

SEPTEMBER 2023

DELIVERING PERFORMANCE DIRECT MAIL IN THE UNITED STATES 2023



ACKNOWLEDGMENTS

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The tired old misconceptions about direct mail have been repeated time and time again.

It's old school. Out of touch with the digital age. Unlikely to connect with younger consumers. And yet this year, U.S. brands will invest more than \$39 billion on the channel (inclusive of postage, materials, printing and mailing services, data and a host of other functions associated with executing campaigns). If stood up against a roster of other paid advertising vehicles, this “out of touch” medium would thus rank *ffifth* among advertising and marketing channels used by U.S. brands—commanding a healthier share of total expenditures than those directed to connected TV, online display advertising, email and other tools considered central to modern marketing.

That may come as a surprise to those who see the postal channel as something of a relic. But the primary factor underlying direct mail's resilience ought to come as no surprise—even if the terminology used to describe it is very contemporary. **Direct mail, in short, is a performance marketing channel.** It's proven to be a highly capable tool for helping brands acquire new customers, drive incremental sales and support winback and cross-selling efforts—all while generating the kind of data that supports measurability, audience segmentation, granular

targeting, personalization and other functions that are increasingly at the heart of the modern marketing playbook. Marketers continue leaning into the channel because it works—and for that reason, say they intend to continue investing in direct mail at comparable levels for the foreseeable future.

Nevertheless, direct mail today exists at something of a crossroads—delivering reliable value when brands are looking to capitalize upon its *modern*, performance-oriented benefits, but often saddled with a reputation for being expensive, cumbersome and distinctly *traditional* in form and consumer appeal. How should brands thus be thinking about incorporating direct mail in their long-term spending mix? And what factors should they keep in mind as they work toward improving their marketing effectiveness, efficiency and bottom-line performance?

The answers to those questions will vary from vertical-to-vertical, and brand-to-brand. Today, no fewer than six dominant themes are dictating how U.S. brands invest in—and derive value from—direct mail in the United States:

- **Brands have come to widely embrace the “omnichannel” philosophy**, emphasizing the integration of all marketing channels, both digital and traditional, in a diverse media mix
- **Marketers are increasingly prioritizing performance**—the ability to achieve specific, incremental objectives with respect to customer acquisition, sales and other outcomes—over other use cases
- **Growing costs and challenges associated with the addressability of data-driven digital media** are leading many marketers (and digitally native direct-to-consumer brands, in particular) to test alternative channels, like direct mail, in support of their growth ambitions
- Improvements in the integration of data and creative content, coupled with the advent of less expensive and more capable marketing technologies, are allowing direct mailers to **achieve long-promised value from on-demand production, personalization, trigger-driven programs, retargeting and other innovations that capitalize on intent signals in the buying cycle**
- The **continued robust availability of licensable third-party data—backed by a mature, multifaceted supply chain**—represents the foundation upon which brands responsibly orchestrate their direct mail programs at scale; and
- Seeking to manage the vast complexity inherent in modern marketing, **brands are looking to media channels and supply chain partners that provide for flexibility, scalability and the ability to rapidly adapt to changing needs.**



U.S. DIRECT MAIL EXPENDITURES—IN SUMMARY

In 2023, U.S. marketers will invest \$39.36 billion on their direct mail efforts, supporting a diverse range of marketing use cases: new customer acquisition, direct sales/merchandising, cross- and up-sales, transpromotions (incorporating marketing messages into customer service and billing messages) and loyalty communications, among others.

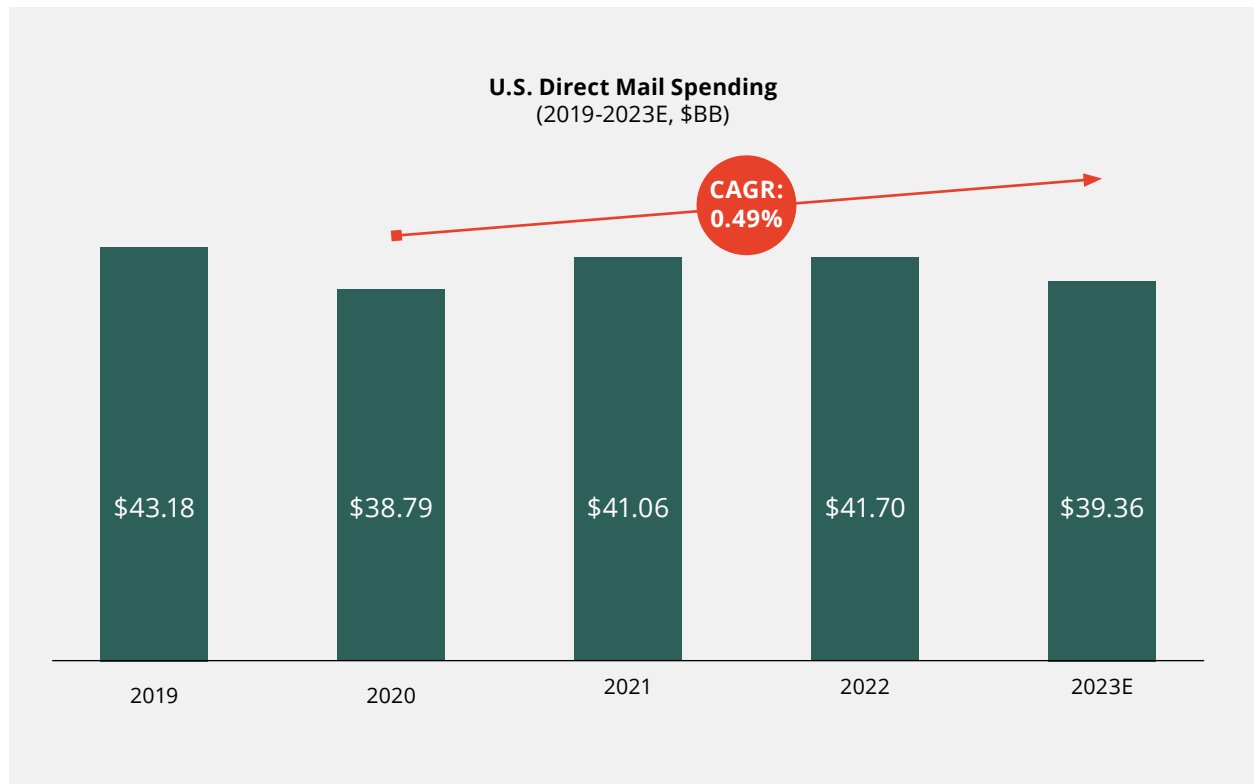
SPENDING REMAINS ROBUST DESPITE MACROECONOMIC VOLATILITY

Direct mail (DM) in the U.S. has represented a multi-billion-dollar annual enterprise for many decades, with brands having long ago understood the channel to represent a reliable means of supporting certain clear-cut performance objectives. But, like other media, DM has been both a beneficiary and victim of macroeconomic forces that have reshaped marketer priorities—sometimes significantly and without much advance warning.

The COVID-19 pandemic presents just such a case study. As with other channels, direct mail spending declined precipitously in 2020 as brands moved to conserve precious resources and redirect their efforts to support short-term business priorities. In the case of certain verticals—store-based retail, automotive and travel & hospitality, most notably—this no longer included “new customer acquisition,” for which DM had long represented a tried-and-tested tool.

Direct mail did not suffer from this development in significant disproportion to other advertising and marketing media. (And, in fact, the channel fared well relative to its experience during the last significant economic downturn. In the wake of the “Great Recession,” for example, 2009 U.S. DM spending declined 16.7 percent from the previous year as some brands “paused” their outbound marketing efforts, and others redirected a significant share of expenditures toward digital media that until then had been considered new and untested.) Nevertheless, aggregate marketer investment in the DM channel has yet to return to pre-COVID levels—and may not do so for another year or longer based on prevailing demand trends.

