choose the medium for its creativity and potential for a high level of personalisation.

Direct Mail: A Targeted, Effective Customer Connection

Advertisers clearly understand that relevance and personalization of advertising messages will bring the greatest return on investment (ROI). However, the higher costs required in conducting Direct Mail campaigns, including substantial postage costs, are driving more advertisers to seriously consider cheaper online media.

In order to capture a greater share of the marketing budget in an online world, Direct Mail must become a highly-valued method of communication among receivers, advertisers and their media agencies. The ability to deliver targeted personalised messages ensures Direct Mail can effectively bridge the gap between online and off-line communications.

Direct Mail an Important Element of Integrated Campaigns

Advertisers are boosting ROI through use of integrated cross-media campaigns. In this context, postal operators must look to reduce potential barriers to the inclusion of Direct Mail in these campaigns.

- Generally, nearly a quarter of cross-media campaigns already include Direct Mail and this is likely to grow in the future.



Innovative use of technology could facilitate the flow of information between online and offline databases as well as current address management systems, thereby making the addition of paper-based messaging seamless with online marketing activity.

Environmental Perceptions of Direct Mail

Recipients value personal targeted messages which are relevant to their lifestyle and the trend towards reducing unsolicited communication from unknown organisations is likely to continue. Postal organisations can have a role to play in 'cleaning up' the image of Direct Mail by developing business models which reward responsible use of the medium. Some current initiatives include:

- Environmental best practice guidelines eg: DMA Green 15.
- Address list screening and updating.
- Segmentation of target groups.

Direct Mail could be reserved for important targeted messages only, thereby increasing relevance to recipients and indirectly increasing ROI for advertisers.

In addition, increased relevance is likely to have a positive impact on the environmental concerns expressed by advertisers and recipients alike, with regard to use of paper-based advertising.

B2B Direct Mail

It is estimated that between 20 and 40 percent of all Direct Mail spend is business-to-business (B2B), yet this sector is not as well researched or understood. Research results indicate that approximately half of B2B Direct Mail received is discarded without being opened. Increased open and read rates could be achieved through using full names, ensuring highly relevant content, as well as providing tailored systems and tools to the B2B sector.

Adding Value

Postal companies have a broader role to play in communicating the value of paper-based communication. This can be achieved through education and through learning to speak effectively to advertisers and their media agencies. This can also be achieved by providing direct marketing expertise and effective tools which support the medium.

As new technologies continue to fuel the development of e-communication and people continue to change the way they live and do business, posts can successfully harness different media and technologies to deliver greater value to their customers through potentially higher margin value-added services for Direct Mail.

In a rapidly changing business environment, it is important to monitor trends and the evolving role of Direct Mail in customers' marketing and communication strategies. IPC and its members are looking to repeat and expand the Direct Marketing Intelligence research programme in 2010 to other markets and to establish the trends of online and offline direct marketing.

Economic Contribution of Direct Mail

An important objective of *IPC DMI* research is to provide a tool for estimating the economic contributions of Direct Mail activities.

This is estimated as:

- A percentage contribution to the Gross Domestic Product (GDP) of a country.
- A percentage of working population.

The economic contribution of Direct Mail is calculated based on the total expenditure as estimated in the research. This accounts for all the monies spent by advertisers in all activities in the Direct Mail value chain, as well as costs associated with staff within their own organisation dedicated to Direct Mail activities.

The economic contribution induced in the wider economy resulting from Direct Mail activities is extremely difficult to isolate from other marketing activities.

Market	Estimated contribution of Direct Mail to GDP (in 2007)	Estimated contribution to employment (in 2007)
US	€60 bn	575,000
The Netherlands	€2.5 bn	37,000
France	€7 bn	160,500
Belgium	€800 m	22,000
Sweden	€850 m	15,000
UK	€5 bn	98,500

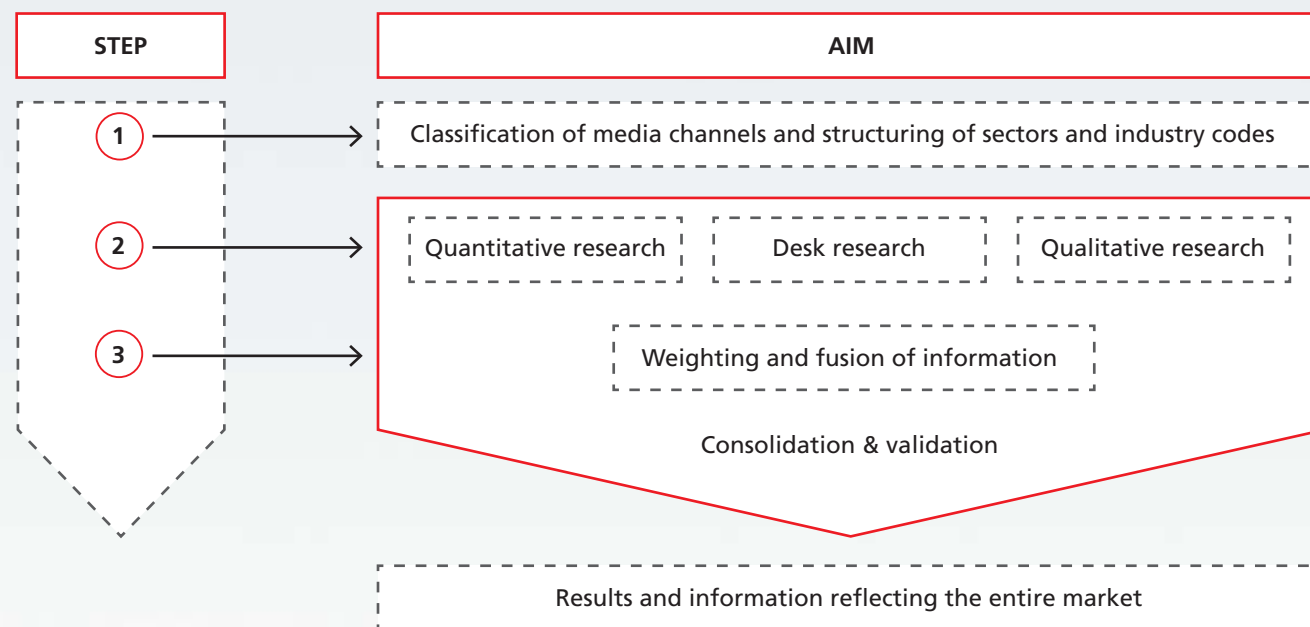
In the absence of comparable secondary information on which to base the estimation of induced costs, a narrower definition based solely on expenditure estimates collected through *IPC DMI* research is included in this report.

Methodology – Three Step Approach

Through a structured programme of primary and secondary research, detailed information relating to advertising expenditure and media choice, is collected from advertisers of all sizes across a wide-range of sectors.

The research combines a large sample size (over 2,000 interviews in all countries with the exception of Belgium), and a detailed sampling frame. By extrapolation, the analysis included media expenditure and media usage figures representative of advertisers with a turnover of at least €0.25m per year in each country in 2007.

The rigorous research methodology and design enables accurate estimations of direct marketing activities and Direct Mail expenditure among different types of businesses and sectors.



Classification of Sectors

This chart illustrates the standard sampling frame developed for *IPC DMI* research.

Activities are grouped into five sectors (second level), which represent three broad categories: Trade, Services and Manufacturing Industries.

Companies are allocated to sectors using individual NACE/SIC codes.

First Level	TRADE	SERVICES			MANUFACTURING
Second Level	Trade	Finance	Public Services	Other Services	Manufacturing Industries
Third Level	• Trade (Wholesale, Retail) • FMCG (Food, household products, etc.) • Mail order	• Banks • Insurances • Other financial services	• Non-profit • Utilities (Energy, Telecom) • Government • Health services • Education	• Media • Travel/Tourism • Leisure/Entertainment • Automotive repairs • Other services	• Construction Industry • Agriculture • Mining • Production

NOTES

- Only companies with an annual turnover of at least €0.25m or equivalent are included.
- Disproportionate quotas are set by sector (second level) and company size.
- Company size is defined by annual turnover or number of employees.
- Companies are randomly selected within each quota cell.

Exclusion: Postal service, Defence, Private households

Classification of Media Channels

IPC DMI adopted a broad definition of direct marketing in order to capture the full range of one-to-one marketing activities.

The same definition was used in all markets to ensure comparability of results.

NOTES

- Within online marketing, internet site refers to the advertisers own site with some form of response mechanism.
- As direct marketing media evolve, this definition can be expanded to include new forms of communication such as viral marketing, social networking, etc.

DIRECT MARKETING			CLASSIC MEDIA	OTHER MEDIA
Traditional Direct Marketing	Online Marketing	Classic Media with Response		
• Addressed mailings • Unaddressed door drops • Outbound telemarketing • Inbound telemarketing • Mobile marketing	• E-mail marketing • Internet site • Banner advertising • Paid search	• Print with response • Insert with response • Outdoor with response • TV with response • Radio with response • Cinema with response	• Print • Insert • Outdoor • TV • Radio • Cinema	• Events • Promotional campaigns • Loyalty magazines • Fax advertising • Coupons



Direct Marketing Expenditure

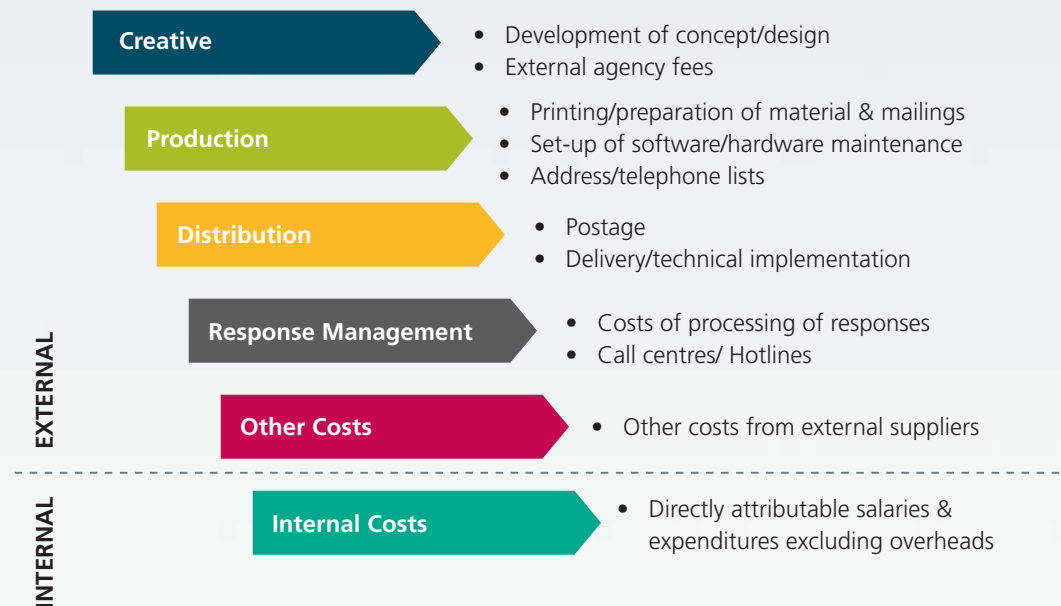
Assessing Total Expenditure

IPC DMI research measures total expenditure. This includes all external sub-contracted costs incurred by an advertiser as well as internal costs associated with dedicated internal resources.

The breakdown of external costs into core elements is captured, thereby allowing a detailed analysis of cost structures of different media.

NOTES

- Equivalence is established between the core elements of different media. Direct comparisons of core elements can therefore be achieved.
- The data collected from advertisers is reported data – based on actual expenditure figures or estimates made by respondents.



Survey Parameters

NOTES

- Fieldwork was conducted between May 2008 and July 2008.
- Computer-aided telephone interviews in local languages.
- Results weighted to represent all companies with an annual turnover of more than €0.25m or equivalent.

