Understanding Direct Mail

IMPACT AND ROI

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INTRODUCTION

Direct marketing will account for 53% share of U.S. advertising spend in 2009

Email, direct mail and internet marketing will offer the best ROI in 2009

Nearly 50% of marketers will increase spending on direct mail and email in 2009

Direct mail is one of the most powerful and profitable marketing tools available to businesses today. In 2009 while overall advertising budgets are reduced and scrutinized, direct marketing spend is expected to increase by 3.5%, capturing 53% share of all U.S. advertising spend. Even in difficult economic times, marketers recognize the value of direct marketing over mass media marketing—not only because direct marketing offers a better ability to track results, but due to the solid returns they can garner when campaigns are implemented correctly.

In 2008, total direct marketing ROI grew to $11.74 per dollar spent versus only $5.24 per dollar spent on non-direct marketing advertising efforts such as radio, TV and magazine advertising. When further examining ROI by medium under the umbrella of direct marketing—commercial email, direct mail and internet marketing (non-email) are forecasted to yield the most ROI for marketers in 2009. Marketers can expect a return of $43.52, $22.75 and $19.97 respectively, for every dollar spent on email marketing, direct mail and internet marketing. In terms of past performance and forecasted ROI, direct mail offers the most consistent ROI compared to both commercial email and internet marketing.

This whitepaper will focus on the advantages and best practices of direct mail, used alone and in conjunction with other direct marketing methods, to attract the best ROI and response rates.

WHY USE DIRECT MAIL? WHY NOW?

▪ Direct mail is targeted, personal and offers better deliverability and tracking

▪ 81% of households will read or scan direct mail

Marketers continue to use direct mail simply because it works. Direct mail offers consistently strong return on investment, an effective way to stay in touch with prospects without being too intrusive, and the opportunity to increase brand awareness in local markets. These benefits, among others, are why many businesses are shifting budgets and focus from mass media marketing toward traditional direct marketing methods, specifically to direct mail, in 2009.

According to a recent survey conducted by *BtoB Magazine*, "2008 Marketing Priorities and Plans," almost 50% of marketers will increase spending on targeted direct mail and email marketing with the intended purpose of acquiring more qualified leads, followed by brand awareness and customer retention. A similar survey, the 2008 Ad-ology "Small Business Marketing Outlook," revealed the continuation of this trend among small business owners in the U.S. Over half of small business advertisers surveyed will maintain or increase marketing spend on direct mail in 2009.

WHY USE DIRECT MAIL?

Typically, when budgets are limited and marketers are under the gun to produce quantifiable results, direct mail becomes a stronger part of the marketing plan. With direct mail, marketers are able to pinpoint local target audiences better due to the sophistication of demographic mailing lists and tools that offer precise geo-location of these targets (to be discussed later). Although basic demographic profiles are available to identify TV, radio and print audiences, the actual demographic characteristics vary based on location, time of day, day of the week, etc. The difference between these channels, for a marketer, means getting a specific marketing message delivered directly to a target individual's mailbox versus "spraying and praying," hoping that the right percentage of target audience members receive that same, albeit more generic, message.

This leads into another reason why direct mail prevails despite the introduction of new media such as internet marketing, email, and social networks—high acceptance and deliverability rates. Discovered through the USPS "Household Diary Survey" conducted in 2007, 81% of households will read or scan direct mail advertising that makes it into their mailbox. Of the 98% of recipients that bring in their mail the day it's delivered, 77% will sort through it immediately. Compare this to the 48% of email recipients that immediately discard unsolicited commercial emails without opening or reading them. In fact, according to an April 2008 MarketingSherpa survey,

average open rates for a single email blast have been steadily declining over the past five years, dropping to 22% in 2008. Compounded by other deliverability blocks—spam filters, service provider failures, rejected coding, etc.—email, a great marketing tool when all elements perform smoothly, does not always make it to the intended target. Direct mail, on the other hand, will be delivered to any valid physical address come rain, snow, sleet or hail.

Personalized direct mail is powerful direct mail that people look forward to discovering. According to the USPS "The Mail Moment Study," 55% of participants said that receiving mail is a real pleasure and that they look forward to receiving mail. To be fair, the term 'mail' in this case includes not only commercial direct mail but other types of mail as well. Nevertheless, direct mail is part of what is originally a positive experience for people. If the direct mail piece is relevant to the recipient, then it too becomes a part of that collective positive experience.