U.S. DIRECT MAIL SPENDING, 2019-2023E



Winterberry Group (2023)

2023: OPTIMISM AT NEW YEAR'S, REALITY BY THE BEGINNING OF SPRING

Marketers began 2023 with a relatively bullish outlook for the year, with optimism that the doldrums of late 2022 would give way to a more robust economic environment once the new year got underway. But that sentiment shifted sharply toward the end of the first quarter, as continued macroeconomic uncertainty drove brands to adopt a more conservative approach to their marketing investments—particularly those focused on acquiring customers and driving incremental sales in verticals that were most susceptible to inflation-related pullbacks. On a full-year basis, DM spending will remain robust relative to other prominent advertising vehicles (and especially as compared to other “traditional” channels, many of which are rapidly losing share to emergent digital media). But with postage and other campaign costs on the rise, and no federal elections or major tentpole marketing events—like an Olympics or World Cup—on the calendar, it’s unlikely the

channel will repeat the spending gains it garnered in each of the two years since the COVID crisis began.

Circumstances vary significantly across verticals. But while most brands are now projecting that marketing expenditures will grow this year, many say the pace of that growth will slow relative to the past few years. And while diminished inflation, higher-than-expected GDP growth and the easing of supply chain pressures have helped instill enough confidence such that many expect to soon resume their focus on customer acquisition and growth, the persistence of high interest rates and tepid consumer confidence have led many to remain cautious with budgets for the third and fourth quarter of 2023. The net result: the back half of the year should bring with it some growth in DM expenditures, but not enough to make up for the sleepy first two quarters of the year, and total annual U.S. direct mail spending will slip more than 5 percent relative to 2022.



OVER THE LONG TERM: BRANDS SAY THEY EXPECT TO MAINTAIN DM BUDGETS AT COMPARABLE LEVELS

Direct mail's inherent measurability has always helped substantiate its prominent place in the marketing mix. And DM has fared particularly well in recent years as better data availability (and the advent of sophisticated measurement and attribution technologies) have allowed for more precise comparison against other channels.

Increasingly, though, brands are making marketing spending decisions later in the promotional process, with a close eye on changing market conditions (and a default understanding that media ought to be able to support last-minute pivots from one channel to another). That's had a mixed effect on DMers, since traditional production planning associated with the channel has typically required longer campaign cycle times than those supporting digital media. Brands may thus be less willing to commit to more conventional/longer-run programs, but more inclined to experiment with shorter-run programs—leveraging digital production technology that allows for quicker turnaround times while incorporating richer content personalization to enhance relevance, and thus optimize campaign performance.

That development is foundational to brands' long-term confidence in direct mail—and their plans, most say, to continue investing in the channel at comparable levels well into the foreseeable future.

"Direct mail is still an important channel," says the vice president of client engagement of one audience data provider. **"It's a core channel for many brands that are seeking creative solutions to expand."**

"There is always talk of direct mail 'going away,'" added the vice president of predictive solutions at an enterprise-focused data provider. **"But in reality it remains one of the largest channels in marketing budgets, and will continue to be."**

WHAT'S DRIVING GROWTH?

Where marketers are expanding their direct mail investment, several themes are now playing a regular role. In particular, brands are:

- Emphasizing channels and strategies that deliver clear performance at meaningful scale
- Seeking channels that can help achieve desired returns given challenges to performance of digital advertising outside of walled garden environments (a function of declining addressability of identifiers needed to support online audience targeting), and/or
- Refocusing their efforts on targeted customer acquisition across *all* marketing touchpoints—including reinvestment in traditional "offline" channels to balance the increased volume of digital ads shown during the COVID and immediate post-COVID periods.



WHAT'S STANDING IN THE WAY?

Where marketers are pausing their direct mail investments (or redirecting such funds to other media), another combination of factors is likewise commonplace. In these cases, brands may be looking to manage:

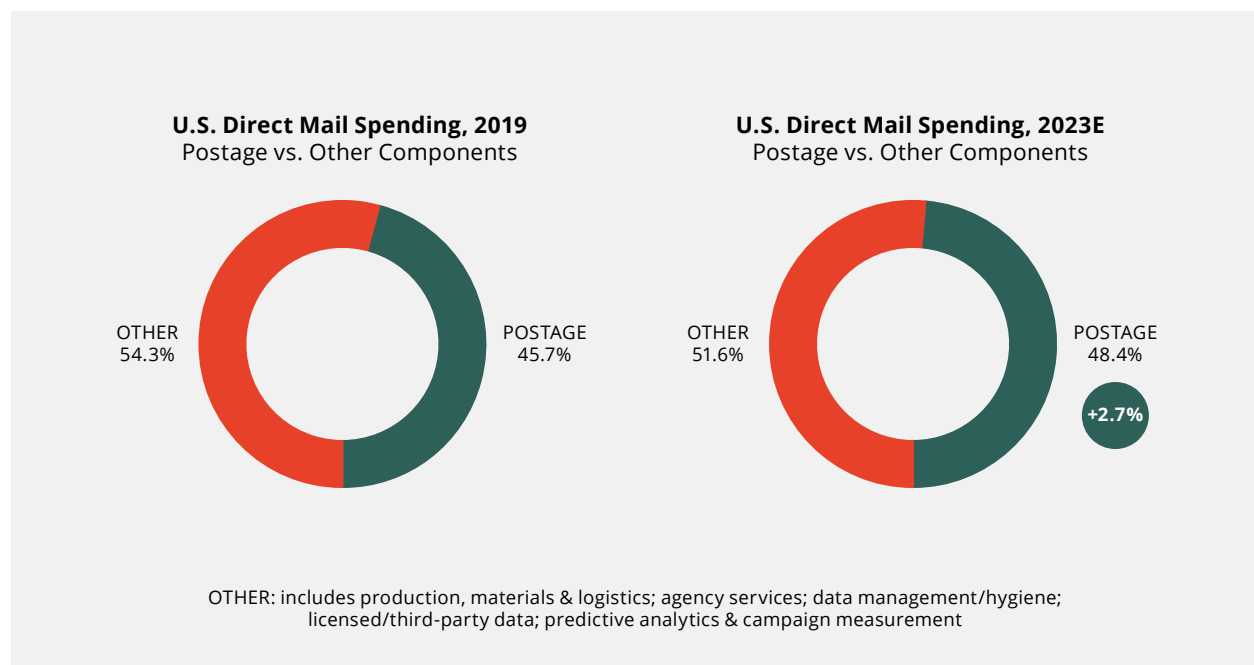
- Macroeconomic conditions, in certain verticals, that have diminished their need to drive demand, acquire customers or pursue incremental sales
- The transformation of the role and format of the DM catalog from a platform for merchandising to one supporting omnichannel/connected commerce strategies (with attendant changes in page counts and physical formats)
- An emerging generation of brand-side marketing leadership that's "digitally native," inexperienced with the DM channel and thus less understanding of DM's role and impact, particularly as a lever for both performance and brand marketing objectives; and/or
- The rising cost of postage (and certain other components of DM campaigns), thus diminishing the net return on investment associated with the channel.

Many research contributors were pointed in their feedback on the impact of rising postage and materials costs—noting that, even in relatively healthy industry verticals, higher costs have been eroding mailers' ability to sustain historical campaign volumes, compounding the impact of soft demand in other segments—and resulting in the 16 percent volume decrease that USPS reported in its Marketing Mail class during the second quarter of calendar 2023, as compared to the same period last year.

In a diverse mix of dedicated and shared functional expenses (supporting DM campaigns typically requires marketers to invest in materials, printing and mailing services, licensed data/ mailing lists, data management, predictive analytics, creative development and other functions) those cost increases are being offset, to an extent, by the advent of technology-enabled efficiencies that are allowing brands to better manage the costs associated with data licensing, campaign management and even production. But as postage and materials typically represent the largest components of DM budgets, higher costs in those categories are now being reflected in a rebalancing of spending across the entire channel. In 2023, for example, postage will represent 48.4 percent of total DM expenditures—up from 45.7 percent as recently as 2019.



