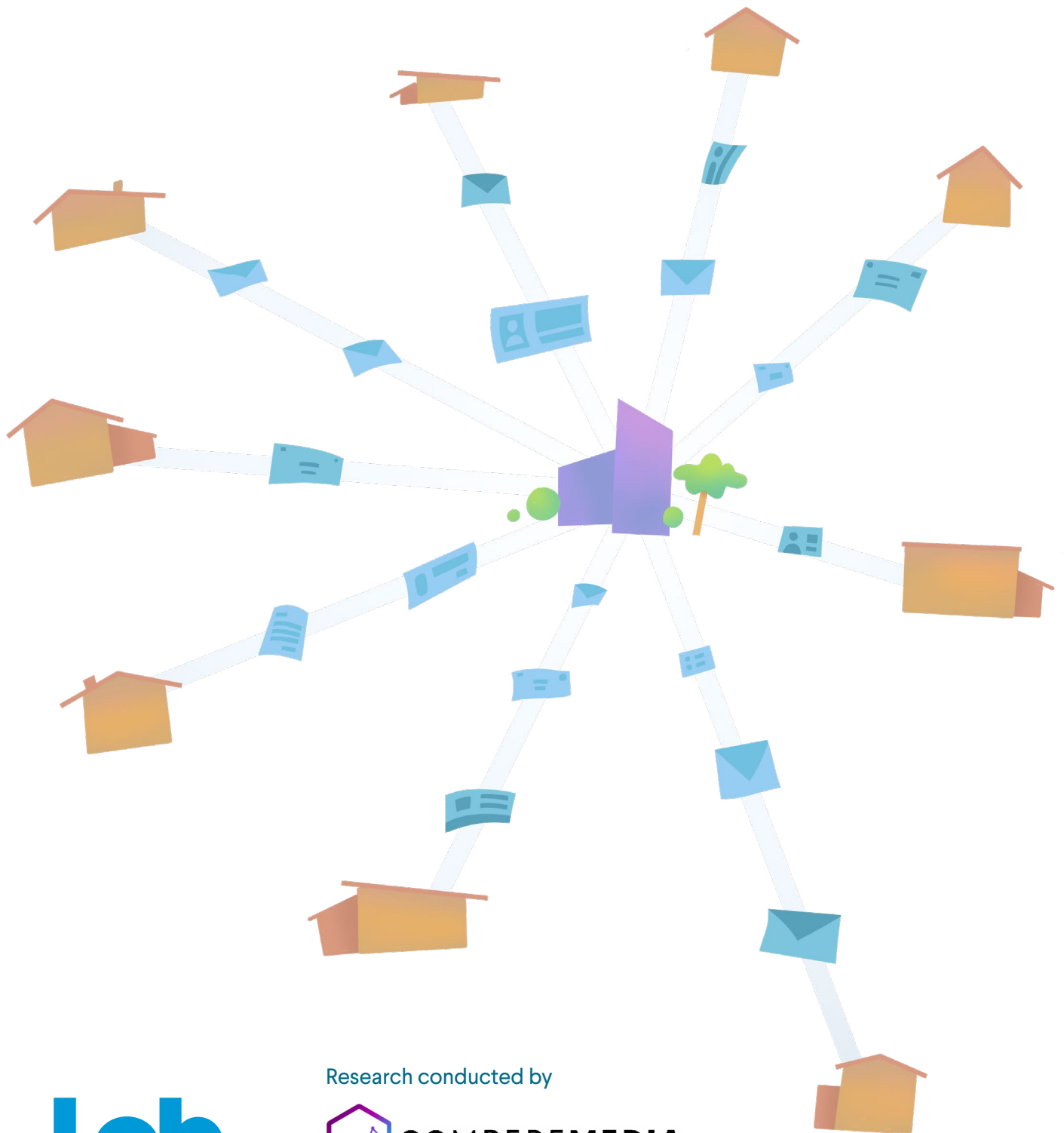


The State of Direct Mail

Insights from 200 marketing leaders



Research conducted by



COMPEREMEDIA
A MINTEL COMPANY

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Why study direct mail?

Every day at Lob we work with companies who are new to direct mail, or who are using it in new ways. Many of them are hungry for more information about best practices, expected response rates, and attribution models. While there are many household surveys run every year, there aren't many studies that dig into the approach and results that marketing teams see from direct mail. As a result, we decided to field our own research.

In partnership with Comperemedia, we surveyed 200 marketing leaders across eight industries to get a clearer understanding of the current state of the direct mail marketing industry, the elements of the most successful direct mail campaigns and how marketing teams are creating them. The results provide insight into the campaign approaches, creative execution, and personalization strategies that yield the greatest outcomes.

The study presents a picture of a channel that is changing, yet continues to provide exceptional results to marketing teams. We found that:

- Direct mail remains an effective channel for marketers across all types of campaigns. A majority of respondents indicated that it is currently their highest performing channel.
- Customer acquisition is no longer the primary use case for direct mail marketing. Direct mail volume is now spread relatively evenly across the customer lifecycle.
- Technology has a growing influence on direct mail. Companies are increasingly using software platforms to manage and execute their campaigns, and many expect to see a closer integration between their offline and online campaigns.
- Campaign costs and address data quality are the most significant challenges to direct mail effectiveness, but companies expect these issues to be addressed in the next 3-5 years.

This ebook details these and other results from the survey, including expectations for the channel moving forward. Most respondents are bullish on the prospects for direct mail moving forward, expecting greater adoption and higher volume from companies of all sizes.