	US	UK	FR	SE	BE	NL	DE
Expenditure	All figures are in € and are valid for calendar year 2007						
Sampling procedure	Disproportionate quota sampling by sector and size of company						
Universe	All companies with at least €0.25m turnover per year						
Sample size	n=2,571	n=2,140	n=2,284	n=2,411	n=1,027	n=1,946	n=2,800
Total Universe of Companies	2,284,000	588,000	653,000	153,000	128,000	328,000	1,259,000

Marketing & Communication Expenditure

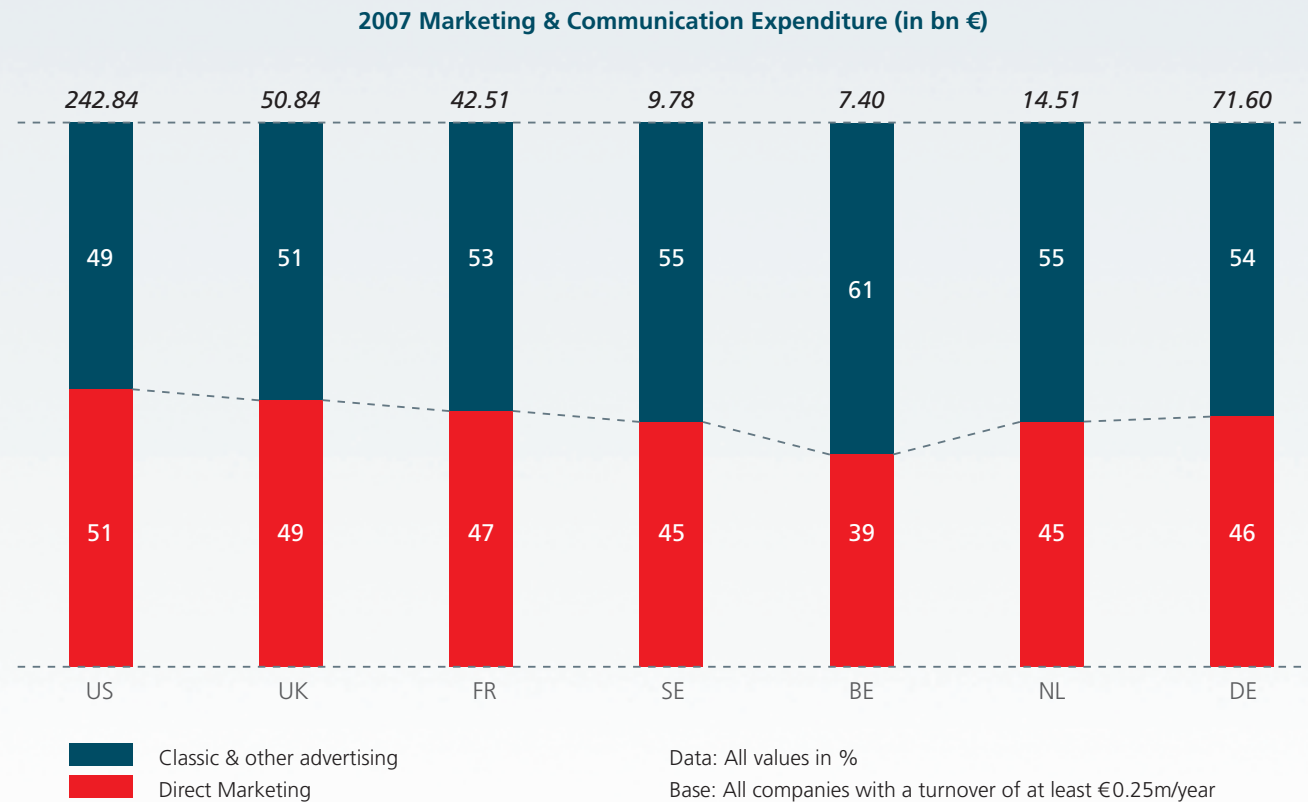
This chart shows the share of direct marketing expenditure (indicated in red) as a proportion of the total marketing and communication expenditure.

Direct marketing accounts for 45 to 50 percent of expenditure.

Results suggest potential for growth in direct marketing expenditure in Belgium. This may be tempered by the requirement for regional communication channels – providing a high level of segmentation in classic media channels.

NOTES

- Expenditure figures converted to € using European Central Bank average 2007 rates.
- Marketing & Communication expenditure in the US is greater than that of the combined six EU countries included in the research.
- 1 bn is 1 billion which is 1,000 million.



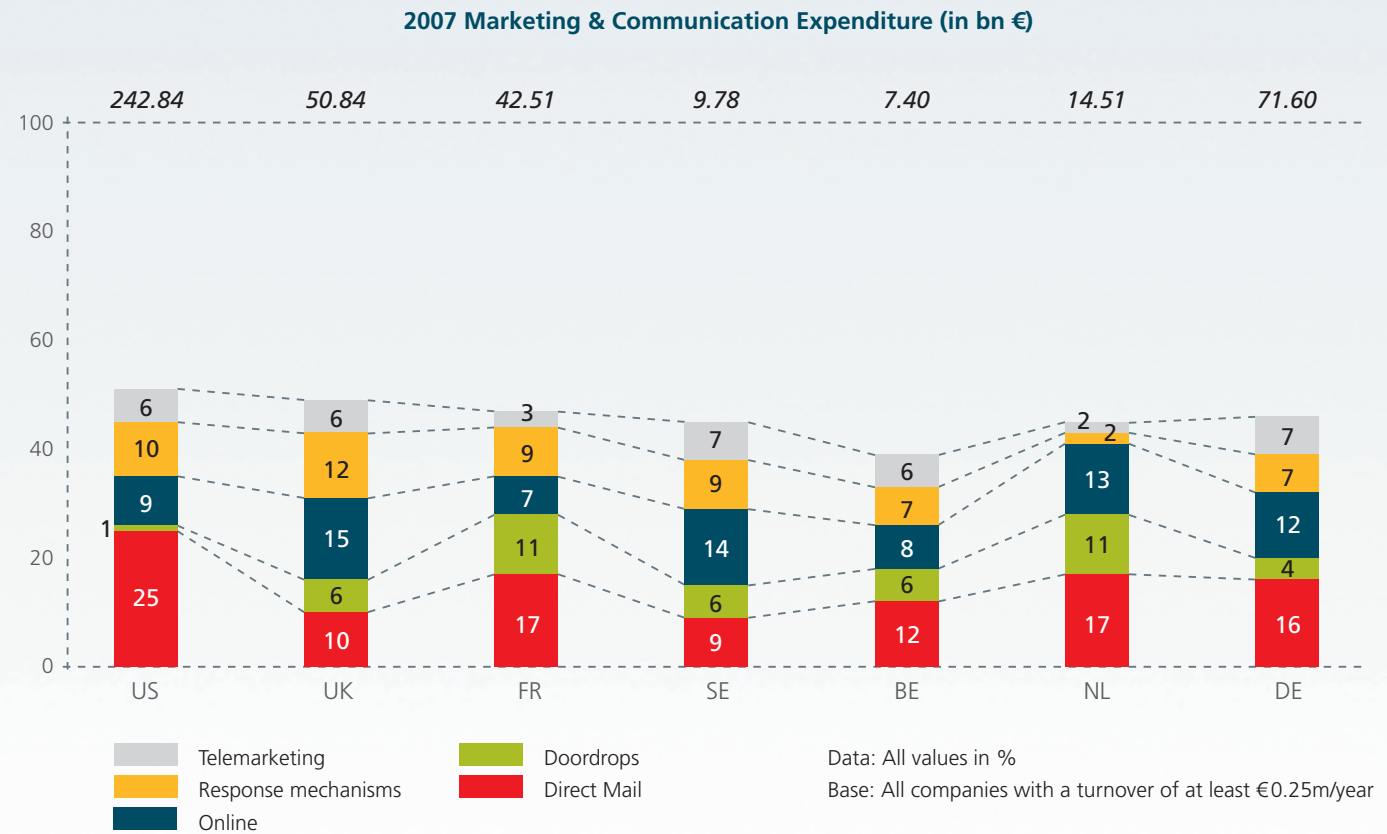
Direct Marketing Media Share of Expenditure

Direct Mail accounts for the highest spend within direct marketing in most countries.

In 2007, in Sweden and the UK, online advertising spend has grown to levels of physical advertising mail expenditure (addressed and unaddressed).

NOTES

- In the US, unaddressed Direct Mail is not a communication channel handled by the post. Unaddressed mail such as doordrops may not be inserted into a US mailbox.



Direct Marketing Expenditure

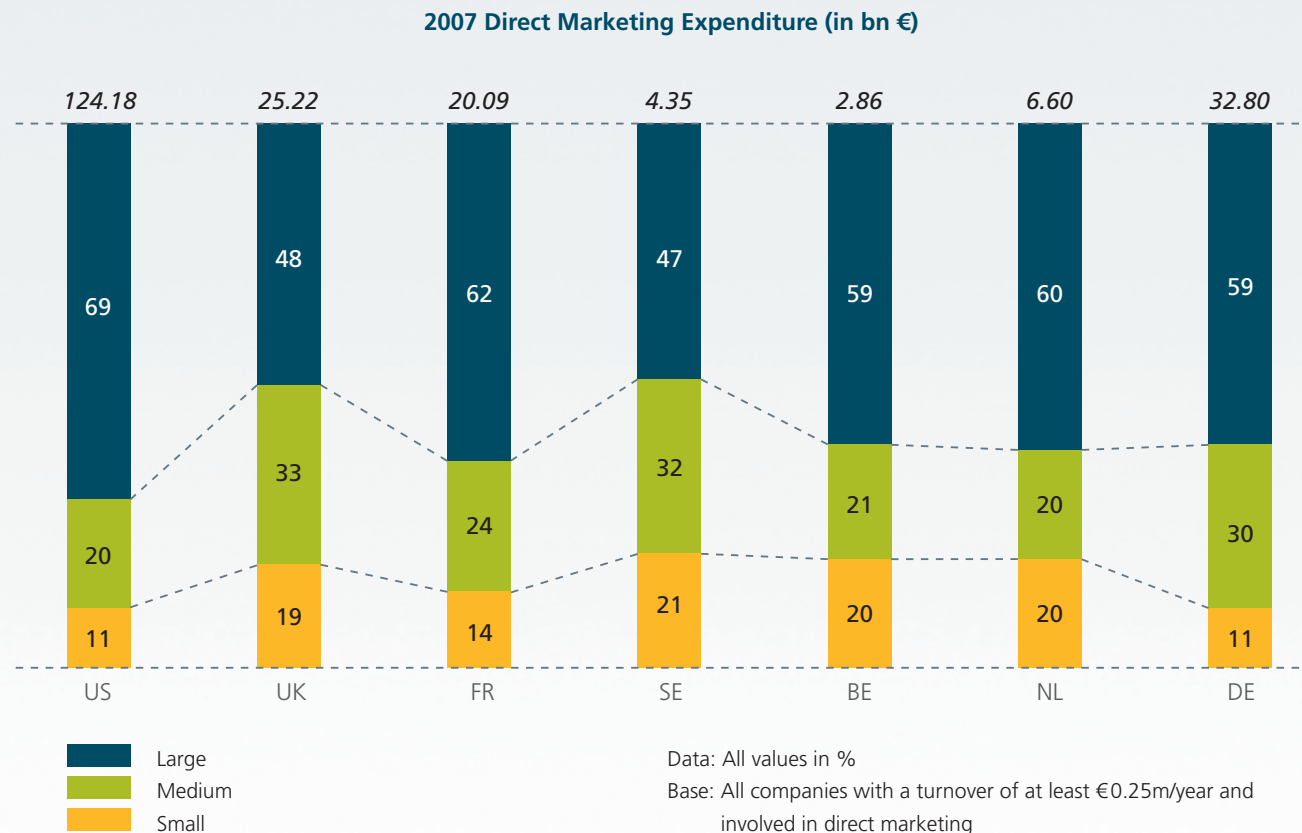
by Company Turnover

Large companies with an annual turnover of more than €25m account for at least 60 percent of direct marketing expenditure except in the UK and Sweden.

In the UK and Sweden, medium companies (annual turnover between €1m and €25m) and small companies (annual turnover between €0.25m and €1m) account for over 50 percent of direct marketing expenditure.

NOTES

- Large companies annual turnover more than €25m or equivalent.
- Medium companies annual turnover between €1m and €25m.
- Small companies annual turnover between €0.25m and €1m.
- Companies with turnover less than €0.25m excluded from research.