U.S. DIRECT MAIL SPENDING, 2019 VS. 2023E, POSTAGE AND NON-POSTAGE EXPENSE



Winterberry Group (2023)

Brands have come to widely embrace the “omnichannel” philosophy, emphasizing the integration of all marketing channels, both digital and traditional, in a diverse media mix.

The origins of the marketing concept we now call “omnichannel” stretch back decades. Some tie the concept to growth of the first global agency holding companies in the mid-20th century—which stitched together firms of diverse capability in an effort to drive buying efficiencies (and better alignment of content and tactics) on clients’ behalf. Others look to the world of retail and the advent of the e-commerce channel, where building a unified merchandising and fulfillment infrastructure was just as important as maintaining a fresh and consistent consumer-facing brand.

No matter what its origins, brands today are broadly aware of “omnichannel” and even more closely aligned with its underlying premise: marketing performance can be optimized when brands orchestrate a *range* of channels and tactics to support desired objectives.

“Brands are definitely taking a more omnichannel approach to their efforts, seeking ways to be more nimble and consumer-minded,” said the vice president of client engagement of one audience data provider. **“If they were doing so previously, they’ve definitely gone all-in on the strategy over the last few years.”**

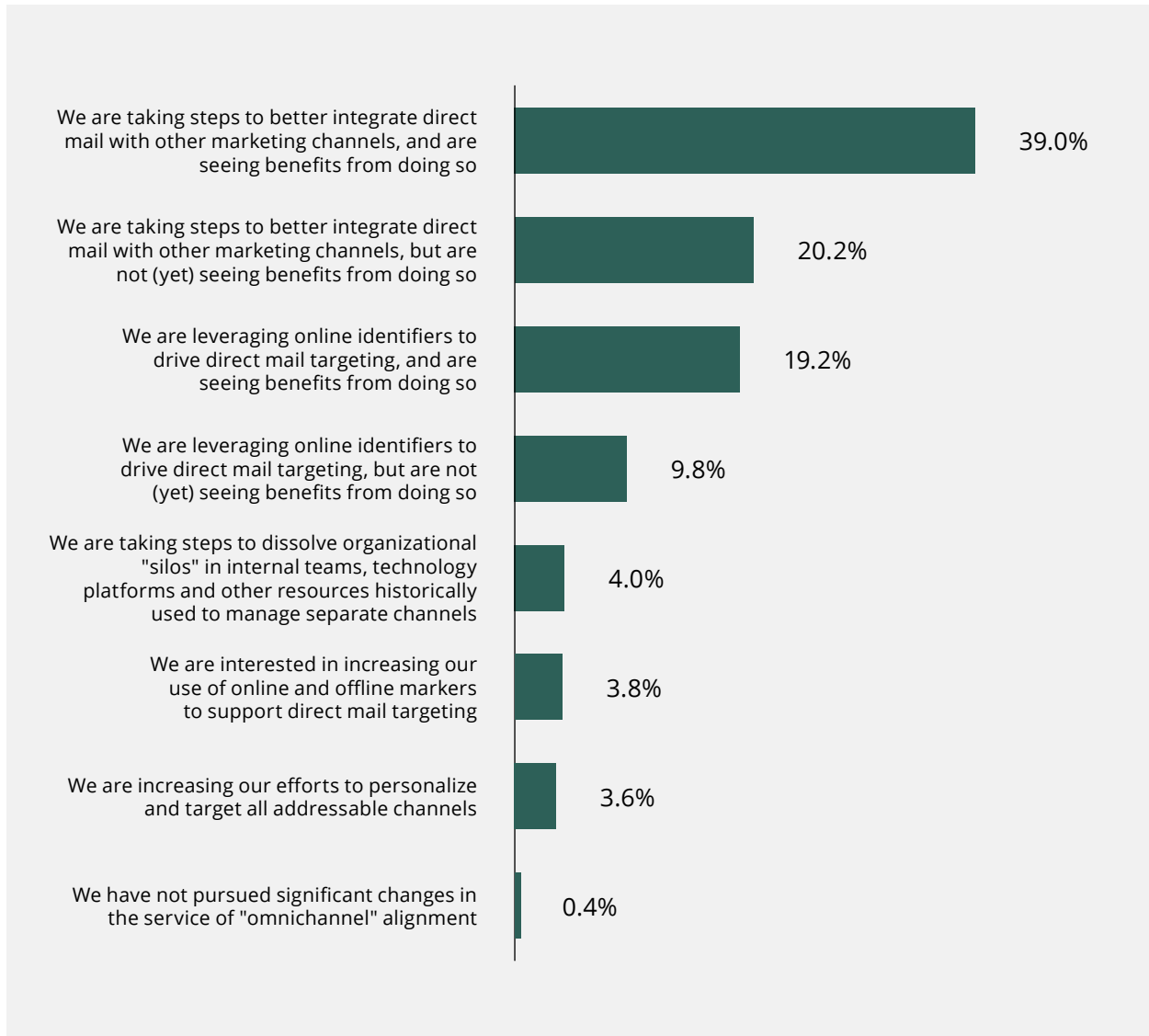
Direct mail has proven to be a particularly good teammate to omnichannel strategies—particularly when brands are looking to:

- Drive customer acquisition
- Engage audiences of significant scale (which might be otherwise difficult to achieve using online media alone)
- Convert prospects who’ve otherwise been highly qualified or known to be exploring a potential purchase, and/or
- Support transactions that happen predominately via e-commerce channels. (The emerging practice of direct mail retargeting—whereby brands leverage digital identifiers to generate on-demand direct mail pieces targeted to in-market shoppers—is practical embodiment of how omnichannel drives clear, meaningful advantage relative to less-integrated approaches to deploying media).

Not surprisingly, brands are all-in on the omnichannel opportunity. Nearly 60 percent of surveyed marketers said they’re taking steps to better align their DM efforts with other channel initiatives, for example. And the same panel said “improved ability to activate omnichannel campaigns” is the single most impactful factor driving their overall investment in the channel.



HOW IS THE ROLE OF DIRECT MAIL CHANGING IN YOUR ORGANIZATION?



Winterberry Group Survey (2023)

But challenges in leveraging DM as a full partner in the omnichannel effort still persist. In many marketer organizations, omnichannel strategies and infrastructure—encompassing underlying workflows, technology and the budgets that power all of the above—have been developed with an understanding that only fully *digital* channels need be integrated to drive desired outcomes. The result: some brands are making great progress in standing up teams to support a complex, coordinated weave of interconnected customer-facing *digital* media, all while maintaining parallel silos (often underfunded and seen as ancillary to the core marketing effort) to support direct mail and other legacy media.

Increasingly, marketers are waking up to the critical importance of building *infrastructure* to support omnichannel *execution*. Early-stage, direct-to-consumer product brands and retailers are

particularly progressive in this respect (potentially because they don't have to wrestle with the added challenge of transforming "legacy" operating structures), though brands across virtually all DM verticals are increasingly recognizing the inherent urgency of that evolution.