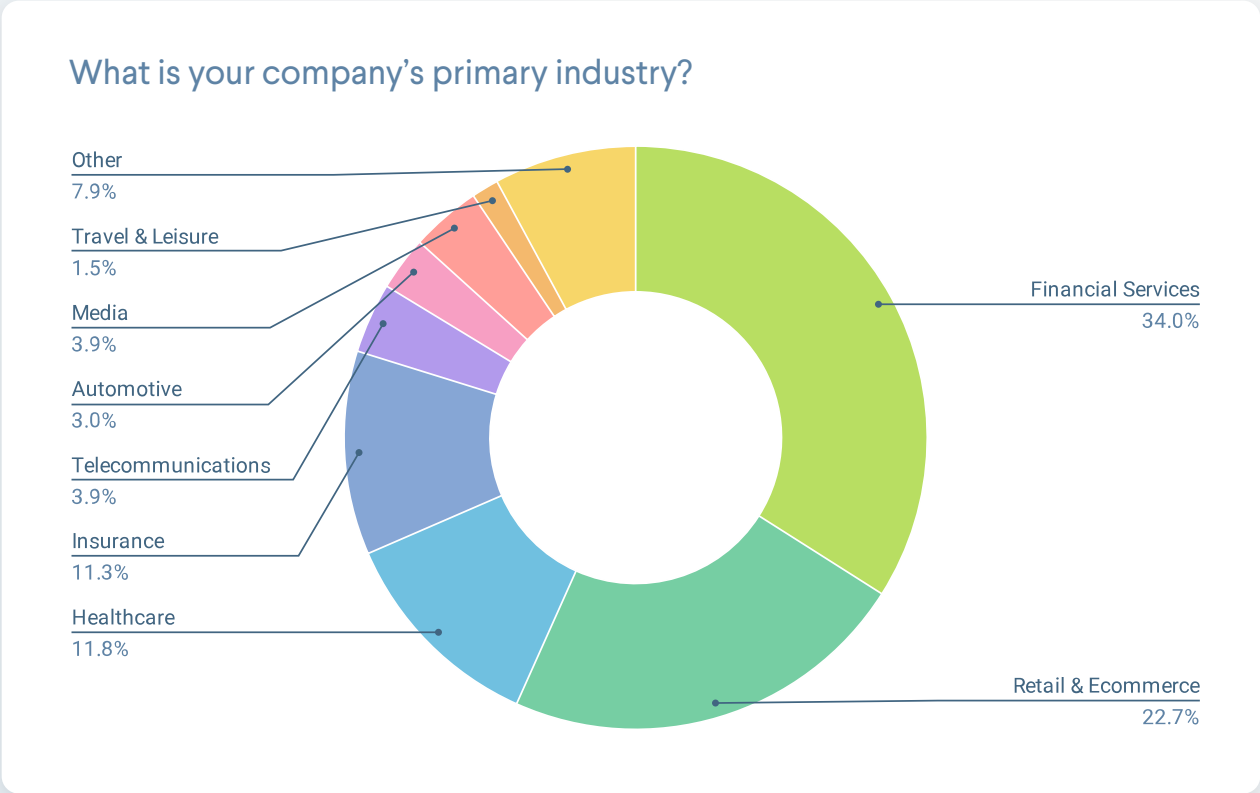
Survey methodology

In 2019, we focused our research on North American companies with 300 or more employees. While this doesn't mean that smaller companies don't send or can't benefit from direct mail (they certainly can), we wanted to focus on respondents who were more likely to have experience with the channel, and send higher volumes of mail.

Companies surveyed

Respondents were from eight different industries with the largest segments from the financial services (which includes banking, credit cards, mortgage lending, and investments) and retail (including ecommerce) industries. Respondents were more likely to be marketing to consumers directly, but a majority said they marketed both

to consumer and business audiences. 30% of respondents are marketing executives (director, VP, or CMO level), while the rest were evenly spread across marketing management roles in demand generation, digital marketing, and marketing operations.

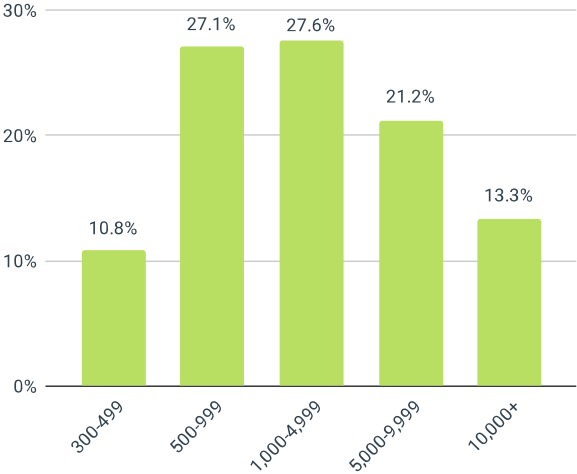


Company size and mail volume

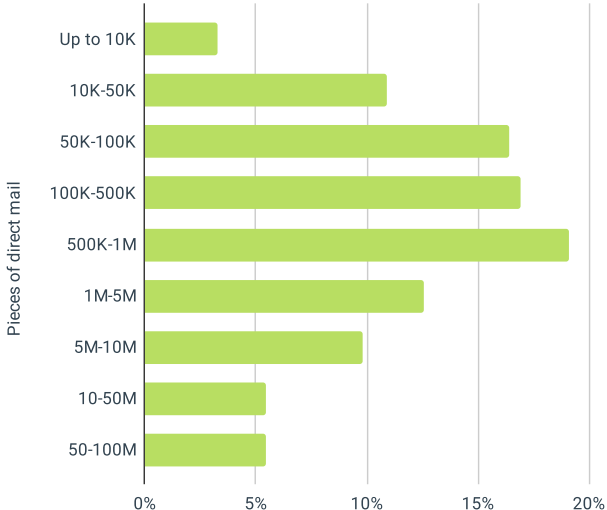
Respondents were evenly distributed across company sizes, with the majority averaging between 500 and 5,000 employees. All respondents currently use direct mail as a marketing channel (Note that this was not an intentional screen. We were planning to dig into the reasons why companies don't use the channel, but all companies we reached were currently sending mail – indicating that it remains a widely used channel).

Mail volume, however, was varied. Respondents send between 10,000 and 500 million pieces of mail per year, with the large majority sending less than 1 million pieces per year. Interestingly, throughout the survey, mail volume did not have an impact on results. Channel performance was consistent across volumes indicating that scale-based cost savings are not a prerequisite for ROI-positive direct mail campaigns.

How large is your company (by number of employees)?



How much direct mail does your company send every year?



Direct mail today

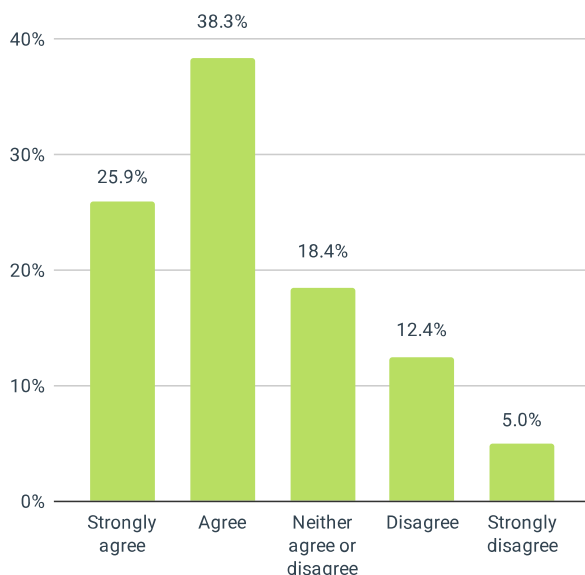
Direct mail has a reputation as being an “old-fashioned” marketing channel. By that measure, it would be easy, then, to assume that its influence and effectiveness for modern marketing teams is declining. The survey results, however, show that direct mail remains a vibrant and high-performing channel – especially when compared to digital marketing channels. 60% of respondents feel that direct mail is a more effective channel for them than email.

