

Back to the Future With Direct Mail

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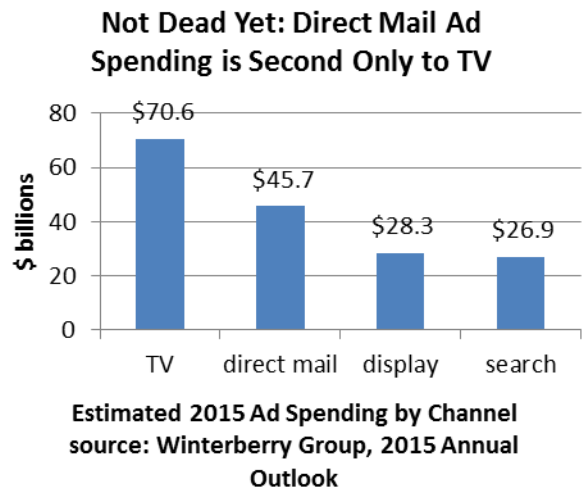
Not Dead Yet

Snail mail. Dead trees. Offline media. It's hard to think of a current term for direct mail marketing that isn't dismissive or worse. Surely direct mail and catalogs are close to dead if they haven't already breathed their last. All you have to do is look at the numbers.

Oh wait. They tell a different story.

It turns out that direct mail is quietly holding its own. While newspapers and magazines continue their decades-long slide, direct mail spending 2015 will be up a modest 1% in 2015¹. Even more impressive, the total spend will be a very respectable \$45.7 billion, still dwarfing online display (\$28.3 billion) and search (\$26.9 billion) and second only to television (\$70.6 billion).

But this isn't the market-blanketing, one-size-fits-all direct mail your grandparents received fifty years ago, or even the crudely targeted direct mail of the 1990s. Today's direct mail – or at least the best of it – is tightly integrated with other media, taking full advantage of the detailed, real-time insights into individual behaviors that only digital media can provide. Used in coordination with other media, not instead of it, direct mail can deliver its uniquely powerful impact exactly where it's needed.



Why Direct Mail Still Matters

Marketers are increasingly aware that their first obstacle to success is gaining the customer's attention. As the number of advertising messages received through digital channels continues to skyrocket, getting the viewer to pay attention to any one message becomes harder every day. Getting them to actually remember and come back to an interesting message is harder still.

This is where the power of direct mail comes in. Direct mail has a physical presence that online interactions can't match. Most consumers at least scan the mailing pieces that come into their homes. One study found advertising mail is retained an average of 17 days. The same study reported that offers sent by mail are perceived as 24% more valuable than offers viewed only on a screen.² A different study found that the response rate for targeted direct mail is 4.4%, almost 40 times higher than email at 0.12%. Forty percent of consumers in that study said that they tried a new service after

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receiving a direct mail and 70% had renewed a previously ceased relationship with a business because of direct mail.³

In short: direct mail isn't the right tool in every situation, but there are some where it is by far the best choice.

Modern Direct Mail Methods

The continued relevance of direct mail doesn't mean it hasn't changed. Mail was once a cost-effective tool for reaching unidentified masses of potential buyers, but that role was long ago taken over by lower cost-per-impression media including TV and digital ads. Today's direct mail works best when it's carefully targeted at known individuals for a specific purpose. Goals might include breaking through clutter with a distinctive physical format; delivering detailed messages that would tax the patience of an online viewer; or providing physical samples. The common thread is that messages are sent to precisely targeted groups where marketers can be confident that the response rate will justify the relatively high cost per unit.

This targeting will almost always use data gathered from digital sources, for the simple reason that digital is where most of today's customer and prospect data comes from. A common example is prospects who are identified through Web interactions, nurtured digitally to a point where they are highly qualified, and then sent a direct mail piece to reinforce the digital interactions. In other words, modern direct mail is deployed as part of an integrated multi-channel approach. The precision of the integration and the power of digital data both enhance the value delivered by each direct mail piece.

Digital technology further contributes to direct mail effectiveness by making it easier to personalize the direct mail pieces themselves. Digitally-driven printers can deliver higher quality at lower cost with greater speed in smaller batches, reinforcing marketers' ability to add mail pieces to tightly choreographed digital campaigns. Customers trained to

expect overnight package delivery have little patience for mail that takes much longer.

Here are some examples of campaigns that take advantage of print's unique capabilities:

- Nivea published an ad with a tear-away thin-film solar panel that let beach-goers charge their phones while they read in the sun. Another ad provided a tear-off toddler's wrist band with an embedded RFID tag. An associated mobile app could calculate child's the distance and direction if she wandered off.
- Motorola launched a print campaign that let the recipients change the color of a Moto X phone image on a page to see in real-life the customizable colors of the phone.
- a high-end shoe company tracked Web site visitors who considered but abandoned a pair of boots with exquisitely supple leather. Attached to the back page of that person's next catalog was a sample of the leather for him to see and touch.

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And they expect that mail to be no less tailored to their needs than the Web pages and emails they receive from the same company.

What's the Catch?

So is everything great in direct mail land? Not really. While the best direct mail programs are precisely targeted, fully integrated, and highly personalized, many companies struggle to deliver anything beyond traditional mass mailings.

The problem is technology. Most companies that rely heavily on direct mail, such as catalog sellers, run specialized direct mail systems that are either wholly separate from email or do little more than send the email engine a list to execute. Web activities are usually separate as well. Basic purchase data may be shared across these systems but detailed Web and email interactions often remain trapped in the Web or email system or are not captured at all. Yet without an integrated view of customer activities across all channels, it's impossible to generate the pinpoint-targeted campaigns that take full advantage direct mail's unique strengths.

