

Direct Mail to Become More Targeted Mediapost Center for Media Research

by Jack Loechner

According to a new white paper by Winterberry Group, with rising postage rates and growing marketer preference for low-cost digital communications, total U.S. direct mail spending declined 3.0% in 2008, and was accompanied by an even more significant cutback in mail volume.

Direct Mail Spending & Year-over-Year Spending Growth

Year	Spending (billion \$)	% Change (from previous year)
2004	\$48.3	6%
2005	\$51.7	7.0
2006	\$55.6	7.5
2007	\$58.4	5.0
2008	\$56.7	-3
2009E	\$51.8	-9.1

Source: Winterberry Group/DMA/Others, February 2009

According to the report, a rapid drop-off in financial services mail activity (brought on by the crisis in the banking and mortgage sectors) fueled the overall decline in mail spending, the channel's first in a recorded history that began in 1945. Further decay in mail activity is expected to continue through the course of the recession, at which point the direct mail channel will likely emerge as a medium used more for precise targeting than "saturation mailing" as it has been over the last decade.

Though notoriously difficult to measure, statistical models, anecdotal evidence and raw data all tell the story of a very serious decline, says the report. According to the research firm Mintel Comperemedia, mail volumes dropped over 12% in 2008 across the nine verticals tracked. The U.S. Postal Service reported that Standard Mail volumes fell off by 4.5% on a full-year basis (about 9 billion pieces). The numbers for the fourth quarter were even more dire: Standard volumes were off 6.1% from 2007 levels, or about 1.5 billion total pieces.

Percentage Change in Direct Mail Volumes by Vertical Category (2008 vs. 2007)

Category	% Change
Telecommunications	9.6%
Insurance	4.6
Banking	(1.3)
Investments	(4.2)
Travel/Leisure	(4.7)
Automotive	(9.4)
Technology	(16.6)
Credit Cards	(21.8)
Mortgage & Loans	(38.8)
Total across tracked verticals	(12.1)

Source: Mintel Comperemedia

The report concludes: "A wide variety of new mail applications will continue to emerge. Based largely on deep data and technology underpinnings-and structured to take advantage of direct mail's unique ability to enable customer acquisition and integrate with other media... The events of the past 18 months have moved them to the forefront... "

The white paper outlines six trends that took hold in 2008 and another three that are expected to continue defining the role of direct mail in 2009. Expected 2009 trends include:

- Recession forces decrease in spending
- Volumes fall as mailers seek efficiencies
- Production sector in crisis
- New demand for data, analytics, multichannel
- Mail emerges as ideal complement to digital
- "Green" practices fluctuate in importance
- End of untargeted, high-volume campaigns
- New marketing automation technologies applied
- Postal Service as the principal mail delivery channel compromised

Bruce Biegel, Winterberry Group's senior managing director, says "... Postal shocks, environmental pressure, recession, media consumption shifts and enhanced targeting tools have brought about an end to the 'batch-blast' era of direct mail... mailers have shifted their focus to lower-volume, more targeted and higher-value campaigns, with traffic generation to the store, Web and call center being the primary objective... "

Over 85% of service providers say they expect to see increased demand for analytics solutions from their clients in 2009, according to the Winterberry Group report. And nearly 87% say that they're seeing higher demand for digital products (like email, RSS feeds, search and PURLs) that link mail usage to other marketing channels. Additional implementations will include:

- Postal optimization
- Enhanced trackability
- Personalization
- Self-mailers
- Transpromotional mailings
- Dimensional mail
- Alternate formats

The white paper, *A Channel in Transformation: Vertical Market Trends in Direct Mail 2009*, explores macro trends, unique production sector issues as well as developments specific to one or more vertical markets. Respondents included:

White Paper Survey Respondent Profile	
<i>Respondent Category</i>	<i>% of Sample</i>
Data management/lists	28.5
Creative/Agency	25.9
Print/Lettershop/Fulfillment	24.3
Marketers	18.4
MarketingTechnology/Consultants/Other	2.9
<i>Source: Winterberry Group, February 2009</i>	

The report concludes that " ...direct mail... commanding over \$50 billion in U.S. marketer spending, remains viable... A wide variety of new mail applications will emerge... based... on deep data and technology... structured (on) direct mail's unique ability to enable customer acquisition and integrate with other media... "