Direct mail performance

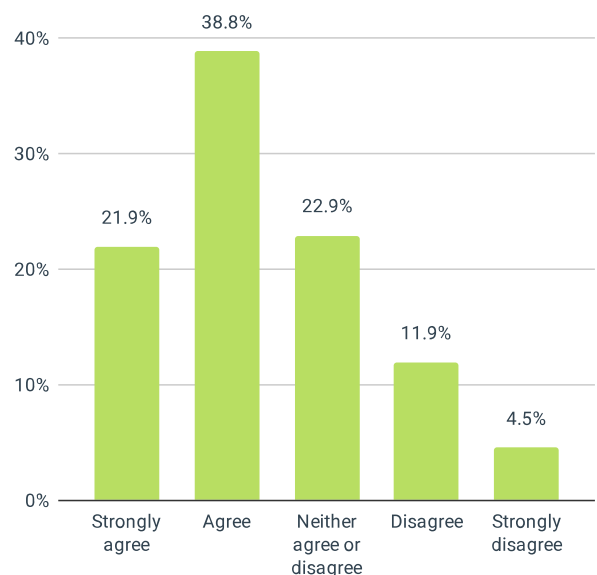
Respondents indicated that direct mail is highly effective for them. 64% said that direct mail delivers the highest response rate of any marketing channel they use. While direct mail can have higher campaign costs than digital channels, especially compared to email, respondents

indicated that they are able to consistently realize high ROI from their campaigns. 60% of respondents indicated that direct mail provides the highest ROI of any of the channels they currently use.

Direct mail delivers the best response rate of all the channels I use today.



Direct mail shows the best ROI of all the channels I use today.

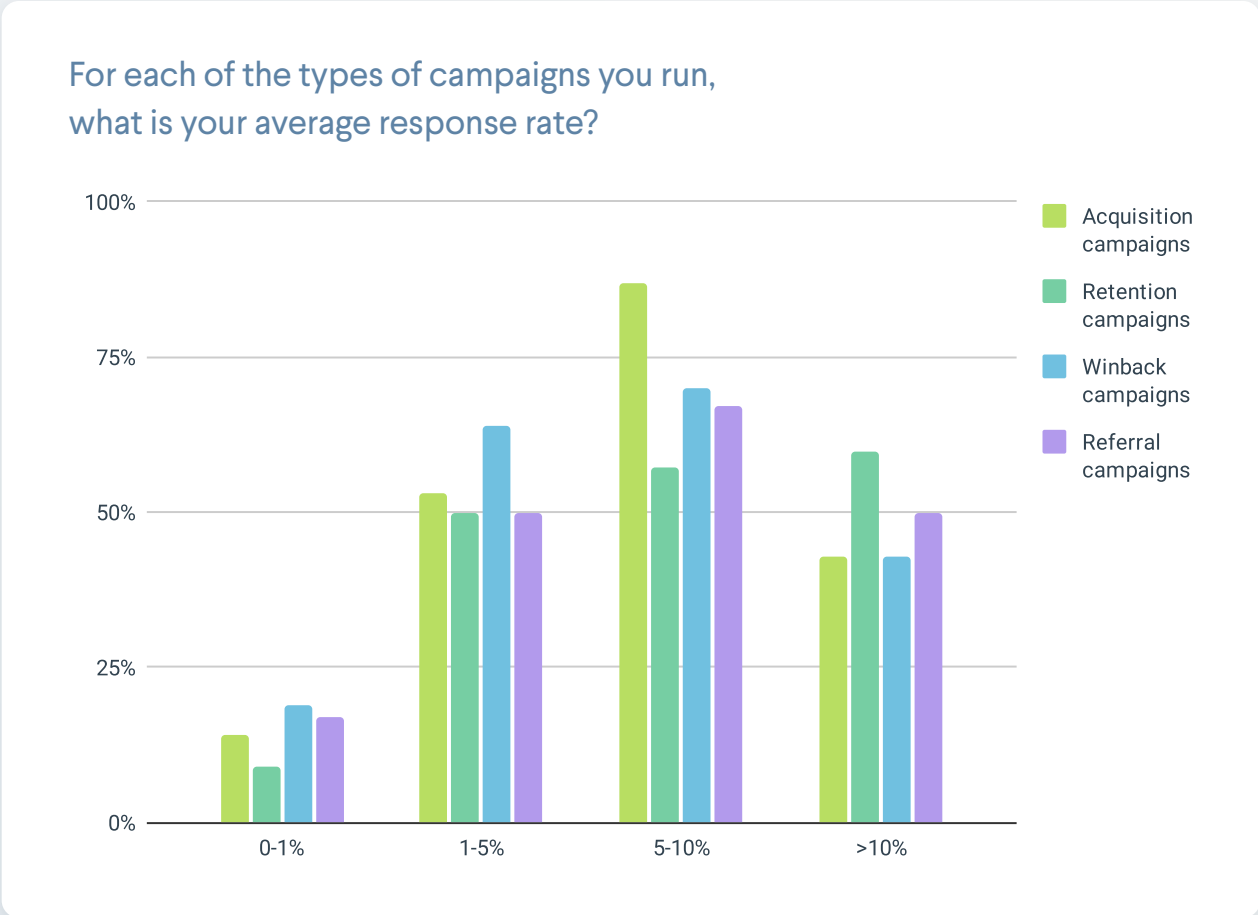


Direct mail response rates were consistently high across industries and company sizes. **Over half of all companies see response rates of 5% or greater across all types of campaigns.** Comparing that to the average email response rate of less than 1% shows why companies remain enthusiastic about the channel¹.

