

2015



MARKET INTELLIGENCE

International **Post**
Corporation



STRATEGIC PERSPECTIVES ON THE POSTAL MARKET

Key insights from IPC market
intelligence and best-practice sharing



60 pages
May 2015



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EXECUTIVE SUMMARY



IPC's Strategic Perspectives on the Postal Market provides a distillation of the cooperative work carried out between member postal operators and IPC. This edition presents the knowledge shared between IPC members as well as at research performed by IPC over the course of 2014.

This year's report looks at how cross-border e-Commerce continues to grow, at the increasing importance of Asia and of China specifically and on the global e-Commerce market and the role posts can play in this growing market. This publication also provides insights about the efforts and innovations postal operators are implementing in the area of data-driven marketing and direct mail.

IPC's market intelligence programmes help postal operators defend existing businesses and expand into growth areas. IPC offers its members insight into market developments and provides a framework for networking and knowledge sharing. In a rapidly changing market a cooperative platform to share best practice, provide short- and long-term industry forecasts and monitor industry trends is an efficient way to inform strategic choices.

We have drawn on the outcomes and findings of IPC's Senior Executive Forums (SEFs), from engagements with Asian postal operators and academic partnerships and from research performed by IPC's Marketing department. IPC SEFs in Europe and North America in 2014 combine input from a wide spectrum of senior postal executives with leadership roles in their areas of responsibility, as well as experts in the fields of e-Commerce, digital business and direct marketing. In addition, in 2014 IPC continued its partnership with the Stanford Graduate School of Business, a leading academic institution based in the hotbed of digital innovation – Silicon Valley, California.

This year's Strategic Perspectives focuses on e-Commerce and on data-driven marketing, reflecting IPC's focus on growing postal business through e-Commerce and on defending core postal business through direct marketing.

The following is a digest of the main points and findings from each chapter and is presented as an executive summary.

E-COMMERCE

26.6%

CROSS-BORDER
E-COMMERCE GROWTH
BETWEEN 2013
AND 2020

Of all the growth forecasts for e-Commerce, one particularly noticeable one came from UPS forecasting cross-border e-Commerce to outstrip domestic e-Commerce growth and to grow by 26.6% between 2013 and 2020. This highlights the importance of the cross-border e-Commerce market to posts and is the reason why IPC and its members are focusing on this topic.

The projection itself looks fully achievable considering that the largest online selling platform in the world, Alibaba generated sales of US\$9.3bn on Singles Day (11 November) in 2014, a staggering increase of 62% on the previous year, resulting in the generation of 278m orders. Through its AliExpress platform, 2014 was the first year that Alibaba actively promoted Singles Day to markets outside of China and this phenomena is here to stay.

In the UK where Amazon introduced the concept of Black Friday as recently as 2010, four years later it generated £810m according to IMRG which was up 38% on the previous year. Both China and the UK are major exporting nations for e-Commerce, and consumers around the world are being educated to shop online to benefit from the resulting discounts and millions of products that are available for purchase at the click of a button, or increasingly at the touch of a smartphone screen.

Fuelling the growth in cross-border traffic is the Asian region, led by China; analysis by the Boston Consulting Group (BCG) for IPC in 2014 showed that 40% of all global trade flows will be centred on Asia by 2025. Given the importance of Asia to global e-Commerce, IPC has been working increasingly with Asian postal operators and associations such as the APP and the APPU to better understand the specific regional market needs and to ensure that the INTERCONNECT programme is relevant and can be extended within Asia.

Through INTERCONNECT an initial 33 postal operators in Europe, North America and Australasia will operate cross-border e-Commerce along the new INTERCONNECT standards. INTERCONNECT will align existing cross-border products including PRIME, EMS, KPG and EPG into three service levels (Premium, Standard, Economy) and enhance them through end-to-end visibility, reliability standards and measurement. Existing IT systems will be the basis for INTERCONNECT and the objective is to increase performance and reduce costs by optimising operational processes.

Although a major step in the right direction and one which is strongly supported by e-retailers such as Alibaba, INTERCONNECT was designed to meet market requirements as defined back in 2013 and e-Commerce is relentless in its evolution. The market has now moved to full visibility in real time and day definite is becoming the norm for B2C with delivery in defined time windows. Posts need to up their game and introduce change at a much faster pace. To justify this claim, several case studies have been provided within the e-Commerce chapter on Alibaba and Yihaodian in China, on Google Shopping and Macy's in the US and on Charles Tyrwhitt in the UK. Each of these case studies highlights the speed of change and in the case of Yihaodian, Google Shopping and Macy's, if posts do not step up to improve their delivery service, there are plenty of new business models where retailers are extending their supply chain into last mile delivery.

Again e-Commerce remains a major prize to be won for posts, however the market is developing far faster than the posts are at present.

DATA-DRIVEN MARKETING

Over the last two years, direct mail volumes in countries such as the United States and New Zealand have been growing. With the growth of e-Commerce, retailers are starting to appreciate that direct marketing based on customer data can be very effective and generate additional sales which may lead to a further increase in direct mail volumes.

Educating the direct marketing community to consider direct mail within their marketing mix remains a major challenge for the postal sector and many postal operators produce research and data to support their claims. IPC too has produced a range of educational material to promote direct mail, including a Direct Mail Guide, Case Study and Research Library and an online community forum for postal direct marketing experts.

There are still issues regarding the effectiveness of direct mail and postal operators need to provide guidance on how to measure and address these. A major study by Royal Mail published in February 2015 entitled the Private Life of Mail is one of the most scientifically comprehensive studies available to date and powerfully demonstrates the effectiveness of mail communications.

Within the direct marketing community, all the talk over the last year has been about data-driven marketing. This was the theme of the DMA2014 conference and the IPC Annual Conference in 2015. There is an abundance of data out there on consumers, generated through social media, consumer online interactions with brands and the overlaying of existing CRM data and geodemographic profiling. Organisations are however struggling to analyse and act upon this data in a timely manner.

Companies experiencing success with big data have filtered it to provide a customer-centric approach based on clear objectives. Examples given within the Direct Marketing chapter of the successful use of big data include Air Canada, British Airways, Google, Nike and Volkswagen in China.

Increasingly customers are willing to provide significant amounts of personal data to a brand they trust, providing the reciprocity of value equation is balanced, e.g. the value that they get from the brand meets their expectations. Unfortunately this is not always the case as research by the DMA showed that 89% of consumers believed companies used their personal data primarily to benefit the business and 77% of consumers feel they receive no benefits at all in return for sharing their information. If consumers do not perceive that they get value from sharing their data then regulations on data privacy will be tightened to the detriment of the direct marketing industry.



Within the direct marketing community, all the talk over the last year has been about data-driven marketing.



Direct mail has plenty of potential to maintain and to grow its volumes.

For postal operators, big data can present a significant challenge: even though there is usually a strong customer database behind successful direct mail, the data often belongs to their clients and not to the posts themselves. Although postal operators capture big data, it is not yet being used.

Moreover, significant opportunities exist to link direct mail with e-Commerce and this is an area for posts to explore. For example, UK retailer Charles Tyrwhitt sent out 35m mail pieces in the 12 months to May 2014.

Many postal operators are experiencing pain points in targeting SMEs as there are so many of them and they are difficult to identify. The biggest challenge in regard to SMEs is budget and how to target them effectively. SMEs do not understand what posts offer, or how they can help them. Posts are however looking to improve their service offering to SMEs; in Belgium, bpost is using its retail network to target and educate SMEs and has teamed up with Google to explore joint opportunities for both online and offline communications.

Through the understanding and application of big data and the role that advertising mail can play within omni-channel marketing campaigns, direct mail has plenty of potential to maintain and to grow its volumes. As Nick Wheeler, founder of Charles Tyrwhitt said at the IPC Annual Conference in 2014, “we don’t mail out catalogues because we want to, we send them because they work”.

“

This publication shares insights on the main trends, developments and challenges gathered during our best-practice sharing and through our research.

E-COMMERCE



2.1 KEY FINDINGS

- According to forecasts made by UPS, online retail is expected to grow four times the rate of the global GDP, while cross-border e-Commerce will grow at seven times the GDP.
- The continued urbanisation and growth of mega cities with more than 10m inhabitants pose unique challenges to e-Commerce and are changing the way technology is used.
- Companies are now looking at the supply chain as a way to add value, not just to reduce costs, for example through the provision of time-definite and price-differentiated delivery options.
- While in developed countries the percentage of people who have access to the internet and who have purchased something online is around 80%, this number is around 40% in China, meaning only around 40% of the half a billion people using the internet in China today have ventured to purchase something. This number will continue to rise, which means that, considering China's large population, China's e-Commerce market will continue to grow.
- In China, the middle-class population already exceeds the entire population of the US and is still growing. This group has a strong demand for goods and entertainment; as a result, future growth in lifestyle-related products is very promising in the Chinese market.
- The growth of the Black Friday phenomenon in the US has been paralleled by the launch and growing popularity of Single's Day in China. For instance, on 11 November 2014, the Alibaba platforms saw US\$9.3bn sales in a 24-hour period in China – nearly double the previous year and more than the entire period of Black Friday, the weekend and Cyber Monday combined in the US. The huge amounts of e-Commerce sales over a short period has, however, led to logistical issues. China Post Group alone delivered 15.8m parcels during the period from 11 to 21 November 2014.
- According to Alibaba, domestic e-Commerce in China is strong, but cross-border e-retail provides even more opportunities – not just for goods moving out of China, but also for the inbound flow of goods.
- Alibaba would like the postal community to provide them with one single brand and to simplify the global supply chain solution. Moreover, the company believes that postal operators have a natural advantage into China as postal goods are not considered to be commercial, but personal and benefit from advantageous customs rate.
- UK online retailer Charles Tyrwhitt shipped about 2.4m parcels in 2014 and has a clear idea of what delivery should look like. It does not see next-day delivery as a crucial offering, as people will not pay a huge premium for having shirts delivered the next day. People, however, do want an absolutely reliable service: if the retailer says the delivery will take seven days, customers expect and want it to be seven days; reliability is the number-one requirement.
- Google Shopping provides a pick-and-pack service for merchants – there are currently 37 retailers on the platform. Google charges a commission based on the value of the goods sold and consumers pay a shipping fee.
- There are 670 Macy's stores in the US which now have intra-day fulfilment, which can offer the customer either a same-day or next-day service. Same-day fulfilment reflects a trend that is being seen increasingly. Amazon are opening stores which will become same-day fulfilment centres and Google Shopping are putting their people into stores to pick and select.

2.2 GLOBAL E-COMMERCE TRENDS

According to forecasts made by UPS, online retail is expected to grow four times the rate of the global GDP, while cross-border e-Commerce will grow at seven times the GDP.

CONSUMER NEEDS

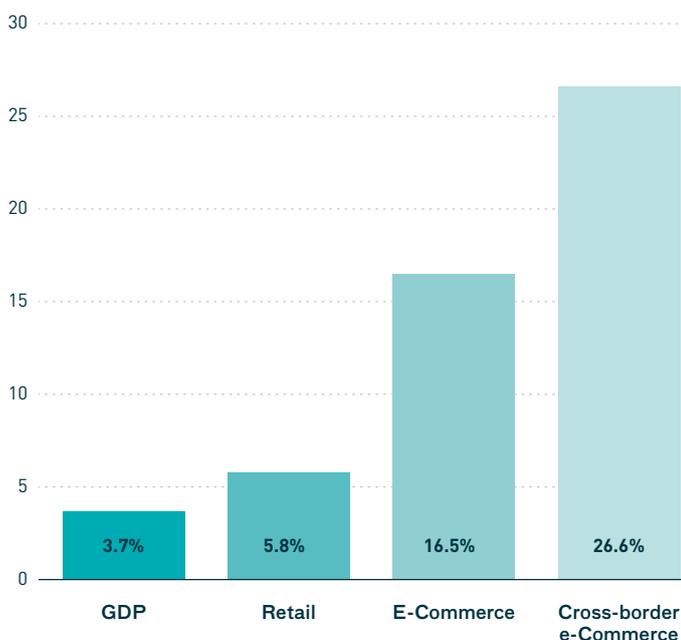
Several socio-economic trends are also influencing the growth of global e-Commerce. There is a surging global middle class with an increased appetite for quality global brands, which is driving cross-border e-Commerce. Meanwhile, more and more consumers are connected via mobile devices: UPS forecasts a growth of 6bn mobile connected devices in 2011 to 12bn in 2020. These consumers are increasingly looking

for convenient ways to do their shopping. As a result, the way consumers interact with brands will change. Brands will have to deliver globally to cater to the growing middle class buying primarily via mobile.

The continued urbanisation and growth of mega cities with more than 10m inhabitants pose unique challenges to e-Commerce and are changing the way technology is used. Traditionally we have seen a migration of sales from the PC to tablet to mobile; however there is no longer a need for this migration: new consumers can go straight for a mobile commerce solution.

As we will discuss in the section below, there are significant retail supply chain implications for these trends. For the last five years, UPS has conducted a survey with Comscore on shopping tendencies. This study is called the UPS Pulse of Online Shopper Study and some of the key results for 2014 were that consumers expect to be able to research, buy, receive and return anywhere.