Highly personalized direct mail has been proven time and time again to improve response rates, boost sales and promote action on the part of the recipient. A 2007 InfoTrends/CAP Ventures personalization study found that highly personalized color direct mail generated a 6.5% response rate. That's well improved from the 2% response rate non-personalized direct mail is said to generate. On-demand digital printing and variable data technology is making it easier, more effective and cheaper than ever to include personalized data on direct mail pieces. Each direct mail piece may be personalized with information such as a recipient's name, recent purchase activity, special promotional offers, variable messages and images—making it unique and relevant for each recipient.

Even elements used to track response behavior and measure a direct mail piece's performance can be personalized for each recipient. A PURL (personalized URL) is a dynamically generated web address that contains information unique to each recipient, like a name or offer. PURLs lead responders to a personalized landing page, tailored specifically for that individual. According to the DMA, close to 33% of consumers go online to respond to direct mail. This response rate is increased by 20 to 30% when personalized URL addresses and landing pages, are used. PURLs allow marketers to speak directly and specifically to each individual, capture valuable consumer data and track conversions. Studies show that using digital tools in combination with traditional direct mailing can drive traffic online and boost sales or promote an action by the target audience.

Highly personalized, color direct mail can offer a 6.5% response rate

Nearly 33% of consumers go online to respond to direct mail, this rate increases by 20 to 30% when PURLs are used

DIRECT MAIL DESIGN AND BEST PRACTICES

Great direct mail design has the ability to capture a recipient's attention, get them to read and process content, commit to the message, then execute a specific call to action. Although there is no secret formula for direct mail design that will guarantee 100-percent participation from all recipients, there are best practices marketers should follow to increase brand visibility, consumer response rates and overall ROI.

FIRST, KNOW THE TARGET AUDIENCE AND DETERMINE THE END GOAL.

Before starting to develop direct mail copy and design, the following should be clear: What are the characteristics of the target audience and what is important to them? Knowing details about the target audience will help determine the appropriate tone to use for copy, which graphics and images should be included and how to structure ideas in a way the target audience will understand. Also, the more detailed a marketer can be when identifying qualities and characteristics of their audience, the better the opportunity to refine the message for specific segment groups. For example, a real estate agent directing a postcard to potential home buyers can segment that broad group into specific categories – investment purchasers, renters, first-time home buyers, expanding families, etc. Each of these segments would have different reasons and motives for potentially purchasing a new home; therefore, the message should speak directly to those issues.

Just as important is clarifying the goal for sending a direct mail piece. What is the intended outcome of the piece? Is the intention of the message to inform, provoke an action, or just to promote awareness of the brand? Whatever it may be, there should only be one main idea represented on each direct mail piece. Marketers may have but a few seconds of the target audience's attention; therefore, marketers need to choose one goal and drive that point throughout the direct mail piece.

MAKE AN IMPACT WITH A STRONG HEADLINE.

Like reading a newspaper, the headline is the first thing people see before deciding to read the entire article or direct mail piece. If the headline is strong and thought provoking, the higher the likelihood that it will capture the attention of the target audience. Effective

▪ Only one main idea or goal should be represented on each direct mail piece

▪ Simplicity and clarity through design is critical

headlines may include a surprising statistic, an interesting fact, enticing promotional offer, a question or simple statement. Whatever the structure of the headline, it should relate to the rest of the body copy, the intended goal and to the audience.

Similarly, visual elements have the power to capture the reader's attention and evoke emotional response. Use bold colors and choose strong images that speak to core motivations that drive readers toward action. These motivations may include social recognition, self acceptance, love and affection, sense of accomplishment, safety and so on. Using visual elements that trigger these needs can grab the reader's attention and get them to connect to the message on a deeper level.

BE SIMPLE, CLEAR AND CONCISE WITH DIRECT MAIL MESSAGES.

Often times, inexperienced marketers make the mistake of using advanced vocabulary and being too 'wordy' when trying to get their point across. Simplicity and clarity is critical; every sentence should have a purpose and support the ultimate goal. When reviewing copy, marketers should try to read with the audience's perspective in mind and ask, "Why should I care? How does this benefit me?" That exercise might help weed out any unnecessary information and keep marketers focused on being direct with their idea.