Budget and campaigns

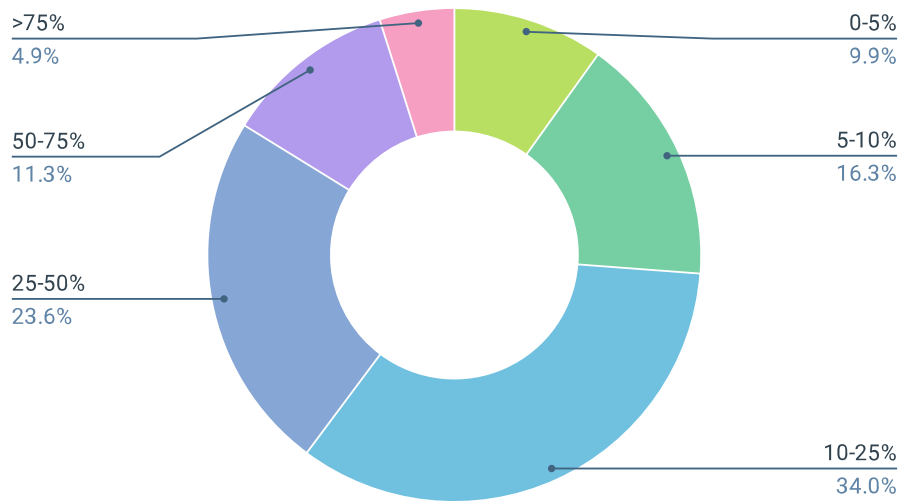
The enthusiasm for direct mail shows up in marketing budget allocations as well. One third of respondents allocate up to 25% of their overall marketing budget to direct mail, while another quarter use 25-50% of their marketing budget for direct mail.

However, the allocation of that direct mail budget across the customer lifecycle showed one of the ways in which direct mail is changing. Historically, direct mail has been used largely as a new customer acquisition tactic, with targeting based only on residential location (zip + 4), or credit profile in the case of financial services.



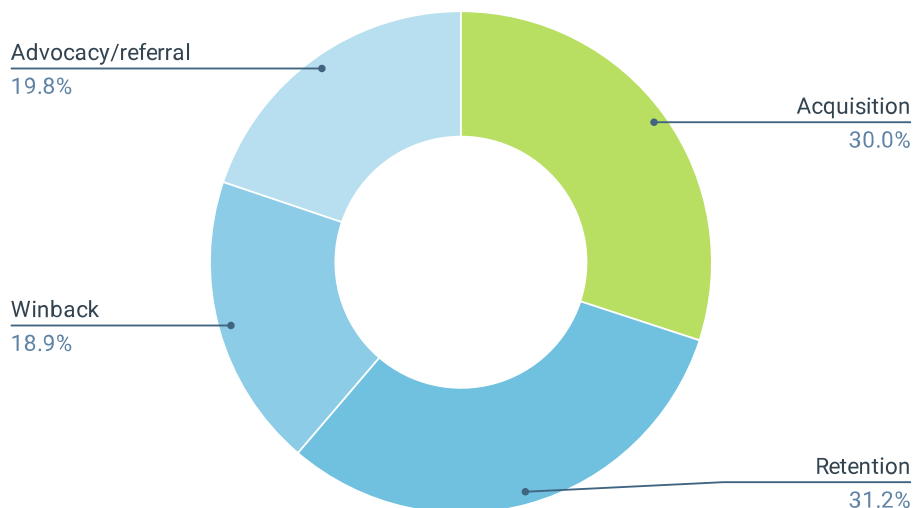
1 Association of National Advertisers, *Response Rate Report*, 2018

Approximately what percentage of your advertising budget is allocated to direct mail?



State of direct mail respondents indicated that their direct mail volume is spread evenly across a number of different campaign types. 60% of direct mail volume is split evenly between customer acquisition and customer retention, while the remaining 40% is aimed at winback for churned or lapsed customers, and customer advocacy or referral campaigns.

Approximately what percentage of your company's total mail volume is used for each of the campaign types below?



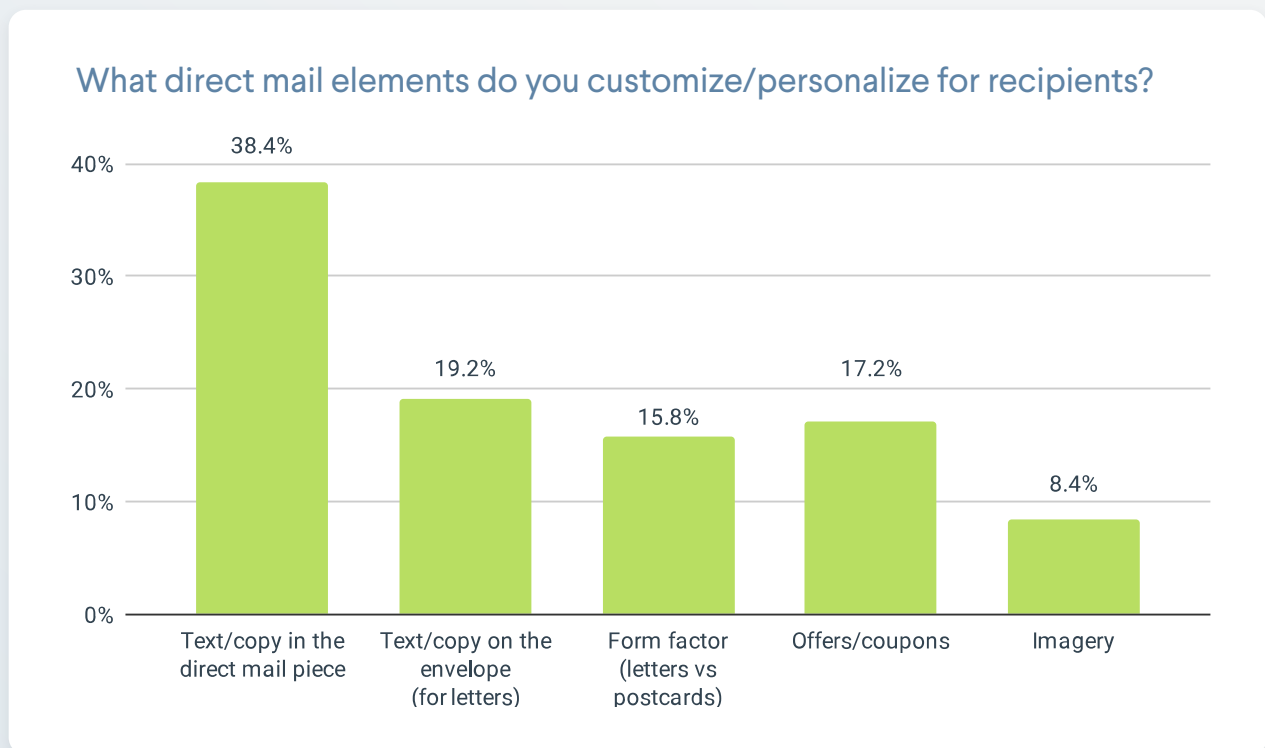
Personalization

Personalization is an important and relevant topic in modern marketing. The growth of digital marketing channels and the increasing focus on customer experience has led companies to tailor their outbound messages to specific customer needs and preferences. Consumers have responded positively to this trend with 80% saying they would be more likely to do business with companies that offer a personalized experience².

