we are the dma

Sponsored by

RICOH
imagine. change.

Mail Matters 2015

Contents

Introduction 2
Sponsor's perspective 3
Executive Summary 4
1. Five types of advertising mail user 5
1.1 - Integrated Mailers 5
1.2 - Direct Marketers 5
1.3 - Advertising Mailers 6
1.4 - Contextual Mailers 6
1.5 - Digital Mailers 6
2. Reasons for using advertising mail (or not) 7
2.1 - Reasons for using advertising mail 7
2.2 - Reasons for not using advertising mail 8
3. Goals and metrics for advertising mail 9
3.1 - Specific campaign objectives for advertising mail 9
3.2 - Success metrics used for advertising mail 10
4. Advertising mail in the customer journey 11
4.1 - Response mechanisms in advertising mail 11
5. Advertising mail and digital marketing 12
5.1 - Driving advertising mail recipients online 12
6. The future of advertising mail 13
6.1 - Technological enhancements 13
Methodology 14
About DMA 15
About Ricoh 16
Copyright and disclaimer 17

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

Introduction

Mail Matters is an essential and enlightening snapshot of a medium in the middle of exciting change. While we all know that mail is just one one-to-one channel that works tremendously well, mail has fallen out of favour in recent years as the costs for digital have proved so attractive.

In spite of this, mail has proved both resilient and effective and is keeping pace with technological innovations. Today 'junk' mail is a thing of the past. A piece of mail, something real and tangible, can have lasting impact.

What the research also shows us is that there is something of a mismatch between the expectations of marketers using mail, and what mail can actually deliver. For example, marketers want new printing techniques, better data and ways to drive people online.

Such innovations have been on the market for years. It's up to marketers to re-evaluate what is possible with mail and to take advantage of those possibilities.

The good news is that the innovation in mail is just beginning. A new customer journey powered by Smartphones puts mail at the centre of a multi-media experience by creating immediate interaction. Video mail, which uses smartphone components to build special mail drops, is dropping in price and becoming genuinely affordable. In addition, there are new ways to interact with mail (such as apps) that are bringing the online and offline worlds closer.

Such innovations make an impact on consumers' doorsteps all around the country. It's a tremendously exciting time to increase use of mail.

Good marketers always put the customer first. Surprising and delighting them at home will help make brand messages more valued and more meaningful.

Chris Combemale
DMA, Executive Director

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

Sponsor's perspective

The role and future of advertising mail in the marketing mix has been the subject of debate and speculation for some time. The surge in digital marketing expenditure and the severe economic downturn have led some to question its continuing relevance.

Many research studies, including Royal Mail's excellent "The Private Life of Mail", have illustrated unequivocally that direct mail retains a special place in the hearts and minds of consumers. Its uniquely tangible properties help to generate an emotional response that other media struggle to match.

To date, research (like Royal Mail's) has mostly focused on consumer attitudes and behaviour. This new research takes a different approach. Advertising mail just doesn't happen unless both brand owner and their agency together make it happen. So, while the consumer picture is relatively well documented, what do those other vital stakeholders - the British marketers and agency decision makers - think about it?

The Mail Matters research we sponsored was revealing. While the renowned 'digital natives' are completely at home in the digital marketing arena, it seems that many are not yet fully attuned to the capabilities of advertising mail today. For example, a strong majority of respondents described both better personalisation and image personalisation as innovations that would enhance the effectiveness of mail. In fact, this functionality is a long established facet of direct mail - made more exciting as a feature through the possibilities generated by the astute use of data insights.

Encouraging mail recipients to go online is a key goal the research tells us, and there are many technologies to facilitate a smooth transition from the paper domain to the online realm. Ricoh's interactive print solution Clickable Paper is one of the newest. The research suggests that some marketers and agencies are either persisting with the limited functionality of QR codes or not deploying any bridging technology at all. It is also worth noting that 72% expect more innovation to integrate print with digital media; and I am sure that this will be a hallmark of the future of advertising mail.