"One significant challenge our clients are facing is figuring out how to integrate direct mail with their efforts across other channels," said the vice president of product of a major marketing services provider. **"We're in a particularly difficult time right now, because legacy organizational gaps and issues reconciling audience identity still persist, making it difficult for marketers to understand how to incorporate direct mail into their omnichannel approach."**

BRANDS HAVE COME TO WIDELY EMBRACE THE “OMNICHANNEL” PHILOSOPHY

●● AUTOMOTIVE	●● NOT-FOR-PROFIT
●● B2B SERVICES & TECHNOLOGY	● POLITICAL
●● FINANCIAL SERVICES	●●● RETAIL (predominately brick-and-mortar/catalog)
●● HOME SERVICES	●●● RETAIL/CONSUMER PRODUCTS (predominately direct-to-consumer)
●●● INSURANCE	●●● TRAVEL & HOSPITALITY
●●● trend is a significant factor in driving DM investment/strategies	●● trend is a factor in driving DM investment/strategies, but does not predominate
	● trend plays little/no role in driving DM investment/strategies

Marketers are increasingly prioritizing performance—the ability to achieve specific, incremental objectives with respect to customer acquisition, sales and other outcomes—over other use cases.

Late in the 20th century, progressive marketers started seeing their postal efforts as supporting a broader, more strategic purpose. “Direct mail” explained only a narrow application of what brands were looking to achieve in harnessing data, targeting offers and measuring results. The name of their discipline would have to change to reflect a broader marketing remit and the incorporation of other addressable channels into the effort. The practice of direct *marketing* was thus born.

Fast-forward a few decades, and the nomenclature evolved yet again. “Direct marketing” once may have symbolized how brands were looking to optimize one-to-one marketing communications—but it’s also a term rooted in an era when digital channels weren’t even yet in their

infancy, much less central to the practice of customer engagement. Once cutting edge, the term has thus been dropped from the names of trade associations, industry publications and marketing departments all over the world.

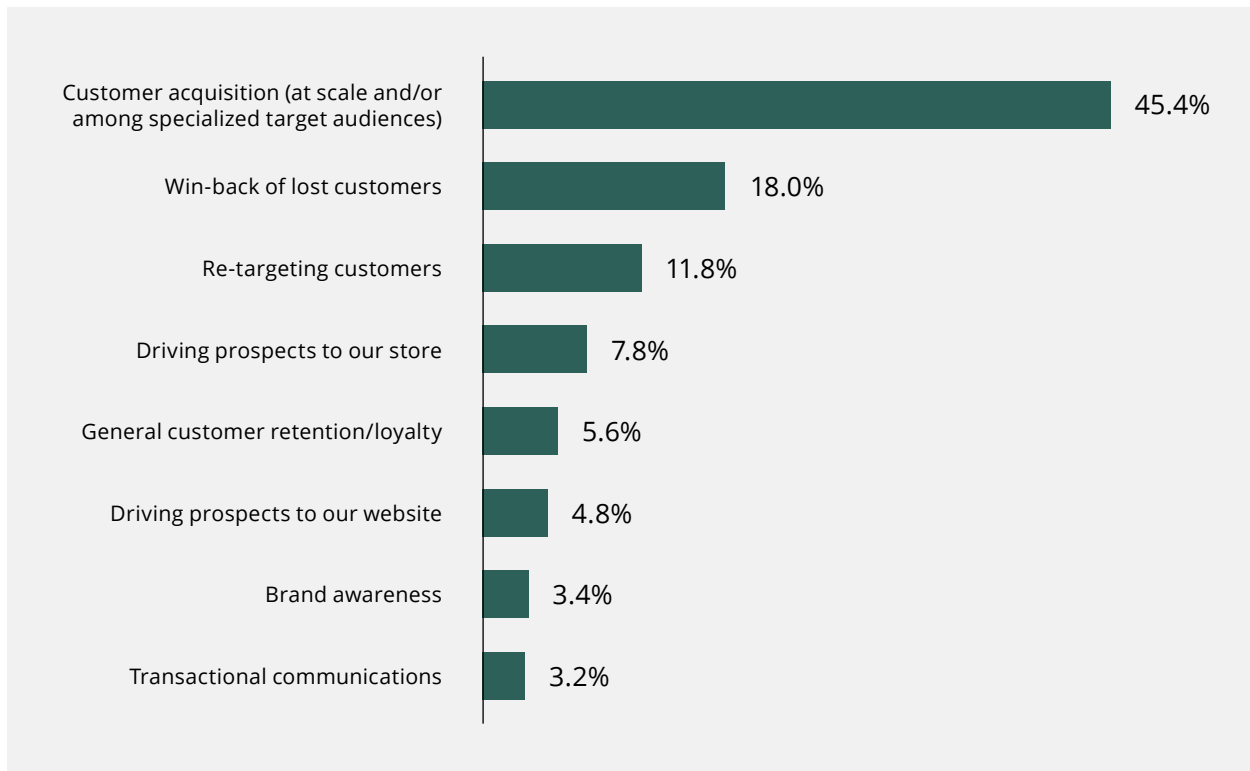
But a funny thing happened while direct marketers began to consider the need to rename their own discipline. Corporate leadership—empowered with better data and the tools to measure performance across an expanded array of functional areas—began holding their marketing teams accountable for *results* that supported corporate growth objectives. Marketing could no longer afford to see themselves exclusively as the engine behind “campaigns,” but enablers of direct and quantifiable *business outcomes*.

SURVEY HIGHLIGHT

37%

OF MARKETERS SAY THAT THEIR IMPROVED ABILITY TO ACTIVATE OMNICHANNEL CAMPAIGNS WILL BE A CORE DRIVER OF THEIR INCREASED DIRECT MAIL SPEND OVER THE NEXT YEAR—THE MOST CITED OF ANY FACTOR

WHICH OF THE FOLLOWING IS THE MOST IMPORTANT USE CASE DIRECT MAIL FULFILLS FOR YOUR ORGANIZATION?



Winterberry Group Survey (2023)

Nowhere is that mandate more evident today than in the widespread embrace of *performance* media and marketing use cases as a central area of marketing focus. Though the term itself is a creation of digital marketers (who had to distinguish between campaigns intended to elevate brand awareness from those that were expected to drive specific and quantifiable results), the concept perfectly encapsulates the key attributes that have long characterized—and differentiated—the direct mail channel. For many former “direct marketers,” in fact, the embrace of *performance* has required little change in their tactical approach to building and executing campaigns; direct mail, after all, has long been the tool of choice for brands looking to leverage data to support audience segmentation, offer targeting, personalization and other means of optimizing marketing outcomes.

And for an emerging generation of quantitatively-focused, “digitally-native” marketing leaders, incorporating DM—which brings a higher average return on investment than any comparable

marketing channel, according to the Association of National Advertisers¹—is typically easy to rationalize... once old preconceptions are put aside.