Personalization today

Given this, we were interested to see the extent to which marketers are currently personalizing their direct mail campaigns. The responses were varied, and show there is still opportunity to improve targeting and customization in the channel. While 58% of respondents customize the text of their direct mail pieces (either in

the piece itself or the envelope), few have expanded their approaches. Less than 20% personalize offers, or use different form-factors for different audiences. Only 8% of respondents currently customize imagery in their direct mail pieces.



² Epsilon, *The power of me: The impact of personalization on marketing performance*, 2018

Growing expectations

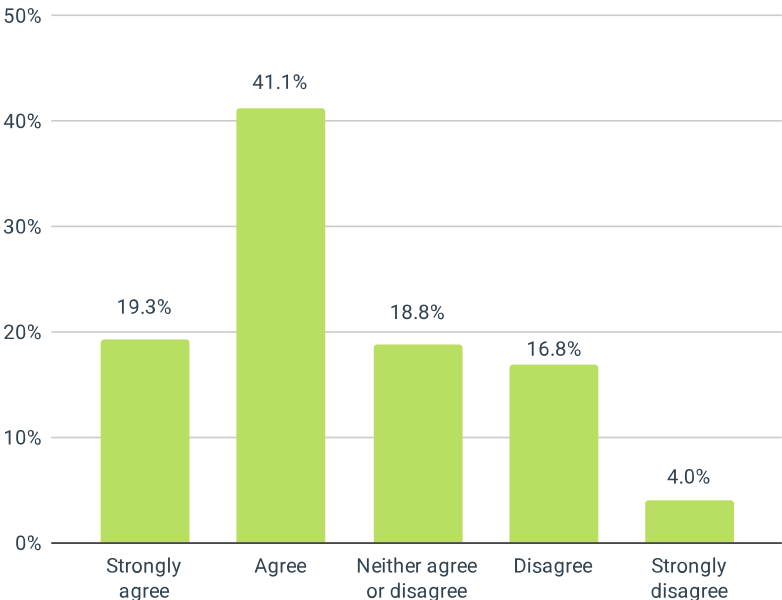
While direct mail personalization is limited in practice today, companies are bullish about the extent to which it will be used in the future. 60% of respondents believe that within the next five years direct mail will become the easiest channel to targeting consumers.

Companies will use this greater capacity for targeting to deliver more focused and personalized messages to their customers.

What do you predict will be the biggest innovation or trend in direct mail over the next five years?

“More uniqueness, narrowing the focus onto very specific target markets of high profile influencers. Offering those target consumers something extremely niche, distinctive, and highly personalized. Then providing them with incentive or call to action to use their influencer platform [to] bring the brand to our audience and reach the masses.”

Over the next five years it will be easier to target consumers with direct mail than any other channel.



The role of technology

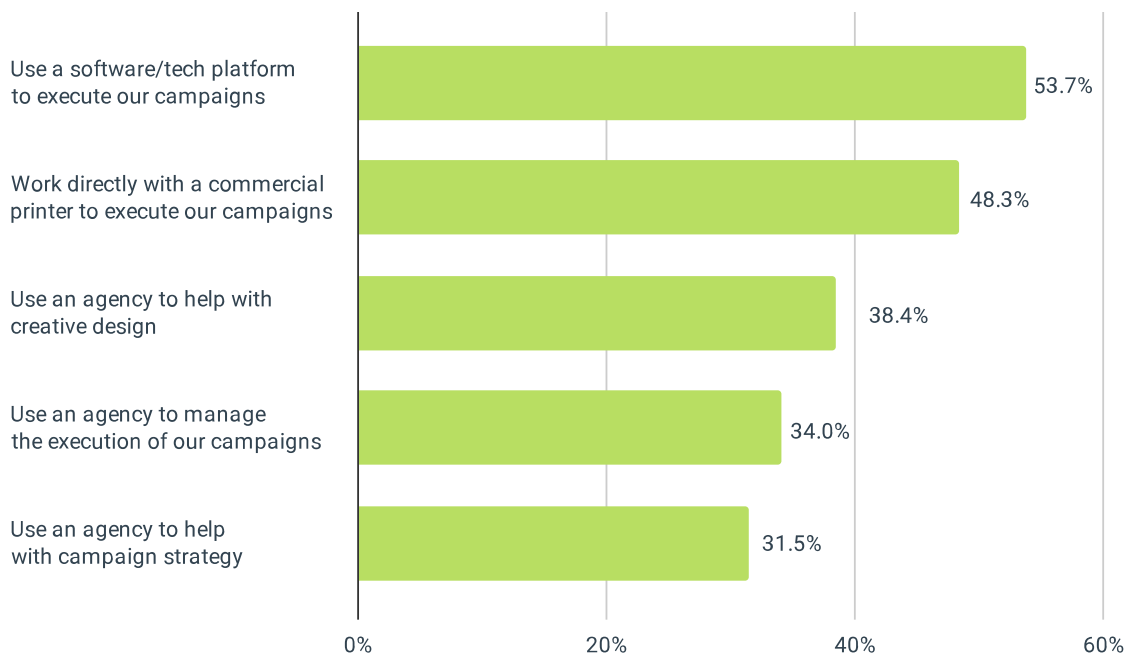
The adoption of technology has been one of the most significant shifts in modern marketing. Technology solutions have enabled marketers to more precisely reach target audiences, and measure the impact of their campaigns. Direct mail is not what one would think of as a technology-forward solution, so we were interested to explore how companies are leveraging it in their campaigns today, and if technology platforms are providing more granular attribution for the channel.

