

# Direct mail delivers

Despite electronic competitors, print still packs a punch

Among all the bad news for print markets, direct mail remains one bright spot. Annual spending on U.S. direct mail advertising is approximately \$60 billion a year, and it's growing at a healthy clip: seven to eight percent a year. In 2005, companies and other groups sent out 100 billion pieces of direct mail, up 16 percent from 86 billion pieces in 1999, according to the United States Postal Service.

## Direct mail growth

	2001	2002	2003	2004	2005
Pieces (millions)	89,938.4	87,230.6	90,492.2	95,563.5	100,942.1

Source: USPS

There are a number of reasons for the growth of direct mail, but it really boils down to one very simple fact: Direct mail works. Thus, advertisers and marketers continue to use it. It provides something tangible, convenient, colorful and persuasive. After all, print is a medium that must be delivered to the reader physically, and mail is the most common method for doing so. Nearly half of everything printed gets mailed, the vast majority of which is direct mail.

## The proof is in the pudding

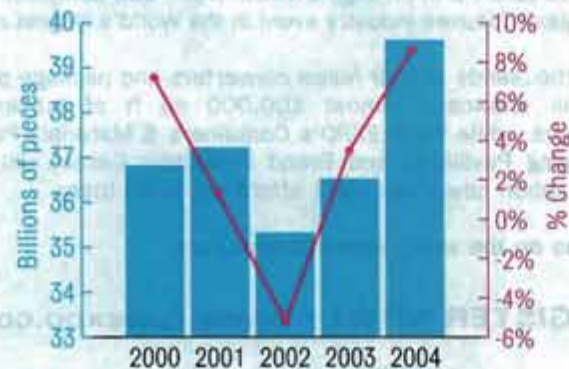
Direct mail accounts for the largest volume of household mail and represents more than one-fourth of everything mailed—the largest category, slightly ahead of bills. Computer-generated mailing lists and advanced database technology provide an efficient and cost-effective means of dividing and sorting mail by demographic characteristics.

Mail is an important medium, one that inspires trust and helps build brand and product awareness. Relative to other media, it is inexpensive and flexible. Direct mail remains a growing medium because of its inherent advantages as well as external events, such as “do not call” legislation, pushing direct marketers toward print communications. As a result, regular mail continues to be the essential tool in communicating with the consumer.

The key users of direct mail are consumer-oriented companies, including financial service firms such as banks and credit card companies, magazine companies that solicit subscriptions, mail order businesses, and non-profit organizations. It is particularly important to department stores and other local merchants, which account for seven percent of the total.

As alternative media become fragmented, direct mail becomes more important. With

## Trends in direct mail advertising pieces (first half of year)



## Key

	Billions of pieces (left axis)	% change (right axis)	Change in pieces (billions)
2000	36.8	7.1%	2.4
2001	37.2	1.1%	0.4
2002	35.3	-5.1%	-1.9
2003	36.5	3.5%	1.2
2004	39.6	8.5%	3.1

Source: "Coen's Insider's Report," Universal McCann, 2004

hundreds of television channels and dwindling newspaper circulations, physical mail is one of the last ways to reach a large number of consumers. Direct mail is an increasingly attractive option as better databases and software allow targeted promotions to individuals based on past purchases in stores and on the Internet. Innovations in inserting and in digital printing make it easier for businesses to personalize direct mail.

### **Interactive media pose a challenge**

Nevertheless, direct mail faces a number of problems, and volumes are threatened by a range of factors. Consumer interest is falling as mail volume increases and response to interactive channels grows. Companies also are extremely concerned about costs, particularly postage and paper; recent price increases certainly will not help. As mailing becomes more complex and integrated, the pressure on logistics and distribution intensifies. This will lead to better targeting, which might slightly offset the growth in pieces.

The growth and acceptance of Internet and e-mail technologies represents a potential damper to the growth of direct mail. Consumers increasingly want more interactivity with their advertising, and corporate ad budgets are moving in that direction, including the Internet. The economics of e-mail is compelling when compared to print. In a 2004 study, "The Future of Direct Mail," prepared for GAMIS (now PRIMIR), Kubas Consultants estimated that 60 percent of the cost of a typical direct mail campaign is directly related to printing—including paper, postage and distribution—while only 40 percent is pre-media, including management, list preparation and creative services.

E-mail, including SMS (short message service) messages to mobile devices, is direct mail's principal direct competitor and the media that is most analogous to it. Access to both is widespread. And, clearly, e-mail works. Given the cost differential, e-mail can be compelling. Nevertheless, e-mail still is a disposable medium, and the presence of spam is serious. One approach to spam is opt-in marketing. But even this requires an initial solicitation, which often can be accomplished via direct mail.

Another, less direct, competitor is Internet advertising. The Internet is the most popular form of interactive marketing. In addition to permission-based and unsolicited e-mail, Internet advertising

can work in the same manner as direct mail, targeting prospects by context or Web-browsing patterns.

The relative paucity of obvious electronic technologies competing with direct mail provides some indication about the positive outlook for direct mail. Paper remains a strong delivery mechanism. Ad agencies, public relations firms and marketers all like direct mail. It will not go away,

because advertisers need to source customers in the first place, and they do so with direct mail. Direct mail will continue to grow steadily, if not as rapidly.



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