

Direct-Mail Spending Down in 2008 and Still Falling

Winterberry Group Report Finds Steep Drop in Volume from Credit-Card and Loan Companies

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NEW YORK (AdAge.com) -- Rising postage rates and fewer solicitations from banks and credit-card companies have conspired to drive down direct mail in 2008.

A new white paper from the Winterberry Group, a strategic-consulting firm, found that direct-mail spending dropped 3% last year, and the falloff will accelerate to 9% in 2009. The drop is even steeper in key categories: Winterberry, citing data from Mintel Comperemedia, said mail volume slid 12.1% last year in industries including telecommunications, insurance, banking, investments, travel/leisure, automotive, technology, credit cards and mortgage and loans.

The Winterberry white paper, called "A Channel in Transformation: Vertical Market Trends in Direct Mail 2009," attributes the declines to the recession, rising postage rates and an increasing preference among marketers for low-cost digital communications. Jonathan Margulies, director of Winterberry Group, said that while the numbers represent a significant drop-off, no one needs to be making funeral arrangements for the direct-mail industry just yet.

Industry	Growth/decline in direct-mail volume
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 and Loans	-38.8%

Source: Mintel Comperemedia

Changing, not dying

"Direct mail is not dead or even dying," said Mr. Margulies. "The nature of how people use it is changing fundamentally. And over the long term the dollars and volumes may never come back to the levels we had over the last few years, but there will be sustained and increased marketer attention in the things direct-mail media can do."

As more and more people stop spending and the economic situation worsens, Mr. Margulies believes direct-marketing tactics will and should be the avenues marketers turn to. Generally, direct marketing is seen as very accountable, affording good return on investment. So while direct mail is softening, other direct-marketing avenues, such as data analytics, CRM and e-mail, are expected to remain strong.

"The macro trend continues to be a shift toward measurable below-the-line marketing spend," Mr. Margulies said. "The reasons are clear: It's accountable and defensible when your budgets are under fire. How it gets split up is becoming a more dynamic issue. We know that digital media is going to continue to gather share, but as marketers change the way they look at different channels, I think the progression of direct mail is maturing from that spray-and-pray model to one that is more targeted and impactful. There is something to be said for having something that is tactile, very personal and, even for a split second every day, has a person's direct attention."

Spending decline

Ramesh Ratan, exec VP-chief operating officer of the Direct Marketing Association, said the association's numbers show a decline in direct-mail spending, down from \$54.8 billion in 2007 to just slightly above \$54 billion in 2008. Mr. Ratan said he anticipates the figure will drop again next year, and he thinks a lot of the issues the direct-mail industry is facing are due to the fact that it's currently in a state of flux.

"Marketers are going through a structural resetting of an understanding of how to use direct mail in the context of a multi-channel, multi-media marketing campaign," Mr. Ratan said. "In this craziness that went down over the last six months, marketers are getting thrown into the water and learning how to swim in terms of learning how to mix channels. Many of the marketers who solely depended 100% on direct mail are starting to

experiment with mixes, and when the economy turns around and we come out of this downturn I don't think they are going to stop these experiments."

When the consumer market started to soften and the flow of dollars slowed down, marketers began to shift their focus from acquisition to retention, causing a falloff in direct-mail outlays, Mr. Ratan said. "Direct mail has always been a powerful acquisition tool," Mr. Ratan said. "But as people move their dollars from acquisition to retention, those dollars move within the direct marketing channel from direct mail to e-mail. Some of the dollar movement is to things that are online or more digital, but it's caused by this marketing strategy moving from acquisition to retention."

He believes that shift, and a move toward more integrated multichannel direct marketing tactics, has benefitted a number of direct channels and service providers while crippling others. "If you talk to an agency that provides deep analytic services, they can't even serve all the orders they are getting," Mr. Ratan said. "But others, like list companies, are hurting because marketers are turning to their house files as opposed to list acquisition and renting."

Credit-card, loan cutbacks

Mr. Margulies said over 300 marketers, agencies and service providers were surveyed for the Winterberry report and that the decline in mail volume is due in large part to the cutbacks in two categories: credit card and mortgage and loans marketers. Mr. Margulies said credit card (-21.8%) and mortgage and loans (-38.8%) marketers, historically two of the biggest direct-mail practitioners, both had posted steep declines in the volume of direct mail they shipped in 2008.

"Financial-services companies don't have the need to market the way they did the last few years, and that's taking huge amounts of dollars out of the direct-mail application," he said. Mr. Margulies goes on to admit that the cutbacks in those two categories may actually "unfairly skew the picture against the whole medium."

Mr. Ratan also said stricter credit regulations for consumers meant less names to mail to, hence fewer mailings. "That got compounded with increasing expenditures like postage rates and paper costs cut volume," Mr. Ratan said. "In the last quarter of 2008 and the first quarter of 2009 there were some steep declines but I think the steepness of the decline will reduce and we will see some moderation and balancing out going forward."

More declines on the way?

But if the situation in the credit and housing industries doesn't right itself that 12% number could climb even higher for 2009. "If things stabilize in those markets and marketers begin to reassess the way they do direct marketing there could be some stabilization and the numbers may not be as dire [in 2009]," Mr. Margulies said. "But right now there's no reason to believe that's going to happen."

Mr. Ratan believes the direct-mail community will continue to see a "grinding down" and an eventual bottoming out in the summer, followed by a "healthy uptick" during the 2009

holiday season. "By the summer [I believe] a number of elements of the stimulus package will take effect, consumer sentiment will have started to turn for the better and the stock market will start to get healthy again," Mr. Ratan said. "We'll have gotten past the bottom by the end of 2009."