The problem is widespread: just 16% of marketers in one sample reported their offline direct mail data was fully integrated with other sources to create a complete customer view.⁴ Another study found only 12% had a fully coordinated approach across online and offline parts of their business, even though 73% listed a single customer view as critical to understanding the customer journey.⁵

But fully integrated data isn't enough. Marketers also need a system that uses that data to generate integrated campaigns. Although it's theoretically possible to do this by manually coordinating separate channel systems, that approach is complicated, error-prone, and time-consuming. A company might do it for handful of programs with Herculean effort. But running dozens of small, highly targeted programs – the kind that make best use of modern direct mail – is only practical by using full automation within a single, multi-channel campaign system. Ideally, that system would also generate printer-ready output.

Doing It Right

The good news is that integrated systems do exist. As the previous section suggests, they need three sets of capabilities:

- integrated database development. The system must gather data from major sources including the Web site, email, digital advertising, mobile apps, social media, order processing, and call centers. It must then integrate that data to build a unified customer view. In particular, this means matching Web activities, often tracked via cookies, with physical name and address used for direct mail and product delivery.

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This matching is an art form of its own, honed for years by direct mail marketers but now more complicated because of new digital identifiers. In addition to matching, the system needs a flexible data store that can store the huge volume and variety of data generated by digital sources and convert it into user profiles that are easily available for segmentation and analysis. This usually requires something other than a conventional relational database.

- integrated campaign management. This is where things get tricky because digital and direct mail requirements have traditionally been quite different. The archetypical digital campaign responds to customer behavior in real time, either displaying messages on a Web site or sending a triggered email. This puts the focus on quick response to a single customer's data, often using offers or model scores attached to the customer record in advance. By contrast, the direct mail campaigns start with extensive analysis and detailed segmentation of the entire customer database, select which names to include, assign them tracking codes and offers, and send the result in one big file for postal processing and printing. This requires special features such as waterfall lists (a set of segments that are selected in sequence, so that each name appears only in the first segment for which it qualifies) and sophisticated sampling to generate accurate split tests.

Today, there is convergence of the two channels. Large email campaigns always looked something like large direct mail campaigns but now run more advanced segmentations from more complex databases. Direct mail campaigns are becoming smaller and more targeted. The convergence is complete when the digital and direct mail channels are used in the same campaign: to achieve that, the same system must support the requirements of both.

- integrated output generation. Every channel has its own requirements for output formats and integration with the actual delivery system (Web sites, email engines, SMS gateways, social networks, direct mail printers, call center screens, etc.) Multi-channel campaign systems must deliver the content themselves, send messages to intermediate systems for further processing, or support the necessary formats and connections themselves. In digital channels, the connections often must run in both directions as the system captures responses to campaign messages so it can react appropriately in real time.

Finding a Solution

For better or worse, the attention of marketing system developers in recent years has focused on digital channels. The result has been many systems to support digital campaigns but few to manage direct mail. Given the continued separation of direct mail and digital data in many organizations, even fewer systems have been developed to meet the needs of both. Marketers who want to take full advantage of direct mail by

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integrating it with other channels need to look carefully for a product with the features described in the previous section. They should pay particular attention to:

- data sources. Digital and direct mail data are quite different in format, scale, and complexity. Be sure your system can accept both types of inputs and can weave them into a unified, easily accessible whole. Merging digital and physical identities is especially important.
- campaign design. Marketers will need wholly digital programs, wholly direct mail programs, and programs that combine both. This implies support for traditional waterfall segmentations, for real-time digital interactions, and for multi-step campaigns where some steps are digital and others are postal. The features must be rich enough to support sophisticated programs in each area without making the interface too complicated for use by actual human beings.
- advanced analytics. Every marketing channel has its own special measures. Channel specialists need these to do their jobs. At the same time, multi-channel campaigns need additional measures to provide a coherent view of over-all results. The integrated system should either have those measures built in or, at the least, provide tools and data structures that let users create them for themselves.
- direct mail execution. Digital execution is important but it's fairly easy to find. Direct mail has become a specialty that only a few systems really handle well. Look for as few hand-offs as possible between list generation and delivery of the finished product to the post office. Every transfer from one system to another adds time, cost and complexity. Clean execution of your multi-channel campaigns requires you to keep the mail flowing as smoothly as possible.

Summary

Modern direct mail creates opportunities that old time direct marketers never imagined. Pure direct mail campaigns can use digital data for better targeting than ever before. Advanced printing technologies allow greater personalization and quicker production. Tight integration with digital media allow multi-channel campaigns that use direct mail exactly when it's needed, boosting results in ways that no other method can match.

Building the infrastructure to take advantage of these opportunities isn't easy. But the necessary technology is available and experts can help you deploy it. Take the time to find a sound solution and to implement it effectively. Marketers charged with maximizing their company profits can afford nothing less.

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Notes:

¹ Winterberry Group, 2015 Annual Outlook

² The Private Life of Mail, U.K. Royal Mail, February 2015

³ Mail Print, 2012

⁴ One-To-One Marketing, Forrester Consulting, February 2015

⁵ Understanding the Customer Journey, eConsultancy, April 2015

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About Raab Associates Inc.

Raab Associates Inc. is a consultancy specializing in marketing technology and analytics. Typical engagements include marketing architecture planning, business needs assessment, technology audits, vendor selection, results analysis, and dashboard development. The company also consults with industry vendors on products and marketing strategy

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