

Product-Based Print Markets

Direct Mail Reinventing Itself

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“Necessity, who is the mother of invention.” – Plato

Nature has a funny way of “balancing” things every now and then. I am sure that in 400 BC Plato had no idea about our current economic struggles. He did have a sound understanding of nature and the forces that move us and nature. We are in the midst of re-inventing many things right now and our focus and approach to direct mail will be one of them. As a sales executive it is impossible for me to go a day without seeing the economy’s effect on our clients and ourselves. But as that same sales executive, it’s my job to see any shift in the marketplace in the perspective of what opportunity that shift may provide. This article is aimed to look at how the economy will actually improve direct mail.

Like many other industries marketing has enjoyed a decade of success. Regardless of what we perceive (and is likely valid to some degree) the graphics arts industry has been going through, the fact remains new printers continue to pop-up and new presses are being installed. Granted it wasn’t the 1990s but it was growth. In late 2008 all that changed and everything seemed to careen out of control. Is this the new norm? I doubt it. But it is a flavor of what the new norm might be.

Direct Mail Challenge

In particular direct mail saw a double-digit decline in volumes due to various factors. Some reasons were internal based on budget cuts, some due to erosion of sales, and yet others (on the financial side) were the fact that credit had tightened up enough so it was more difficult to find the same number of prospects who meet the financial qualifications. So marketers sought out less costly channels to reach their target audience and mail volumes fell as did all the services leading up to those volumes. Some will say this is the start of the end for direct mail. While others, myself included, believe this is an important step in the development of targeted mail communication.

It’s interesting to note one client could not find the number of records that met his criteria when rented mail lists were sourced. However, he found twice as many names with the supposed appropriate profile when email lists were considered. I do not know the list sources, but have to wonder why this disparity. If stats are valid across both media why is there a difference? If I make \$45,000 annually and have at least two kids noted on the email list, why would the stats be different on a direct mail

list? I can state this. After response analysis, the response rates hi-lighted the fact that the snail-mail records outperformed the email ones.

It remains hard to dispute the validity and strength of the direct mail channel when one looks at preferences by channel. As the email and mobile messaging marketers hone their skills it won’t be an all-or-nothing proposition but a combination of channels that allow marketers to succeed. The chosen media will be largely based on customer preference. Traditional mail is the preferred method of communication for all types of correspondence tested with some interest in email and telephone for personal communication or when answering a survey or questionnaire. See Figure 1.

During a recent discussion with a client we touched on their reduced volumes, and I asked if they were able to reduce from the bottom up (dropping the worst likely responders first). Adding to the answer in the affirmative, it was also indicated this had increased their response rate. The volume of responses didn’t increase, but the rate did. This fact is significant because it indicates there is room for improvement. Direct mail is all about continuous improvement and how to get better response rates. Many articles have indicated and some studies show that the late 2008 volumes are unlikely to return, but clients are stating their volumes will come back up. This may take time with some feedback indicating mail volumes may drop in 2010 by another 8%.

The Good News

Now the good news. These economic difficulties will make us stronger and more relevant than ever before. At the heart of marketing should be the concept of relevance. Direct mail, through being measurable, accountable, and having the ability to test exact components, is all about relevance. The more relevant mail can be the better the ROI, and in these economic times we will be pushed for better ROI. As an industry we will look more closely at current practices and will no doubt create new ones that help us target better, create less waste, and ultimately make mail even more meaningful and accountable than ever before. These improvements will come in various forms, some functional and others marketing driven.

On the functional side having to wring more value out of every name we mail to, marketers will be driven to scrutinize each record more closely at the address level. Currently there is a groundswell of interest around “return mail.” It’s been identified as an issue and opportunity for all mail marketers. The mail returned or lost in the system is a waste, and reducing or eliminating it mail will improve response rates. There are estimates that in Canada and the U.S. there are hundreds of millions of pieces each year that do not make it to the intended addressees. In the U.S., National Change of Address (NCOA) processing has been brought to the forefront by the USPS and in Canada, while not mandatory, there are moves by

