

Direct Mail Growth and Options to Continue

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In order to look at the future of direct mail we'll look back a few decades to when direct mail was a bad word in all but the fewest circles. The moniker "junk mail" was widely used and it was viewed as intrusive, unwanted, and by many in the general public, a useless waste of money. Little did we know just how more intrusive other methods of advertising could be—they hadn't even dreamt of spam back then.

During a general advertising course I took twenty years ago, there was one class—over three years of courses—which included direct mail. The widespread acceptance of the whole idea of CRM (customer relationship marketing) and 1:1 was still developing in the Chief Marketing Offices (CMO) and ad agencies of New York and Toronto. But the basic direct mail concept—a product, a list, an offer, a call to action and a reply vehicle—was chugging along nicely with each year's mail volumes increasing.

In the 1990s the advancement of the personal computer allowed for the collection and management of data that fueled the growth of direct mail. It was during this time that direct mail gained greater "acceptance" and the idea of a medium that was accountable was desirable.

Laurene Cihosky, Senior V.P., Direct Marketing, Advertising & Publication Business at Canada Post Corporation provided some perspective—there was double- and good single-digit growth through the 1980s and 1990s respectively. In the very late 1990s, that growth stopped. She suggests a variety of reasons, including the re-alignment of the definition (in Canada), Y2K concerns, 9/11 (remember Anthrax in the mail), and the dot-com bubble bursting, and in recent years, privacy concerns and subsequent legislation.

Over the last decade the technology explosion has allowed more choices than ever for communicating. Marketers have clamored to the new (and sexy) media at the expense of direct mail. The biggest growth media—the Internet and email—work well for information gathering and business and personal communications. However, as promotional vehicles to acquire new clients, marketers have found them to lack the same abilities as direct mail. It may be that filters (the "F" word) are getting better and allowing us to weed out all but the messages that we, the consumer, believe to be relevant. Or it could be that recipients are now receiving so much via email that possibly the channel is diluted. Or it could be the simple fact consumers perceive email to be more disposable. Email and the Internet are settling into the media mix as opposed to being the only component.

Preference Toward Direct Mail

Canadians show a higher preference for mail over email:

- 58% of Canadians prefer to receive messages and documents through the mail versus email.
- 67% of Canadians prefer to receive unsolicited product and service information by mail than by email.
- Canadians are more likely to discard unopened email (81%) than unopened mail (8%).
- Canadians feel that mail is more convenient, less intrusive, more descriptive, and creates less pressure than telephone solicitation.

Mail is the Best Way to Communicate:

- 84% believe that a letter seems more official than an email
- 78% agree that mail is a great way for companies to communicate with me
- 74% feel that mail is the best way to receive and send important information
- 72% say that mail is more private than online

*** Canada Post Market Research, Consumer Attitudes Towards Direct Mail Study, CP#05-44, November 2005.

Direct Marketing Association (DMA) Response Rate Trends Report 2005 (third annual), CP Ref.CP#05-170.

It is this realization that may be the single biggest reason why marketers are returning to direct mail. It still works well, and as we look into the future, we can make it work better. In fact we have to make it work better for its future viability. And the numbers support this with mail volumes on the rise again. In 2006 volumes grew by 4.5% and growth is on target for 3% in 2007. (See Sidebar above.)

Direct Mail Starts with Data

At the start of any direct mail program is the data. Marketers will make great strides at gathering accurate and relevant data, and doing it in such a manner as to not annoy the customer. We've seen pre-filled response devices as well as bar codes on response pieces to capture greater amounts of information cost effectively. Rigidity and logic in capture mechanisms allow for expediency and accuracy. The business of scanning is a growth sector on two fronts: first, the retention of data in a "soft" format is more desirable now given storage capacities; and second, the technology to read and translate scanned information into relevant data has become much better.

While the amount of accurate and relevant data increases, it will afford marketers with the ability to create a better picture of consumers, which will in turn allow consumers to receive messages that are more targeted specifically to them. The ability to "look" at the data, analyze it, and execute relevant campaigns will get better. I position this part of the equation as being part of the recipient's experience, rather than the marketer's. Some believe data gathering may go too far; however, if

used legally and by the proper parties (the jury's still out on how much access the government should have), the result can be communication and information that is relevant to you, the individual, as opposed to the "clutter" of messages made for the masses or the semi-segmented masses.