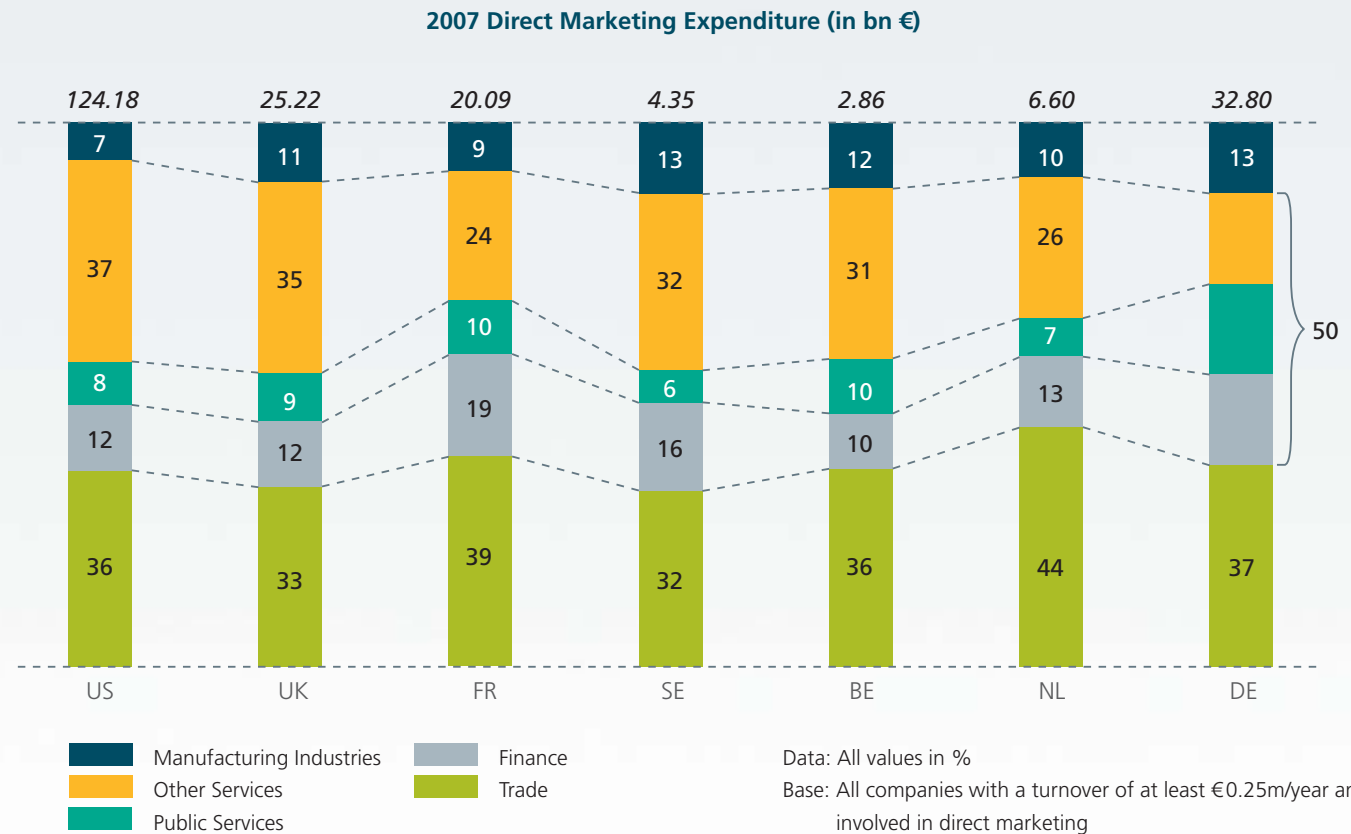
Direct Marketing Expenditure

By Industry Sector

This chart illustrates the contribution of individual industry sectors to direct marketing expenditure in 2007.

In all markets, the Service Sector is the largest spender in direct marketing activities.

Finance and Public Service Sectors account for at least 20 percent of direct marketing expenditure.



The Value Chain for Direct Mail

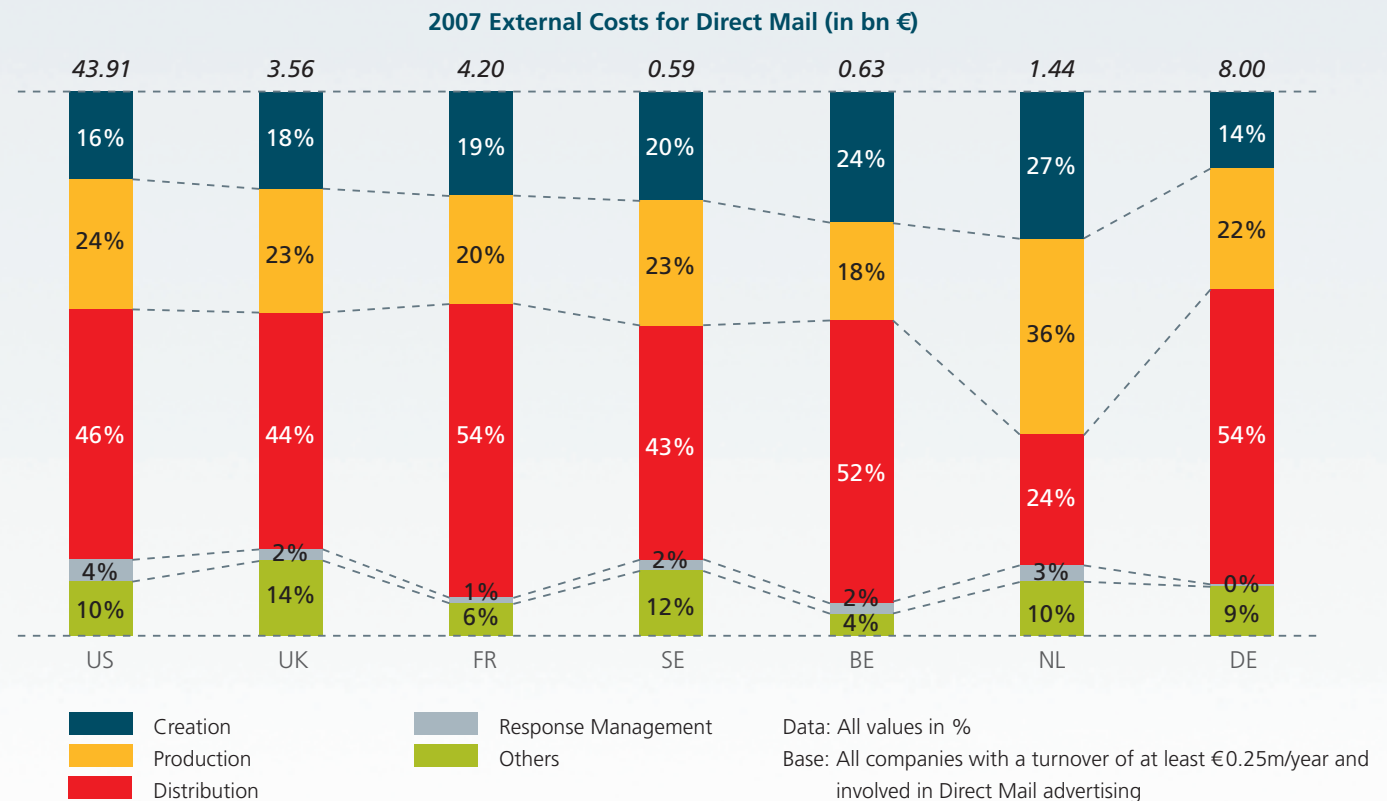
External Cost Breakdown

IPC DMI results indicate that external costs account for between 60 to 70 percent of Direct Mail expenditure.

This chart illustrates the breakdown of expenditure by advertisers across the various elements of the value chain of Direct Mail.

In all markets with the exception of the Netherlands, distribution costs (postage costs) are the largest cost incurred in Direct Mail advertising.

In the Netherlands, where the advertising mail market has been opened to competition over the last decade, distribution costs are perceived to account for a quarter of external costs.



Direct Marketing Media Choices

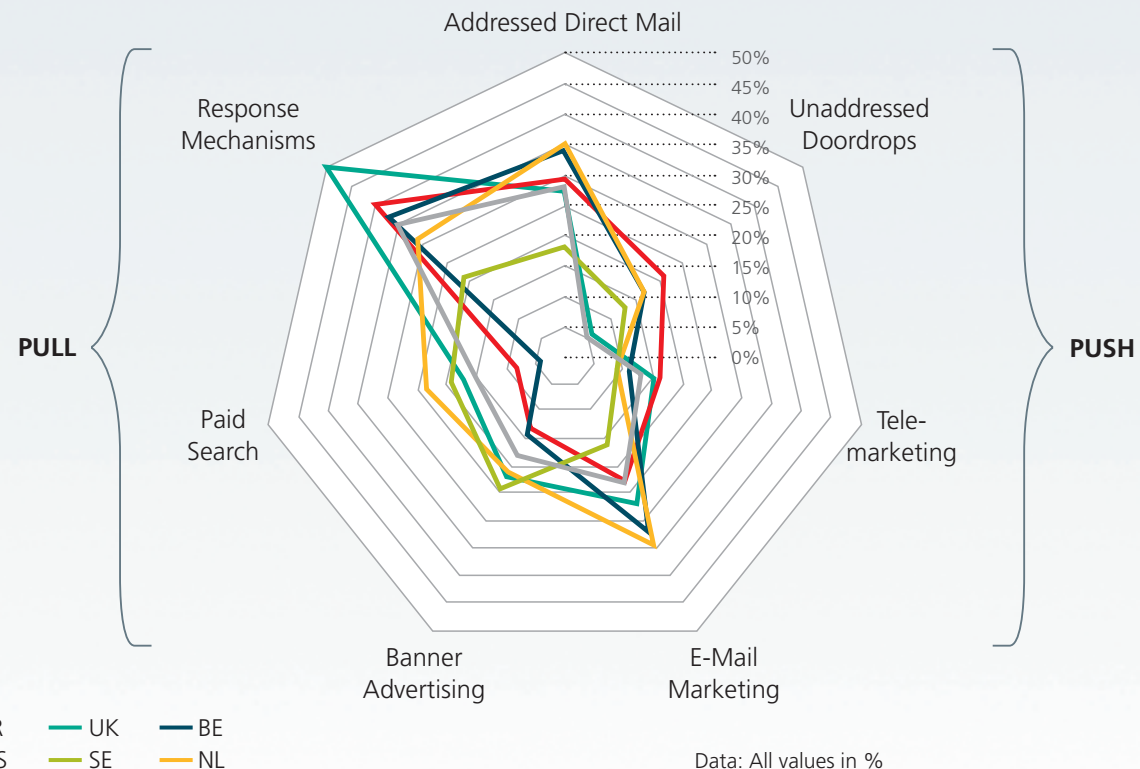
All Advertisers excluding Internet Site

The diagram illustrates relative direct marketing media usage. Internet site with a response mechanism is endorsed by 60-80 percent of advertisers and is not represented on the chart.

The research clearly illustrates the fragmentation of direct marketing activities and an adoption of new media such as e-mail marketing. The general trend is a move towards media based on pull-mechanisms.

Advertisers are increasingly investing in dialogue opportunities with customers or potential customers based on customer choice.

Addressed Direct Mail can build on this trend by harnessing the opportunities offered by opt-in lists, where recipients identify the products or brands for which they would like to receive advertising.