Forecast growth (CAGR) 2013 - 2020



Source: UPS

The key findings of the 2014 UPS study were:

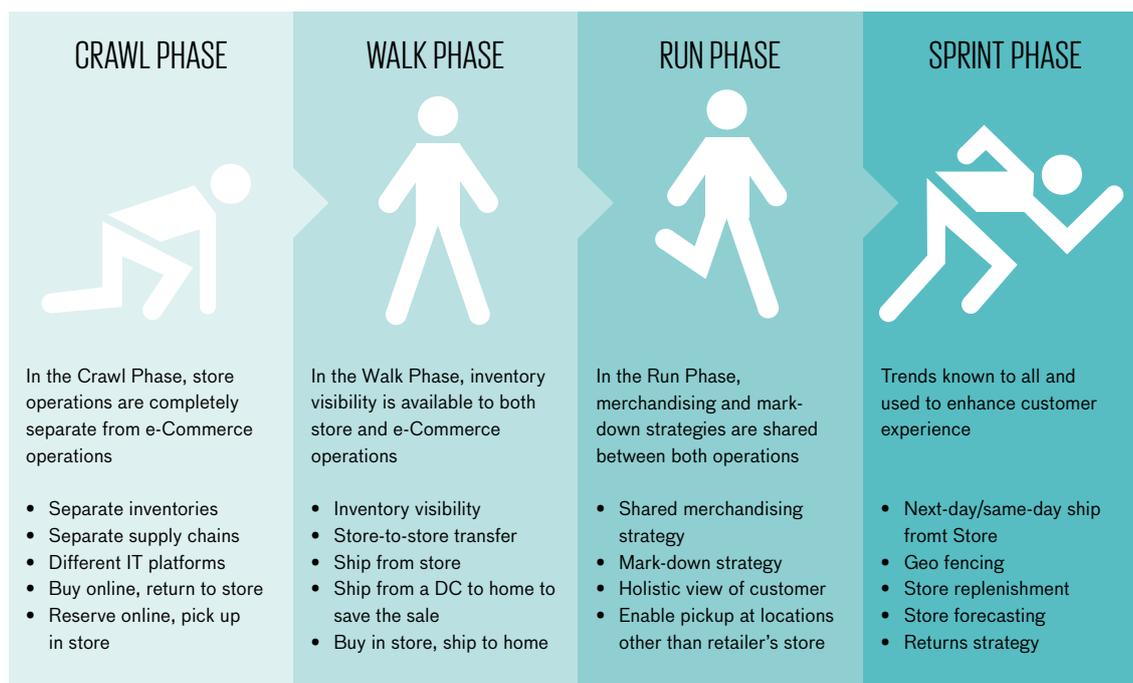
- 40% of purchases are completed via cross-channel methods, researching online and purchasing in store, or vice versa.
- Consumers prefer one in four packages to be delivered to a location other than their home, such as retail stores, UPS stores, delivery lockers, or their office.
- 82% of consumers are more likely to complete a sale if they are given the option to make a free return in store, or by shipping it back to the retailer free of charge.

SUPPLY CHAIN DEVELOPMENTS

UPS adapts to new delivery expectations

As a result of these consumer trends, online retailers and parcel operators are changing their supply chain. During a presentation given at the IPC Stanford Symposium in October 2014, UPS explained how the company is working with some of its large retail clients to address the following potential challenges:

- Unplanned inventory from in-store returns can result in merchandise mark-downs.
- Lack of accurate inventory visibility and differing online and in-store assortments can result in potential lost sales.
- Operating in competing channels can cause retailers to lose sight of the fact that a sale is a sale, regardless of the channel.

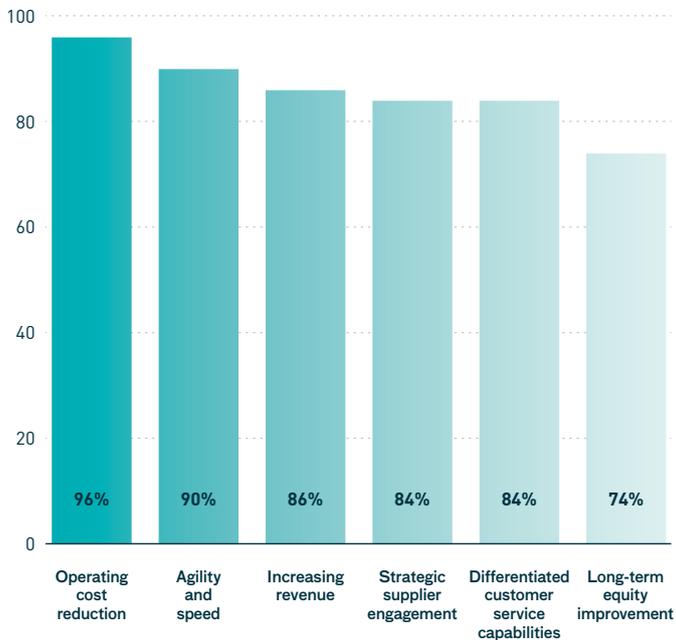


Source: UPS

Delivery experience becomes a key differentiator for retailers, especially in urban areas, where send-again rates – i.e. a parcel could not be delivered at the first attempt – can be in the double digits, meaning customers are not getting their packages when they expect them. In an effort to improve the delivery experience, UPS has tried new solutions:

- UPS delivery lockers, placed at nearby retailers in Chicago.
- UPS My Choice gives customers control of deliveries.
- UPS bought Kiala after their success in Europe and are now rolling it out in the US in Chicago and New York.

Value creation from supply chains



Source: SCM World CSCO Survey 2014

Adding value through the supply chain

Increasingly, companies are appreciating the strategic value of their supply chains; they are now looking at the supply chain as a way to add value, not just to reduce costs, for example through the provision of time-definite and price-differentiated delivery options.

The graph to the left – taken from the SCM World CSCO Survey 2014 – shows a shift from cost reduction to other areas such as agility and speed, increasing revenue and engagement with strategic suppliers.

According to the survey, conducted among chief supply chain officers, companies which are organised so that the supply chain is represented at board level have a thorough strategic understanding of the supply chain and use it as a strategic weapon.

During a session on supply chain architecture at the IPC-Stanford Symposium in October 2014, data was identified as being crucial to effectively managing a supply chain. Every company should be able to track up and down the value chain and know what is happening up stream. It is not good enough to validate continuity of supply from your direct suppliers only; companies need to expand their supply chain visibility and determine the situation of their supplier's suppliers.

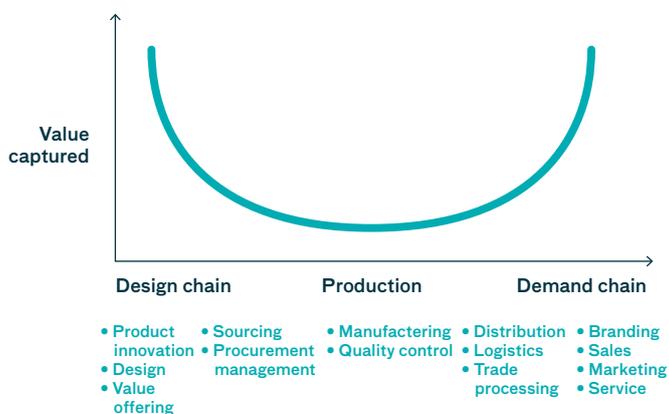
As a result of e-Commerce there are far more stock keeping unit (SKU) offerings as centralised warehouses can stock far more products than a retail store could.

E-Commerce companies should look at the following elements when developing and managing their supply chain:

- The scope of the value chain: what should be insourced and what should be outsourced.
- The geography of the network: what is to be on-shored and what is to be off-shored.
- The complex supply chain process flows.

The chart to the left shows the values captured at different points in the value chain. As shown in the graph, the most value is created at the beginning and the end of the value chain, namely at point of the design and at the sale and marketing of a product.

Values from the value chain



Source: Professor Ham L Lee, Stanford University

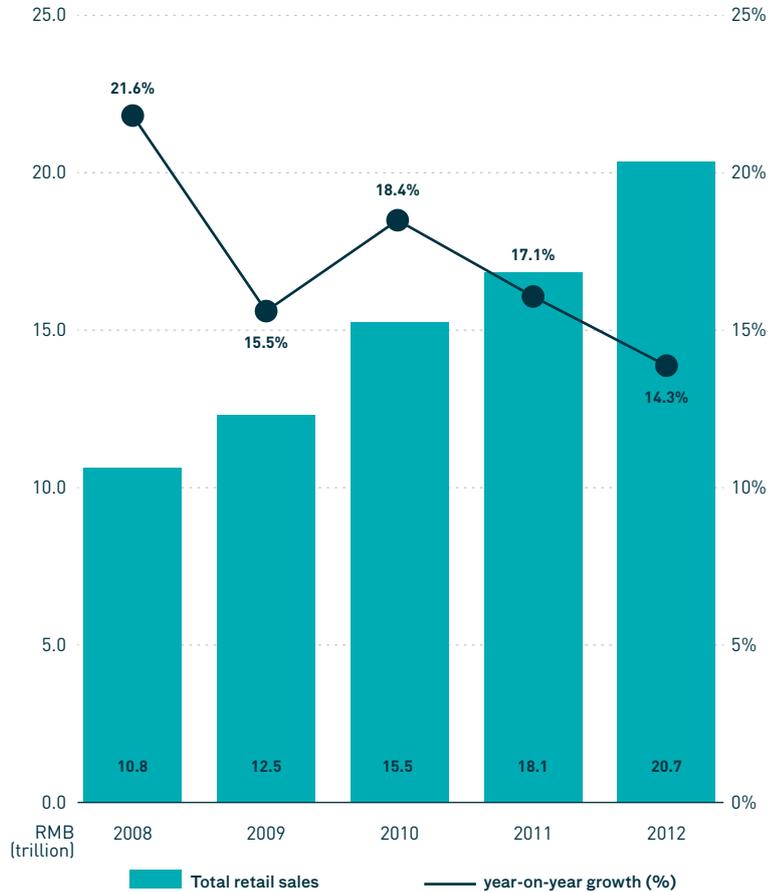
2.3 ASIA

The Asian e-Commerce market, led by China, has been booming over the past few years. China is already the world's second-largest retail market; however, growth is stabilising. Nevertheless, the Asian region presents a big opportunity for retailers and postal operators alike. Asian economies are still developing, which means there is still a strong potential for e-Commerce growth.

While in developed countries the percentage of people who have access to the internet and who have purchased something online is around 80%, this number is around 40% in China, meaning only around 40% of the half a billion people using the internet in China today have ventured to purchase something. This number will continue to rise, which means that, considering China's large population, China's e-Commerce market will continue to grow. The growth of China's online business has created many opportunities for new entrants.

The Chinese e-Commerce market differs from the US market in that it takes up more of the disposable income of consumers: while 23% of US disposable income is spent on online purchases, as much as 31% of disposable income in China is spent online. The Chinese e-Commerce market is also more centralised, with 90% of online sales taking place on online market places such as Alibaba, whereas market places only account for 24% of online sales in the US.

Retail sales of consumer goods in China



Source: National Bureau of Statistics of China

E-tailing in China

	China	US
Transactions as % of GDP EFFICIENCY	Alibaba: 2% of China's 2012 GDP	Walmart: 0.03% of US's 2013 GDP
Purchase behaviour REACH	China: 31% of disposable income on online purchase. Greater percentage in small & mid-size cities	US: 23% of disposable income on online purchase
Marketplaces as channel AGGREGATION	China: 90% of online sales	US: 24% of online sales

Source: MarketCharts, 2012; McKinsey, 2013

CHINESE CONSUMER TRENDS

In China, the middle-class population already exceeds the entire population of the US and is still growing. This group has a strong demand for goods and entertainment; as a result, future growth in lifestyle-related products is very promising in the Chinese market.

Most growth is coming from the third- and fourth-tier cities as these are the places where the consumers want to buy online as there are limited or no bricks-and-mortar retail outlets.

While growth in China has mainly been concentrated in the cities, the vast rural areas – where 50% of the Chinese population resides – provide plenty of opportunities. Chinese e-Commerce platform Alibaba, for instance, is targeting these areas. The company stated that in 2015 it would invest RMB 10m (US\$1.6m) to introduce service stations in rural villages to teach local people how to buy online and to handle the returns through the service stations. Alibaba believes this is a huge opportunity which could be rolled out throughout Asia.

E-Commerce has become one of the most important sales channels in China: the percentage of online sales out of total retail is 10.8%.

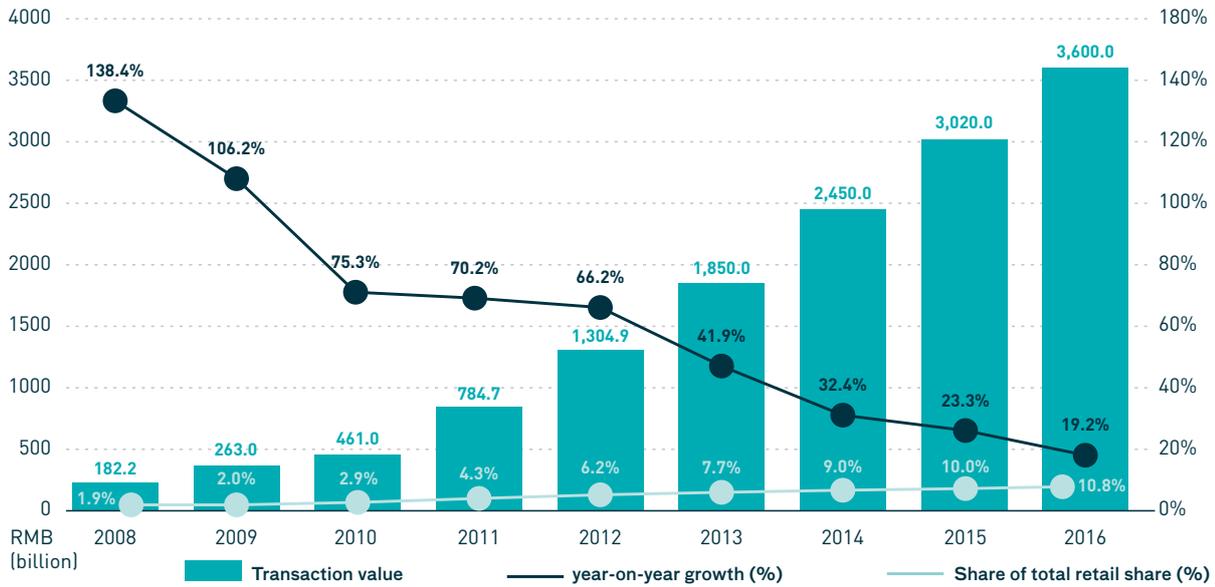
One of the most remarkable e-Commerce trends in China is that mobile shopping is booming and already accounts for a significant part of online purchases in China today. Chinese consumers use their smartphones much more than in the US to shop.

