

December 7, 2005

Key Vertical Market Trends Impact Direct Mail Industry

By Marissa Fabris, associate editor, Inside Direct Mail

While several trends impact the direct mail industry similarly across all vertical markets, as indicated by the **Winterberry Group's** whitepaper, "Vertical Market Trends in Direct Mail and the Impact on Production Service Providers 2005," there are a few key trends that have a more disparate impact on vertical sectors. Here's what **Bruce Biegel**, managing director of the Winterberry Group, has to say about three leading trends and how their saturation is reflected in certain vertical markets.

1. Acquisition increasingly dominates direct mail applications, accounting for more than 70 percent of estimated mail volume.

Confidence in the economy and the use of outside lists are the two primary factors driving the increase in acquisition mail, explains **Biegel**. As a direct result of budget constraints and cut-backs in marketing departments, housefiles were heavily mailed in 2001 to 2003, but were ultimately exhausted by 2004. "As a result, we saw the rise of co-ops in 2005 to a level of usage that we had not seen before," says **Biegel**. He points out that the financial services sector was most impacted by this trend, particularly because its companies are among the largest mailers and they typically generate the highest mail volume.

2. Expansion of multichannel marketing campaigns heightens sophistication of direct mail pieces and requires providers to offer unique technological solutions (i.e., linking Web to mail).

"We think it's one of the hottest trends right now," says **Biegel** of multichannel marketing which, according to the report, is a result of the development of new interactive technologies that complement tested marketing techniques. "To drive response rates up, what marketers have found is if you integrate your online and your offline marketing, you're getting a higher response rate, because it's really about how frequently you touch a prospect and how relevant you can make that communication."

Among the verticals most impacted by this trend are telecom and hospitality. "[The trend has saturated] telecom because their customer relationship management penetration is actually higher than the other segments," says **Biegel**. "Their databases are in pretty good shape, all things considered." The hospitality sector, says **Biegel**, is using offline to cross-promote, but the Web can be used for order-taking and is a natural vehicle for multichannel marketing.

3. Mailer selection gravitates toward more integrated service providers whose business models offer a broader mix of value-added services.

To serve clients more efficiently and gain wallet share, service providers are taking on new roles beyond their core capabilities, resulting in a consolidation in the supplier community. "Everybody is moving to capture pieces of the revenue associated with direct mail programs, and that's leading to the creation of more integrated service providers," says **Biegel**.

From a marketer's perspective, **Biegel** points out that it's extremely attractive to manage fewer suppliers. "To manage effectively, they're looking for suppliers who bring more of the services that they need to the table," he explains. "If you can reduce the number of suppliers, it makes managing your direct marketing workflow process a lot easier."

The trend toward hiring integrated service providers is particularly strong in the financial services sector, where companies--many of whom are consolidating--have such a high annual mail volume, and in the automotive sector, where sophisticated mailers have the knowledge and strategy to support their efforts and can get by with fewer vendors.

Bruce Biegel of the **Winterberry Group** can be reached at bruce@winterberrygroup.com.