Data: All values in %

Base: All companies with a turnover of at least €0.25m/year and which are doing direct marketing

Effectiveness of Direct Marketing Media

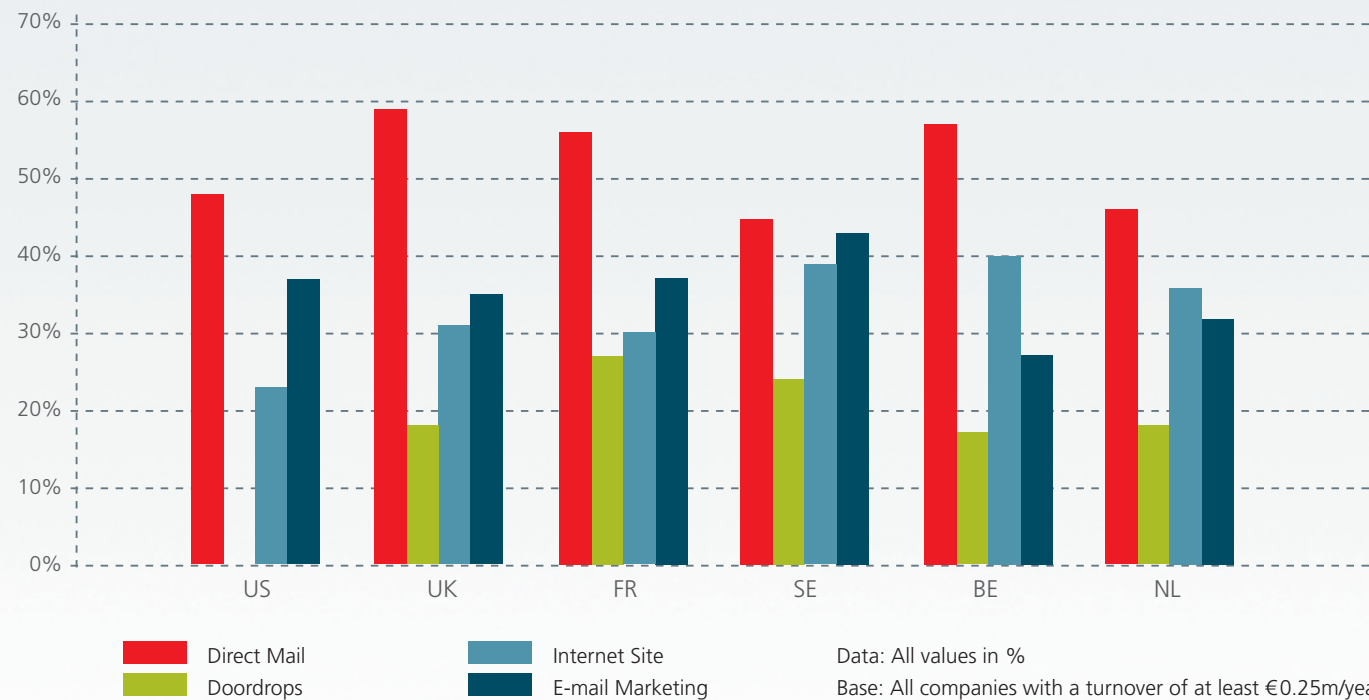
Customer Retention

The graph shows Direct Mail to be the most effective media for customer retention.

Over 40 percent of Direct Mail users perceive it as the most effective media for customer retention.

NOTES

- In Sweden, where online advertising is highly developed, e-mail marketing is also perceived as effective in retaining existing customers.



Effectiveness of Direct Marketing Media

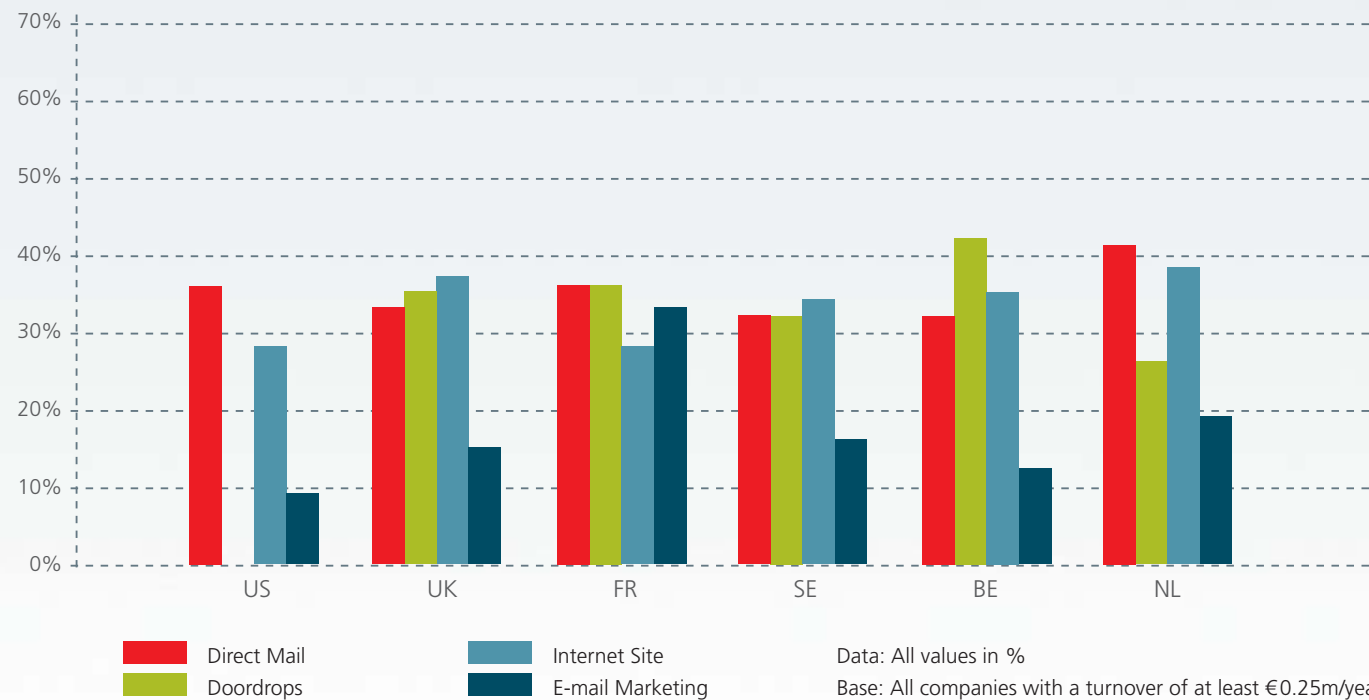
Customer Acquisition

When advertisers are looking to acquire new customers, there is very little differentiation, in terms of effectiveness, between paper and electronic methods of communications.

Addressed Direct Mail competes with unaddressed doordrops in terms of customer acquisition. In most countries, unaddressed doordrops have evolved into a targeted communication tool benefitting from greater use of sophisticated databases and segmentation tools.

NOTES

- In France, e-mail marketing is perceived as particularly effective in terms of customer acquisition.



Data: All values in %

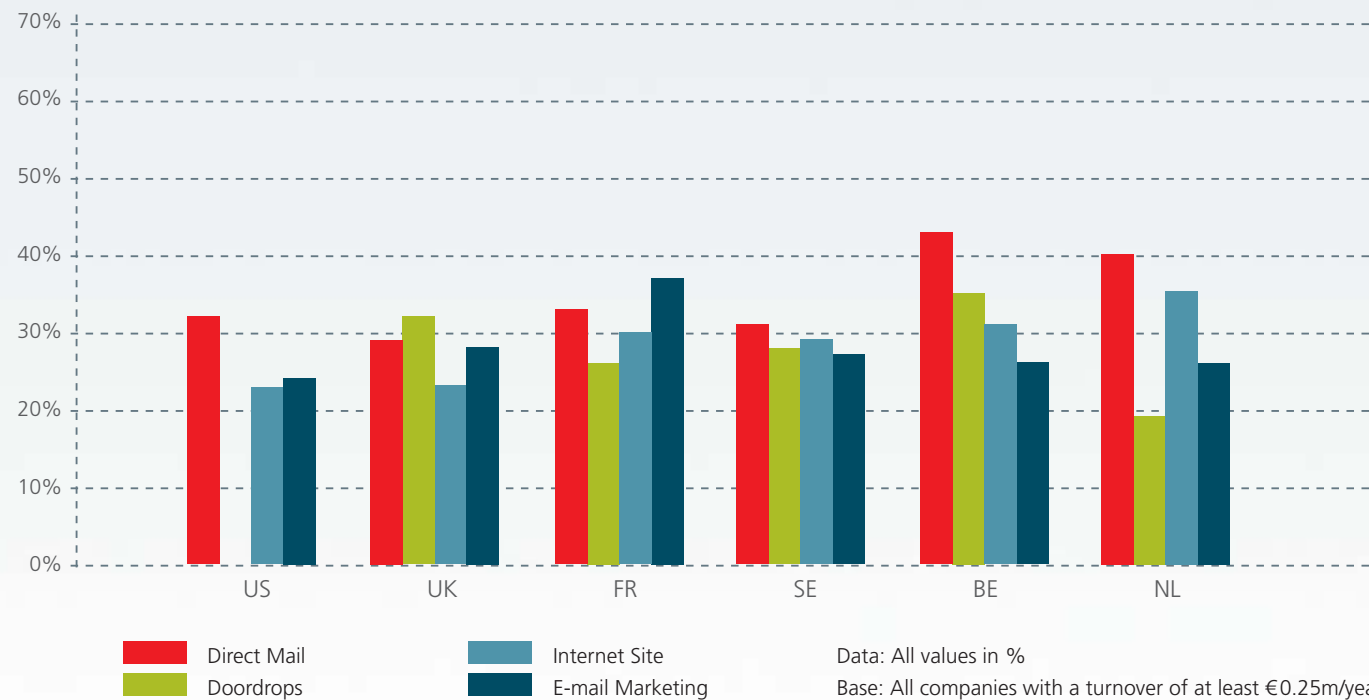
Base: All companies with a turnover of at least €0.25m/year and who are doing direct marketing and using specific medium

Effectiveness of Direct Marketing Media

Short Term Sales

For generating short term sales, in the US, Direct Mail is the most effective direct marketing media.

In Europe, doordrops or unaddressed direct mail are perceived to be very effective in all markets other than The Netherlands – which has the highest doordrops volume per capita. This may suggest over-saturation in the Dutch market.



Effectiveness of Direct Marketing Media

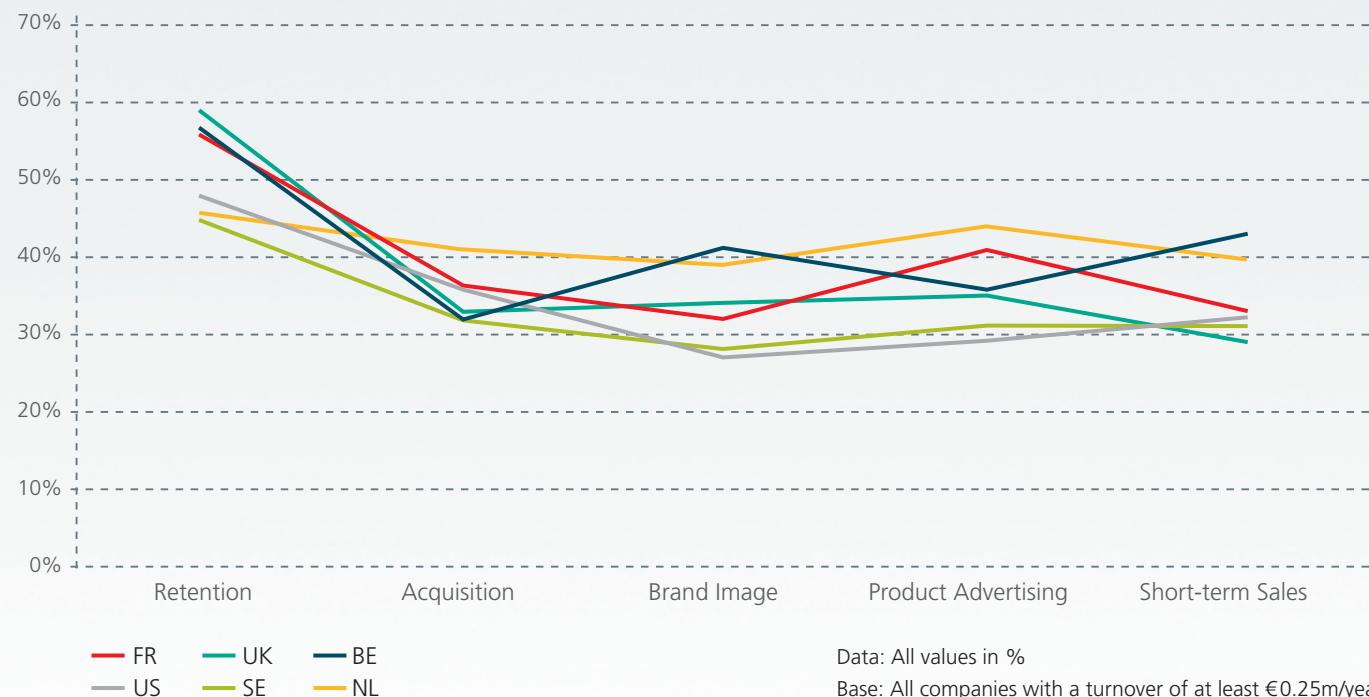
Addressed Direct Mail

The graph illustrates the perceived effectiveness of addressed Direct Mail in achieving five key marketing objectives.

