

The Incredible Shrinking Mailbox: Shifting Mail Volumes Reflect Channel Use Changes

Chief Marketer

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Direct mail's role as a mass-marketing response driver has all but vanished during the past decade, according to a study from consulting firm Winterberry Group. But opportunities still exist for leveraging data in pursuit of better targeting, and for integrating mail with other channels.

First, the bad news. Winterberry cites the collapse of several brands within the mortgage and lending, retail banking and credit card segments as taking several billion pieces out of the mail stream. Additionally, a May 2008 postage hike saw rates increase by an average of 2.9%.

According to Winterberry, spending on direct mail in the United States declined approximately 3% during 2008, from \$58.4 billion to \$56.7 billion, with spending this year forecast at \$51.8 billion, a level not seen since 2005.

Direct mail volumes declined even more precipitously than spending, as mailers sought to use more precise targeting methodologies, production efficiencies and other value-focused initiatives in an attempt to cut costs and preserve the returns of their mail programs.

What are the chances for volume bounceback? Given the continuing economic recession, not great. Here's why: First, while direct mail volumes traditionally bounce back after a period of economic stagnation, the magnitude and timing of the current recession are expected to affect the direct mail channel in a long-term, systemic way, effectively ending the prevalence of untargeted, high-volume campaigns.

Second, the accelerating shift from "mass" to "targeted" direct mail programs has been enabled by an increasingly powerful array of marketing automation technologies, many of which are making their way into the tool sets of marketers both large and small.

Finally, independent of the effects of the recession, rising postage rates, declining volumes, an increasingly complex array of postal regulations and other threats to delivery efficiency may compromise the viability of the Postal Service as the principal mail delivery channel.

What are marketers doing to keep themselves in the mail? According to respondents to the Winterberry survey, 45% turned to less expensive paper and raw materials as a means of offsetting budget pressures, while 39% percent opted to use smaller or cheaper formats. These findings mirror what service providers have been seeing.

Will overall economic recovery lead to direct mail's resurgence? Winterberry feels the current declines, rather than being cyclical, are systemic: They reflect a profound shift in channel use, rather than normal fluctuations based on the economy's health. Winterberry predicts that mail volumes will drop by another 10%-15% in 2009.

— RICHARD H. LEVEY