Software is powering modern direct mail

The survey results showed that software and technology are becoming a driving force in the direct mail industry. 54% of respondents indicated that they use a software platform to execute their direct mail campaigns, while 48% still rely on traditional direct relationships with

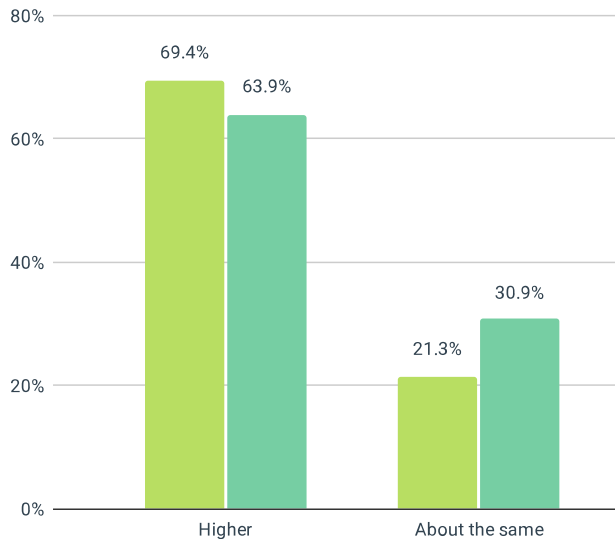
commercial printers. Agency partners also play a significant role; 34% of respondents said they outsource execution of their campaigns to a direct marketing agency.

Who do you partner with to execute direct mail campaigns?

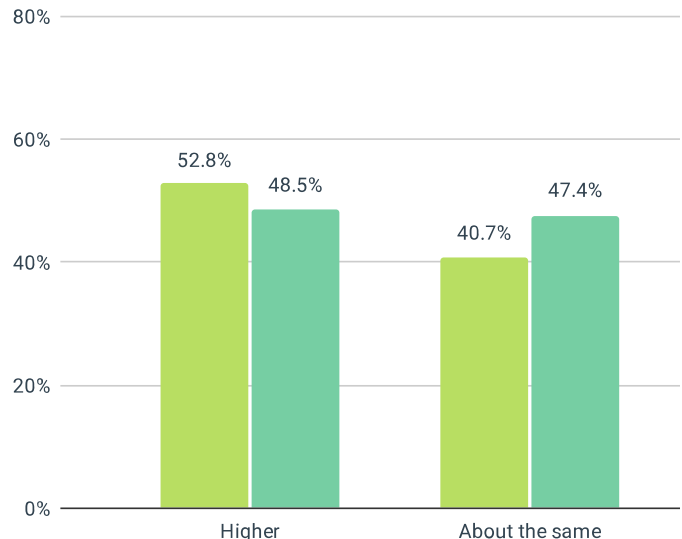


Even more interesting was the impact that technology adoption has on performance. We asked respondents to rate themselves compared to their closest competitors on marketing performance—return on advertising spend (ROAS), and business performance—overall profitability. Companies that use technology to execute their direct mail campaigns were more likely to outperform their competitors in both dimensions.

How would you rate your company's profitability relative to your closest competitors?



How would you rate your ROAS for direct mail relative to your closest competitors?



- We use a software/technology platform to execute our campaign
- We work directly with a commercial printer to execute our campaign

Attributing responses

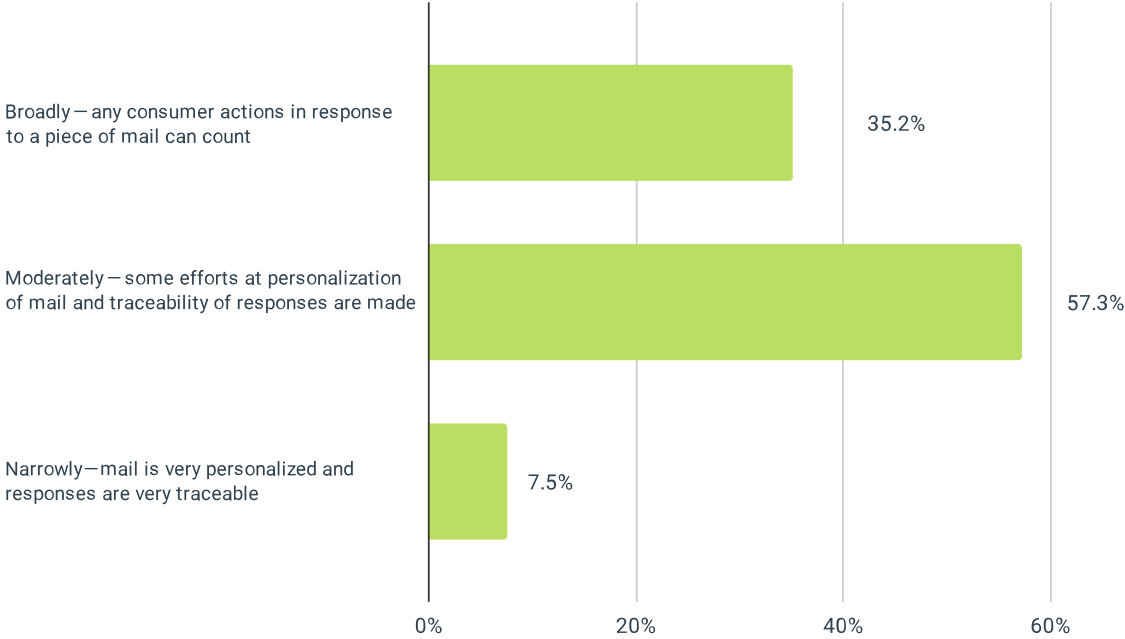
While technology adoption is growing, companies generally indicated a moderately loose approach to attribution. They measured the impact of their campaigns, but are hesitant to use very strict attribution methods such as individualized coupon codes, URLs, or Bar/QR codes.

Attribution is primarily transaction or activity-based. Marketing teams track the behavior of campaign members to measure how many of them complete a purchase, or engage in some other desired behavior.

Which methods or techniques do you rely on to track your direct mail attribution?