This analysis highlights particular strengths of Direct Mail. Addressed Direct Mail is the most effective media for existing customer retention.

NOTES

- In countries with a more developed online culture such as the UK, Sweden and to a lesser extent, the US; advertisers believe addressed Direct Mail has a more restricted role in the direct marketing mix.



Data: All values in %

Base: All companies with a turnover of at least €0.25m/year and using Addressed Direct Mail



Effectiveness of Direct Marketing Media

Unaddressed Doordrops

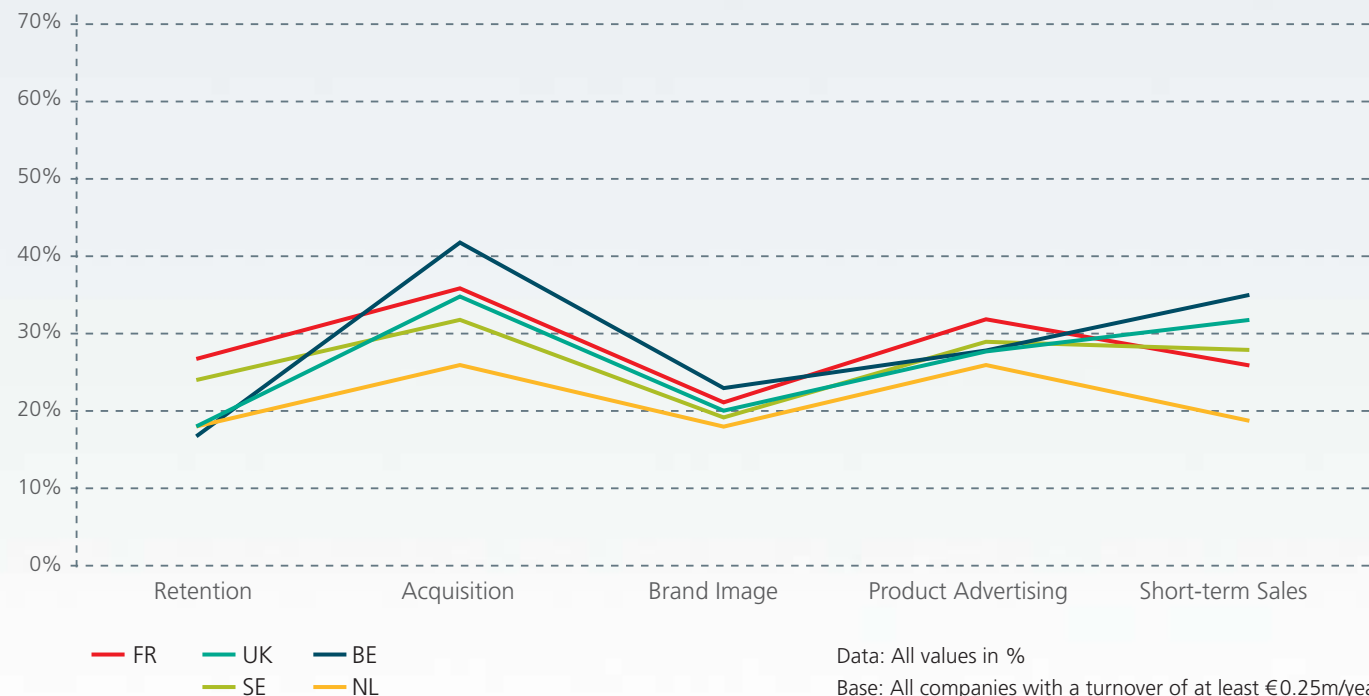
The graph represents the profile of unaddressed doordrops in terms of perceived effectiveness.

Unaddressed doordrops effectively complement addressed Direct Mail in terms of customer acquisition and short-term sales.

Overall, advertisers can effectively achieve 3 out of 5 key marketing objectives using targeted creative paper-based communications.

NOTES

- Results indicate that internet sites are important in building brand image.
- It is clear that combinations of paper-based advertising and electronic media are more effective in achieving a range of objectives, as opposed to more general communications using a specific media.



Perceptions of Direct Mail

Users vs Non Users

The graphs illustrate differences in the image of addressed Direct Mail among users and non-users of the media.

In all countries, addressed Direct Mail is perceived as delivering on creativity – less strongly in Sweden.

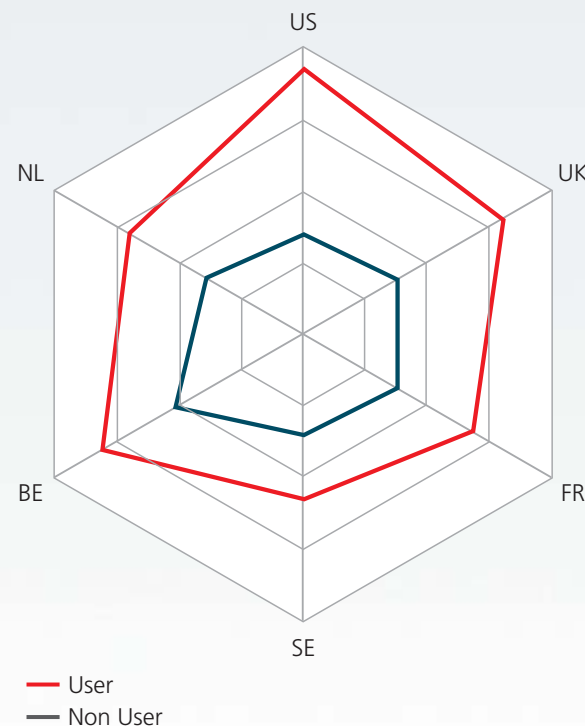
Conversely, Direct Mail lacks a strong value proposition for advertisers currently not involved in Direct Mail advertising.

There is an opportunity for postal operators to drive education and communication of the value of effective paper-based advertising – particularly in conjunction with online media.

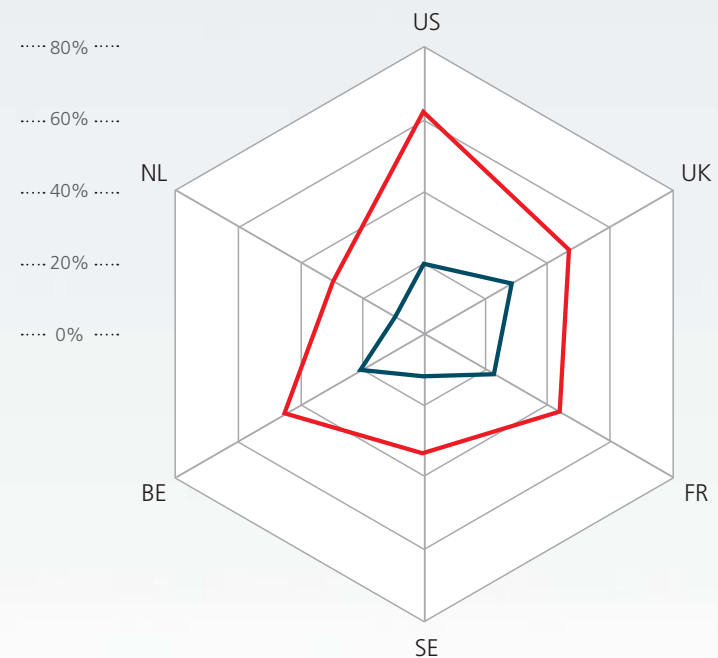
NOTES

- Strength in perception is measured by top 2 box endorsement in a 5 point agreement scale.

Direct Mail allows room for creativity



Effectively measure ROI of Direct Mail campaign



Data: All values in % – Agree or completely agree with statement
Base: All companies with a turnover of at least €0.25m/year

Cross-Media Campaigns

Users vs Non Users

This chart shows the share of advertisers using cross-media campaigns as part of their direct marketing strategies in 2007.

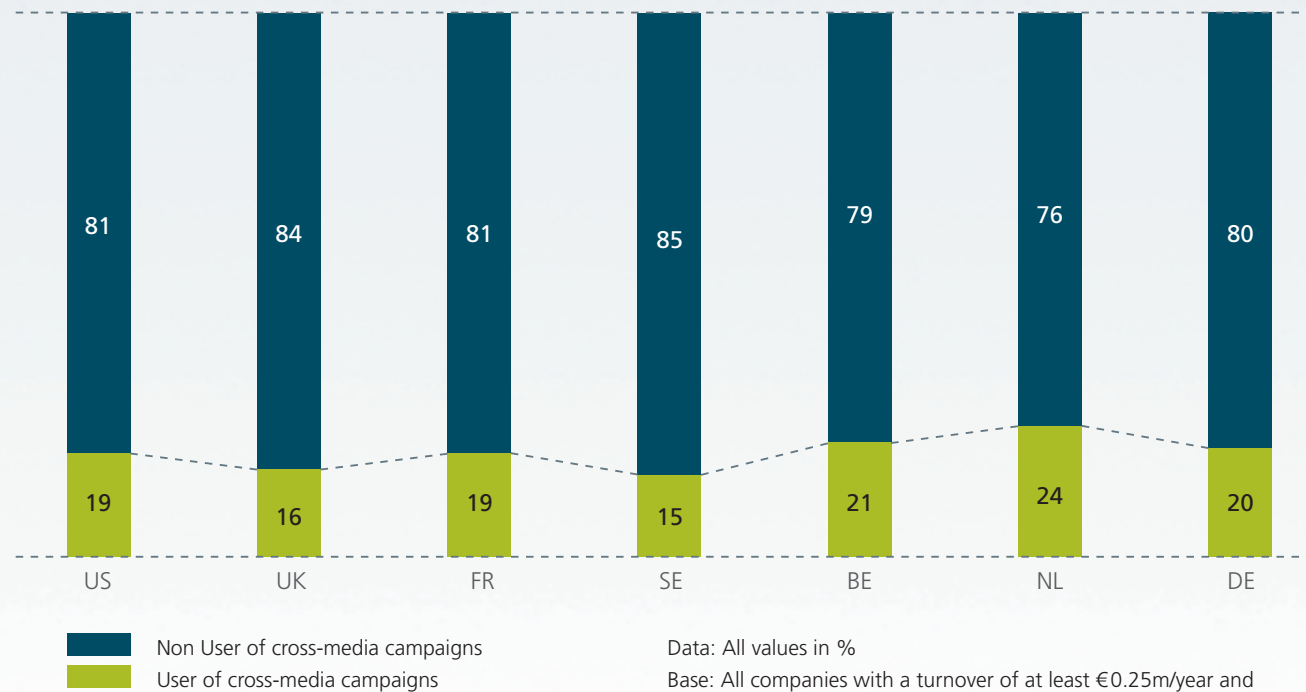
Approximately one fifth of advertisers combine more than one media within an integrated communication campaign. Lower levels of cross-media use occur in the UK and Sweden.