Very positively, there is a powerful core of respondents who trust advertising mail in their campaigns because of its proven effectiveness and strong ROI. While postage costs may be a barrier to some, the returns available are clearly the decisive factor for many others. We believe this group will grow as the communications and commercial factors in favour of advertising mail in the mix become even more compelling. For while data analytical techniques, such as those available through Ricoh's Precision Marketing service (such as MarkSim, which was used to analyse this research), are enabling better segmentation and more accurate targeting, direct mail production is becoming more cost efficient - with the latest high speed inkjet systems bringing a new level of print quality to complement their variable data capabilities.

So, at Ricoh, we are seeing a new dawn for advertising mail. With marketers and agencies alike moving toward greater understanding and harnessing of its power, coupled with the technology available to enhance response and optimise cost efficiency. It's an exciting time to be in this field.

Gareth Parker
Ricoh UK, Strategic Marketing Manager

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

Executive Summary

Advertising mail - teaching new friends old tricks

Advertising mail is a mature, well-established, proven route to market. But in the rush to digital, some of its strengths and qualities have been overlooked:

•16% of respondents had not used advertising mail at all in the last 12 months;
•7.5% had only carried out one mailing campaign in the last 12 months.

Give a dog a bad name

It's not down to a poor reputation - 14% said that the association of advertising mail with "junk mail" was a barrier.

But cost is an issue - 43% gave this as the most significant barrier to including advertising mail in an integrated marketing campaign.

Blame the owners

Marketers are not lacking in the skills required to use advertising mail - 59% described themselves as advanced and 36% as intermediate in terms of their ability to plan and produce an integrated campaign including mailings.

But, when asked what innovations would enhance the use of advertising mail, 98% said better personalisation and 68% image personalisation. Both of these have been possible for at least the last decade.

New dog, old tricks

Advertising mail has been adopted by 15% of digital marketers to help cut through digital clutter or enhance response rates to digital marketing. And 43% of marketers who use advertising mail in an integrated campaign wanted to drive online traffic as the primary outcome they are trying to achieve.

Despite this, the top five incentives used to drive targets to a website are conventional advertising mail techniques - limited-time offers (59%), competitions (59%), new product launches (57%), discounts (53%) or free product/services (47%). Only 46% have genuinely combined advertising mail and digital marketing by offering exclusive content to mail responders.

Old dog, new tricks

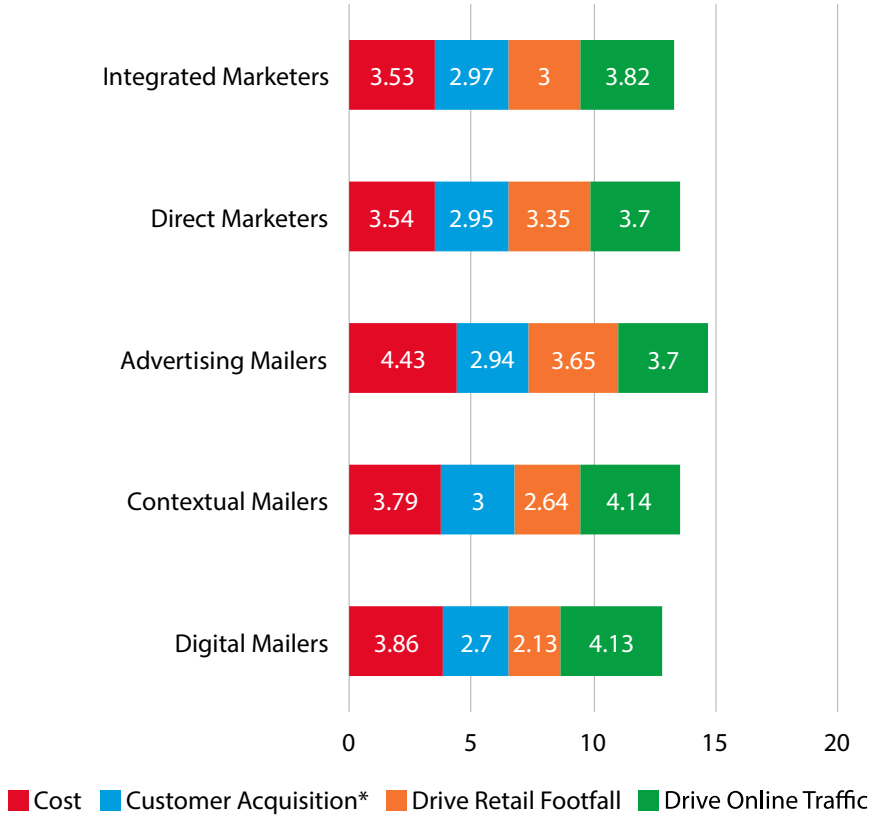
Integrated marketers now have the opportunity to close the measurement gap between physical media and digital channels by deploying response mechanisms which make mail responders trackable - 66% already use personalised URLs and 58% have included scannable elements (such as Ricoh's Clickable Paper or QR codes) or augmented reality to drive recipients online.