Home shopping in China is very different and more developed compared to developed markets as Chinese consumers order much more frequently; around 37% of Chinese consumers shop online several times a week. This is partly due to limited space or refrigeration capacity to store food in bulk.

Some other key consumer trends and behaviours of Chinese e-shoppers are listed below:

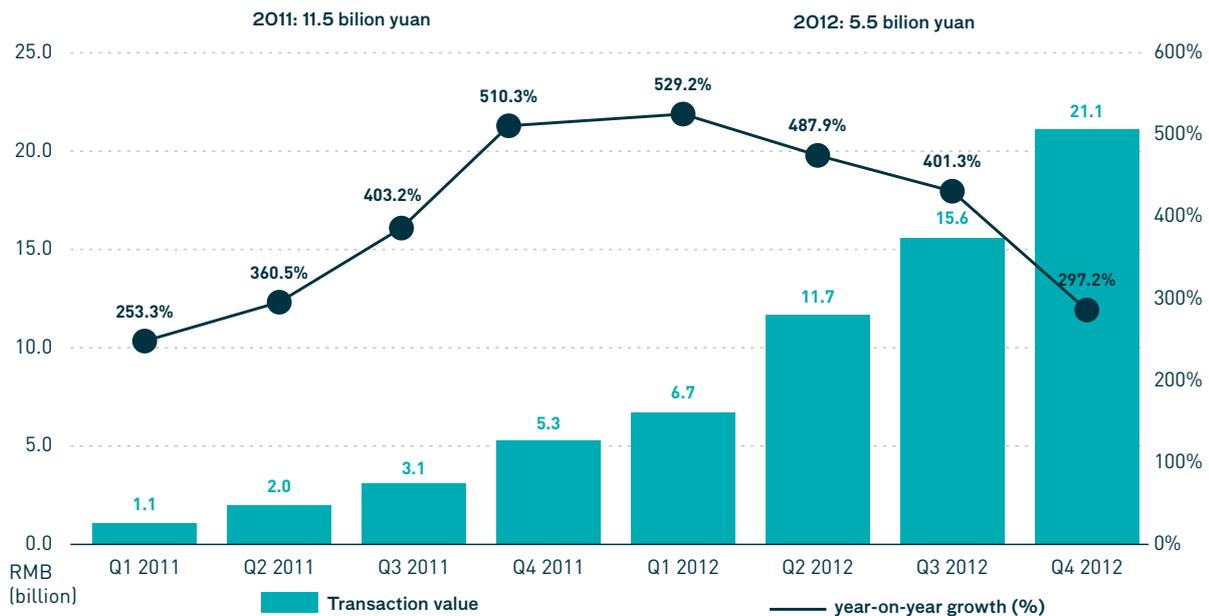
- Chinese consumers buy frequently and in small quantities.
- They love discounts and sales.
- Chinese shoppers like to shop overseas due to health concerns and price differences.
- Chinese like to open multiple websites and like to experience a high-energy shopping atmosphere. By contrast, US consumers prefer clean sites and only open one window open at a time.
- Many Chinese are very price-sensitive and will use dual devices; therefore web pages have to be synchronised.
- The growth of the Black Friday phenomenon in the US has been paralleled by the launch and growing popularity of Single's Day in China. For instance, on 11 November 2014, the Alibaba platforms saw US\$9.3bn sales in a 24-hour period in China – nearly double the previous year and more than the entire period of Black Friday, the weekend and Cyber Monday combined in the US. The huge amounts of e-Commerce sales over a short period has, however, led to logistical issues. China Post Group alone delivered 15.8m parcels during the period from 11 to 21 November 2014.
- Chinese like multiple delivery options for customers, including next-day delivery, half-day delivery, delivery three times a day, and specified time segments.
- Customer loyalty to platforms such as Alibaba's Taobao is rewarded – priority customers for example benefit from free insurance which covers the costs of any returns they wish to make.

Online retail in China 2008-2016



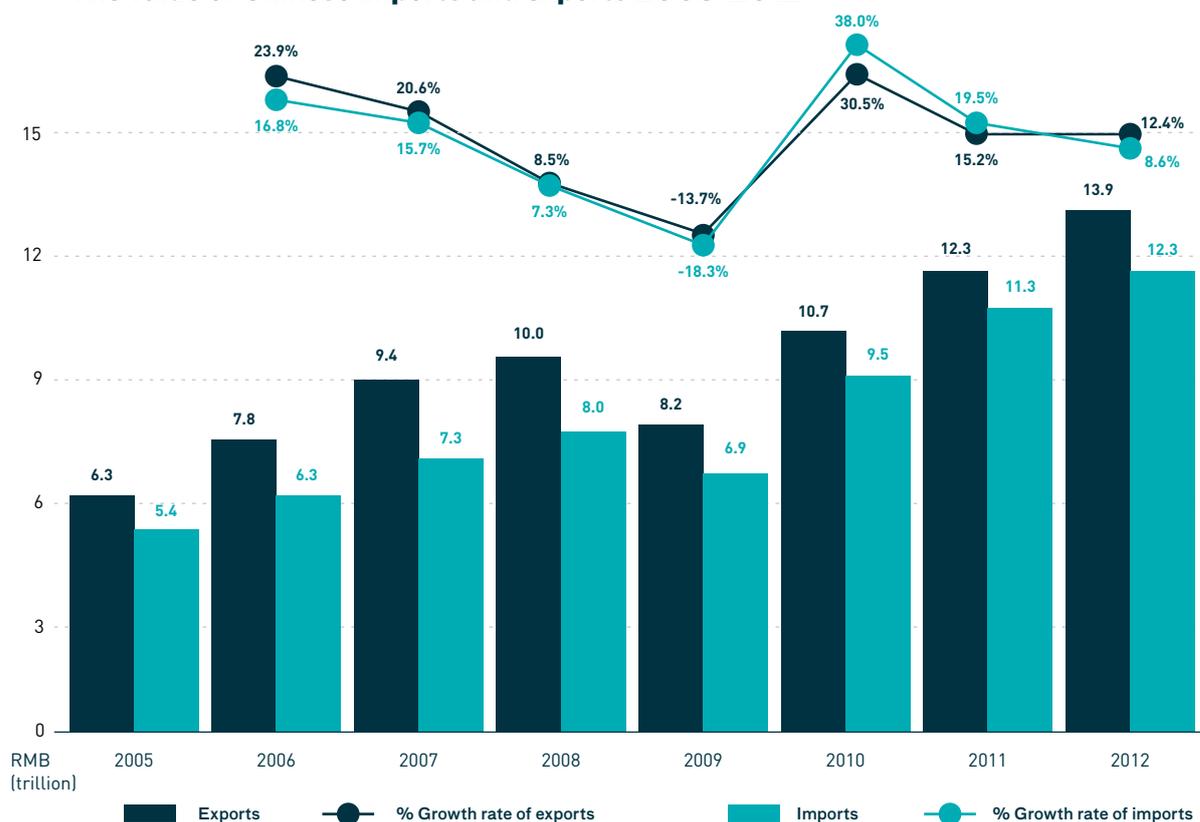
Source: www.iresearchchina.com

Mobile shopping in China 2011-2012



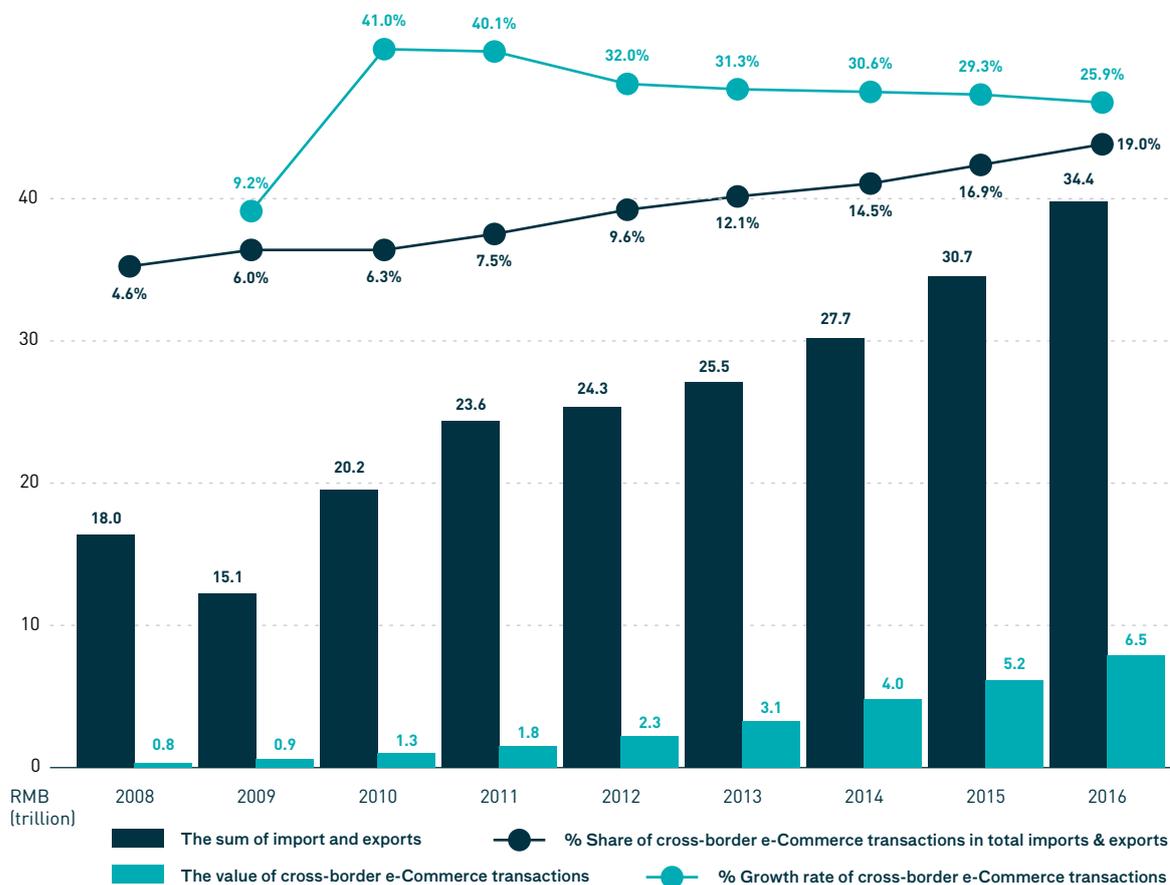
Source: www.iresearchchina.com

The value of Chinese imports and exports 2005-2012



Source: www.iresearchchina.com

The sum of Chinese imports and exports vs value of cross-border e-Commerce transactions 2008-2016



Source: www.iresearchchina.com

CROSS-BORDER POTENTIAL

According to Alibaba, domestic e-Commerce in China is strong, but cross-border e-retail provides even more opportunities – not just for goods moving out of China, but also for the inbound flow of goods.

The charts opposite shows the value of Chinese imports and exports. The vast and growing middle class with rising disposable income is generating a big uplift in e-Commerce, unequalled in more developed markets like the US and Europe, which have already approached critical mass.

While the opportunity in China is huge, this presents challenges for governments and postal operators. Nevertheless, there is a tremendous opportunity for expanding e-Commerce to and from China for all countries.

One of the challenges is the vast numbers of parcels entering and leaving countries, especially for customs. However, big data can be used to improve customs handling and to lower the barriers to cross-border e-Commerce.

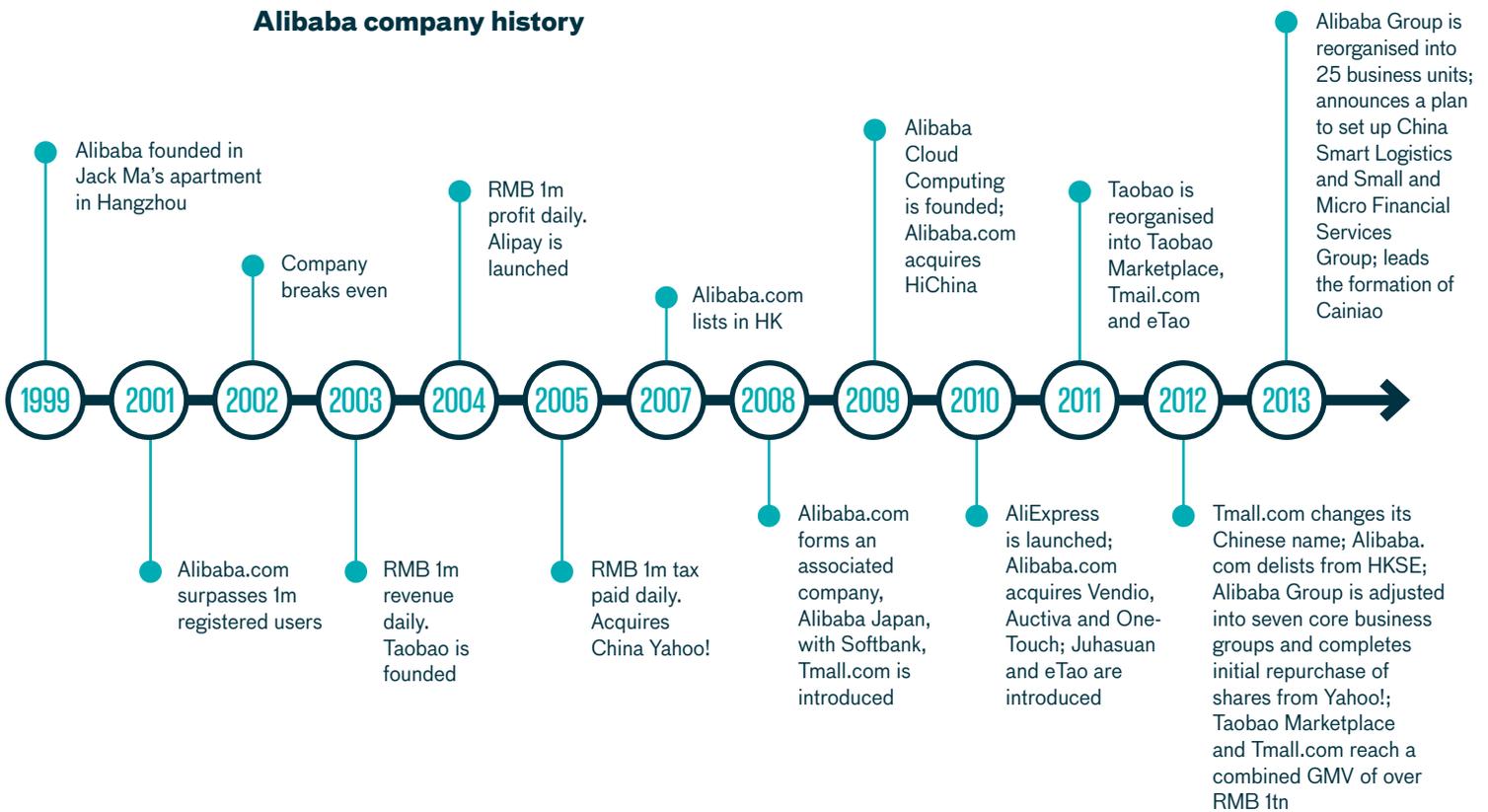
ALIBABA CASE STUDY

The following case study presents the insights from two presentations given by Alibaba, one during the IPC Annual Conference in Lucerne, Switzerland in May 2014 and one at the Asian-Pacific Postal Union (APPU) Postal Business Forum in Bangkok, Thailand in November 2014.