Interviews among the top 100 advertisers in terms of expenditure identify important barriers in the creation and implementation of cross-media campaigns:

- High costs
- Long lead times
- Accessible expertise

Postal operators have an opportunity to leverage the growth of cross-media by:

- Communicating the additional value of paper-based communication
- Facilitating the inclusion of Direct Mail



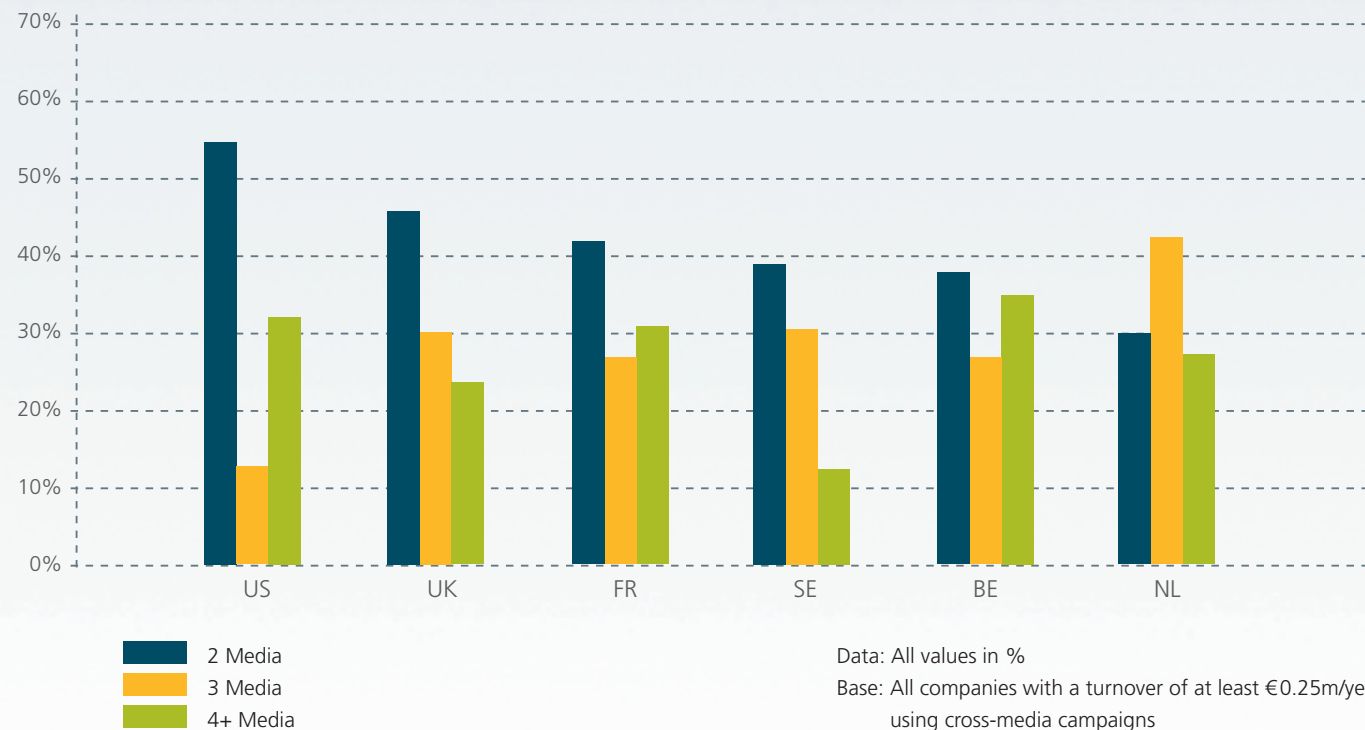
Cross-Media Campaigns

Multiple Media Usage

The graph illustrates the complexity of cross-media campaigns conducted in 2007. This is measured by the number of media included in advertisers' top three most important cross-media campaigns.

As the marketing media mix continues to fragment in line with consumers' media consumption patterns, the number of cross-media campaigns will continue to increase. Advertisers will leverage the strengths of individual media in order to reach the target audience with the maximum number of touch points and in the most effective way.

Understanding the level of complexity of cross-media activities provides useful information in positioning the relevance of Direct Mail as part of a cross-media campaign.

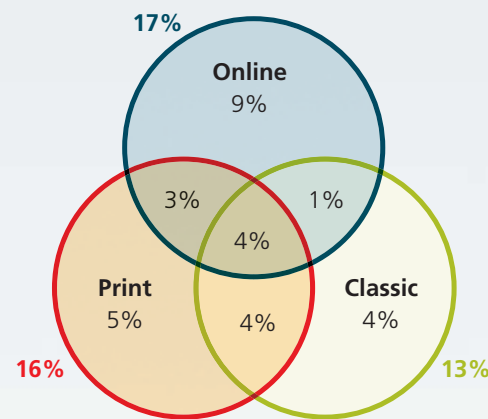


Cross-Media Campaigns

Media Combinations

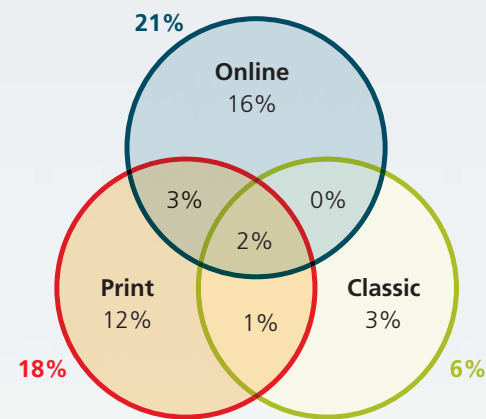
These diagrams represent the media combinations including Direct Mail in the US, France and Belgium.

This information provides a clear understanding of the context in which Direct Mail is currently used by advertisers when designing cross-media campaigns.



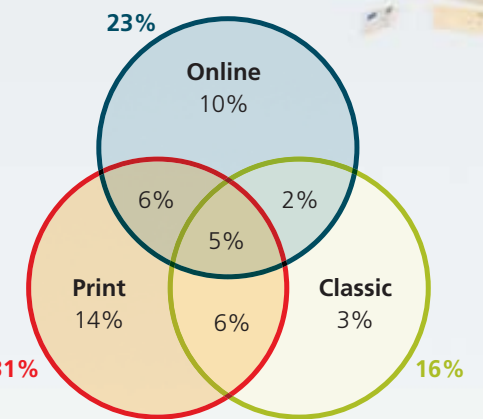
US

- 30 percent of cross-media campaigns include Direct Mail.
- Direct Mail is combined most often with an online media.



BE

- 39 percent of cross-media campaigns include Direct Mail or doordrops.
- Approximately half of these campaigns combine Direct Mail and an online media.
- 2 percent of cross-media campaigns combine direct mail only with doordrops.



FR

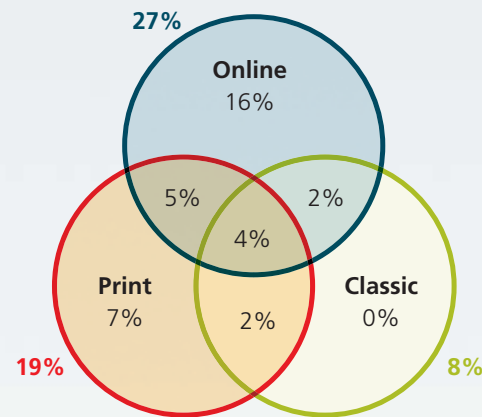
- 47 percent of campaigns include Direct Mail.
- Combination exclusively with a print media is the most frequently used cross-media campaign for Direct Mail.
- 1 percent of cross-media campaigns combine direct mail only with doordrops.

Cross-Media Campaigns

Media Combinations

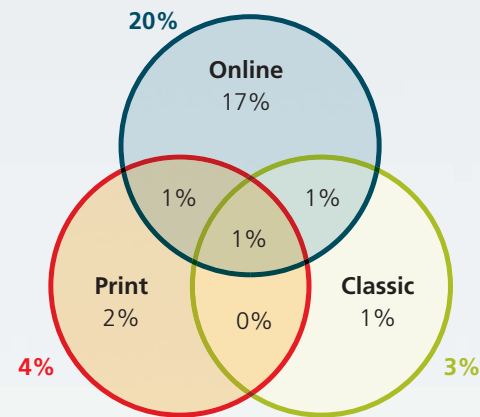
These diagrams represent the media combinations including Direct Mail in the UK, the Netherlands and Sweden.

This information provides a clear understanding of the context in which Direct Mail is currently used by advertisers when designing cross-media campaigns.



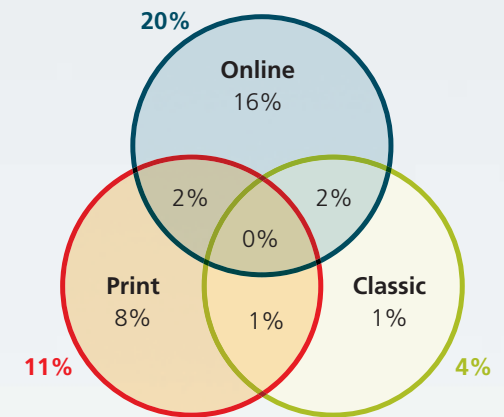
UK

- 38 percent of campaigns include Direct Mail.
- Over two thirds of these campaigns combine Direct Mail and an online media.
- 2 percent of cross-media campaigns combine direct mail only with doordrops.



NL

- 26 percent of campaigns include Direct Mail.
- Three quarters of these campaigns combine Direct Mail and an online media.
- 3 percent of cross-media campaigns combine direct mail only with doordrops.



SE

- 33 percent of campaigns include Direct Mail.
- Two thirds of these campaigns combine Direct Mail and an online media.
- 3 percent of cross-media campaigns combine direct mail only with doordrops.

Direct Marketing Media Choices

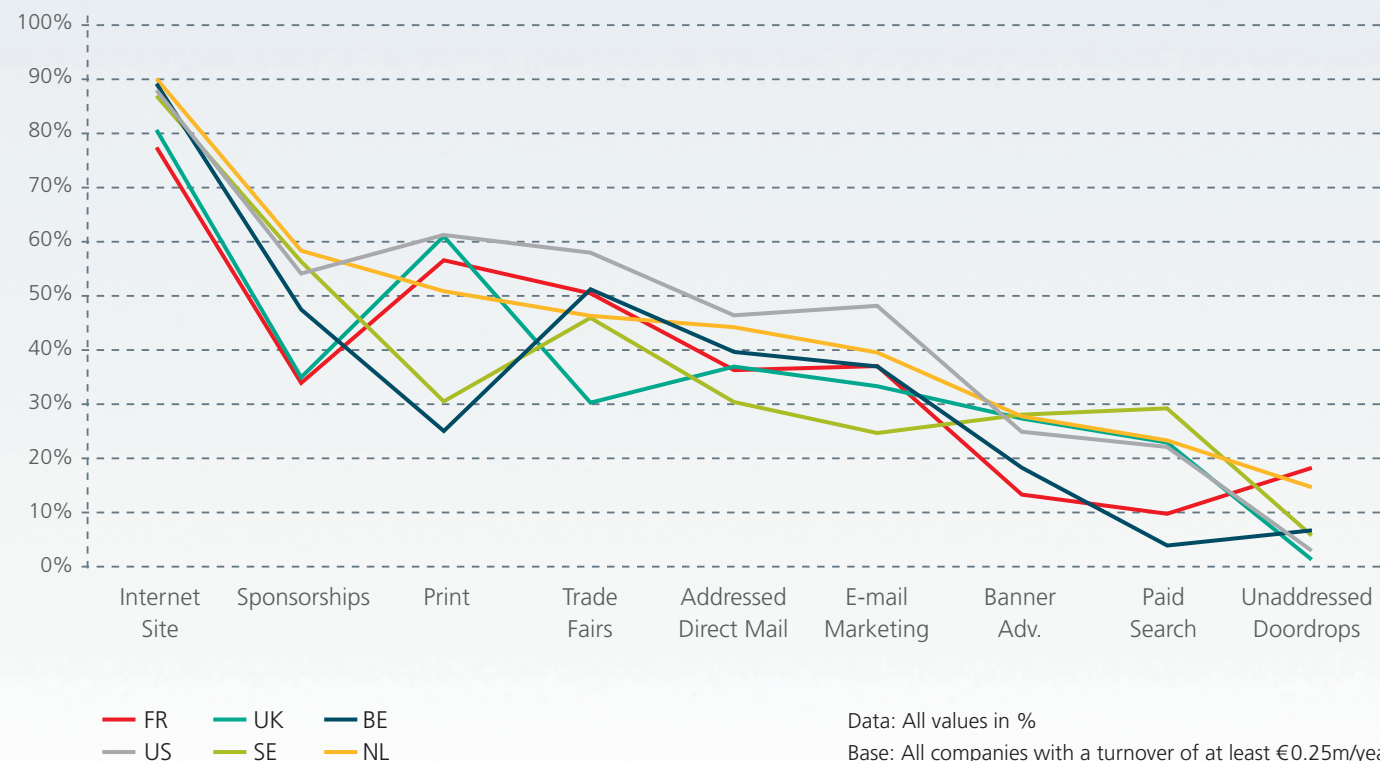
Media Mix for Companies with B2B Focus

The graph shows the usage of key direct marketing media by businesses in the B2B sector.

Overall, between 30 to 45 percent of advertisers with a B2B focus used addressed Direct Mail as part of their communication strategies in 2007.

Usage levels among companies in the B2B arena are somewhat higher than the total study sample, (25 to 35 percent). This finding suggests that addressed Direct Mail in business communication may be gaining a broader base than among companies with a consumer focus.