¹ Source: Association of National Advertisers, 2022 Response Rate Report

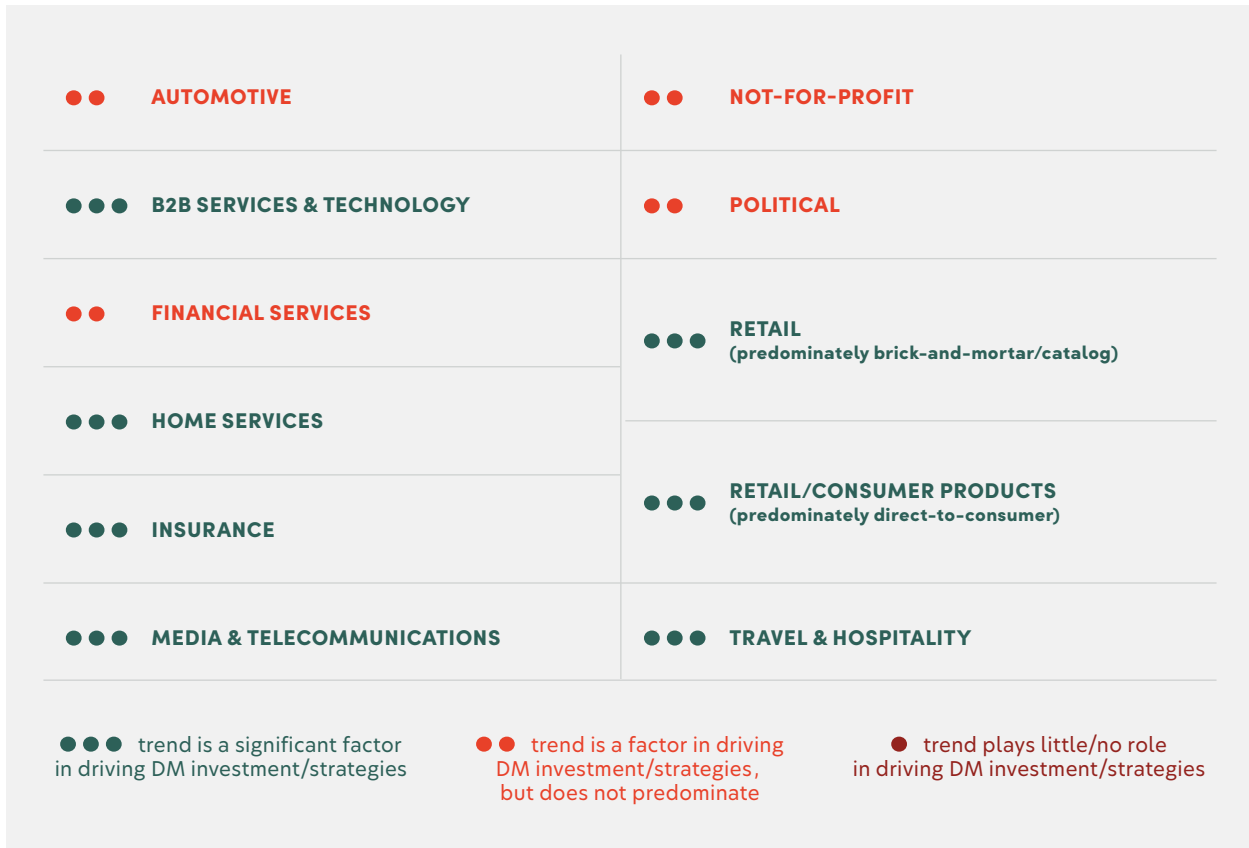
“Direct mail is due for a re-branding,” said the vice president of predictive solutions at an enterprise-focused data provider. **“Much of the benefit to utilizing mail as a performance channel has been lost in the morass of misunderstanding about what is and is not ‘direct marketing.’ But direct mail isn’t the problem; perceptions are. Direct mail continues to be one of the best tools to drive performance.”**

Looking ahead to the future, it seems inevitable that marketers will continue to emphasize performance-oriented objectives—and look to channels, technologies and supply chain partners that can show how they deliver incremental results relative to other approaches. That should position DM well

to continue playing its traditional role—so long as stakeholders across the brand organization understand its true impact.



MARKETERS ARE INCREASINGLY PRIORITIZING PERFORMANCE



Growing costs and challenges associated with the addressability of data-driven digital media are leading many marketers (and digitally native direct-to-consumer brands, in particular) to test alternative channels, like direct mail, in support of their growth ambitions.

The prevailing wisdom in advertising circles over the last few decades would suggest that digital media is the great budgetary share eater—perpetually clawing dollars away from TV, print and other traditional channels to ensure messages reach consumers increasingly tethered to their smartphones and other connected devices.

Certainly, that trend foreshadows a host of data (and the unfortunate learned experience of newspaper publishers, linear TV networks and others). But what would happen if digital's growth *weren't* quite so predestined? What if the same free-market dynamics that impact other channels were to finally set their sights on online advertisers (and the vast network of agencies, adtech companies and other intermediaries who support those campaigns)?

Over the past 18 months, the marketing community has begun to see answers to those questions materialize. Though aggregate digital spending continues to pace the broader advertising and marketing services marketplace—both in the U.S. and globally—a confluence of unique factors has diminished the once-

unimpeachable performance of digital as an advertising platform, particularly with respect to online ads that are dependent on the sharing of third-party identifiers to support audience segmentation and targeting. What's happened to all that data? Several factors are at work, including:

- Heightened public/regulatory scrutiny of online data collection, sharing and use (as most clearly seen through the introduction of federal and state-level legislation curtailing brands' ability to use such data without explicit consent)
- Ongoing preparations (among both brands and third-party adtech providers) to accommodate Google's long-anticipated deprecation of third-party tracking cookies; and
- Changes in the policies of certain large technology platforms (most visibly including Apple, through the introduction of its App Tracking Transparency protocol) that require consumers to affirmatively "opt-in" to the sharing of data for advertising purposes.

To brands hungry to drive performance, the result of these developments has been straightforward: diminished data availability has taken a huge bite out of “targetable” digital ad inventory, heightening the price of the inventory that remains—and leading brands on a search for alternative channels that offer a combination of *reach* and *performance* they need to meet their growth objectives.

“We expect that privacy regulation will only continue to tighten,” said the CEO of one agency. “And that will only intensify brands’ focus on finding new ways to drive results.”

“The current [privacy and data sharing] regulations in the market, whether proposed or in effect, are much more highly focused on digital applications than those applied in the direct mail world,” added the CEO of one marketing technology developer. “That supports the sustainability of direct mail and should present an ongoing tailwind for the channel as a whole.”

Increasingly, direct mail is filling the gap where targeted digital advertising is no longer able to deliver the kind of performance marketers had grown to expect. Though the channel will likely

never substitute entirely for the low-cost, easy-to-access eyeballs proffered by Meta, Google and other digital walled gardens, DM competes well on a cost-per-acquisition basis with virtually all other media, positioning itself to support the efforts of enterprise brands (who will have budgets large enough to drive tests of meaningful scale) and those with sophisticated measurement and attribution capabilities (who will be best able to look past DM’s high upfront cost to understand its true impact on bottom-line results).

“We’re seeing a huge influx of brands expanding into direct mail for the first time—either because of declining [paid digital] traffic, or having exhausted the opportunities available via other digital media,” said one agency CEO. “Many of these are emergent, direct-to-consumer brands that were historically focused only on Facebook, Google and other digital offerings.”

“We’ve launched 300 brands over the last five years into direct mail for the first time,” added the CEO of an analytics-oriented consultancy. “These are DTC or e-commerce brands that are digitally native online retailers and wholesale brands that have exhausted their ability to grow through digital.”



DM GROWING MORE COMPETITIVE GIVEN GROWING COST, CHALLENGES ASSOCIATED WITH ADDRESSABILITY OF CERTAIN DIGITAL MEDIA

●● AUTOMOTIVE	● NOT-FOR-PROFIT
● B2B SERVICES & TECHNOLOGY	● POLITICAL
●● FINANCIAL SERVICES	●●● RETAIL (predominately brick-and-mortar/catalog)
●● HOME SERVICES	
●● INSURANCE	●●● RETAIL/CONSUMER PRODUCTS (predominately direct-to-consumer)
●● MEDIA & TELECOMMUNICATIONS	●● TRAVEL & HOSPITALITY

●●● trend is a significant factor in driving DM investment/strategies

●● trend is a factor in driving DM investment/strategies, but does not predominate

● trend plays little/no role in driving DM investment/strategies

Improvements in the integration of data and creative content, coupled with the advent of less expensive and more capable marketing technologies, are allowing direct mailers to achieve long-promised value from on-demand production, personalization, trigger-driven programs, retargeting and other innovations that capitalize on intent signals in the buying cycle.