Alibaba is the biggest e-Commerce platform in China with over 100m shoppers per day visiting the Alibaba domestic Chinese sites. In 2013, Alibaba sold US\$248bn worth of merchandise in China alone. During the same year, 11.3bn transactions were made in China through the Alibaba Group and 5bn packages were generated for domestic delivery.

Founded in 1999 by Jack Ma, the company now records more sales than Amazon and eBay combined. In September 2014, the company entered the New York Stock Exchange, leading to one of the biggest technology listings ever seen, valuing the company at US\$230bn.

Alibaba company history



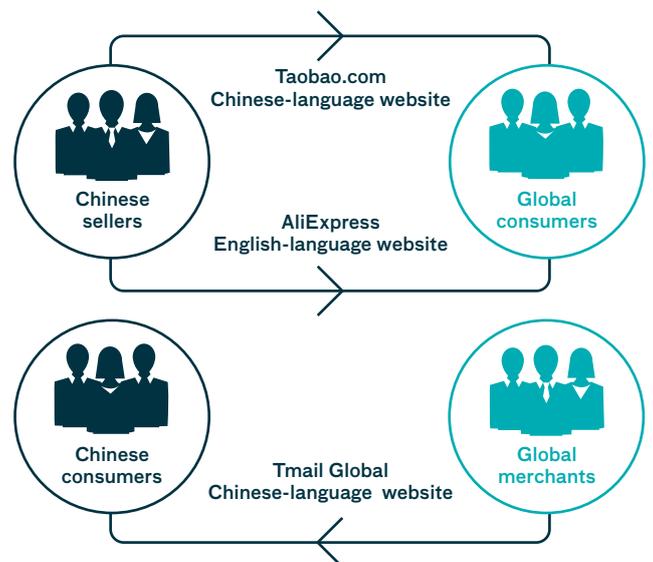
Source: Alibaba

Jack Ma realised that Chinese products and SMEs were not represented on the internet and so he founded the company to be the world's first global B2B English language platform. Today this has grown into an ecosystem which is focused on buyers and sellers and a number of companies have been created to facilitate platforms for B2B, B2B, C2C, an escrow-based payment platform, and a domestic B2B which feeds the domestic B2C. The company has managed the build up a vast ecosystem of services, with four key business segments in the Alibaba group: financing; online marketing; logistics, and data.

This is all self-contained but it leaves lots of room for third parties to come in and participate. There are companies which come in to provide the store fronts for Western and Chinese companies, companies that do advertising, and companies which provide logistics support. Alibaba wants to leave room for companies to come in and do what they do well. The focus is on making sure the users are happy and that they get what they want. The Alibaba ecosystem requires a wide range of diversified solutions through a data-driven infrastructure to attract more participants to provide solutions.

Alibaba has the following three main platforms:

- **Taobao.com:** Chinese language platform for Chinese sellers to sell to Chinese consumers within China and abroad – there are now 18m Chinese living overseas.
- **Tmall Global:** a Chinese-language platform for Chinese consumers to buy from foreign merchants. Tmall Global today sells 5,380 international brands and is listed in 20 countries.
- **AliExpress:** originally an English-language platform for global consumers to buy from Chinese merchants, AliExpress provides help to SMEs in 25 different languages localised to the shopping habits of the consumers in other countries.



Source: Alibaba

AliExpress

AliExpress is the largest platform where Chinese products are sold to the international market, with about US\$2bn worth of sales in 2013.

AliExpress provides consumers with access to brand-free merchandise apparel, jewellery, accessories, mobile phones and tablets. It is designed to be a site where people who cannot afford a Samsung or an Apple can source a good-quality mobile phone or tablet while still respecting intellectual property rights (IPR).

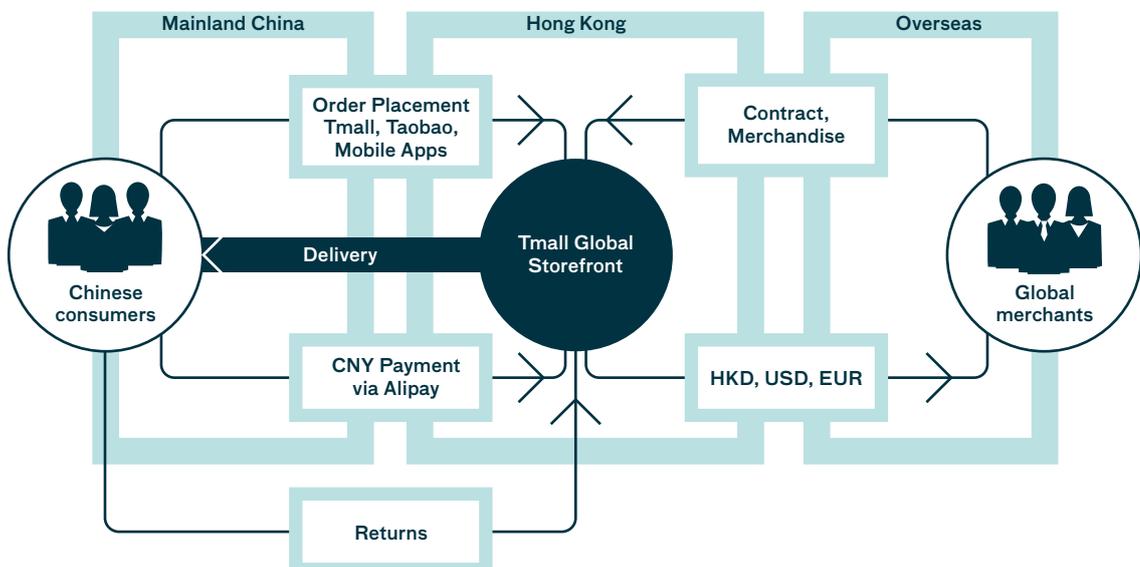
The largest markets to which AliExpress sells are Russia, Brazil and the United States, although some of the western European markets are rising rapidly. AliExpress is rapidly gaining a strong foothold in these markets and has already become the number one e-Commerce company in Russia and the number two in Brazil. Consumer habits in these markets are similar to Chinese consumers.

Tmall Global

Tmall Global is a cross-border online retail solution which enables companies outside of China to directly advertise and sell to Chinese consumers.

Tmall Global combines commerce, payments and logistics into one. It is connected to customers so they can see when orders are placed, when they are paid for and all the stages in the delivery supply chain.

Tmall Global is designed to take advantage of Chinese policies to encourage consumerism. The government is trying very hard to morph the economy from an export-driven economy to a consumer-driven economy and as a result they are making it more favourable for international companies to be able to export into China without having to go through some of the traditional hoops. For example, with Tmall Global, there is no need to register a company in China, or file for Chinese IPR, or to bring the goods into China, as sellers can ship via the postal service from wherever they are in the world and fulfil their orders through the postal clearance. Or they can import to duty-free zones and then import through commercial clearance.



Source: Alibaba

Alipay

Alipay provides an escrow payment service which was established in 2004 to bring trust to transactions. Every transaction is escrowed so that when a buyer makes a purchase, they send their money to Alipay which informs the seller that the money is there and to send the goods. Once the goods have been delivered, the buyer has a timeframe to accept the goods, after which Alipay transfers the money to the seller.

This service has been a success, with 77.4% of online shoppers being more likely to complete their transaction if Alipay is available. There are around 700m Alipay accounts, which is more than the number of internet users in China, which means that people have more than one Alipay account. Moreover, Chinese customers are using Alipay to pay their utility bills and for other services, such as taxis.

Currently, Alipay has business development activities going on in Europe and the United States and the group is trying to get other platforms and sites to add Alipay as a payment option.

Logistics

China Smart Logistics (Cainiao) is a joint-venture company in which the Alibaba Group is a minority investor. The company gathers retailers, developers and logistics companies. The idea is that Alibaba will create through the cloud a technology layer which logistics companies will plug into, thereby creating the ability to route and to break bottle necks in the logistics networks in China.

Alibaba sees Taobao.com as the Walmart of China as it serves the needs of millions Chinese living in rural areas and smaller cities. Therefore, it developed China Smart Logistics, partnering with logistics operators for the last-mile delivery.

Cainiao's mission



Source: Alibaba

China Smart Logistics is working with 14 logistics companies, including China Post, and through this platform all goods flowing in China are visible through tracking.

Alibaba's CEO Jack Ma has a vision that for any location within China, no matter how remote, delivery will be made within 24 hours in five to eight years; data will be the driver.

There will also be investment in the warehousing network infrastructure to create a ring of warehouses around China with none of them more than a day away from a major city. Alibaba sees a need for such a logistics network as there are few high streets or shopping malls outside of the major cities in China.

There are now more than 1m delivery personnel within China and there are estimates that there will be a need for as many as 8m in the next decade. Therefore there will be explosive growth in the logistics industry in China and there is room for a lot of smart players within this market.

Online to offline (O2O) and C2B

The last mile has tremendous potential and Alibaba is working with the local Hangzhou government and using shops as experiencing centres where consumers can try on the clothes, but they cannot buy them there as they have to go online to purchase them.

Postal collaboration

Alibaba believes in the power of collaboration and wants to reach out and collaborate with postal operators. Alibaba is already actively cooperating with postal operators in Hong Kong, Singapore, Malaysia and Taiwan. As reported by Forbes in May 2014, the Alibaba Group has purchased a 10.35% stake in SingPost, Singapore's national postal service provider, for US\$249m.

At the Asian-Pacific Postal Union Postal Business Forum in Bangkok, the Director of Public affairs of the Alibaba Group, Yue Xing, discussed the collaboration between Alibaba and postal operators, as well as what the company expects from posts regarding solutions to drive e-Commerce in China and abroad.

Alibaba would like the postal community to provide them with one single brand and to simplify the global supply chain solution. Moreover, the company believes that postal operators have a natural advantage into China as postal goods are not considered to be commercial, but personal and benefit from advantageous customs rate. Alibaba is working with customs to facilitate this.

Moreover, John Spelich, Vice President International e-Commerce Business Development at Alibaba Group, stated during the 2014 IPC Annual Conference that the key is end-to-end: Alibaba wants to work with partners who can provide end-to-end solutions such as the IPC INTERCONNECT solution.

Spelich furthermore stated that posts should invest in products and services to improve efficiency and capacity, such as technology for better connectivity that results in easier customs clearance and tracking; and to consider warehousing and fulfilment.

Alibaba stated that it is happy to facilitate import customs clearance by leveraging the free-trade policy at seven pilot ports in China under the working scheme with Chinese customs. At the same time, Alibaba would also like to work with postal partners overseas to improve the overseas customer experience by helping overseas customs upgrade to EDI and to introduce smart systems to the export process. Alibaba is offering to co-develop products with postal operators and to nurture them at the inception stage.

Spelich also called on postal operators to be open to opportunities that can infuse the largest number of parcels into their systems and optimise their businesses, regardless of the source. He also stressed that posts should leverage their last-mile delivery systems (their best and most enviable asset) for future revenue growth through partnerships.

According to Alibaba, postal operators should be aware that customers in China are prepared to wait for up to two months for delivery into China – it is always a balance between the price and the service level and postal operators have a relative advantage in this regard. In addition, the company stated that postal operators will be able to compete with the integrators if they can improve the visibility and traceability of their services. It should not come as a surprise that some of the key needs identified by Alibaba are an optimised solution with track and trace, moderate price, acceptable transit times, access to customer service and flexible delivery options, as well as imaginative online-to-offline (O2O) solutions through the leveraging of the last-mile networks of the postal operators.

YIHAODIAN CASE STUDY

At the IPC-Stanford Symposium in October 2014, an executive workshop session focused on the rise of the Chinese online grocery platform Yihaodian.

Yihaodian was founded in 2008 and is a B2C e-Commerce website providing consumers with a platform to shop for groceries online. Yihaodian has “virtual stores” that exhibit images of stocked grocery shelves on walls and other surfaces in urban public areas in China, where passers-by can scan codes under the images with a mobile device to purchase the corresponding groceries online.

Yihaodian is currently the largest retailer for B2C food in China. Since 2012 the majority of the company has been owned by Wal-Mart. In 2014, the company had 60m registered users and sells around 3.4m SKUs.

Yihaodian’s business has been a success because of several reasons:

- It was riding on the trend of rising online sales.
- It was able to offer a wide range of products; Chinese consumers like marketplaces.
- It was able to offer delivery reliability through its warehouse management systems.
- Its focus was very much on providing very strong customer service.

Yihaodian’s logistics

When launching, Yihaodian’s founders had three aspects they had to consider:

- Selection: they had to be able to offer a broad range of products and understand consumer demands.
- Geography: they looked beyond the major cities and targeted second- and third-tier cities through geographic expansion.
- Delivery infrastructure: they decided to invest in in-house delivery capacity rather than outsourcing their network in order to reduce risks. More than 60% of customer complaints relate to last-mile delivery. The company focused on their internal process efficiency to handle the complexities in order fulfilment.