The future for advertising mail within integrated marketing lies in the wider adoption of these techniques - 72% of marketers expect more innovation to integrate this channel with digital media and 58% are looking to innovations like embedded video to enhance the impact of mailings.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

1. Five types of advertising mail user

Chart 1 - Five segments of advertising mail users



(Note - 4-point scale)*

Based on the most important reason marketers gave for using advertising mail, five distinct user groups emerged:

1.1 - Integrated Mailers

For nearly four out of ten marketers (37%), the primary reason for using advertising mail is its proven effectiveness in reaching marketing campaign objectives. Customer acquisition is the typical objective, ranked 2.97 out of 4, with online traffic the major way in which this will be achieved (ranked 3.82 out of 5), and creating retail footfall a secondary objective (3.00). Measuring whether advertising mail has achieved these objectives involves a mix of direct sales and visits to specific URLs (each used by 88% of marketers in this group).

1.2 - Direct Marketers

Direct marketers have an unwavering focus on return on investment, which 19% of marketers name as their primary reason for using advertising mail. While driving traffic online is the primary goal (3.7 out of 5), retail footfall is rated a close second (3.35). Surprisingly, only 70% measure their mailing campaigns via direct sales, with 75% measuring traffic to a URL.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

1.3 - Advertising Mailers

A committed group of advertising mail users (15% of the sample) name its trustworthiness and premium channel qualities, as well as good consumer reach, as the reason for its place in their integrated marketing campaigns. This group is heavily focused on customer acquisition (2.94 out of 4), which is achieved equally through retail and online traffic (3.65 and 3.7 out of 5 respectively). This group has the strongest focus on cost of any, undoubtedly reflecting a very mature understanding of the medium and how it needs to perform.

1.4 - Contextual Mailers

While some media have a fixed place in the marketing mix, advertising mail is used by this group of 14% primarily when it is appropriate. Significantly, this group has the strongest focus on driving online traffic (4.14 out of 5), indicating adoption of advertising mail to support digital marketing, but is also the only group in which engaging consumers in loyalty programmes is more important than driving retail footfall (3.57 compared to 2.64). This group also makes the most substantial use of traffic to URLs as its measure of success (93.7%).