Even as they work to activate the transformative growth that should come from better orchestration of direct mail and other touchpoints in their omnichannel mix, brands are already seeing improved returns from their DM investment through the activation of data-enabled innovations that allow them to capitalize on the channel’s inherent differentiator: the ability to deliver relevant, timely and compelling offers directly into the hands of a target consumer. In most cases, these advances reflect the maturation of technology and process that have been long available in nascent form—but now benefit from better workflow or output hardware, data software (allowing for seamless data integration, segmentation and targeting) and better general understanding of the use cases they’re positioned to support. Today, these innovations include:

- **Digital/on-demand printing:** where lower hardware costs, faster production speeds and higher quality output have allowed for richer levels of targeting and content personalization (at more palatable cost economics)—enabling a paradigmatic shift away from generic, high-volume campaigns
- **Retargeting and other trigger-driven programs:** where the availability of rich, actionable digital and terrestrial identifiers—and growing brand focus on deploying technology-centered solutions to integrate this vast trove of data, whether originated independently (“first-party”), provided by partners and via cooperative data solutions (“second-party”) or sourced from outside entities (“third-party”)—is providing insight into consumer intent and life stages that allow brands to engage audiences likely to be “in market” for various products, spurring deeper consideration and purchase activity
- **Informed Delivery:** providing an additional digital touchpoint for the mailer and another potential indicator of audience engagement (as well as improved postage pricing, in some cases, via USPS promotions); and
- **Postal optimization:** enabling more economical fulfillment of shorter-run campaigns.

"The innovation that we're seeing across the direct mail ecosystem is driven by a need for cost efficiency and greater ability to target specific audiences—increasingly leveraging triggers and retargeted mail based on behavioral attributes," said the vice president of one consumer data provider.

Adoption of these innovations, many added, will have the added benefit of promoting a virtuous cycle of sorts—with technological advances in data management, retargeting, trigger-driven marketing technology and integrated print production enabling the sorts of performance gains that will ultimately spur investment from a diverse range of marketers: first those leading-edge brands who are already astute managers of their return on marketing investment (ROMI) and customer lifetime value (CLV), then enterprise marketers with responsibility for supporting the growth of billion-dollar-plus product lines, and finally the smaller and more emergent corps of brands who may come to represent the next generation of direct mail innovators.

SURVEY HIGHLIGHT

36%

OF MARKETERS CITE ENHANCED TARGETING ABILITY AND 34% CITE INCREASED PERSONALIZATION ABILITY AS CORE DRIVERS FOR INCREASING DIRECT MAIL SPEND OVER THE NEXT YEAR—COMING IN JUST BEHIND OMNICHANNEL ACTIVATION AT 37% OF MARKETERS

SURVEY HIGHLIGHT

53%

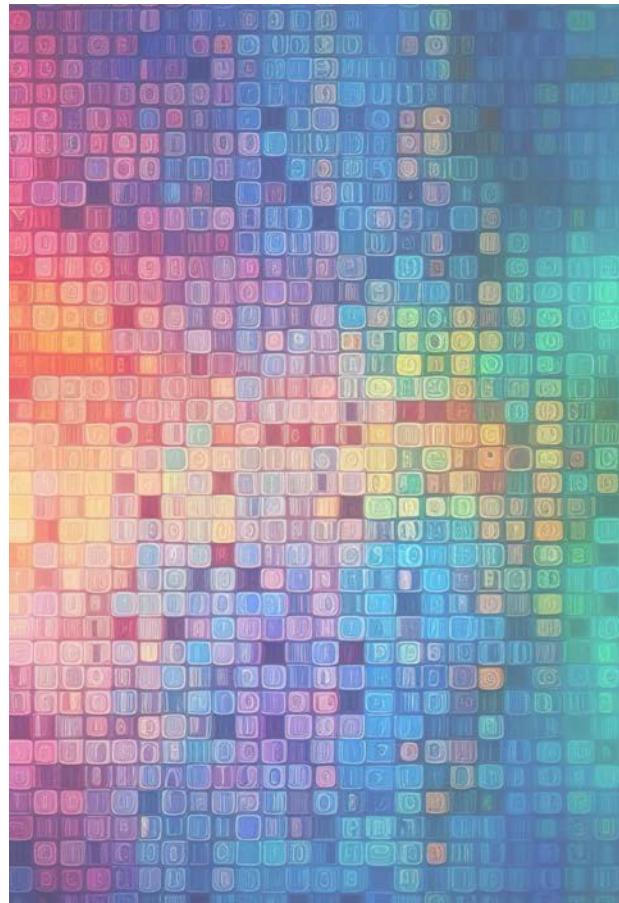
OF MARKETERS ARE SHIFTING TO MORE PERSONALIZED CONTENT OVER THE NEXT YEAR

"The long-term trend is really about moving away from the notion of direct mail being a bulk, impersonalized advertising vehicle," said the CEO of one marketing technology developer. "We're making great progress, but there is much to do to drive more and more impactful personalization—and optimize the timing of campaigns to get the most out of the channel."

The Top 8: Direct Mail Innovations Marketers Say Offer Most Potential to Drive Improved Performance Over Coming Years

1. **INCREASED MATCHBACK ATTRIBUTION CAPABILITIES**
2. **INCREASED ABILITY TO DRIVE AUTOMATED BEHAVIORAL OR EVENT-TRIGGERED CAMPAIGNS**
3. **ABILITY TO RETARGET CUSTOMERS LEVERAGING ONLINE IDENTIFIERS**
4. **INCREASED PERSONALIZATION OF CONTENT**
5. **INCREASED USE OF UNIQUE/DIMENSIONAL DIRECT MAIL FORMATS**
6. **ABILITY TO MANAGE DIRECT MAIL CAMPAIGNS (I.E., MANAGE/SEGMENT DATA, ENGAGE PRODUCTION SUPPLIERS) VIA MARKETING AUTOMATION PLATFORMS**
7. **USPS'S INFORMED DELIVERY PRODUCT**
8. **DATA HYGIENE EFFORTS FOCUSED ON SUPPRESSING LIKELY UNREACHABLE AUDIENCE MEMBERS**

Winterberry Group Survey (2023)



TECH-DRIVEN INNOVATIONS ALLOWING DIRECT MAILERS TO ACHIEVE LONG-PROMISED VALUE

●● AUTOMOTIVE	● NOT-FOR-PROFIT
● B2B SERVICES & TECHNOLOGY	● POLITICAL
●●● FINANCIAL SERVICES	●●● RETAIL (predominately brick-and-mortar/catalog)
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 ● trend plays little/no role in driving DM investment/strategies

The continued robust availability of licensable third-party data—backed by a mature supply chain ecosystem—represents the foundation upon which brands responsibly orchestrate their direct mail programs at scale.

Without question, marketers interested in pursuing direct mail innovation have a number of options at their disposal—whether grounded in better use of data, emergent technology or simply more modern format design and architecture. But the true foundations of direct mail’s capability and differentiation (relative to other marketing channels) have not changed much in decades. They include:

- A vast array of licensable, third-party data assets that may be used to assemble, segment and target audiences; and
- A diverse supply chain of providers that support program execution and serve as a safeguard to ensure that DM campaigns (and the data that support them) are deployed in ways that are responsible, ethical and in the best interests of both brands and consumer audiences.

Critically, those factors differentiate direct mail from more emergent channels—and even from how DM is practiced in other countries (where strict regulatory guidelines often require affirmative consumer opt-in to the kinds of marketing programs that are addressable, via DM, across the broad consumer

marketplace in the U.S.). These factors also help contrast DM’s strong executional foundation against the digital landscape, where the burgeoning supplier and technology platform network is extensive and maturing rapidly—but also all too often subject to the malign influence of fraudsters, data thieves and other bad actors. All of the above reinforce the need to safeguard data and use it responsibly, but also to look out for interests of the data ecosystem itself, given the critical role it plays in enabling DM and the vast economic activity that it drives.