This is an important trend to monitor as the styles and processes involved in successful B2B communication are different to consumer communication.



Perceptions of B2B Direct Mail

Direct Mail provides Useful and Important Information

B2B direct mailers strongly endorse the value of Direct Mail in communicating important information to their customers but this perception is not mirrored by the intended recipients.

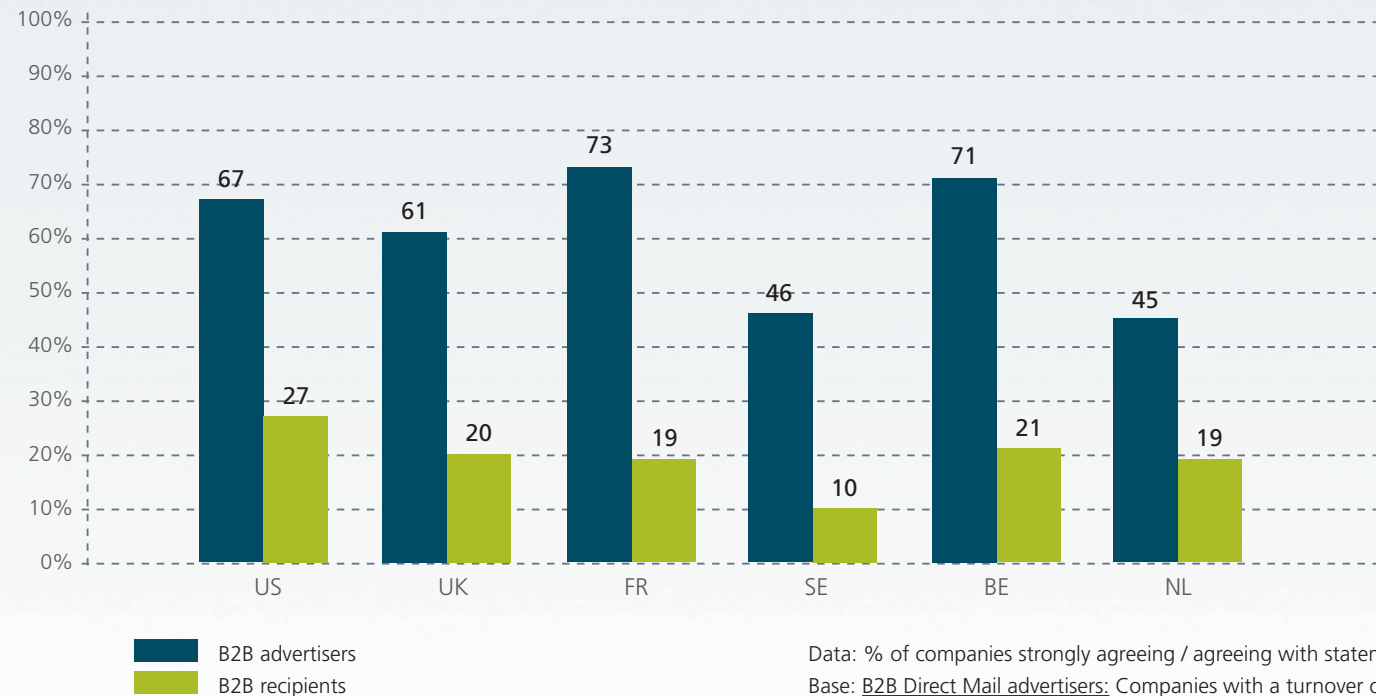
Less than a third of B2B Direct Mail recipients perceive the communication as important.

This suggests that the effectiveness of Direct Mail campaigns could benefit from:

- Better targeting of messages
- Precise targeting of recipients
- Effective use of Direct Mail once relationships have been established

NOTES

- Bars indicate the percentage agreeing or strongly agreeing with the statement.
- Advertisers using B2B Direct Mail indicated in blue.
- Recipients of B2B Direct Mail indicated in green.



Data: % of companies strongly agreeing / agreeing with statement
Base: B2B Direct Mail advertisers: Companies with a turnover of at least €0.25/year and sending B2B Direct Mail
B2B Direct Mail recipients: Companies with less than 200 employees receiving B2B Direct Mail

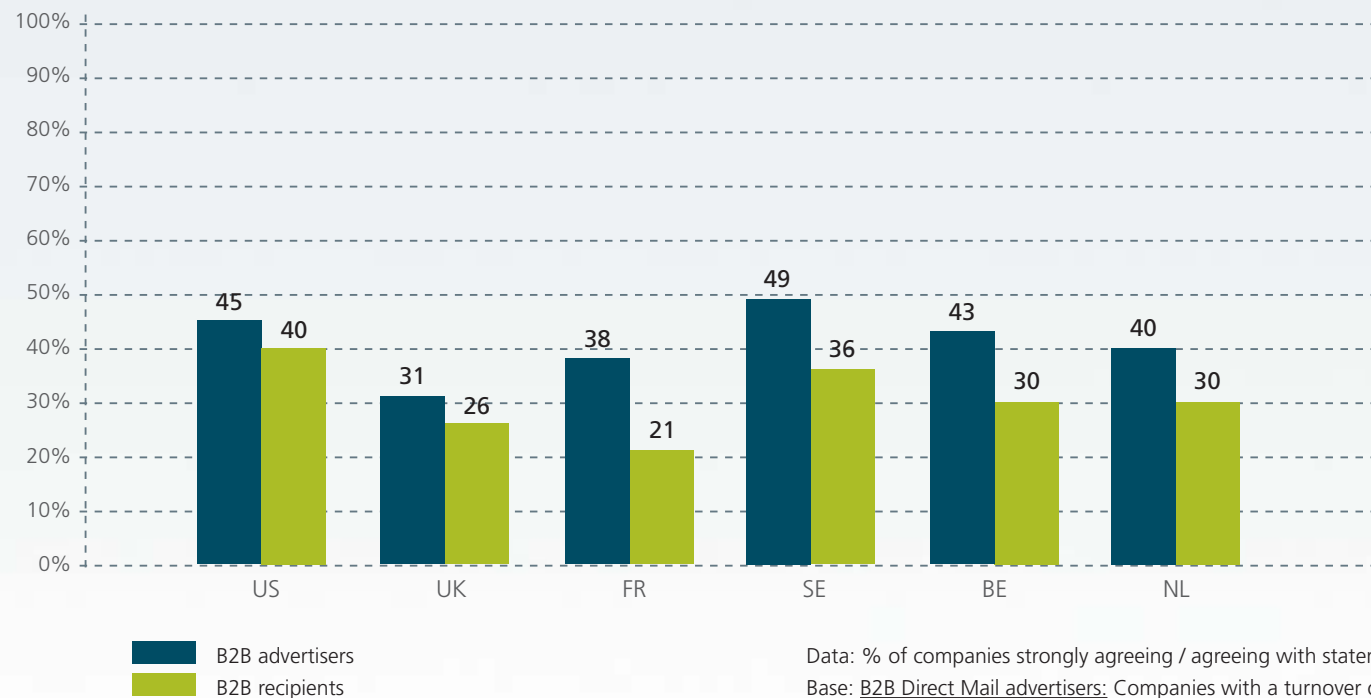
Perceptions of B2B Direct Mail

Direct Mail is More Relevant than E-Mail Advertising

There is no strong agreement that Direct Mail messages are more relevant than messages sent via e-mail. This is noted among both B2B advertisers and B2B recipients of Direct Mail, with the greatest difference being noted in France.

This perception indicates that advertisers are not harnessing the full potential of the Direct Mail media when developing communications. With greater potential for creativity, Direct Mail messaging should be more relevant and targeted than e-mail marketing.

It is likely that Direct Mail messages are not being developed with the full range of creative options in mind.



Data: % of companies strongly agreeing / agreeing with statement
Base: B2B Direct Mail advertisers: Companies with a turnover of at least €0.25/year and sending B2B Direct Mail
B2B Direct Mail recipients: Companies with less than 200 employees receiving B2B Direct Mail

Perceptions of B2B Direct Mail

Direct Mail as a Cause of Environmental Pollution

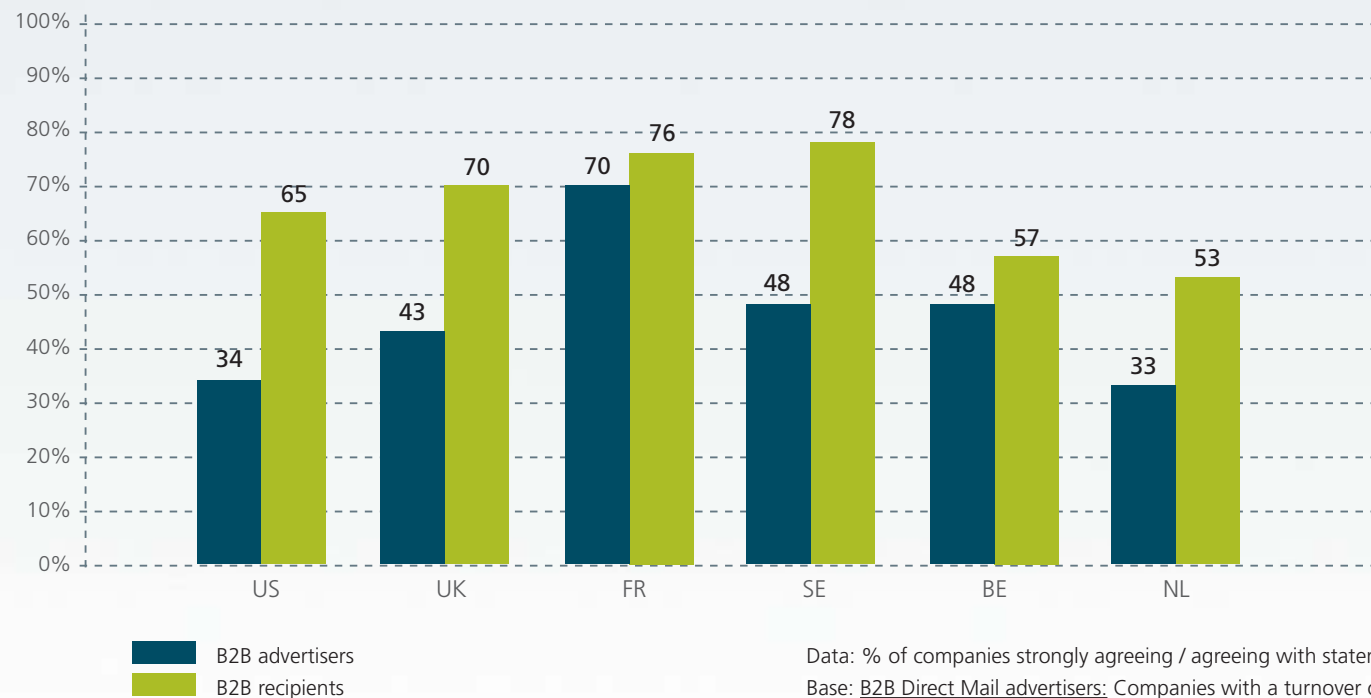
This chart shows the variance between B2B advertisers and B2B recipients to the following question: 'How much do you agree that Direct Mail causes environmental pollution by wasting resources?'

The lack of perceived importance and relevance of the communicated messages by B2B Direct Mail recipients is likely to contribute to there more negative perception.

Strategies to position Direct Mail as a high value media, bringing relevant messages to a targeted receptive audience will work to reduce perceptions of a low ROI among advertisers, and low read rates among recipients.

NOTES

- More than two-thirds of Direct Mail advertisers in France think it causes environmental pollution.



Data: % of companies strongly agreeing / agreeing with statement
Base: B2B Direct Mail advertisers: Companies with a turnover of at least €0.25/year and sending B2B Direct Mail
B2B Direct Mail recipients: Companies with less than 200 employees receiving B2B Direct Mail



Funnel of B2B Direct Mail

Factors Affecting Open and Read Rates

This table illustrates the percentage of B2B Direct Mail opened and the percentage of B2B Direct Mail read in companies with up to 200 employees.

In Sweden, France and Belgium, less than half of B2B Direct Mail received is opened.

The opening rate increases by up to eight percent if the mailpiece is correctly addressed to a named individual. This confirms the necessity of accurate up to date lists when engaging in B2B Direct Mail campaigns.