1.5 - Digital Mailers

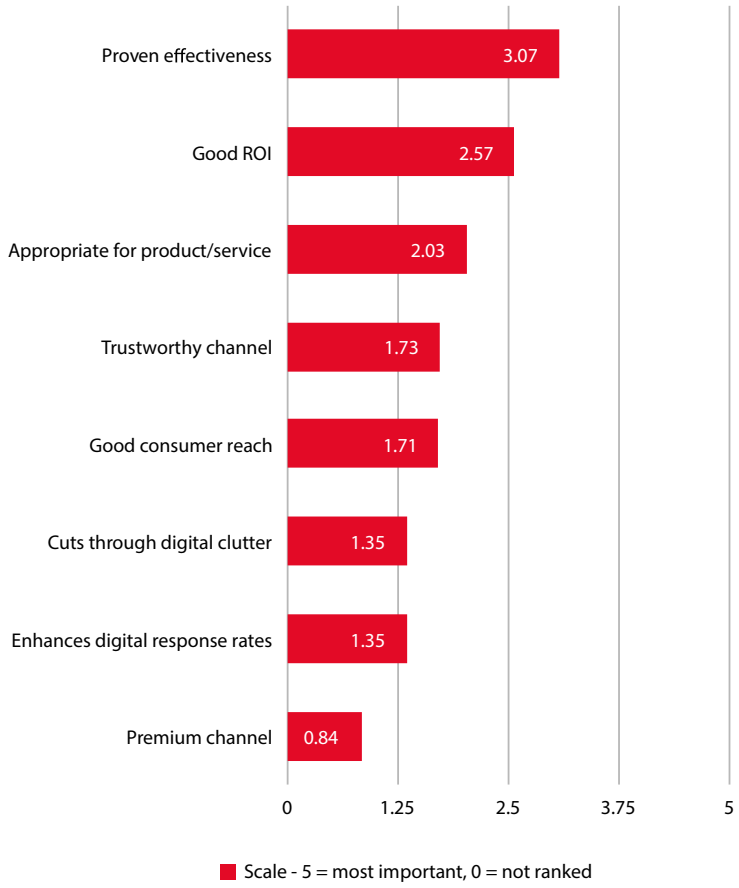
To this group of marketers - who make up 14% of the sample - the most important reason for using advertising mail is its ability to cut-through digital clutter or to enhance response to digital activity. This is a digital-first view of integrated marketing that is reflected in the highest score of any group for having the objective of driving traffic to specific URLs (4.13 out of 5), whereas retail footfall is notably less important (2.13).

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

2. Reasons for using advertising mail (or not)

2.1 - Reasons for using advertising mail

Chart 2 - Reasons for using advertising mail



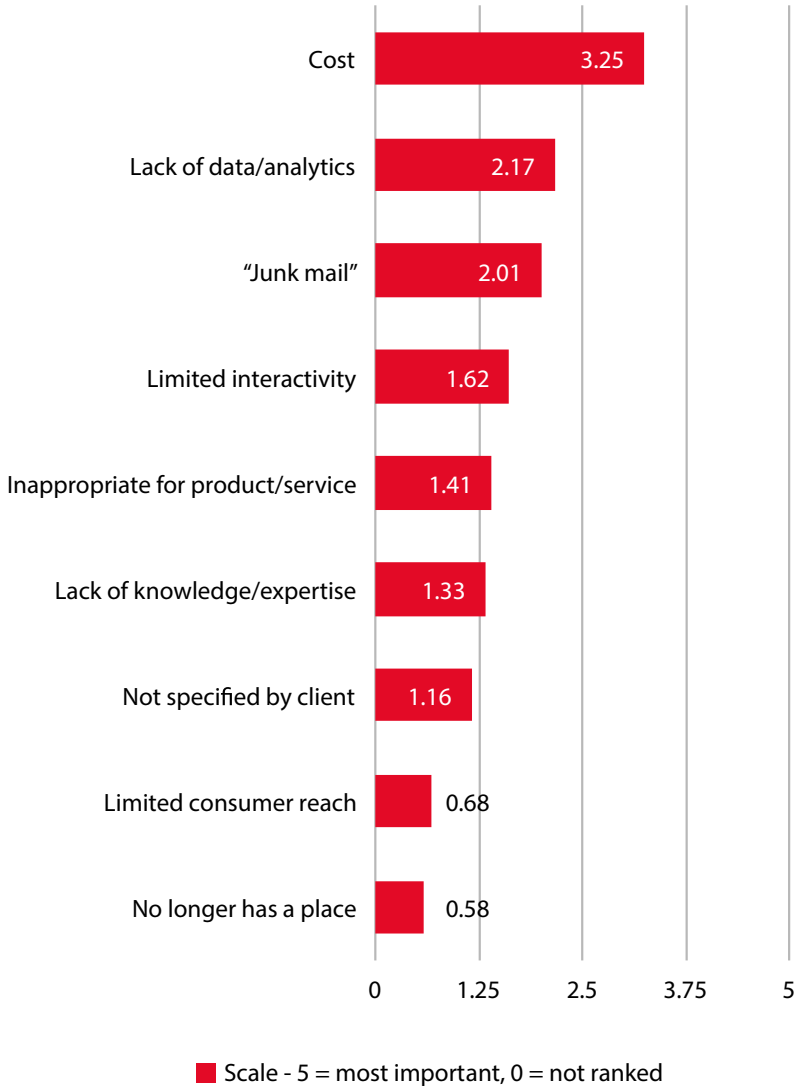
(Scale - 5 = most important, 0 = not ranked)