In response, Yihaodian created a nationwide distribution network, creating its own capabilities with 30 third-party logistics providers in 2011. The company established secondary distribution centres across the country. Indeed, Yihaodian’s success has at least partly been due to their ability to manage their logistics through the employment of their own delivery drivers and through the creation of their own delivery network.

Yihaodian has also become very efficient in processing its orders; for example, it takes on average just 80 seconds for a warehouse employee to pick an order of 16 items from 70,000 SKUs within a 25,000 m² warehouse. This is possible due to integrated Information Systems, where the frequently ordered products are all placed at the front of the warehouse and products likely to be bought together are stored together.

Information integration is crucial to the company, including for its first-mile supply pick-up service. Yihaodian has created its own supply pick-up as it did not want to be reliant on suppliers in case they fail and its customers would complain.

Yihaodian also saw a change in consumer preferences. While cash on delivery (COD) accounted for 70% of orders in 2008, this had declined to 20% in 2013.

Yihaodian's views on Chinese logistics

China's logistics outsourcing is generally much lower than in global markets, while transportation outsourcing is dominant, and at a par with global markets. There are however significantly lower levels of warehousing outsourcing, and also lower levels in packaging and inventory management compared to global markets. Both China and global markets are still very limited in outsourcing information management. Outsourcing still has plenty of room to grow, but delivery services are often a roadblock which is why Yihaodian developed them in-house and is now successfully offering their logistics services to other retailers.

Chinese logistics continues to be a source of inefficiency in general, with warehousing becoming a bigger and bigger headache. A key issue today in China is the severe shortage of warehouse storage and there is a fight for warehouse space as business is growing fast.

2.4 CASE STUDIES

In this section, we will present a series of case studies gathered from events organised by IPC during 2014, including the IPC Annual Conference and the IPC-Stanford Symposium. The case studies include insights from Charles Tyrwhitt on its transformation from a mail order niche retailer to e-Commerce, as well as from Google and Macy's.

CHARLES TYRWHITT CASE STUDY

Charles Tyrwhitt is a UK-based clothing retail company that started out as a mail order business and has since moved to the internet to reach customers across the world. The company was founded in 1986. It established its first presence on the internet in 1998 with the launch of a website. This digital presence did not immediately lead to strong revenue growth. However, as the e-Commerce market has matured over the past years, Charles Tyrwhitt has seen exponential growth. In 2014, the company reached over 1.6m customers and made £158m worth of sales.

Growth strategy

A few years ago the company mapped several strategies to grow the business. The strategic choices available were to:

- broaden the product range;
- sell more products per customer;
- introduce a shift in the channel mix, including a potential retail roll-out, or
- move into international direct, selling directly to customers outside the UK.

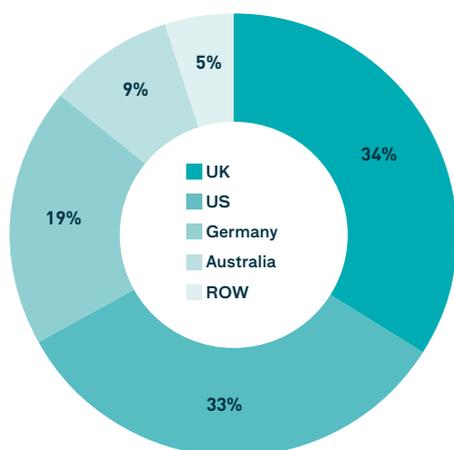
The company decided international direct was the way forward. The reasoning behind it was that they wanted to focus on what they were doing and rolling that business out to the world.

The company had identified four main markets: UK, US, Germany and Australia. The remainder of the world is called rest of world (ROW) which is where the future growth will come from.

The markets in the UK and US are now about the same size. Australia grew from £1m sales to £10m sales in one year as a result of direct marketing in the country. This growth was achieved through the sending of traditional mail order catalogues.

Why International Direct?

- The opportunity to build a global business
- Not reliant on UK economy
- A natural hedge
- Ability to flex sales
- Leverage (call centre/DC)



Source: Charles Tyrwhitt

According to Nick Wheeler, founder and Chairman of Charles Tyrwhitt, one of the problems of moving into an international market is that companies encounter a lot of competition, different languages, different currencies, different cultures; moreover, a brand will mean different things to different people.

From mail order to e-Commerce

The transformation from being a purely mail order company to having a strong online presence was successful because mail order and the internet work incredibly well together. The omni-channel experience – combining mail and internet – has paid off for the business.

The company remains convinced of the value of mail in marketing and selling its products. Nevertheless, the company had to continuously test and learn when moving to online retail. According to Wheeler, a lot of businesses that have started more recently as internet businesses do not really understand the importance of paper mailings.

Customer service and data

At the core of the company's strategy is the importance of remote customer service to a customer who you will never meet.

Customer satisfaction is measured by an online tool called "feefo", which asks customers to rate the service and the product from excellent to poor. In 2014, 97% of people rated the business as either excellent, or good, and 96% rated the products as either excellent, or good.

Customer feedback is seen as crucial to improving the business and the data is used on a daily basis. As soon as a customer provides feedback it goes live on the home page. Each morning Nick Wheeler gets seven reports – US, UK, DE, AU, retail, web and call centre – and receives all the bad feedback that customers have left from the day before.

The company has seen that most – if not all – bad feedback relates to delivery. The retailer has identified delivery as being one of the most worrisome parts of its value chain. Wheeler stated that in a business like Charles Tyrwhitt there are many things they can control, but they cannot control the deliveries.

Delivery

Charles Tyrwhitt shipped about 2.4m parcels in 2014 and has a clear idea of what delivery should look like. It does not see next-day delivery as a crucial offering, as people will not pay a huge premium for having shirts delivered the next day. People, however, do want an absolutely reliable service: if the retailer says the delivery will take seven days, customers expect and want it to be seven days. Reliability is the number-one requirement, said Wheeler.

He also called on postal operators to make sure they provide quality, value and service and urged them to look after their customers, as well as their own people and suppliers. Lastly, he said that posts should think global and work together to deliver a seamless service.

Direct mail

The company sends out a large number of monthly catalogues, with as many as 35m mail pieces in 2014. In terms of mailing, Charles Tyrwhitt does a lot of testing in terms of sending customers either big books (134-page A4 catalogues), small books or no books. What they find time and time again is that the business would not grow anywhere near as much if they did not send out brochures.

The books have to be incredibly reliable in terms of delivery and to land on the exact day that the company wants them to land in order that from a logistics point of view, the orders can be fulfilled.

GOOGLE SHOPPING CASE STUDY

During a visit to Google as part of the IPC-Stanford Symposium, Brian Elliot, the Head of Platforms for Google Shopping, presented the insights gained from running Google Shopping. Google Shopping provides a pick-and-pack service for merchants – there are currently 37 retailers on the platform. Google charges a commission based on the value of the goods sold and consumers pay a shipping fee.

One of the key aspects of the service is that it offers a same-day delivery experience and works with third-party courier companies. Google believes that same-day delivery matters for the consumer because their behaviour has changed as a result of the Amazon Premium experience, which offers a two-day delivery service across the US for free for Amazon Prime subscribers. Google is looking for speed and accuracy as consumers are very time conscious. Moreover, digital advances are changing the online retail industry.

Google feels new services need to be democratically available and there are many benefits to retailers through omni-channel marketing. For instance, Google is also investing in mobile integration; as a result of smartphones there is a huge volume of data available for mobile marketing including confidential credit card information which can be used through Android to bring customers onboard seamlessly to Google shopping.

The current KPIs for Google Shopping include:

- a 97% fill rate;
- 99% on-time delivery within a four-hour window;
- 40% of orders coming through mobile phones, and
- merchants seeing 2% to 7% increase in sales, and 10% for groceries.

Shopping experience

The shopping experience is also very important to the Google Shopping platform. On the product page, Google Shopping provides 3D imagery for the product e.g. shoes, toys – using all the assets of Google Shopping to power the consumer experience. The shopping cart is integrated across all of the merchants and a consolidated shopping basket is aggregated across multiple merchants resulting in the customer only having to pay one delivery charge. Moreover, the check-out process enables to add a rewards programme; capturing this is beneficial to the merchant as they can get more information on their customers' purchasing habits.

Delivery experience

Google Shopping has put a great emphasis on offering a range of delivery options and on improving the shopping experience for customers. For instance it offers four-hour delivery windows, attended delivery, with or without signature required, as well as unattended delivery. However, Google does not plan to offer this service for refrigerated goods.

Branded courier vehicles account for 80% of the deliveries; the courier uses an app and tracking application.

Google Shopping is currently available in six cities in the US and the question is open on whether to go global. Google said they were working on their global strategy.

MACY'S CASE STUDY

At the IPC-Stanford Symposium, Ensell Lee, Principle Product Manager at Macy's, discussed the retail chain's ongoing development of its online order fulfilment, which is under pressure from changing consumer preferences and competitive services such as Amazon Prime.

There are 670 Macy's stores in the US which now have intra-day fulfilment, which can offer the customer either a same-day or next-day service. Same-day fulfilment reflects a trend that is being seen increasingly. Amazon are opening stores which will become same-day fulfilment centres and Google Shopping are putting their people into stores to pick and select.

The retail chain is also rolling out its fulfilment points and is getting closer to the final mile.

Store fulfilment is not a priority for the company, though, as it is really hard to roll out. The main challenges for store fulfilment are inventory integrity: if the supply has been picked by online demand, getting the inventory correct is very important. Moreover, a store environment is not optimised for fulfilment as it is designed for selling rather than picking an order.

2.5 CONCLUSION

Of all the growth forecasts for e-Commerce, a particularly noticeable one came from UPS forecasting cross-border e-Commerce to outstrip domestic e-Commerce growth and to grow by 26.6% between 2013 and 2020. This highlights the importance of the cross-border e-Commerce market to posts and is the reason why IPC and its members are focusing on this topic.

The projection itself looks fully achievable considering that the largest online selling platform in the world, Alibaba generated sales of US\$9.3bn on Singles Day (11 November) in 2014, a staggering increase of 62% on the previous year, resulting in the generation of 278m orders. Through its AliExpress platform, 2014 was the first year that Alibaba actively promoted Singles Day to markets outside of China and this phenomena is here to stay.

Amazon introduced the concept of Black Friday in the UK as recently as 2010, and four years later it already generated £810m according to IMRG, which was up 38% on the previous year. Both China and the UK are major exporting nations for e-Commerce, and consumers around the world are being educated to shop online to benefit from the resulting discounts and millions of products that are available for purchase at the click of a button, or increasingly at the touch of a smartphone screen.

Fuelling the growth in cross-border traffic is the Asian region, led by China; analysis by the Boston Consulting Group (BCG) for IPC in 2014 showed that 40% of all global trade flows will be centred on Asia by 2025. Given the importance of Asia to global e-Commerce, IPC has been increasingly working with Asian postal operators and associations such as the APP and the APPU to better understand the specific regional market needs and to ensure that the INTERCONNECT programme is relevant and can be extended within Asia.

Through INTERCONNECT an initial 33 postal operators in Europe, North America and Australasia will operate cross-border e-Commerce along the new INTERCONNECT standards. INTERCONNECT will align existing cross-border products including PRIME, EMS, KPG and EPG into three service levels (Premium, Standard, Economy) and enhance them through end-to-end visibility, reliability standards and measurement. Existing IT systems will be the basis for INTERCONNECT and the objective is to increase performance and reduce costs by optimising operational processes.

Although a major step in the right direction and one which is strongly supported by e-retailers such as Alibaba, INTERCONNECT was designed to meet market requirements as defined back in 2013 and e-Commerce is

relentless in its evolution. The market has now moved to full visibility in real time and day definite is becoming the norm for B2C, with delivery in defined time windows. Posts need to up their game and introduce change at a much faster pace. To justify this claim, several case studies have been provided within the e-Commerce chapter on Alibaba and Yihaodian in China, on Google Shopping and Macy's in the US and on Charles Tyrwhitt in the UK. Each of these case studies highlights the speed of change and in the case of Yihaodian, Google Shopping and Macy's, if posts do not step up to improve their delivery service, there are plenty of new business models where retailers are extending their supply chain into last-mile delivery.

Again e-Commerce remains a major prize to be won for posts, however the market is developing far faster than the posts are at present.

DATA-DRIVEN MARKETING



3.1 KEY FINDINGS

- Traditional marketing channels have been shaken up – but not necessarily supplanted – by digital media, and today direct mail is a complimentary rather than a competing medium.
- The challenge for postal operators is the need to keep the ‘forever young’ community of advertising and marketing executives informed about traditional techniques of direct mail, testing and ROI campaign evaluation.
- In 2014 IPC published its first Direct Mail Guide, which is a step-by-step guide to successful cross-channel direct mail campaigns for marketers.
- Over a period of 18 months, Royal Mail MarketReach conducted a series of research projects to understand what physical communication in form of advertising mail means for consumers and ultimately for businesses.
- A key theme for the DMA 2014 conference was how the customer is now at the centre of all marketing activities and is driving the marketing process.
- A number of presenters at the DMA2014 described an information overload within their business, where there was a wealth of information that was creating a poverty of information. The challenge is to integrate the vast amounts of big data from different channels and to understand and sift through what is most relevant.
- 89% of consumers believe companies use their personal information primarily to benefit the business and 77% of consumers feel they receive no benefits at all in return for sharing their information.
- Whenever people are interested in something the internet will explode with people looking for related content. This creates a huge real-time opportunity for marketers who need to use immediate imaginative data driven storytelling to maximise the opportunity from this very short time window.
- The emergence of location data based on latitude and longitude data is becoming important to direct marketers as increasingly consumers are opting to share location – 74% of smartphone users agree to share location data.
- Key to direct marketing success in China is the embracing of social, mobile and digital technologies. Social connections are very important, as around 80% of all purchase decisions in China are made by word of mouth.
- Google sees growth in the mobile channel; however, most companies are not yet investing in this area. According to Google, growth is really about connecting both online and offline communications media.
- CTT has a strategy in place to grow postal business from SMEs and is working with around 15 major advertising agencies to promote the mail medium.
- bpost is using post offices to sell direct mail to SMEs.

