

## Junk mail spurs growth for top printer makers

By *Christopher Hinton*, MarketWatch

Last update: 3:07 p.m. EST Dec. 5, 2007

**NEW YORK (MarketWatch) -- Junk mail may at best sound like something to toss, but to companies like Xerox Corp., Océ NV, Hewlett-Packard Co. and Eastman Kodak Co., the stuff smells like money.**

Makers of high-production printers and systems have the direct-mail marketing industry in their sights, promoting the use of high-end digital printers with software tools to help advertisers personalize marketing content. Personalized marketing is advertising directed to an individual that's sometimes based on past activity and elicits a response that can often be tracked.

Mailboxes across the country are filling up with personal messages from advertisers that can have intimate knowledge of a person's insurance rates, car payments, favorite vacation spots or hobbies. Some even send coupons for favorite stores and products on a person's birthday. Such personalized advertising typically generates significantly greater response than an advertisement meant for a general audience.

"[Telemarketers] can't call anyone anymore, there's spam-blocking software and with TiVo no one's watching commercials," said Matthew Troy, an analyst with Citigroup. "Direct mail is the last unfettered access to the consumer in his or her home."

As such, it's also the fastest-growing form of advertising off the Internet, and is projected to drive sales growth by 5.3% a year from between now and 2012, according to data provided by Direct Marketing Association, a trade group offering direct-marketing tools. By comparison, television ads are seen driving sales growth by 5%, newspapers by 0.9%, magazines by 3% and radio by 3% over the same period of time.

**Altogether, the U.S. direct-mail printing business is a \$62.2 billion market that's expected to grow around 6%, or 7 billion pages a year, data from marketing consultants Winterberry Group and Universal McCann show.**

### Turning to digital

For printers, direct-mail growth helped in part to break a negative trend that occurred from 1997 to 2002, Citigroup's Troy said. Xerox ([XRX](#)) led the digital charge with its iGen3, DocuTech and Nuvera printers, which could churn out more than 100 pages of high-quality color prints within a minute.

That's small compared with the traditional offset printers that still dominate the sector. More than three-quarters of all U.S. printers continue to use offset printing because it can handle greater workloads. But unlike offset printers, digital printers can be tied into software systems that can individualize each printing, targeting personal taste or interests.

Since Xerox made its digital move, rivals have gathered -- including H-P, Kodak and the Netherlands's Océ ([NL:35493: news, chart, profile](#)) , which on Tuesday unveiled its high-speed JetStream printer, made especially for direct marketers' demand and employing what it describes as a customer-relationship management system.

"We see a dominant trend of businesses employing customer-relationship management systems to personalize marketing messages -- both online and in print," said Mal Baboyian, president of production printing systems for Océ North America. "Direct marketing and direct mail specifically are growth areas within advertising because their effectiveness in growing sales can be quantified."

Océ Chief Executive Rokus van Iperen said in an interview with MarketWatch that he considers Xerox the company's direct competitor for high-end printing, such as wide-format printing, graphic printing and direct-mail printing, but notes that others are on the heels of both companies.

"It's a high-tech business, and all our competitors are happily investing in R&D at 3% to 6% of revenue," van Iperen added. "The speed of which new products are being introduced, especially in color and volume printing, is very high and we have to keep pace with that." ■

*Christopher Hinton is a reporter for MarketWatch based in New York*