Advertising mail, like all media, has specific strengths and benefits. As a mature channel to market, these are generally well understood and recognised. When asked to rank the importance of each reason for using advertising mail on a five-point scale, its proven effectiveness came out strongest (scoring 3.07 out of 5), closely followed by its positive return on investment (2.57). More sophisticated uses, especially in the context of integrated marketing campaigns, are less well supported overall - such as the ability to cut through digital clutter or using advertising mail to enchance response rates to digital marketing (both 1.35).

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

2.2 - Reasons for not using advertising mail

Chart 3 - Barriers to using advertising mail



(Scale - 5 = most important, 0 = not ranked)

Within integrated marketing campaigns, advertising mail has to compete for its place in the mix. At this point, barriers may be identified, some of which relate to the specific nature of the channel and others that reflect the user's own resources or the campaign brief. Cost is the primary barrier to use (scoring 3.25 out of 5). This is understandable when mail is compared to low-cost digital channels like email.

But marketers also noted their own lack of data or analytics (2.17) or a specific lack of expertise in advertising mail (1.41). However, when asked specifically to rate their skills level around planning integrated marketing campaigns, 59% of marketers described themselves as advanced and 36% as intermediate. This suggests that many of the barriers against advertising mail are perceived, rather than actual - most evidently among the 14% who said the primary reason for not using this channel was its association with the term "junk mail".

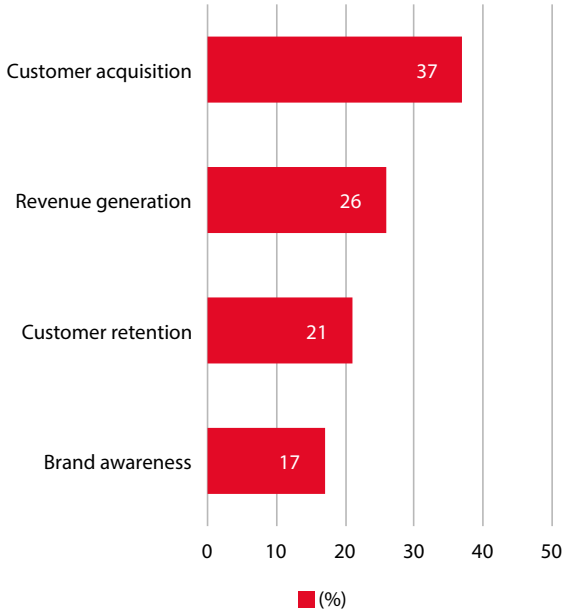
Evidence also emerged that many marketers are simply not considering advertising mail as an option at all - 12% exclude it primarily as inappropriate, not specified for campaigns or having no place in the marketing mix. This is likely to reflect a "digital-first" or "digital native" view of media options.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

3. Goals and metrics for advertising mail

3.1 - Specific campaign objectives for advertising mail

Chart 4 - Goals ranked highest



Marketing has a job to do. For nearly four out of ten marketers (37%), when it comes to their primary stated reason for using advertising mail, that job is to acquire new customers. By contrast, just over one in five marketers (21%) said their first reason for the use of advertising mail was customer retention.