Additionally, an effective direct mail piece guides recipients' behavior by providing a clear call-to-action item. Marketers should be blunt and clear in describing what the next step should be for the recipient. Keep the design of the direct mail piece simple and uncluttered, emphasizing call-to-action items and main ideas.

INCLUDE A COMPELLING PROMOTIONAL OFFER TO PROMOTE RESPONSES.

A recent survey conducted by Prospectiv and published in *Brand Week* revealed that 39% of consumers wanted coupons delivered to them via direct mail. Also notable, 80% of consumers stated that personalized coupons tailored to their interest would increase the likelihood of coupon use. Including compelling, actionable promotional offers such as coupons, whitepaper downloads, free service consultations and so on, have been shown to boost attention, improve brand awareness and increase response rates. Furthermore, consumers are more likely to provide personal information to redeem a coupon or in return for other promotional offers. For marketers, the advantage of using promotional offers with direct mail—aside from those mentioned

39% of consumers want coupons delivered via direct mail

80% of consumers would increase coupon use if presented with personalized and tailored offers

above—is the ability to collect consumer data, identify warm leads and track direct mail success.

QUICK TIPS: COMPEL ACTION THROUGH GREAT POSTCARD DESIGN

DESIGN ELEMENTS THAT WORK:

✓ Each side should be able to stand alone

✓ Place call-to-action and branding elements near the address area

✓ One or two simple typefaces work best for a quick and easy read

✓ Use bold colors and strong images that connect with core motivations

✓ Keep it simple and clean—take advantage of 'empty space' to guide readers

COPYWRITING THAT WORKS:

✓ Write in a tone and with language the target audience will understand

✓ Make an impact with a strong headline

✓ Choose one idea or goal and drive that point throughout the piece

✓ Be explicit in identifying the next step or call to action for the reader

✓ Include contact information on each piece

DIRECT MAIL AND NEW TECHNOLOGY

HIGHLY TARGETED DIRECT MAIL MADE EASY.

Direct mail is a great, cost-effective way to connect with target audiences and key prospects in local markets. New, innovative technology is now available to make it easier for marketers to control precisely to whom and where they send direct mail. One tool, called MapMail®, helps marketers focus on the prospects that matter most to their business, but also saves money and increases ROI.

Developed by QuantumDigital, MapMail is integrated into a complete direct mail fulfillment platform. After creating a direct mail piece, users may identify their ideal prospect type by choosing from a detailed list of demographic selects such as age, income, house deed information, professional title and more. Then, users "draw" on a map powered by Google Maps™, manipulating points on the map as needed, to define their desired mailing area. MapMail will pinpoint addresses in the target mailing area that precisely match the demographic profile. While spending less, the result includes a reduction of paper waste, higher response rates and a more controlled direct mail campaign.

New tools, like MapMail®, help to better target prospects, save money and increase ROI with direct mail

Using on-demand digital printing to produce direct mail reduces waste

ON-DEMAND DIGITAL PRINT TECHNOLOGY AND THE POWER OF FLEXIBILITY.

Advances in printing technologies are making it possible for marketers to effectively use direct mail for a variety of purposes. On-demand digital printing offers the flexibility to print just one or many quality, personalized pieces quickly and affordably. Therefore, direct mail as a medium can be used for sales follow up, prospecting, customer retention and acquisition, branding and more.

The benefits of using on-demand digital printing are plentiful and noteworthy:

- The process of preparing files for digital printing is automated and does not require lengthy procedures like color separating or generating plates and screens. **This translates to savings of money, resources and time.**

- Because files are digital and rendered via software programs, there is the ability to introduce variable data to projects. In digital printing, every single piece printed may be unique. The marketing message may be adjusted at any time and/or **personalized for each individual recipient**. In traditional offset printing, the process only allows for one, static message.

- Also true in traditional offset printing, set-up time, resources and costs are extensive; short run prints are unreasonable. In contrast, on-demand, digital printing allows marketers to just as easily and economically print one, 100 or 5,000. The ability to print shorter runs **reduces cost because there's no need to stock inventory. Additionally, it allows marketers to be timelier with the marketing message.**

- There is a **lower impact on the environment** when using on-demand, digital printing because **less wastes are produced** in terms of ink, paper, chemicals and set-up materials.

Variable data printing allows marketers to create highly personalized pieces on the fly. Change background images, text blocks, photos, logos, barcodes and more from piece to piece without slowing the printing process.