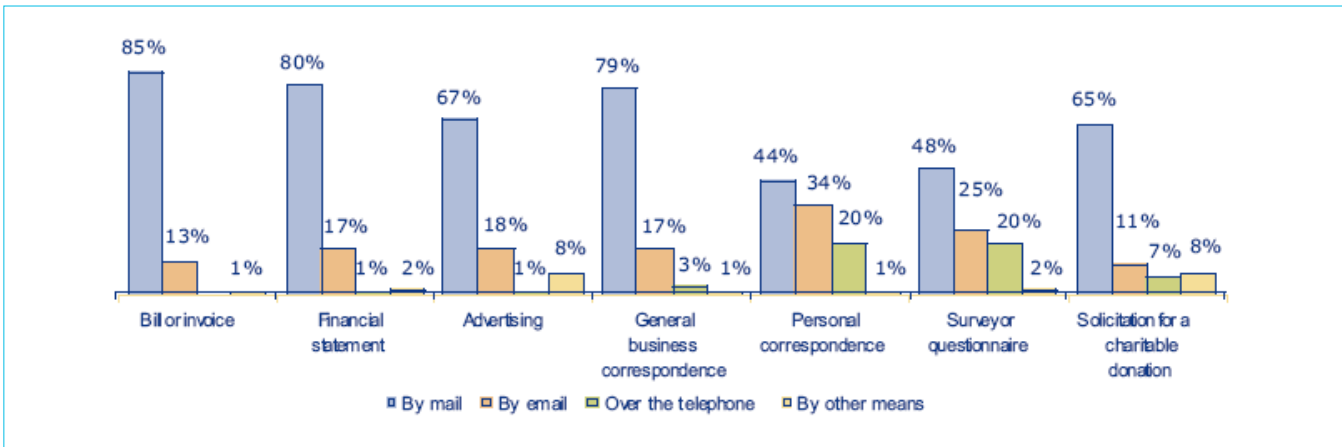


Figure 1. Consumer preferences by type of communication received. Source: Value of Mail Omnican Study 07-27, Base: all adult Canadians (n=1,500).

Canada Post Corporation (CPC) to encourage the use of this and other list hygiene tools. Previously the cleansing of data files was viewed as an operational function as opposed to a marketing tool. With fewer mail pieces in the system, those that are targeted will be received with less clutter which will make those messages more relevant.

Canada Post and the Canadian Marketing Association (CMA) co-released a white paper about increasing ROI with the use of enhanced data cleansing tools. <http://www.the-cma.org/5percent>. Pitney Bowes is in the process of launching a program and tool set to provide better data hygiene with the intent of reducing the volume of undeliverable mail in the system.

Marketing Direct Mail

On the marketing side of the equation variable color has been talked about for years and though it has enjoyed a reasonable adoption rate for printing of many small versions it has been a slower climb on the fully personalized front. Our current situation will drive this market. There will be a few factors that will align to make this develop. The cost of producing variable color has fallen due to more installs and more options on the manufacturing side resulting in more competition. With the ever growing amount of information available about consumers, both personally and by modeling, marketers can create rich variable environments that appear similar to those online yielding communication that can be highly relevant to the recipient which is the most significant factor.

The options to finish a mail piece continue to grow, some uniquely positioned service providers are looking to be able to give the creative department more flexibility and added options to get to a highly involved piece in the addressee's hands. This includes continued interest in self-mailers, different over-wrapping solutions like polywrapping or shrinkwrapping (the development of biodegradable poly is an option now), stitching, glue, boxes, and combinations of these. Couple variable color with the myriad of different options mailers nowadays have for creating and finishing mail pieces, and the result is a tactile and content-rich communication that can be quite powerful. Couple this with other media, be it preceding via newspapers, radio, or post mailing with a drive to Web

content that carries the brand and theme, and you have a very powerful opportunity to create strong relationships.

Make no mistake about it, black laser, basic inkjet, and the number ten envelope are sound and cost effective options, but they do not have the same impact and options for engagement and personalization as a self-mailer or variable booklet. Interest in these enhanced options will increase as marketers mail to more targeted audiences and have to make a stronger impression on those audiences.

It will be marketers that develop and push the envelope of personalization to create content for individuals that will succeed. The mail service providers that can facilitate the delivery of content in formats conducive to engaging addressees will flourish. We're being forced to create better ROI and response rates and when the mail volumes start to come back, budgets will be invested into even more creative packages.

No doubt we've just endured one of the most challenging economic situations in recent history, and the ripples from that event will continue to be felt for years by businesses and individuals. This situation has accelerated our efforts to scrutinize methods on creating direct mail and the necessity to remove any waste and invent new tactics and approaches will be what keeps direct mail one of the most effective marketing channels available. With the ability to compete against other media, and more importantly remain a driver and compliment for other channels, direct mail will continue to be viable.

John works with clients and industry to help create more effective direct mail through new/unique production techniques in an effort to develop more relevant communications.