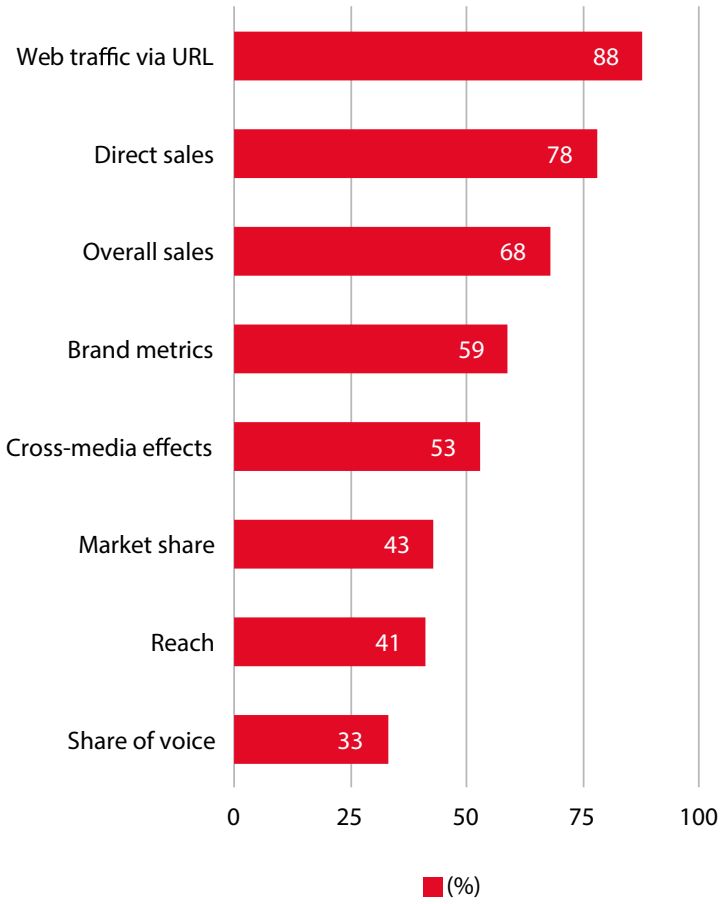
While this might initially seem surprising, given the well-known cost differential in retaining customers compared to winning them and the long-term positive effect this has on profitability, it should be remembered that marketing departments (and agencies) are usually deployed as agents of growth. If the objective is to increase market share and gross customer volume, acquisition will naturally be the main purpose of any activity - especially in a high-cost medium like advertising mail.

More notable is the primary goal which 26% of marketers set for their mailing campaigns - to generate revenue. This indicates a direct responsibility for measurable impact on the bottom line - not something that marketing has always been tasked with (or is capable of measuring). Conversely, soft objectives in the form of brand awareness are the least often stated as the primary goal.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

3.2 - Success metrics used for advertising mail

Chart 5 - Success metrics used



To understand if advertising mail is having the desired effect, marketers need to use the right metrics. It is notable, therefore, that the most common measure of success (used by 88%) is a cross-channel indicator - traffic to a specific URL. This strongly indicates that advertising mail is now understood to be central to integrated marketing campaigns, rather than a purely stand-alone medium.

That said, 78% of marketers measure sales directly attributable to advertising mail. In most cases, mailers will include specific offers or deals which are available via a specific URL (or other response channel), enabling these sales to be tracked.