Marketers and businesses have a real opportunity to benefit from the technologies available today in a way that affects communication with their audience, the environment and their bottom-line. By using on-demand, digital printing marketers can harness the power of multiple technologies to gain a competitive edge in a fast-moving, demanding market.

USING INTEGRATED DIRECT MARKETING TO BOOST RESULTS

- *Marketers cite direct mail and email as delivering the strongest ROI*

- *67% of consumers receiving direct mail and printed catalogs will follow up online*

- *Websites generate 65% more revenue when supported by direct mail*

With internet marketing becoming more commonplace, some question if direct mail is still an effective marketing method. The answer is YES. Direct mail is still an extremely viable way to reach target audiences, especially when used in combination with emerging web-based marketing methods. The proper combination of direct mail and eMarketing can dramatically maximize the success of a direct marketing campaign.

According to a recent *Target Marketing* survey, direct mail and email are, by far, the top methods marketers cite as delivering the strongest ROI for customer acquisition and retention. Studies confirm that an integrated approach using both direct mail and email offer marketers the best results. As noted earlier, the DMA reports that nearly 33% of consumers go online to respond to direct mail. Some surveys suggest that the power of direct mail and printed collateral to drive consumers online is even greater than previously reported. According to a survey of the Isos U.S. Online Panel, with a participant base composed of more than one million screened individuals, 67% of prospects who have received direct mail and printed catalogs were persuaded to visit company websites and perform active online searches for products and services. Furthermore, recipients also noted a more satisfying experience on the company's website and with the company overall. Consequently, 39% of those consumers continued on to make a purchase online.

The results of the "2007 Multi-Channel Direct Mail Study" by comScore supported this fact. The study measured website performance and purchase behavior of consumers that received direct mail catalogs against consumers that did not receive any direct mail support. Websites that were supported by direct mail saw a 65% revenue lift and those using printed catalogs enjoyed a 163% lift. Catalog recipients were more likely to visit a website and spend more on purchases online.

As mentioned in a 2008 Marketing Daily blog article titled, "Don't Count Print Out Yet," Pantone, Inc. was able to increase sales of a new color monitor calibration device by 81% after implementing an integrated campaign. The campaign included "digitally printed, personalized postcards and direct mail, personalized websites, email and telemarketing."

QUICK TIPS: COMPANION MARKETING IN ACTION

Direct mail and email can be a quick and cost-effective way to test marketing messages and offers before deploying full-scale campaigns. Marketers can select a sampling from their target audience, segment them into groups and test their responses to different versions of marketing messages and offers. The marketing message or offer that receives the highest response rates can be expanded into a full-scale, integrated campaign including direct mail and email.

Delivering direct mail before sending email and vice versa can boost awareness. Multiple touch-points in marketing campaigns may increase the target audience's awareness of a business. Also, timing an email to hit the target audience's mailbox right before they receive a direct mail piece may heighten their receptiveness to receiving and reading that marketing communication from you or your business. The same applies when initiating an email campaign. Sending a direct mail piece prior to releasing an email blast urges the recipient to look for the email in their inbox.

Marketers may also follow up on direct mail deliveries with email. A genuine and sincere attempt to communicate with a potential prospect or customer may sway them to act upon a marketing message or offer. And again, it's another touch-point that will help remind them of a business.

Give email and direct mail recipients information of value. Marketing messages that offer unique, valuable information to the reader elicit higher response rates. Including relevant promotions based on past behavior, e-newsletters, educational whitepapers, industry news, or information on upcoming products or services will boost email open rates and potentially lead to a higher percentage of conversions. Similarly, personalized direct mail featuring coupons or special promotional offers will turn recipients into responders. Include specific, attention-grabbing headlines. Also, clearly notate contact information and call-to-action items.

As always, it's imperative to test and measure responses to integrated marketing tactics. Testing allows marketers to fine-tune messages and find that perfect combination of message, offer, media and timing that works for a business.

IN CONCLUSION

During prosperous and challenging economic times, marketers can trust direct mail to deliver consistently strong ROI. Using available tools and technologies, businesses are able to effectively target prospects, retain customer loyalty, increase brand awareness, generate sales and provide an enhanced customer experience. That's the power of direct mail.

LEARN MORE

To learn more about direct mail, companion marketing solutions and the technologies mentioned in this whitepaper, contact QuantumDigital, Inc:

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