The read rates assessed in the research indicate that three to four percent increases can be expected when Direct Mail is received from a known company with which communication is already established.

	B2B DM OPENED		B2B DM READ	
	% B2B DM Opened	% B2B DM Opened when addressed to named person	% B2B DM read	% B2B DM Read when from a company with relationship
UK	64%	68%	56%	60%
US	55%	62%	49%	53%
NL	50%	54%	44%	47%
SE	43%	50%	38%	41%
FR	39%	47%	35%	38%
BE	34%	38%	31%	33%

Data: All values in %

Base: B2B Direct Mail recipients in companies with up to 200 employees

Screening & Reading of B2B Direct Mail

Variance by Country

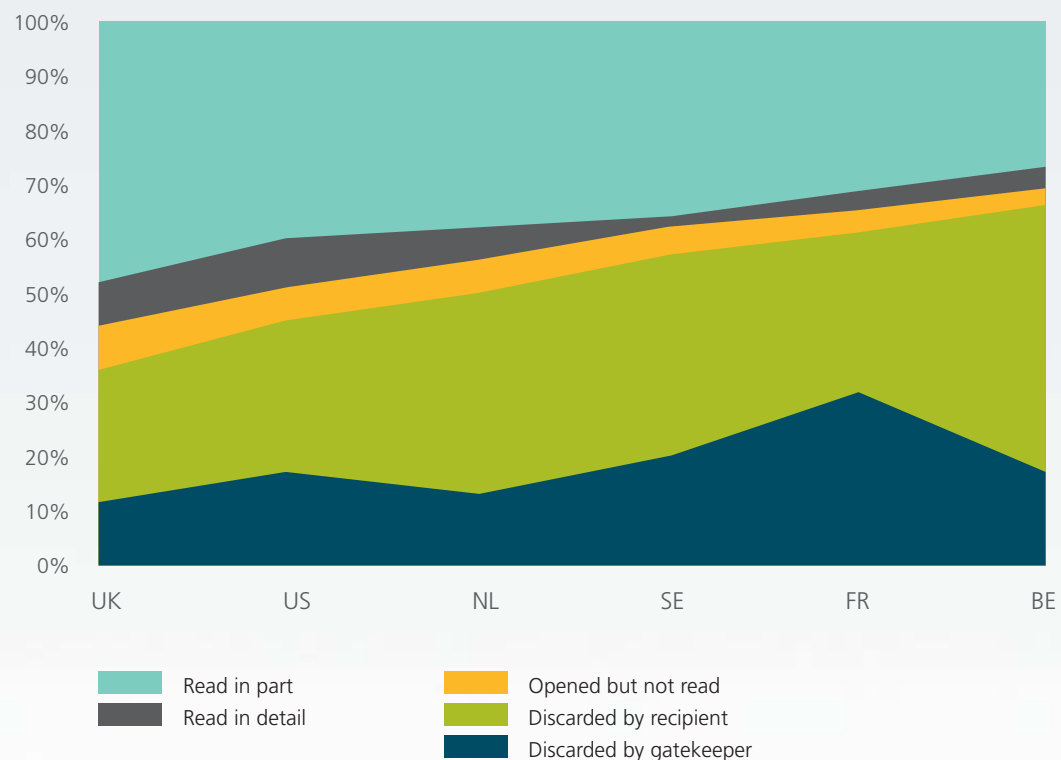
The diagram illustrates the effect of screening and reading behaviour on the success of Direct Mail campaigns.

Recipients themselves have the greatest impact on reducing the ROI of a Direct Mail campaign – discarding between a quarter to a half of Direct Mail received by them.

The additional presence of a gatekeeper also adds to the screening out of Direct Mail – particularly in France.

NOTES

- Best read rates, specifically reading in detail, were recorded in English speaking countries.
- The additional difficulty of targeting in the correct language may have an effect on the read rate in bilingual countries, such as Belgium.



Development of Direct Mail

Requirements of Users

Looking to the future, advertisers identified areas in which improvements would be required to add value to Direct Mail.

Tools to aid the evaluation of ROI of particular campaigns, creative development and address management were the most important aspects cited.

Postal operators have a role to play in providing expertise in these areas in order to harness the unique attributes of Direct Mail in the increasingly complex and changing area of direct marketing communications.

NOTES

- Direct Mail advertisers were classified as heavy, medium or low users based on their reported volume of Direct Mail campaigns.

Classification of DM Advertisers	US	UK	FR	SE	BE	NL
Heavy	Evaluation of campaign success	No specific need	Address management	No specific need	Evaluation of campaign success	Response management
Medium	Creation	Evaluation of campaign success	Evaluation of campaign success + Response management	Evaluation of campaign success	Creation + Address management	Creation
Low	No specific need	Address management + Dispatch	Creation	No specific need	No specific need	Address management

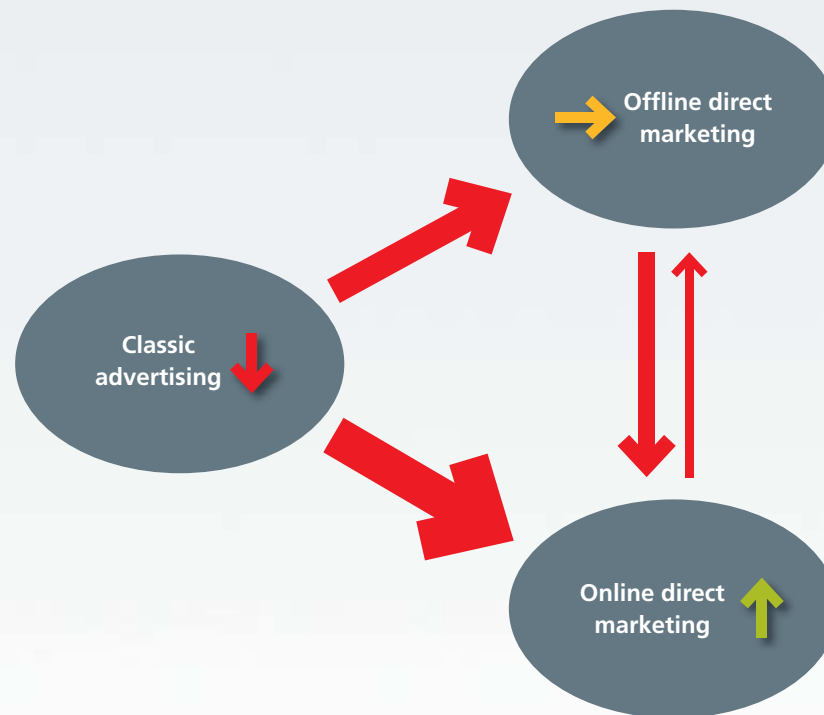
Base: All companies with a turnover of at least €0.25 m /year and using Direct Mail

Conclusions and Learning

This diagram serves as an illustration of the dynamics within marketing and communication media as reported in the *IPC DMI* research.

Advertisers expect the growth in direct marketing and the continued development of one-to-one communication to continue. Expenditure from mass advertising media such as TV and print will be diverted to direct marketing campaigns – primarily into e-marketing media. Significant growth and proliferation of new online communication will be driven by advertisers across all industry sectors.

Expenditure on 'offline' direct marketing activities is likely to stabilize. Understanding how to maintain or grow the importance and share of Direct Mail in offline direct marketing budgets is the challenge facing postal organisations.





Key Findings

Direct Mail continues to attract a healthy share of marketing expenditure and its unique proposition of targeted personal messaging is a strong base for further growth.

- Direct marketing accounts for approximately 50 percent of all marketing and communication expenditure in the mature markets researched.
- Addressed and unaddressed Direct Mail account for approximately 15 to 30 percent of marketing and communication expenditure.
- The service industry sectors such as finance remain the greatest users of Direct Mail targeted to individual consumers.

Advertisers endorse Direct Mail in a broad range of marketing objectives, specifically in strengthening existing customer relationships.

- Up to 60 percent of users consider Direct Mail to be the most effective medium for customer retention. E-mail marketing does not currently receive such strong endorsement.
- Advertisers using Direct Mail believe it delivers creative and impactful communication. In the US, up to 75 percent of Direct Mail advertisers say they choose the medium for its creativity and potential for a high level of personalisation.

Cross media campaigns are growing and Direct Mail is a regular part of the mix.

- Generally, nearly a quarter of cross-media campaigns already include Direct Mail and this is likely to grow in the future.
- Direct Mail complements online media by specifically driving traffic to websites. Increasingly, advertisers request support in developing cross media campaigns which can effectively bridge the gap between offline and online communication.

Direct Mail is also an important means of communicating among businesses.

- Up to 40 percent of Direct Mail expenditure occurs in the B2B sector.
- Addressed Direct Mail ranks as one of the top five marketing channels used by companies with a strong B2B focus – the other four include internet sites, print, sponsorship and trade fairs.
- The read-rate of B2B Direct Mail among recipients ranges from 31 percent in Belgium to as high as 56 percent in the UK.
- Companies with existing relationships and investing in the appropriate personalisation of Direct Mail, enjoy higher read rates and ROI.

Additional support in order to maximise investment include:

- Access to tools for evaluating the success of a campaign
- Targeting using effective address and response management tools
- Developing impactful creative messaging which integrate across media

Advertisers increasingly demand that Direct Mail campaigns are environmentally sustainable.

- Both advertisers and recipients believe that Direct Mail pieces have an impact on the environment.
- Advertisers and recipients of Direct Mail recognise that the effectiveness of the media will improve by addressing environmental concerns proactively. Targeted campaigns and, using up-to-date address lists will minimize paper waste with the added benefit of maximising ROI.



Opportunities for Postal Operators

Focus on receivers of Direct Mail

Improve the image of Direct Mail by promoting smaller, more targeted campaigns.

Increasing the relevance of communication messages to specific audiences may strengthen the importance of the media as valued source information. In addition, this may counter the generic perception of 'junk' from unwanted communication.

Focus on advertisers using Direct Mail

Continued education among advertisers of the value of Direct Mail advertising in delivering relevant personalised messages.

Posts have the expertise and knowledge to work with advertisers to maximise ROI through:

- Effective address and database management.
- Development of evaluation tools related to measuring campaign effectiveness.
- Development of tools aimed at managing responses to Direct Mail campaigns.

More general support can be provided through:

- Research and case studies.
- Facilitating the inclusion of Direct Mail in cross-media campaigns.
- Communicating the additional value of Direct Mail in cross-media campaigns.

Focus on advertisers not currently using Direct Mail

Two key ideas to draw new users to the medium:

- Communicate the strength of Direct Mail in building relationships with existing customers.
- Communicate the synergies between electronic media and Direct Mail.

Direct Mail plays an important role in developing valued relationships with consumers. It is a communication channel with distinctive propositions in the increasingly electronic world of direct marketing.

- **Personal** – Direct Mail is targeted, and individualized, creating a dialogue with consumers and businesses interested in the relevance of the message to them.
- **Tangible** – Direct Mail has a physical presence which differentiates the media and allows recipients to touch, feel, browse and share.
- **Measurable** – response techniques and calls to action can be tracked to demonstrate message effectiveness.

- **Adaptable** – Direct Mail supports other media in cross-media campaigns; driving recipients to online resources.
- **Creative** – from a brochure to a product sample, a catalogue to an exclusive invitation, Direct Mail has countless ways to engage with consumers and businesses.

Direct Mail can grow into a more targeted high value communication media while complementing online channels in the media mix.

Next Steps

IPC DMI 2008 is a baseline study designed to provide market intelligence in the important area of direct marketing and Direct Mail. Its aim is to provide the postal industry with an in-depth understanding of the media mix used by advertisers.

By adopting a common approach and methodology, the research provides benchmarking opportunities which enhance understanding. Through the understanding of the complementary relationship between Direct Mail and other advertising media, the posts are better placed to address advertisers' needs and requirements.

IPC provides its members with several platforms for this research:

- In-depth market presentations and reports
- Benchmarking analysis reports
- Online tool for further analysis
- Press kits including key messages for use by member posts
- Senior Executive Forums on Direct Mail

The greatest value from this research will be achieved by tracking the dynamics of direct marketing over time. IPC is looking to repeat this project in 2010 in current, as well as in new markets.

Understanding trends and perceptions will ensure posts are in the best position to shape the growing but ever changing world of direct marketing.





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