ROBUST DATA AVAILABILITY, MATURE SUPPLY CHAIN SUPPORT DM PROGRAMS

● ● ● AUTOMOTIVE	● ● ● NOT-FOR-PROFIT
● ● ● B2B SERVICES & TECHNOLOGY	● ● ● POLITICAL
● ● ● FINANCIAL SERVICES	● ● ● RETAIL (predominately brick-and-mortar/catalog)
● ● ● HOME SERVICES	● ● ● RETAIL/CONSUMER PRODUCTS (predominately direct-to-consumer)
● ● ● INSURANCE	
● ● ● MEDIA & TELECOMMUNICATIONS	● ● ● TRAVEL & HOSPITALITY

● ● ● trend is a significant factor in driving DM investment/strategies

 ● ● trend is a factor in driving DM investment/strategies, but does not predominate

 ● trend plays little/no role in driving DM investment/strategies

Seeking to manage the vast complexity inherent in modern marketing, brands are looking to media channels and supply chain partners that provide for flexibility, scalability and the ability to rapidly adapt to changing needs.

Trends like “omnichannel” and “performance” are dominant today because they deliver clear-cut benefits and represent natural solutions to long-standing marketer challenges (with better technology and more abundant data helping power the kind of orchestrated campaigns that once would have been impractical). But these initiatives bring with them an ancillary cost: complexity.

In an era when macroeconomic conditions are evolving fast (and budget priorities, consumer preferences and merchandising needs changing right along with them), it should then come as no surprise that brands today are prioritizing media channels and supply chain relationships that provide for flexibility, scalability, modularity and maximum adaptability to changing need.

Such qualities have long been hallmarks of most *digital* marketing channels. But the physical nature of direct mail (and its corresponding requirements with respect to package design, workflow management, production and fulfillment) have long been known to add precious time, cost and risk to the execution of marketing campaigns, diminishing the appeal—and, in many cases, the viability—of the channel relative to its contemporary counterparts.

“On the digital side, marketers tend to have greater ability to negotiate pricing and flexibility to scale or shrink budgets to maintain performance,” said the president of one agency. **“Direct mail budgets, by contrast, are essentially fixed upfront. The brand basically takes on risk once they sign on to a campaign.”**

But many brands say that dynamic needs to change—and tomorrow’s DM leaders will be those who lean aggressively into process and workflow innovations geared to:

- Adopting shorter-run, “always-on” programs—often driven by a continuous feed of data triggers
- Heightened focus on mail tracking, workflow optimization and alignment with other media channels; and
- Establishing internal process and supply chain relationships focused on aggregating a host of audience data inputs—from both structured and unstructured sources, both “traditional” and “digital.”

**BRANDS ARE LOOKING TO MEDIA CHANNELS AND SUPPLY CHAIN PARTNERS
THAT PROVIDE FOR FLEXIBILITY, SCALABILITY AND THE ABILITY
TO RAPIDLY ADAPT TO CHANGING NEEDS**

●●● AUTOMOTIVE	●●● NOT-FOR-PROFIT
●●● B2B SERVICES & TECHNOLOGY	●●● POLITICAL
●●● FINANCIAL SERVICES	●●● RETAIL (predominately brick-and-mortar/catalog)
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●●● trend is a significant factor in driving DM investment/strategies	●● trend is a factor in driving DM investment/strategies, but does not predominate	● trend plays little/no role in driving DM investment/strategies
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If “omnichannel” is truly the way of the marketing future, then direct mail’s future, as with that of other channels, will hinge upon its ability to support marketers’ performance objectives.

For the most part, the channel appears well positioned to keep doing so. After navigating the rocky economic waters of 2023, U.S. marketers say they expect that their direct mail spending will largely hold steady through the foreseeable future—buoyed by a combination of improved economic conditions and general refocus on growth (backed by performance-oriented marketing investments) in the corporate c-suite. And, of course, DMers will benefit from innovations with respect to format, content personalization, campaign workflow/process optimization, supporting technology and delivery logistics—all reinforced by the continued focus and advocacy of a multi-billion-dollar supply chain with deep investment in the channel and its future.

So what factors should brands be considering as they think about the role of direct mail in the not-too-distant future? And what innovations are on the horizon? The possibilities are vast, but many industry participants have stressed the likelihood that:

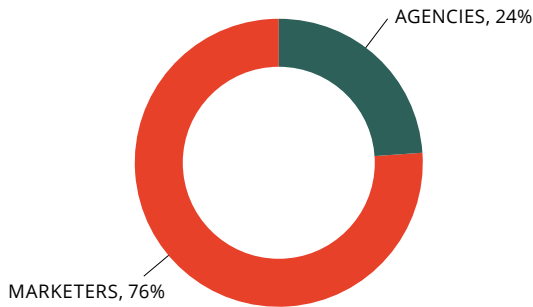
- Deeper integration of direct mail with enterprise martech platforms will support more seamless campaign management, orchestration and reporting (assuming martech platforms continue evolving to support DM integration, embracing its natural role in the omnichannel mix)
- The rapid maturity of AI and machine learning applications will impact how DM programs are conceptualized, built and executed. As with other marketing disciplines, innovation in this respect is more likely than outright disruption, with new generative AI tools showing great promise as a means to automate certain manual composition and workflow functions. Over time, the technology may grow to power more granular (and faster-paced) predictive segmentation, personalization and cross-channel messaging applications, as well
- Measurement will continue to represent the keystone to campaign optimization. Brands will need to go “beyond the offer code” to better incorporate DM in their multichannel attribution strategies—with the aim of better understanding how the channel impacts a range of desired actions
- Technology will play a more prominent role in facilitating faster campaign turnarounds, vendor coordination and other core functions—all essential if DM is going to continue playing a central omnichannel role alongside digital media that seem purpose-built to support speed and targetability; and
- Legacy preconceptions of direct mail will continue to give way as more brands embrace its role as a dynamic performance media channel—substantiating, in turn, the business cases needed to dissolve legacy operating silos, pursue deeper integration of DM in omnichannel strategies and build even more robust marketing infrastructure geared to drive desired outcomes, honor consumer preferences and safeguard data in accordance with changing regulatory standards.



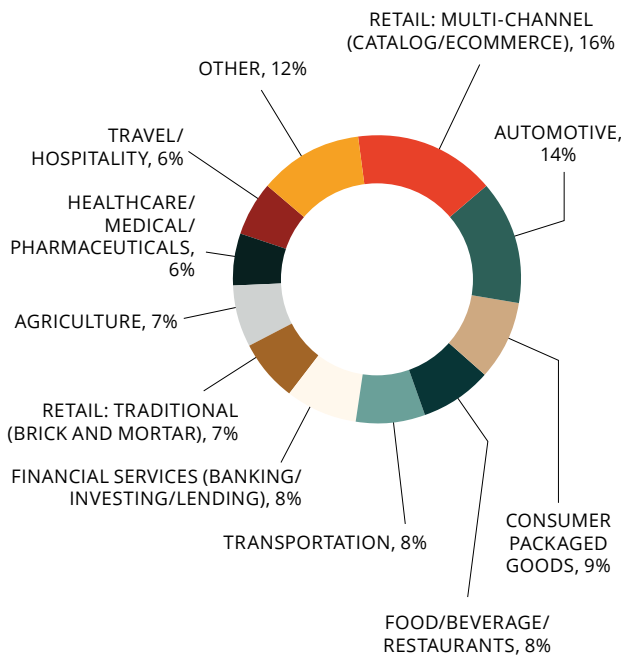
METHODOLOGY

The conclusions in this report are grounded in an intensive primary research effort, originally commissioned by the United States Postal Service and substantially completed by Winterberry Group between November 2022 and March 2023 (with updates completed between May 2023 and August 2023). This research included a series of thought leader interviews with several dozen senior executives from major U.S. mailers and companies in the direct mail supply chain (including agencies, data providers, marketing technology developers, commercial printers, mailing service companies and others), as well as a survey that elicited responses from more than 500 enterprise and middle-market marketing and agency executives that leverage direct mail to support their companies' promotional efforts.