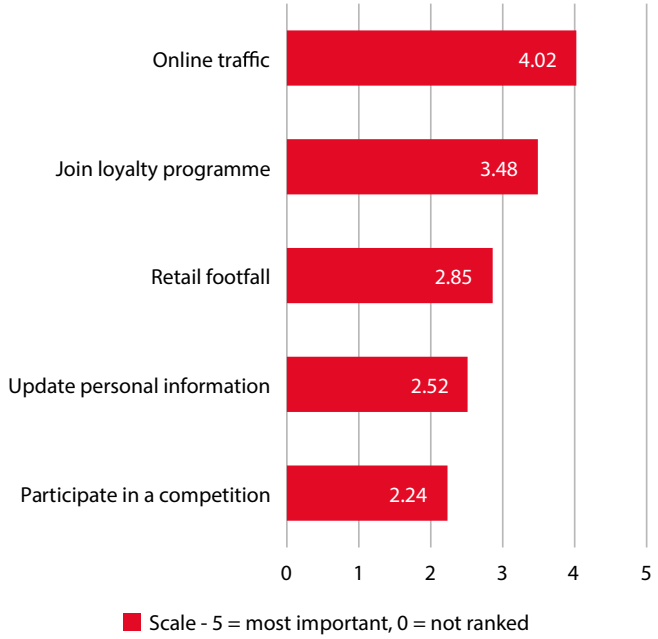
Marketers using integrated campaigns also apply a wide range of more sophisticated, but indirect indicators that their mailshots are working, such as overall sales (68%), brand metrics (59%) or cross-media effects (53%). Advertising mail in these cases is likely to be tasked with secondary objectives in support of campaigns, as well as specific goals for sales or online traffic.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

4. Advertising mail in the customer journey

4.1 - Response mechanisms in advertising mail

Chart 6 - Response mechanisms



(Scale - 5 = most important, 0 = not ranked)

Call to action is the critical dimension of advertising mail, triggering a response from the recipient towards a marketing outcome. Driving traffic to a specific URL to find more information or make a purchase is the most highly-ranked mechanic in use (ranked 4.02 out of 5), reflecting the use of web traffic as the leading success metric. Almost half of marketers (44.8%) ranked this mechanism as the most important in their integrated marketing campaigns.

By contrast, driving traffic instore gains the third highest ranking (2.85). This mechanic is appropriate where a company has retail outlets. Around one in five marketers (18.4%) said this was their most important response mechanism.

Engaging consumers in a loyalty programme is now the second most-used response mechanic for advertising mail (3.48). Large-scale loyalty programmes have long used mailings to deliver rewards and trigger redemption and 27.3% of marketers have this as their primary response channel.

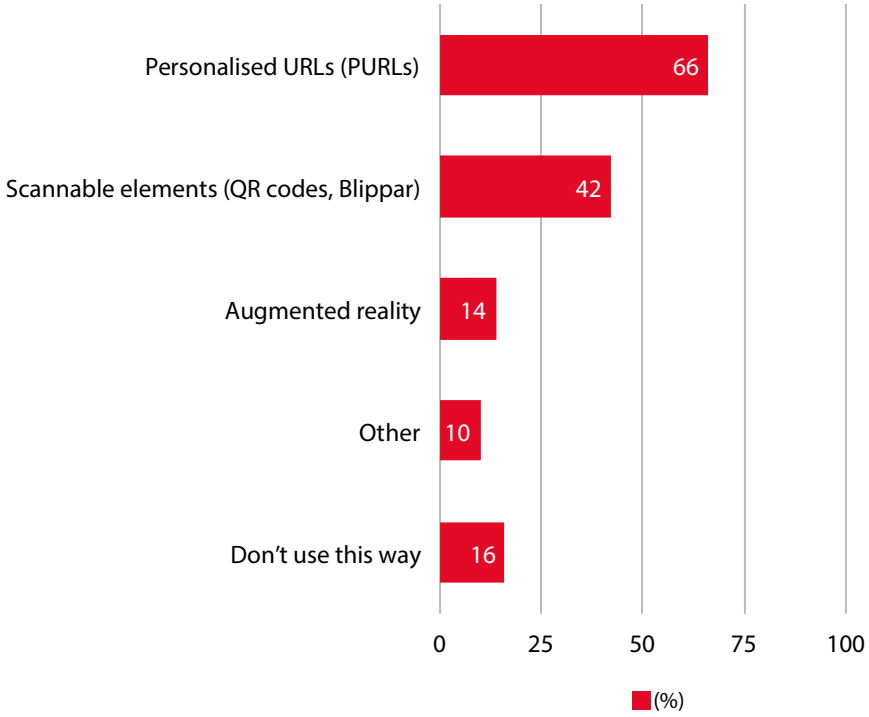
The use of a mailshot to encourage individuals to update their personal information (2.52) is a notable mechanism, given the growing demand among consumers to have more control over their data. More conventional mechanics, like competition entry, are the least used (2.24) but still have a purpose in specific circumstances or for the right product or service. However, only 3.4% said this was their main response mechanic.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