With this added insight from information gathering, concern about security and privacy will grow. If your organization has access to client data at any stage, you will be required to protect your clients' data with firewalls, login procedures, encryption, and other procedures we're developing every day. Investments of time and money will be important for the industry to take these steps in leaps and bounds in order to self-regulate. Security is a single paragraph in this article due to it being about the future, but is one of the biggest issues facing direct mail today.

Key Equipment

The equipment to create direct mail is a mixed bag of old and new. Some technologies have remained static—buckle-folders abound but plow-folding is becoming more commonplace, allowing for more complex mail pieces. The manipulation of paper in the bindery will continue to develop as newer binding equipment allows for greater flexibility. Over the last five years alone, there has been a surge in the number of manufacturers offering equipment to do things like tip-on product and create self-mailers.

The big news moving forward will be the continued development of imaging systems. Large format inkjet systems allowing for full coverage ink jetting have developed. But the real benefit is the inkjet's flexibility to image substrates that a laser cannot. The systems are getting better and are becoming more aggressively priced. The tried-and-true black laser still has a place for years to come, but forward thinking marketers are looking at variable digital color. Data modeling, availability, and cost per response will continue to drive the evolution over the next five years. The result will be flexibility of format on the inkjet side and flexibility of content on the laser side of the equation.

Future Direct Mail Formats

It is difficult to articulate the future of the "packages" that will be sent out by marketers using direct mail. A number-ten envelope with a letter and reply is pretty easy to explain being a cookie cutter package. The variety of self-mailers, samples, premiums, and products that are being designed by clients/agencies and suppliers is remarkable—we're asked on a weekly basis to help develop creative ideas for the mail. What can be suggested is that direct mail packages are increasingly being designed to gain the recipient's attention in a handful of mail.

Obviously the core is a relevant product, but what will gain interest? Is it a dimensional piece? Will it be the inclusion of a sample? Is it how a cleverly designed mail piece tells a story or (literally) "unfolds" in the recipients hands? I have seen stop signs and mail boxes that pop-up out of mail pieces, variable text and images relevant to the recipient as they fit into the product cycle, peel-aways, flip books, and the list goes on. What marketers have at their disposal these days is so far outside of

the envelope (sorry for the pun) it is truly amazing. The ingenuity of both manufacturers and suppliers is being tested all the time and will be into the future. Marketers should always be asking what can be done.

What sets direct mail apart from many other media is its method of delivery—for all intents and purposes, it is still delivered by hand. This is not intended to be disparaging, as it's difficult to truly appreciate how monumental a task it is to move the volumes the postal systems do, but it is what sets the channel apart from all its techno-savvy relatives. This facet is what keeps the medium relevant after all these years. What will continue to change is that the postal systems in the U.S. and Canada are recognizing the need for the delivery itself to be accountable, not just the medium. Postal administrations are investing a great deal of resources to create a better delivery experience and are vigorously seeking out ways to enhance the value of direct mail for marketers large and small. Postal administrations now allow large clients to track their mail (to a degree) through the system. As we move forward, these tracking systems will become more accurate and accountable back to the marketers, and they will in-turn take this to the next level of using these systems to control the dissemination of their messages.

Allison Taylor, President of TCP Direct, maintains direct mail is getting stronger as we get smarter. "The era of using a compiled list is over. The entire process of developing a campaign is much more involved than it once was. Many marketers are realizing direct mail still is the most cost-effective marketing method, providing the best bang for the buck when the goal is to develop sales, secure leads, or generate donations. And it remains truly measurable. One of our main mandates is to ensure the intended audience receives a relevant message. Many of our clients now ask about direct mail. Don't get me wrong, large retail clients are still wary but are trying to better understand the connection between direct mail and store traffic."

Taylor explains overcoming shortsightedness takes educating clients as to what they should expect. She sometimes sets timetables at three years to develop, test, and implement a successful acquisition program that will be consistently profitable long-term. Graphic arts professionals and database technicians have been working side-by-side for decades, but now with new technology in both areas, the cream of the crop will understand and appreciate both the graphic aspect as well as the data aspect of direct mail communications. As it stands now, there is a limited amount of direct mail talent in the industry.