3.2 MAIL VOLUME DEVELOPMENTS

Traditional marketing channels have been shaken up but not necessarily supplanted by digital media, and today direct mail is a complimentary rather than a competing medium. Marketers who started their careers in the past ten years are familiar with online and social marketing but less so with direct mail.

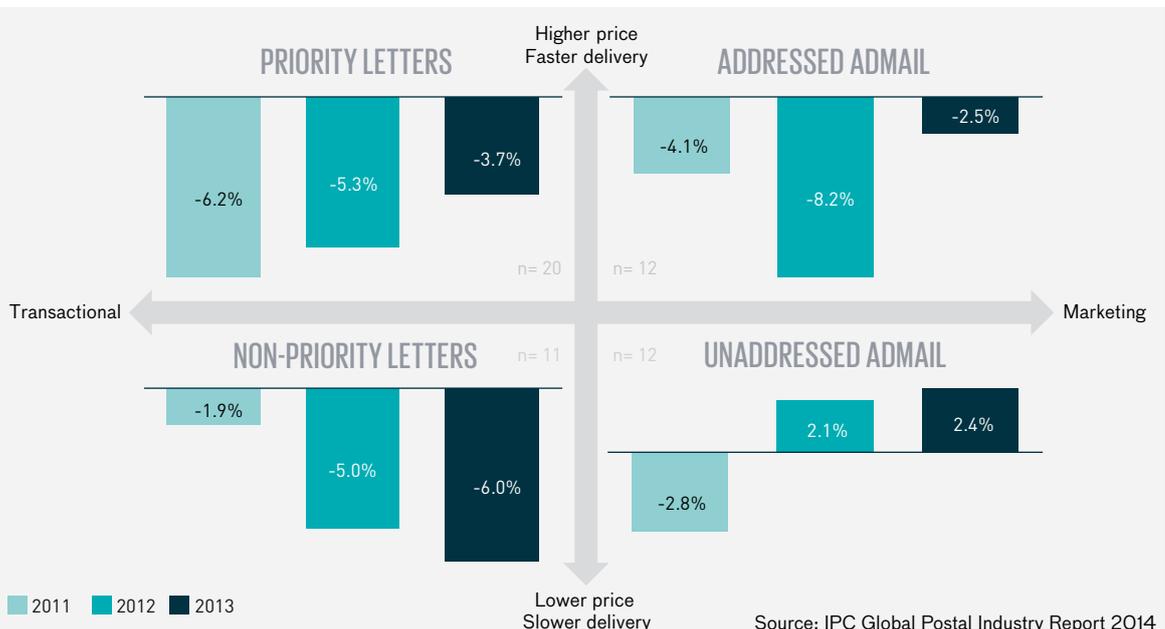
While advertising mail volumes have been declining for a number of years, the latest figures show that in some markets this trend has been reversed and there is now growth. This turnaround is due to a number of factors. Firstly, the declining circulation of local newspapers is resulting in the increase in unaddressed advertising mail to households. Secondly, marketers are realising that the return on marketing investment (ROMI) is still actually higher for direct mail than many online media alternatives. And thirdly, as e-Commerce sales grow, retailers are rediscovering the power of the catalogue to grow their business.

IPC analyses and reports on changes in mail volumes as part of their market intelligence activities and the results are published in the annual publication Global Postal Industry Report, which is available for free to members and for a fee to non-members.

Over the period 2011-13, the rate of decline for priority letters decreased to -3.7%. Encouragingly this is also the case for addressed advertising mail, which declined by just 2.5% in 2013. Collectively unaddressed advertising mail saw growth for the second year in a row.

Behind these figures Austrian Post, Magyar Posta, New Zealand Post and USPS all enjoyed positive growth in addressed admail volume in 2013. Positive growth in unaddressed admail volume was seen in 2013 by eight postal operators: An Post, Canada Post, CTT Correios, Deutsche Post DHL, Iceland Post, Magyar Posta, Posti, and Swiss Post.

These trends are encouraging as they show that direct mail continues to be used within advertising campaigns often as part of a multi-channel direct marketing approach. There is evidence to show that catalogues are becoming increasingly important to online retailers as they can be demonstrated to deliver a healthy ROMI.



3.3 DIRECT MARKETING EDUCATIONAL RESOURCES

The challenge for postal operators is to keep the ‘forever young’ community of advertising and marketing executives informed about direct mail, as well as testing and return on investment (ROI) campaign evaluation.

To assist its membership with this educational challenge, IPC has developed a range of informative publications and online assets over the last twelve months, which are available at www.ipc.be/programmes/direct-marketing.

Direct marketing is a key focus area for IPC in defending the core business of postal operators. To support this business, IPC provides research, analysis, case studies and stories, and an online forum for direct marketing professionals in the postal industry and beyond.

In the area of direct marketing and media services, IPC provides research and benchmark analysis on the market, case studies and facilitates forums and discussion platforms for best-practice sharing with links to useful publications published recently.

IPC PostBoard Direct Marketing forum is a secure, online space for postal experts from across the globe to come together and share ideas. This collaborative discussion platform provides postal direct marketing professionals from Europe, North America, Australia and New Zealand the opportunity to interact, discuss and learn from each other within an online environment. Topics discussed include product development, innovation, industry awards and case studies. This community brings together around 100 postal experts from countries around the world.

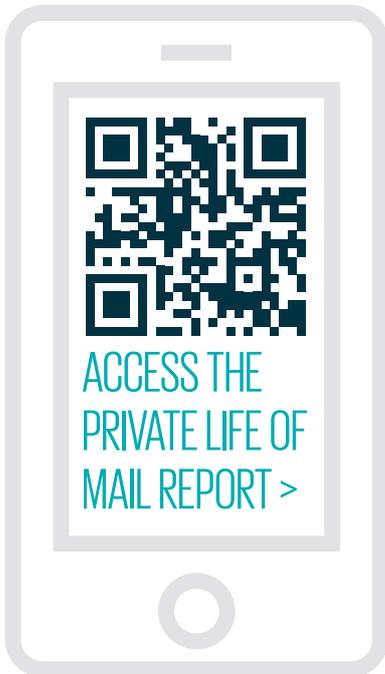
In 2014, IPC published a new Direct Mail Guide, which is a step-by-step guide to successful cross-channel direct mail campaigns for marketers. This guide aims to help marketers prepare successful mailings as part of cross-channel campaigns to increase response rates and deliver on their objectives. In May 2015, IPC produced an updated version, with new case studies and additional content on location-based marketing.

IPC is also the Vice Chair of the Universal Postal Union (UPU) Direct Marketing Advisory Board and works closely with the UPU to develop new training materials and educational courses for developing and least-developed countries.

In addition to the work done by IPC and the UPU, many of the postal operators provide excellent educational material to support direct marketing. In February 2015, Royal Mail published a very comprehensive research study called The Private Life of Mail.

100
POSTAL EXPERTS
FROM COUNTRIES
AROUND THE WORLD
BROUGHT TOGETHER
BY IPC POSTBOARD
DIRECT MARKETING
COMMUNITY





Over a period of 18 months, Royal Mail MarketReach conducted a series of research projects to understand what physical communication in the form of advertising mail means for consumers and ultimately for businesses. A combination of traditional and new methods of market and media research were used, including ethnography, quantitative and neuroscience research, interviews and analysis.

To build this complete and comprehensive view of ways in which mail impacts consumers, eight separate strands of research were conducted. The research conducted for the Private Life of Mail covered:

- 12 households covered within ethnographic work including CCTV in participants' homes
- 14 focus groups and 99 in-depth interviews
- 213 participants within neuroscience and tactility work
- 9,504 respondents across telephone and online quantitative surveys

The key learnings from this report relate to how mail flows after it has been delivered, to the emotional and neuro-scientific aspects and to the business value it was proven to drive. The complete report can be downloaded from mailmen.co.uk.

The Private Life of Mail is just the latest of many excellent recent studies that are featured on the IPC Direct Marketing webpage under Research and Analysis.



3.4 BIG DATA AND DIRECT MARKETING

DMA 2014

Each year the DMA in the US holds the largest conference in the world on direct marketing. In 2014 this event took place in San Diego and was titled The Global Event for Data-Driven Marketers. The conference provided opportunities to learn about the latest trends in the world of marketing, including keynote speakers and workshops featuring innovations and case studies presented by over 200 global marketing leaders from some of the world's top brands.

According to Joanne Monfradi Dunn, Chairwoman of the DMA, the DMA2014 conference was the biggest conference in the world on data-driven marketing. At the opening of the conference, she told how we are living in a world of unprecedented amounts of data and how marketing data is under attack from policy makers, media and hackers. There is a major talent gap in regard to data analysis and a 2014 DMA survey had found that 81% of marketers felt uncomfortable about the challenges of data governance.

81%
OF MARKETERS FELT
UNCOMFORTABLE
ABOUT THE
CHALLENGES OF
DATA GOVERNANCE

THE CUSTOMER AT THE CENTRE

A key theme for the DMA 2014 conference was how the customer is now at the centre of all marketing activities and is driving the marketing process. This involves a series of brand interactions and touch points over time as consumers expect to have conversations with their brands.

Air Canada gave examples of how they were working with big data to improve their customer interactions. This has required their IT infrastructure to be updated to leverage information on customers, obtained by listening upstream to social media and implemented by trigger actions built to automate the interactions. Air Canada believes this is about linking customer needs with experiences which can be enabled.

According to Air Canada, each company must define what customer engagement means for them and once determined, this will drive IT developments. Change management requires a huge cultural shift which has to start from the top of the organisation. However, there have to be small wins early on to demonstrate to employees that they have the potential to change the interactions with the customer.

Having the right technical expertise can be a stumbling block. All data analysis requires quality people who understand CRM; if they are not found within an organisation, they need to be recruited.

Organisations have spent a lot of time and money on gathering big data and on data processing power; now they need to integrate these with their communication channels. Air Canada likened their investment in processing power to a super brain which needed to be connected to a super mouth to communicate. However, they cautioned that a super brain often has attention deficiency and that big data has to be the right data. For airlines, as the percentage of customers on a plane increases, the value has to be maximised in order to fill the plane with the right mix of first-, business- and economy-class customers.

A number of presenters at the DMA2014 described the information overload within their organisations, where a wealth of data was creating a poverty of information. The challenge is to integrate vast amounts of data from different channels, to understand and sift through what is most relevant whether from online, offline, search or advertising, the relevance of the data has to be understood.

Lisa Arthur, CMO at Teradata spoke about Big Data Marketing. She described how Teradata, which develops data marketing software, had made the journey from being brand-driven to being data-driven. To achieve this, they adopted an outside-in approach, looking at the customer vision and experience. According to Arthur, data is critical, but it needs to be complete, holistic and drive value and action; essentially, using data is about people and not about the cloud.

Treat ran a survey in 2013 and found that 90% of marketers believed they were wasting valuable data as the shelf life for data is very short, and the time window to react and respond is even shorter.

According to the DMA:

- 89% of consumers believe companies use their personal information primarily to benefit the business
- 77% of consumers feel they receive no benefits at all in return for sharing their information

There are a few points marketing agencies need to consider to achieve success with big data. First, data has to be aligned to a strategic vision: there is a relationship between marketing and IT and both need to understand their role. For instance, one leading airline carrier recognised there were a lot of new entrants moving quickly and drawing from their customer base. The advantage of the airline was that they had a lot of historic data on their customers. However data in itself does not change a business. They understood the customer, behaviour and values. They had to take big decisions based on the data. Do you put the customer first, or do you operate in brand or channel silos? Are you able to access data and get the necessary insights to differentiate? Do you have the ability to operationalise your big data decisions?

Second, customer behaviour should be used to drive engagement: a leading car rental company wanted to understand what motivates the customer, to gain the trust of the customer and to build relationships with the customer. They wanted to figure out which customers were loyal to them and which offer to give them. They wanted to move away from “here’s a weekend discount” and to understand an individual customer and target them with particular offers. Therefore they asked for information and matched it across all their channels including online and rental counter. Key questions to driving behaviour: Are you able to identify what motivates a customer? Are you able to capture and leverage what a customer tells you? Is your engagement tied to both the behaviour and value of the customer?

ACCORDING TO THE DMA:

89%

OF CONSUMERS BELIEVE
COMPANIES USE THEIR
PERSONAL INFORMATION
PRIMARILY TO BENEFIT
THE BUSINESS

77%

OF CONSUMERS FEEL
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RETURN FOR SHARING
THEIR INFORMATION

Third, data should be integrated with digital advertising: a leading gaming, hospitality and entertainment company was having the problem that their high-value customers were opting out of their communications. They needed to reach high-value customers to achieve more value from their advertising and to deliver a multi-channel experience. The company used Facebook to engage with high-value customers and was able to learn about their behaviour and to engage with customers from a social prospect and using Facebook advertising to target their customers. Key questions to consider: Do you engage your highest value customers in a consistent way? Are you able to market to individuals through your advertising efforts? Are you able to deliver a multi-channel experience?

Fourth, data insights should be operationalised: a leading online brokerage firm was too reliant on one individual who became ill. They needed to have oversight over their operations and to nimbly adjust spend to the best performing initiatives and to reduce their production cycle times and fees.

And last, companies have to share their success stories: a leading consumer goods firm needed to understand customers across markets, learn from the success of others and to execute the success. They wanted to understand what a customer looked like in different markets, to collect different data points and to learn and apply what worked through opportunities that worked in one market applied to another market. They wanted a single campaign management tool to apply to the data to leverage to another market and were able to leverage ROI by up to 20% by sharing with their marketers across the globe. The key questions are: How are you able to learn from the efforts of others? Do you have visibility into the success of other campaigns? Are you able to apply the success of others to your efforts?

DATA IS WAITING FOR ITS SCORSESE

Ben Jones, Creative Director at Google spoke at the DMA2014 on how mobile is “eating the world”: consumers check their phones 150 times per day and are addicted to them as they believe they are helping them.