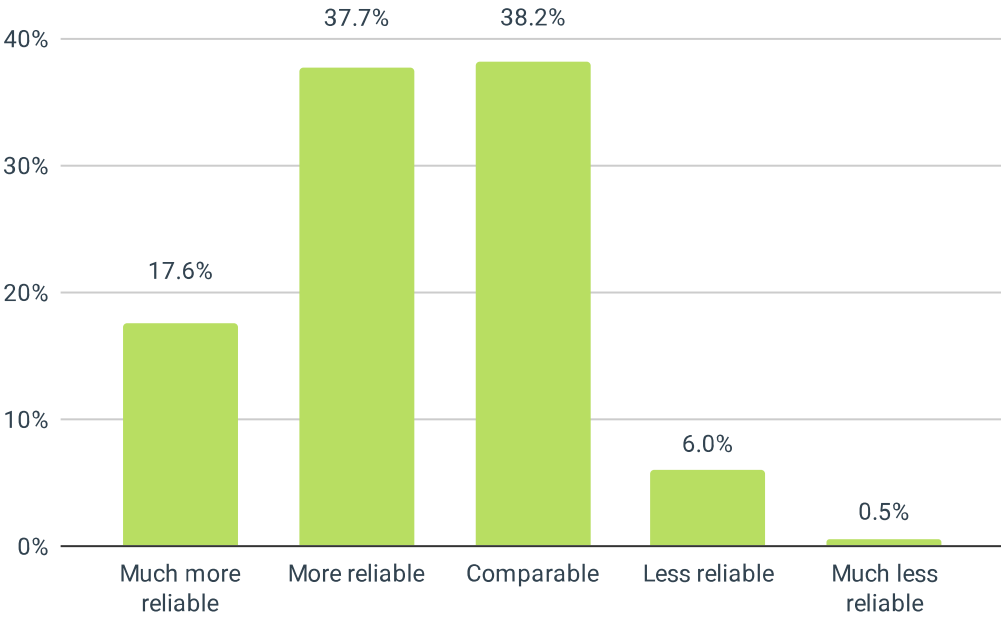
“We use our computer system to ensure postage and handling. Then we break down our demographics on a map program to show spikes in sales.”

How do you understand or define attribution in the direct mail channel?



Despite the fact that attribution for direct mail isn't as precise as digital channels, most respondents feel that their approach allows them to effectively measure campaign performance. 93% of respondents said that their attribution for direct mail was comparable to other channels.

How reliable are your organization's direct mail attribution methods relative to other attribution methods used?



Challenges

While the overall view of direct mail is extremely positive, companies did report some difficulties.

We asked respondents what were the biggest challenges they had with using direct mail today. The most significant challenges that respondents raised were the costs involved with running a campaign, and maintaining reliable address lists.

While direct mail is definitely ROI positive for most companies, there is a significant amount of overhead that goes into any direct mail campaign. This overhead includes the cost of printing, postage, and time spent manually coordinating the campaign execution.

Unlike digital marketing channels, direct mail requires a great deal more information about the target audience—namely a deliverable

postal address. This is not information that is always acquired from contacts, and it can be difficult to keep up to date. Incorrect and undeliverable addresses can add to the cost of a campaign, as postage costs are wasted on mail that is marked “returned to sender”.

What is the most important thing to know about the present and future of direct mail that was not covered in this survey?

“The most important thing to know is that not all information is private and although direct mail may have many benefits, there are many challenges that still need to be addressed”

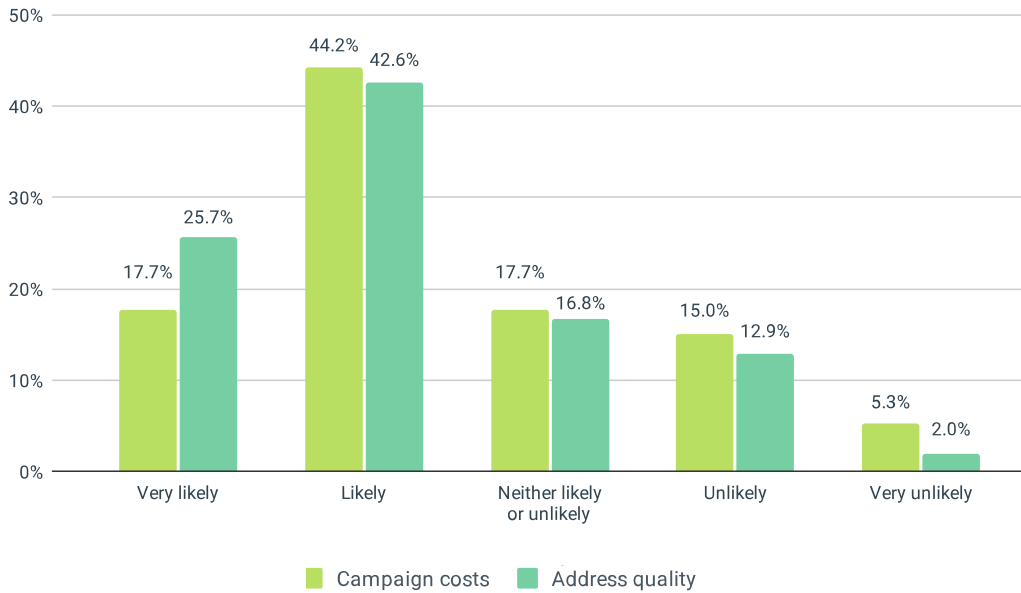
What are the biggest challenges to using direct mail today?



The good news is that these issues appear to be surmountable. Respondents were questioned on the likelihood of their biggest challenges being resolved in the next 3-5 years. 62% were confident that costs of executing campaigns would decrease, and address quality would cease to be an issue.

Respondents were also optimistic about addressing consumer privacy concerns, with 77% indicating these would be alleviated in the next 3-5 years. They (72%) also believed the time involved in setting up a campaign would decrease as well. As technology solutions play a more prominent role in direct mail campaign execution, companies will automate many aspects of the process—reducing both the cost and time involved for marketing teams.

Please estimate the likelihood that this problem will be resolved in the next 3 to 5 years.