Cihosky agrees. "There is a need and a hunger for experienced people. Although the biggest mailers have in-house or solid agency relationships to support direct mail, I was struck by the fact of how many others were not well supported by experience and/or staff when it came to direct mail."

Need for More Education

With the thought process behind direct mail becoming more complex—and the execution more intense—there is a general consensus that education needs more attention. Expect to see more seminars and education relating to direct mail. Why to use it, how to do it, how to create it. Graphic arts industry publications have been publishing articles that essentially state, “The Money is in The Mail,” encouraging various business sectors to engage in direct mail in order to capture a greater share of clients. Couple this with the lack of education, and we may be at risk of diluting the channel altogether. The future can be beneficial for everyone if we all assume the role of “Stewards of The Channel.” Both the DMA and CMA have been doing this for years by way of seminars and courses and are great starting points when seeking out learning opportunities.

It will be a time for convergence of technology and disciplines. At both ends of the mail stream there is technology—creating, maintaining, and using the database at the front end, and at the other end, there is technology taking that data and creating relevant messages and unique formats. Sandwiched in the middle is the tried-and-true method of hand delivery. There are no filters to stop the message, no small 2.5-in. screens to view a subject line only to click “delete,” and no blockers to stop the message from popping up in your mail box. No longer can it be viewed as just an address on a printed piece if it will continue to compete against other media. Direct mail’s strong future is securely rooted in its simplicity of delivery coupled with our ability to educate ourselves on the technology and process in order to deliver relevant communications.

John works on production with clients developing new and different direct mail. SMART DM is a specialty mailing services company, offering a diverse array of data processing, personalization, letter shop, and self-mailer creation services. John also operates a consulting business, Postal Production Solutions. His book credits include Binding the Last Word and he co-authored Direct Mail Pal and Direct Mail Pal – Canada. He is part-time faculty at Mobawk College, sits on the advisory board there, and speaks frequently for various courses and seminars.

Trans-Promo—Transforming Transactional Documents into Marketing Opportunities

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Transaction documents such as bills, statements, and confirmations averaged more than one per household for every working day in 2005 and totaled over thirty billion. The impetus to move these vital corporate communications from a cost center to a profit center is being driven by faster variable print technologies, better softwares, improved means of measuring marketing effectiveness of this tool, and the fact that every one of these statements received in the mail is opened by the customer. To add promotions and additional sales incentives to this document “is a no brainer,” remarked Jeffery Hayzlett, Kodak’s Chief Marketing Officer. “But doing it effectively is difficult.”

This state-of-the-art message on trans-promo will include corporate entities describing their early adoption experiences to trans-promo products, a listing of specialty software vendors, a listing of full-service outsourcing providers, and comments from consultants on their “how to” and “caveat” advice to corporations considering this new marketing vehicle.

Trans-promo Features and Benefits

InfoTrends Director Barb Pellow states that traditional transaction statements have included inserts for years—most all of which are thrown in the trash immediately upon opening the envelope. The same offers appearing as “on-sets” are showing remarkably improved responses. Banks and credit card companies have sent separate mailings containing convenience or balance transfer checks. By combining the monthly statement with the check offer in a single mailing, the financial institution can take advantage of the recent May 2007 USPS postal rate reduction of 8% offered to first class mailings requiring the additional second ounce of weight. The custom up-sell or cross-sell to specific client needs adds competitive differentiation while literally reducing call center volume and costs were further benefits cited by Pellow.

The fact that all mailed statements are opened and read provides the opportunity for multiple messages and selling opportunities. Tom Fenske, Controller of Rapid City, SD Fenske Media added his firm’s awareness of banking service clients. “If a client buys three services from a bank, they will stay five years (before shopping for a new bank). If they subscribe to five services, they tend to stay a lifetime.” Trans-promo offers the marketer the opportunity to make “the right offer to the right client at the right time,” according to Dr. Rene Muller, CEO of GMC Software Technologies. And therefore sell more to existing clients.