A common misconception is that consumers want everything to be faster. However, this idea is flawed: when consumers have greater interest, they will actually go deeper. If they love it, they will want more of it and when they want something, they will want to go deep and know more.

Google believes that content is magic as people expect utility and they want technology to disappear and to have an experience that feels like magic. This thinking is inspiring new product development at Google with new initiatives such as Google Now, which is a series of cards to read your emails and give you alerts for your appointments. This weaves content to provide magic, for example if you have a calendar appointment requiring a journey and there is traffic congestion, you will be alerted to tell you that you need to leave now to make your appointment.



When consumers have greater interest, they will actually go deeper.

Google used data during their project The Lab: World Cup 2014, which they developed for Nike. The first experiment within the project was “Bring me into the game”. An online chart showed searches and engagement with the game: when someone scores a goal the viewer will want more, they want to go deeper. This was achieved through art, copy and code combining to deliver real-time creative. For example when an individual player scored, a personalised advert was generated featuring the team and the player within ten seconds of the goal. Immediately after a goal is the prime time for a sponsor to advertise and build their brand. By contrast, a lot of English advertisers spent a lot of money on pre-booked TV commercial slots in advance of the World Cup and when England performed badly, the adverts that screened damaged their sponsors’ brand. The second experiment was “Smack your rivals in real time”. To engage with younger supporters, Google and Nike developed a library with 100,000 combinations of players and slogans. This was geo-located in real time around the game. It was live, relevant and generated really interactive brand interactions. Fans became immersed in this experience.



When it comes to social data, context is vitally important.

Whenever people are interested in something, people will look for related content. This creates a huge real-time opportunity for marketers who need to use immediate imaginative data driven storytelling to maximise the opportunity from this very short time window.

SOCIAL AND LOCATION DATA

When it comes to social data, context is vitally important. Even if a company’s social data volume is quadrupling, if this is just a fraction of the competition, its analysis will not provide value – there needs to be a clear baseline. For example, the fashion industry is a seasonal business and insights from social data must reflect how customers are shopping. Therefore, timely synthesis of information and the ability to deliver the insights on time are crucial.

In addition to social data, the emergence of location data became important in 2014 based on latitude and longitude data because of the following three reasons:

- Smartphone penetration: two-thirds of adults carry smartphones
- Availability of layers of location data: knowing what is around the customer
- Consumers opting in to share location: 74% of smartphone users agree to share location data

Beacons (Apple calls them iBeacons™) are small transmitters that permanently send a signal to devices that are listening for such a signal. Such devices include all iPhones newer than the iPhone 4s and devices that support Android 4.3 or newer, such as a Samsung Galaxy S4. If a device is receiving a signal and it knows what to do with it, it will notify the owner on the device screen with a message such as “here is something that might interest you”, offering a coupon or a special offer.



The cost of a beacon is currently around €20, although this will get cheaper. It communicates through Bluetooth with software from a mobile app. In regard to privacy, user consent is required to use beacon data and this has to be integrated within the CRM system.

As an example of beacon usage, the upmarket Neiman Marcus department store chain in the US is using location data generated by smartphones interacting with beacons to identify when their VIP customers are in their stores. This information is used to alert sales staff to review the customers' sales history on the computer prior to engaging with them in order to be better informed and to provide better service.

There are three primary applications of location data in direct marketing:

- Using location data to present hyper-targeted messages and offers to consumers
- Building psychographic and demographic profiles: creating a master database of consumer behaviour
- Aggregating and storing population location data for market research and future campaigns; profiling mass audiences

Beacons are a technology enabler, but they have to be integrated with existing data gathered in back-end data systems. Beacon data can be combined with existing customer data provided by customers in order to engage with the customer through personalised messages.

Beacons can help as they can be used to bridge the gap between online and offline and to integrate mobile into a truly omni-channel experience.

Beacons can be used in combination with direct mail in the following ways:

- Initial direct mail piece is sent and invites the prospect to visit a physical store location; further remarketing with hyper-personalisation is done in-store with the help of beacons.
- The effect of catalogues/admail driving people in-store can be identified and further enhanced by beacon technology: via push notification, prospects can be prompted to take part in a short survey identifying which medium drove them to store and to specify or adjust their preferences to get a customised catalogue. This way retailer can get information otherwise difficult and expensive to obtain (physical research, check-out questionnaire).
- Monitoring of specific users' in-store behaviour through beacon technology enriching loyalty data. This vast amount of data then gives companies the ability to launch hyper-personalised direct mail campaigns to retain customers, cross- or up-sell. Beacons can pinpoint users with extreme accuracy, however they are just a technology enabler providing the key for the data systems behind them. They can send push notifications to a mobile device, based on the customers' preferences and past purchases.



Beacons can help as they can be used to bridge the gap between online and offline and to integrate mobile into a truly omni-channel experience.

RECIPROcity OF VALUE EQUATION

There is a trade-off between how much information a customer is prepared to provide and the value they perceive they will get back in return. Consumers are moving away from time-consuming research of promotional material and are expecting the brands they trust to identify and deliver relevant and personalised offers and experiences. In exchange, B2B and B2C prospects are willing to provide trusted brands with very deep personal and business information. This is the reciprocity of value equation.



An example of this in action is the company Stitch Fix, which is targeting women 'on the go'. Stitch Fix is marketed as "an affordable and accessible personal styling service that helps women look and feel their best every day". Stitch Fix is an online personal styling service that ships customers a hand-picked selection of clothing and accessories based on their individual style choices. Customers opt in and complete a 15-page style profile with over 66 data characteristics used to help personalise the selection based on complex algorithms. Following this, a human personal stylist selects five items of clothing unique to the customer's profile.

The results show that 70% of people who get their first Stitch Fix box get another within 90 days. Stitch Fix's goal is that their customers keep at least two of the five items sent per month.

This is a process, a cycle in which marketers have to earn trust. This re-frames data privacy concerns as the more customers opt in, the more it is in their interest to update their information.

A further example of the reciprocity of value equation is Pizza Hut in the US. Pizza Hut is asking their customers to provide their preferences and using that information to deliver preference-driven communications and pizzas. Pizza Hut has moved to more personalised customer interactions by segmenting its customer base using over 6,000 variables.

And the results show that Pizza Hut's approach works:

- A 200% jump in average campaign response rate
- A 38% increase in retention
- A 9% increase in store visits
- 6% extra sales generated every month since the programme began

3.5

PRINT IS STILL THE CORNERSTONE OF ALL COMMUNICATIONS

Speaking at the DMA2014, Kirk Copeland, VP Creative Strategist at Wells Fargo Credit Card Marketing, gave a presentation on how print is still the cornerstone of all of the financial institution's corporate communications. According to Copeland, print media has not changed over the last five years, but today there are many more media channels to be leveraged. Print therefore has to be smarter than it was in the past.

When it comes to personalisation, advertisers need to create personalised pieces across the board. These should include the name, visuals relative to the target region, and offers according to the credit limits – in effect print personalisation should be as, or more robust than, digital personalisation.

In terms of data and timing, it is essential to deliver the right communication piece to the right person at the right time. The timing and cadence of the message is key to success. The advice to marketers for the response remains the same: test, test, test and learn; be focused and do not add too many variables to the mix. Print is a tangible way to interact with a brand and it works effectively with other advertising media.

Candice Steiger, Group Marketing & Insights at Carnival Corporation – an international cruise company – described how print, working in conjunction with digital advertising will reinforce key messages. She advocated the use of postcards, catalogues and large-format brochures focusing on the emotions of the guests. Carnival's effective communications encourage their guests to dream, to take action and to build their brand.

Carnival uses big data to increase the level of personalisation in their mailings. For example some of the casino games will be personalised and imagery is used to match the family profile e.g. relaxation at the spa for the partner. Carnival advocated the use of all the data elements available to personalise the mail piece – it is about using the right algorithms and environment to create the most effective communication. The need for testing was stressed as a marketer has to know their industry and product. At Carnival they need to understand who their guest is and to put together the right format of communications. There are so many different categories of consumers and so they have to test to determine what it is that each individual guests wants.



Print has to be smarter than it was in the past.

3.6

THE POWER OF E-COMMERCE FOR DIRECT MARKETING

Speaking at the DMA2014, Brian Fetherstonhaugh, Chairman and CEO at marketing communications agency OgilvyOne Worldwide, said in a keynote address that every serious marketer needs to understand and appreciate the power of e-Commerce. It is an intense learning environment, a microcosm of all business and the ultimate test of customer engagement. It is not an easy game for marketers to play and win.

As consumers everywhere become empowered and digitally enabled, they expect more from marketers. They demand commerce experiences that are seamless. They want fast, rewarding, personalised interactions with their brands, and they want these all at once. They want marketers who will engage with them on their own terms and deliver superbly over and over again.

All too often, e-Commerce solutions fail to live up to consumers' expectations. There is however a better approach, which is omni-channel, relationship focused, and centred on the brand and customer experience. Leaders in e-Commerce agree that the key to success lies in three engagement principles:

- Provide anytime-anywhere access to products and purchases, information and services across digital and physical environments
- Ensure seamless, consistent, individualised experiences with the brand, across and within all touch points
- Build trusted, mutually beneficial relationships that go beyond one-time transactions

Brian Fetherstonhaugh described how e-Commerce is the crucible of customer engagement and yet we treat it as a bastard child – this is a challenge which postal operators have to deal with.

E-Commerce is a big market; in 2014 B2C e-Commerce was worth US\$1.5tn and B2B e-Commerce US\$0.9tn, while the potential is still huge. Mobile commerce is growing twice as fast as computer shopping and millennials are 56% more likely to shop online than the average consumer.

3.7 CASE STUDIES

BRITISH AIRWAYS CASE STUDY: THE IMPORTANCE OF CUSTOMER CENTRICITY IN DM CAMPAIGNS

John McDonald, VP Marketing Americas at British Airways, explained at the DMA 2014 that making money in the airline business was extremely difficult. Therefore e-Commerce has become the top priority for British Airways to become more profitable. This was demonstrated through a British Airways case study to target a customer segment that was not buying online.

The target was double-digit revenue growth and British Airways wanted to do a better job selling outside of London. The opportunity identified was to increase passengers on route pairs and North America to India was selected as the route for the Visiting Friends and Relatives (VFR) segment. Traditionally this target group did not buy online as they bought from travel agents. British Airways developed a campaign to target customers living around airports who wanted to fly around non-key periods, e.g. February.

The approach began by reviewing loyalty data, which was then overlaid with social data on what people were saying online, then combined with search and booking curve data, i.e. how far in advance passengers bought their tickets.

The data analysis showed that potential customers thought British Airways was distant and did not offer a service to meet their needs. In addition it showed that British Airways was not active in the market at the time potential customers were looking to buy.

The initial findings led to an update of their web pages and to a realisation by British Airways that they were not being customer-centric enough in their tone of communications. British Airways therefore decided that at each stage of planning, thinking, strategy and execution, the campaign had to be customer-centric.

The result of this was the development of a series of very emotional videos which have been viewed and shared extensively on social media, including the 'A Ticket to Visit Mum' video, which has garnered over 1.4m views on YouTube (April 2015). The business result of this campaign was a 65% increase in cumulative direct bookings and the generation of £10m in additional revenue.

The 'A Ticket to Visit Mum' campaign changed the culture at British Airways so that people-centric customer selling is now at the core of how they sell. Inspiration and effectiveness is harnessed and used to inspire consumers. Moreover, British Airways learned that customer-centricity is more than just talking, but about delivering not just in strategy but in the execution.

VOLKSWAGEN CASE STUDY: HOW VOLKSWAGEN ENGAGES IN DIRECT MARKETING IN CHINA

Stephan Horvath, Global CMO at direct marketing company HackerAgency, provided insights at the DMA2014 on how big data was being used by clients in China.

China is the biggest car market in the world with over 20m cars sold in 2013. In China there are 1.1bn mobile phone contracts resulting in an 82% penetration. On top of this, Chinese consumers will have five or six social apps on their phone. The key to success in the Chinese car market is therefore the use of social, mobile and digital technologies. Social connections are very important in China, as around 80% of all purchasing decisions are made by recommendations.

Back in 1981, Volkswagen was the first foreign car manufacturer to establish itself in China and has since developed its own way of selling foreign cars in a foreign country. Originally, Volkswagen stood for the people's car, which works very well in China.

In Volkswagen's direct marketing approach in China there are three key words:

- Everywhere: meet the consumer at any point along the consumer journey
- Engaging: compelling creative and then engaged in the engagement process
- Encompassing: build holistic profiles across mobile, social and email and through events like automotive shows to convert consumers to purchase

However, before this can be achieved, the first task was to earn the trust of Chinese consumers by building great products within the country. Volkswagen has found that Chinese customers are very willing to share data and content as the Chinese are more active content creators than in the US and Europe. They are also very interested in recommendations from within their network, and trusted recommendations from outside of their network.

Volkswagen has learned to meet consumers where they live and as mobile is very important in China, it must be integrated at all stages of the consumer journey. Volkswagen seeks out dynamic self-reported data such as behavioural and transactional data. For example, if a customer looks at a Volkswagen Beetle but has also looked at child safety seats, then this will be integrated into their profile, which will be updated to market the security aspects of the vehicle.

In the West, Facebook is the dominant social network and has attained a stable position, whereas in China over the last three to five years, there have been changing social networks which have come and gone. Therefore, marketers have to stay ahead of developments in social media.

For Volkswagen it is all about digital integration where Chinese consumers can connect with the brand. For example, its Think Blue campaign was the first Volkswagen campaign two years ago to have a key mobile element.

Registration is a key stage as you are able to learn about the people who are identifying themselves by downloading a brochure or requesting a test drive; this information can be used to target future improved communications.

Unfortunately for the postal industry, Volkswagen's experience is that mail does not work in China due to the low penetration of zip codes. It does work in tier-one cities for Bentley and Porsche in Beijing or Shanghai, but not in tier-two or -three cities.