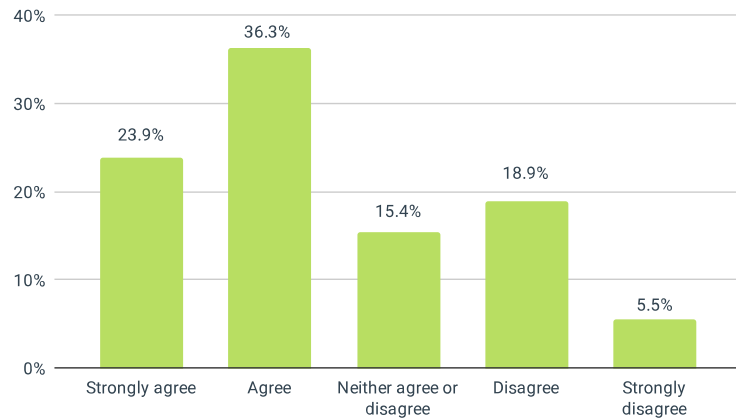


The future of direct mail

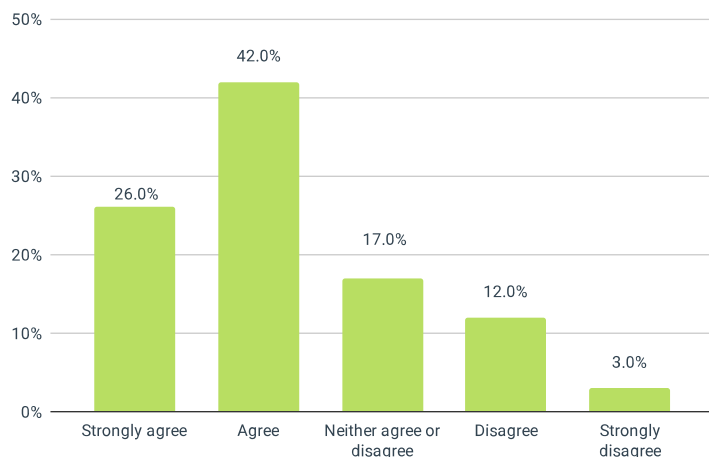
Survey respondents were generally optimistic about the future of direct mail. They see it as an effective channel today, and one that will continue to provide value moving forward. While the total volume of mail has been declining for the past few years, 59% of respondents said they expect to increase their use of the medium in the next 5 years. Respondents also expect that a broader range of companies will

become direct mail devotees. 68% said that they expect the diversity of companies sending direct mail to grow in the next 5 years. This will mirror the diversity of the direct mail audience. While often perceived as skewing older, many respondents believe that direct mail will increasingly resonate with younger audiences who are turned off by cluttered digital channels.

Over the next five years the volume of direct mail sent by my organization will increase relative to what we send today.

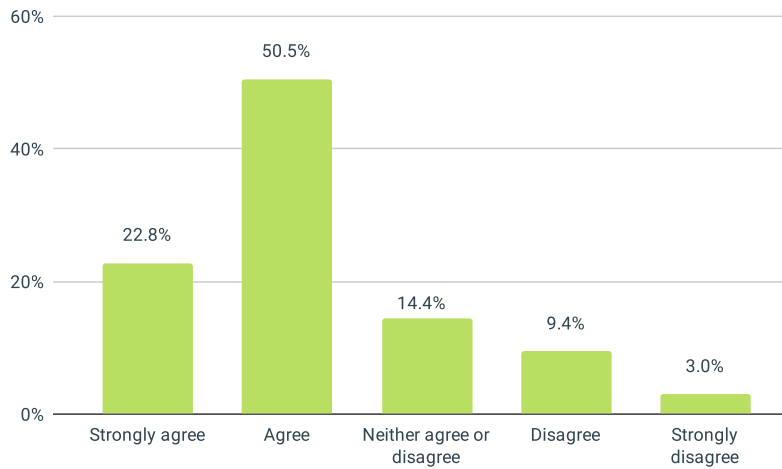


Over the next five years the types of companies using direct mail as a core marketing channel will be more diverse than today.



Adoption for some of the emerging trends highlighted in the study is expected to accelerate moving forward. The shift away from purely acquisition-focused campaigns is likely to increase with budgets focused more broadly across the customer lifecycle. 73% of respondents feel that mail aimed at customer engagement or retention will take on a more significant role in direct mail strategies.

Over the next five years direct mail aimed at customer engagement or retention take on a more significant role in direct mail strategies.



What do you predict will be the biggest innovation or trend in direct mail over the next five years?

“I think marketers will continue to fine-tune analytics to increase targeting and personalization. Right now the trend is that older consumers are more likely to read direct mail pieces over younger consumers. I think there could be [an] opportunity to reach younger consumers via direct mail if done in a smart matter as a counter to online saturation and online data privacy concerns.”

Respondents indicated that technology-driven personalization will become a more regular feature of direct mail campaigns as marketers increasingly blur the lines between offline and online customer engagement.

What is the most important thing to know about the present and future of direct mail that was not covered in this survey?

“The future of direct mail is all virtual and interactive. It must keep up with the trend toward experiential marketing and steer away from traditional sales/advertising in order to be successful.”

Recommendations

The study shows that direct mail is thriving despite (or perhaps because of) the current prevalence of digital marketing channels. Companies that use direct mail report it has outsized results when compared to other channels, and expect their direct mail volume to increase in the coming years. The study also presents some areas of opportunity for companies sending high, low, and no direct mail volumes.

I Start sending mail

Or, look to start sending mail differently. Respondents across industries report that direct mail performs better than digital channels, and offers the highest ROI of any marketing channel they use. Marketers expect that it will be increasingly used for customer engagement and retention. This performance represents an enormous opportunity for organizations that aren't currently sending mail, or using it only for broad-based acquisition campaigns.

II Look for automation opportunities

Cost and time associated with executing direct mail were called out as challenges by many respondents. These hurdles are largely due to the traditional and highly manual processes associated with sending direct mail. The growing adoption of technology solutions will reduce the cost and time of setting up campaigns. Early adopters of direct mail technology solutions are already outperforming their competitors. Companies that use traditional processes should look for opportunities to leverage technology-driven automation.

III Clean up address data

Another key challenge that respondents flagged was the consistency and quality of address data. Direct mail effectiveness hinges on the quality of address data, but there currently are many options that companies can leverage to improve their data. Data services can match physical address information to email addresses, and address verification tools can cleanse customer lists to correct incorrect or undeliverable addresses.

IV Experiment with personalization

Personalization plays a growing role across all marketing activities, and respondents are increasingly adopting it into their direct mail campaigns. Personalization is largely limited to text customization, but a small set of companies are tailoring offers, imagery, and even form-factors for different audiences. The performance of increased personalization wasn't captured in the survey results, but most respondents expect it to be a key element of their campaigns in the coming years.

V Get comfortable with less precise attribution

Marketers coming from a purely digital background can sometimes be unnerved by the lack of precise attribution associated with direct mail, but survey respondents demonstrated a clear level of comfort with their campaign measurements. The key is having clear visibility into campaign recipients, and the ability to connect customer behavior in CRM or customer data systems.

Thank you!

[Contact us](#) to see how Lob can benefit your business.