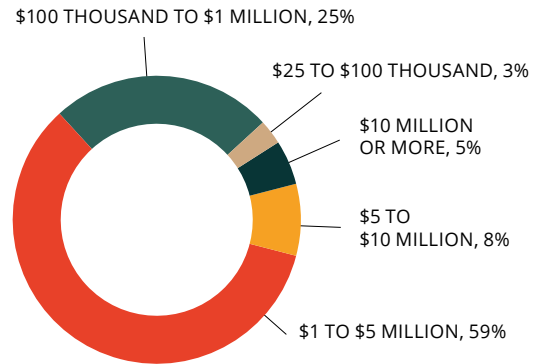
Do you currently work for a marketing agency or as an in-house marketer?



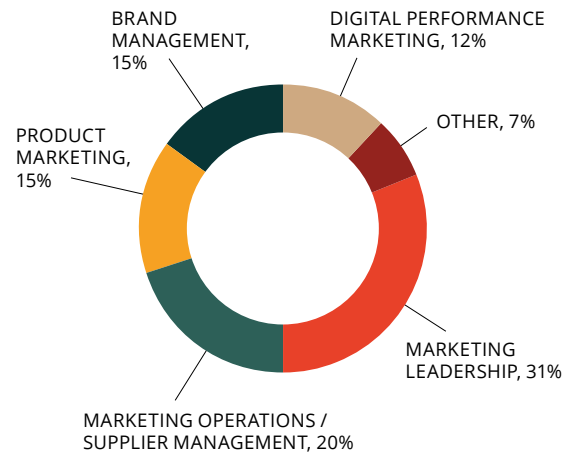
Which of the following best describes the industry for which you work?



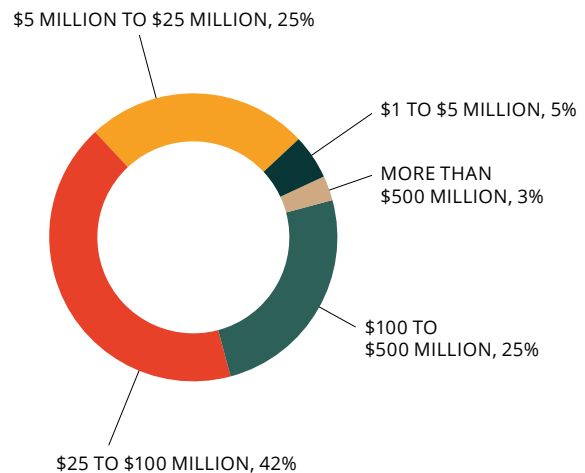
Approximately what was your company's marketing budget focused on direct mail last year?



Which of the following marketing and advertising functions aligns most closely with your current role?



Approximately, what is the annual revenue for the company for which you work?



ABOUT OUR PRESENTING SPONSOR, THE UNITED STATES POSTAL SERVICE



The United States Postal Service is an independent federal establishment, mandated to be self-financing and to serve every American community through the affordable, reliable and secure delivery of mail and packages to nearly 165 million addresses six and often seven days a week. Overseen by a bipartisan Board of Governors, the Postal Service is implementing a 10-year transformation plan, *Delivering for America*, to modernize the postal network, restore long-term financial sustainability, dramatically improve service across all mail and shipping categories, and maintain the organization as one of America's most valued and trusted brands. The Postal Service generally receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations. For more information, visit about.usps.com.

ABOUT OUR PREMIER SPONSORS



ABOUT ALLIANT

Alliant is trusted by thousands of brands and agencies as an independent partner bringing a human element to modern data solutions. The Alliant DataHub—built on billions of consumer transactions, an expansive identity map, advanced data science and high-performance technology—enables marketers to execute omnichannel campaigns with responsive consumers at the center. Data security and privacy have been core values since day one, and we continually validate our people, processes, and data through meaningful certifications such as SOC2, IAB Tech Lab Data Transparency, NAI Membership, NQI certification from Neutronian, and quarterly quality scoring with Truthset. For more information, visit alliantdata.com.

ABOUT WILAND



Wiland, Inc. is the marketing data and audiences company that thousands of brands trust to help them develop and maintain more customer relationships that produce higher revenue, less advertising waste, and more profit. The company's products are informed by the largest set of detailed, individual-level spending signals ever assembled. Wiland's AI-enabled response prediction platform analyzes this vast information to deliver powerful insights and solutions that enable clients to market more profitably across all addressable channels. The company has long served as an industry innovator whose targeted marketing solutions have their foundation in consumer data ethics and privacy protection. For more information, visit wiland.com.



ABOUT FREEDOM

Freedom is one of the largest privately held direct mail companies in the United States with four manufacturing facilities strategically located throughout North America. Specializing in the production of data-driven direct mail programs integrated into omni-channel marketing campaigns, Freedom offers a wide range of services, from strategy and format design through mail deployment, creating a single source solution for direct marketers. With its robust certifications in data security, Freedom has been enabling the imagination of direct marketers for over 37 years, developing customized solutions for the financial services, insurance, healthcare, telecommunications, and non-profit marketing verticals. For more information, visit fgs.com.



ABOUT LS DIRECT

LS Direct is the industry leader in harnessing the power of intent-based postal retargeting. Through our cutting-edge Boomerang direct® solution, we utilize your valuable first-party data to craft highly targeted and personalized direct mail campaigns that effectively drive conversions for customers who have already engaged with your website. Our innovative marketing tech-stack seamlessly merges the online and offline realms, making us your go-to provider for your direct mail needs. Trusted by top brands, retailers, catalogers, and more, we are here to support you at every stage of the customer journey, from attracting new customers to nurturing existing ones and reactivating past buyers. With our data-first approach and advanced predictive analytics, we empower your campaigns to achieve a provable and predictable ROI. For more information, visit lsdirect.com.



ABOUT NAVISTONE

NaviStone is the proud inventor of a revolutionary marketing channel, Digitally Powered Mail. Our marketing technology platform allows brands to acquire new customers by using online intent data and delivering high-response personalized direct mail within 24 hours. As marketers experience major disruptions to digital programs including loss of third party cookies, ad blockers and Apple iOS changes, brands are looking for new ways to reconnect. At NaviStone, we turn bits and bytes from the digital world into tangible marketing with ink and paper. The result? A marketing product that helps brands grow their business and makes their customers smile. We understand the importance of privacy in this day and age. NaviStone's approach and secure technology ensure consumer privacy every step along the way. For more information, visit navistone.com.



ABOUT PATH2RESPONSE

Path2Response is a data-driven marketing company that helps businesses and nonprofit organizations reach responsive audiences and improve their marketing ROI. We combine an experienced team with untapped data sources, the latest open source technology, and leading edge data science to deliver transformative results. Our transformational cooperative data platform powers customer acquisition and retention in both offline and online channels. We are based in Broomfield, CO, and we serve businesses and organizations of all sizes across the United States. For more information, visit path2response.com.

ABOUT WINTERBERRY GROUP

Winterberry Group is a specialized management consultancy that offers more than two decades of experience and deep expertise in the intersecting disciplines of advertising, marketing, data, technology and commerce. Offering a range of growth strategy, collaborative activation, mergers & acquisitions and market intelligence solutions, Winterberry Group helps brands, publishers, marketing service providers, technology developers and information companies—plus the financial investors who support these organizations—understand emerging opportunities, create actionable strategies and grow their value and global impact.

WINTERBERRY GROUP SERVICES

Growth Strategy

Corporate strategy that drives growth is at the heart of what we do. We work with clients to identify core competencies, evaluate strategic alternatives and build comprehensive, actionable growth plans.

Collaborative Activation

We guide brands and marketing practices through business process planning efforts aimed at helping them achieve lasting competitive advantage.

Mergers & Acquisitions

We leverage our industry knowledge to help financial investors make sound, value-driven investment decisions.

Market Intelligence

We maintain an active research and publishing practice that gives our consultants direct access to insights from senior industry executives and complements our client engagements.

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