Attesting to the power of e-Commerce in China, Volkswagen described their experience of selling cars online on Tmall, which is part of the Alibaba group; 180,000 Volkswagen cars were sold on Singles Day (11 November) in 2013 through Tmall.

Profit margins for vehicles are around 3-4% in China; if everything goes online, Volkswagen can have larger profit margins. When purchasing a Volkswagen online, Chinese consumers make a down payment and then they collect the car and pay the balance at a dealers.

Volkswagen attributed their success in China to the following:

- First earn the trust of the consumer
- Meet consumers where they live
- Seek out dynamic self-reported data
- Adapt even faster



GOOGLE BELGIUM CASE STUDY

At the IPC Senior Executive Forum on Promoting Direct Mail to SMEs, which took place in Brussels on 3-4 December 2014, Google Belgium explained how it is promoting omni-channel marketing. Omni-channel marketing is exploding and as online influences retail sales, Google is looking to promote omni-channel solutions to its customers.

Each year millions of SMEs are targeted and sold Google advertising each year. This requires a systematic sales funnel to ensure investment is well directed. Mailing is still the most effective channel for Google and the company continues to activate around 2m SMEs a year globally through direct mail.

Google starts with physical addressed direct mail generated through third-party lists to target the identified companies. The company has found mailing to be the most effective offline channel. Google's segments are based on total media spend and on market potential, which combines both online and offline data. Google uses big data to adapt customers' behaviour to Google's product usage by using very specific segmentation to trigger specific actions.

Google is continuously improving as it uses big data to automate suggestions to SMEs e.g. "activate more key words", "why don't you use mobile"; all these communications are fully automated.

Google's success has been built upon data such as measurement reach, conversion rate, cost per acquisition, average revenue per advertiser and account sustainability. Google Trends and Google Video Trends are used to analyse market trends and the most popular search terms. Trending on YouTube shows what videos are currently being watched and this is used by Google to trigger specific direct marketing messages, based on specific market interests.

Google's Consumer Barometer is a planning tool which is publicly available and based on external research. It is a very powerful tool as it allows country-level comparisons to be made through specific filters. Data from this tool shows that direct mail is still an important channel for introducing new products.

23%
OF CUSTOMERS WILL
DO OFFLINE RESEARCH
BUT WILL BUY ONLINE

According to the barometer, 23% of customers will do offline research but will buy online; as direct mail is a direct trigger for online demand, it is recommended to complete the sale. As such, Google is working with bpost on a joint proposition on how to combine search with direct mail.

Google's Global Market Finder is another free online tool for SMEs to identify global business opportunities.

Google sees growth in the mobile channel. However, most companies are not yet investing in this area. According to Google, growth is really about connecting both online and offline communications media.

CTT CORREIOS CASE STUDY

TV accounts for a very large portion of media spend in Portugal and offers huge discounts (up to 85%) to advertising clients. Given this degree of discounting, it is very difficult for direct mail providers to compete with TV advertising in Portugal.

CTT Correios has established a wide range of services to allow different forms of contact between companies and their target audiences. Through partnerships, CTT provides complementary services including database design and the development of creative campaigns.

CTT has a strategy in place to grow postal business from SMEs and is working with around 15 major advertising agencies to promote the mail medium. The challenge is to provide case studies about specific sectors to support this strategy. The main objective is to be more relevant to agencies and to bring the physical mail channel to their attention.

CTT has also implemented a relationship programme with clients and agencies. The goal of this programme is to promote all the positive characteristics of mail, as well as to enhance the perception of advertising mail's effectiveness. The methodology for this programme has involved the creation of a relationship model with agencies to explore new opportunities to increase the use of advertising communication services which is being done through the following initiatives:

- **PostMedia:** a source of content and data to prove CTT offers an effective advertising media through mail. This is supported by inspirational domestic and international case studies.
- **MadRace:** a campaign to ensure CTT maintains a close relationship through a microsite, to identify and meet campaign requirements and to quantify the value to CTT.
- **DirectMail Challenge:** a campaign which aims to generate experimentation, to publicise case studies, different methodologies and results. It will enable an agency's client to carry out an advertising campaign at zero cost, providing CTT is involved throughout the process and can measure and publicise the campaign results.

BPOST CASE STUDY

The objective of the new bpost pilot initiative is to serve SME clients and prospects through post offices as there had been no active selling of admail to businesses in post offices in Belgium prior to this initiative. Furthermore, two out of three business clients never or rarely visit post offices.

bpost is using post offices to sell admail, as they offer both the coverage and the leverage for residential and mail/parcels businesses. bpost is training 3,000 employees to be able to effectively sell mailing solutions to smaller companies through their post offices. Through this initiative, bpost wants the post office managers to engage in a dialogue with SMEs.

SMEs are asking for simplicity and one-stop shopping for their advertising mail and the customers targeted are the ones with identified difficulties. The highest potential comes from SMEs with low marketing expertise but with a high willingness to prospect.

The results of the pilot have been positive as post office managers have demonstrated their ability to sell parcels and pick-up and unaddressed mailing solutions. Given the positive outcome of the pilot, bpost has decided to roll out the service to the whole network between October 2014 and June 2015.

“

bpost is using post offices to sell admail.

CORREOS CASE STUDY

The Spanish SME market has a high presence of micro-enterprises which are connected to the internet but which have a low internet presence.

In Spain there has been a decline in direct mail volumes as the economic crisis has enhanced the shift from paper to electronic communication.

Correos has increased the options for direct mail in Spain and has moved away from Publiccorreo, which meant reduced prices for distributing advertising through traditional mail through:

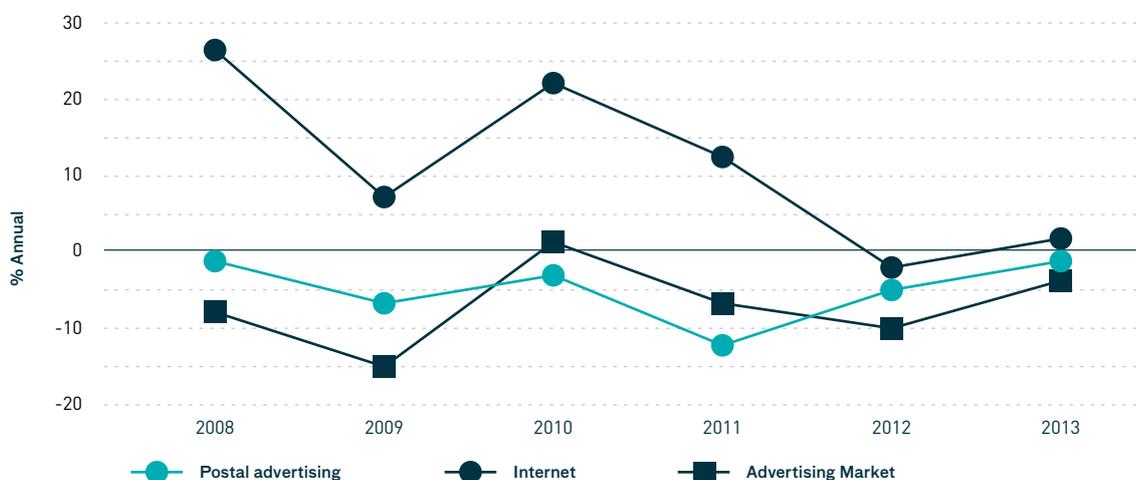
- Publiccorreo Optimo/Premium: distributing special formats including volumetric (parcel) and detailed follow-up
- Publibuzon: low-priced advertising distribution (door drop) unaddressed (brochures and leaflets)
- Creamailing: Correos produces the advertising letters at the post office
- Electronic letter: Correos produces letters at a Correos website

There is a lack of accurate databases for the B2B market and the B2C market also suffers from severe regulation. The following next steps have been identified by Correos:

- Improve physical address databases
- Improve B2B database accuracy (opening / closing down / address correction)
- Launch a new B2C database based on consent (meeting data protection requirements)

Correos also plans to develop multi-channel solutions and an integrated solution (database, production, manipulation, delivery and follow-up) to make it easier for SMEs to fulfil their campaigns.

The Spanish advertising market 2008-2013



Source: Infoadex 2014

3.8 CONCLUSION

Over the last two years, direct mail volumes in countries such as the United States and New Zealand have been growing. With the growth of e-Commerce, retailers are starting to appreciate that direct marketing based on customer data can be very effective and generate additional sales which may lead to a further increase in direct mail volumes.

Educating the direct marketing community to consider direct mail within their marketing mix remains a major challenge for the postal sector and many postal operators produce research and data to support their claims. IPC too has produced a range of educational material to promote direct mail, including a Direct Mail Guide, Case Study and Research Library at www.ipc.be/en/programmes/direct-marketing, and an online community forum for postal direct marketing experts.

There are still issues regarding the effectiveness of direct mail, and postal operators need to provide guidance on how to measure and address these. A major study by Royal Mail published in February 2015 entitled the Private Life of Mail, is one of the most scientifically comprehensive studies available to date and powerfully demonstrates the effectiveness of mail communications.

Within the direct marketing community, all the talk over the last year has been about data-driven marketing. This was the theme of the DMA2014 conference and of the IPC Annual Conference in 2015. There is an abundance of data out there on consumers, generated through social media, consumer online interactions with brands and the overlaying of existing CRM data and geodemographic profiling. Organisations are however struggling to analyse and act upon this data in a timely manner.

Companies experiencing success with big data have filtered it to provide a customer-centric approach based on clear objectives. Examples given within the Data-driven Marketing chapter of the successful use of big data include Air Canada, British Airways, Google, Nike and Volkswagen in China.

Increasingly customers are willing to provide significant amounts of personal data to a brand they trust, providing the reciprocity of value equation is balanced, e.g. the value that they get from the brand meets their expectations. Unfortunately this is not always the case, as research by the DMA showed that 89% of consumers believed companies used their personal data primarily to benefit the business and 77% of consumers feel they receive no benefits at all in return for sharing their information. If consumers do not perceive that they get value from sharing their data then regulations on data privacy will be tightened to the detriment of the direct marketing industry.

For postal operators, big data can present a significant challenge: even though there is usually a strong customer database behind successful direct mail, the data often belongs to their clients and not to the posts themselves. Although postal operators capture big data, it is not yet being used.

Moreover, significant opportunities exist to link direct mail with e-Commerce and this is an area for posts to explore. For example, UK retailer Charles Tyrwhitt sent out 35m mail pieces in the 12 months to May 2014.

Many postal operators are experiencing pain points in targeting SMEs as there are so many of them and they are difficult to identify. The biggest challenge in regard to SMEs is budget and how to target them effectively. SMEs do not understand what posts offer, or how they can help them. Posts are however looking to improve their service offering to SMEs; in Belgium, bpost is using its retail network to target and educate SMEs and has teamed up with Google to explore joint opportunities for both online and offline communications.

Through the understanding and application of big data and the role that advertising mail can play within omni-channel marketing campaigns, direct mail has plenty of potential to maintain and to grow its volumes. As Nick Wheeler, founder of Charles Tyrwhitt said at the IPC Annual Conference in 2014, “we don’t mail out catalogues because we want to, we send them because they work”.

OUR PUBLICATIONS



IPC PUBLICATIONS

IPC produces a broad range of publications and electronic information that provide insight into the complex and evolving postal sector. Here are some examples of industry intelligence available to you through IPC.

Your IPC

A fortnightly newsletter covering the latest news on IPC's activities. Your IPC includes the Market Flash, a newsletter with a focus on market changes, mergers and acquisitions, financial reports and personnel actions. The Market Flash features quarterly special editions on sustainability, direct marketing and e-Commerce.

IPC Postal Sector Sustainability Report

IPC members have adopted a common carbon measurement and monitoring system for the postal sector: the IPC Environmental Measurement and Monitoring System (EMMS) provides the postal industry with a sector-specific tool that we can use to assess postal operators' individual and industry-wide performance in carbon management and efficiency and report the sector's annual progress to the public. The IPC Postal Sector Sustainability Report presents the yearly results of that assessment.

Focus on the Future

Annual publication which takes a broad view on the future of the postal sector, exploring its key drivers, examining its financial performance and portfolio options, and providing a business review of the main markets it serves.

MEMBERS-ONLY PUBLICATIONS AND ONLINE TOOLS

Regulatory Flash

Monthly and weekly newsletters detailing the latest developments emerging in the world of international regulatory affairs.

IPC Strategic Perspectives on the Postal Market

This annual report provides a distillation of the cooperative market intelligence projects carried out between member postal operators and IPC throughout the preceding year.

IPC Global Monitor

IPC's quarterly report provides detailed information on how domestic postal volumes have evolved since 2005 combined with key macro environment information on economy and substitution.

IPC Statistical Database

A member-only, web-based tool providing access to key macro, market, financial, and operational data for over 50 postal and logistics operators worldwide, enabling users to export data for further analysis.

Regulatory Portal

Online interactive database that provides members with a synoptic overview of regulatory options for 37 countries, with specific attention paid to USO (quality of service, accessibility, retail network); USO Financing (and USO cost); price control (tariff and price cap regulation, format-based pricing), and downstream access/licensing (work-sharing and downstream access).

Regulatory Database

A comprehensive overview of regulatory options for 46 countries, with specific attention paid to USO (quality of service, accessibility, retail network); USO Financing (and USO cost); price control (tariff and price cap regulation, format-based pricing), and downstream access/licensing (work-sharing and downstream access).

IPC PUBLICATIONS AVAILABLE FOR PURCHASE

IPC Global Postal Industry Report

The sector's most comprehensive, holistic and in-depth report on global postal industry trends and performance, with coverage of 39 postal operators and 4 integrators worldwide and over 100 pages of analysis updated each year.

IPC Carrier Intelligence

Individual web-based reports providing instant access to critical financial, operational, strategic and market information for over 50 leading postal and logistics operators from around the world in an easy-to-read, consistent format.

For more information about IPC, please visit our web site at www.ipc.be or write to publications@ipc.be.

International Post Corporation

Avenue du Bourget 44
1130 Brussels, Belgium

Tel +32 (0)2 724 72 11
Fax +32 (0)2 724 72 32

www.ipc.be
info@ipc.be