5. Advertising mail and digital marketing

5.1 - Driving advertising mail recipients online

Chart 7 - Techniques used to drive online traffic



The step from receiving advertising mail to going online is critical to the success of an integrated marketing campaign. In the new mobile-first era this has become much easier to achieve as a result of techniques which ease the movement from printed material to online content. Providing a personalised URL is the most-widely used, with two-thirds of marketers deploying this approach (which also makes tracking and measurement of the impact of advertising mail much easier).

Mobile-specific techniques, like QR codes, remove the need for consumers to type out a URL in their browser and lead straight to micro-sites and mobile-friendly content. Four out of ten marketers have adopted this technique. More advanced mobile-specific techniques, like augmented reality, have so far only been adopted by a smaller group (14%) and16% of marketers have no link between their mailshots and online presence.

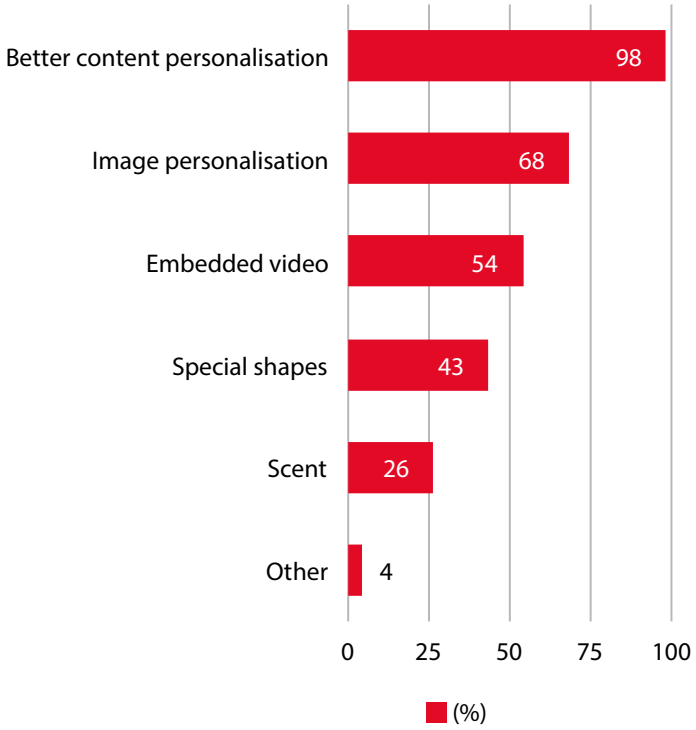
There also needs to be an incentive that triggers the action required. What is notable about the ones used by a majority of marketers is that they are not unique to driving online traffic - each of them could also be applied to retail or postal responses. Only access to exclusive content, which 46% of marketers include in their advertising mail, gives a specifically digital dimension to the response.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

6. The future of advertising mail

6.1 - Technological enhancements

Chart 8 - Technology innovations that would enhance role of mail



The addition of mobile-friendly response mechanics, like QR codes, have been important for the continued role of advertising mail in the marketing mix. Digital markets often rely on simple metrics, such as last click. Physical media has struggled to compete with this. Further technological innovations are being pursued by mail production manufacturers and there is a reasonable demand for them. Over half of marketers (54%) say embedded videos would enhance advertising mail, while one quarter (26%) can see a role for scent applications.

Nearly every marketer (98%) would welcome better content personalisation and 68% think image personalisation would be an enhancement, even though both of these are currently possible with existing production resources.

Further reinforcement of this view comes from the 78% of marketers who said in a separate question that data-driven mail will be the next major innovation, overlooking the fact that it has already arrived. This suggests that the lack of data or analytical resources identified by some marketers may be more widespread when it comes to applying them to a physical medium, as opposed to a digital channel.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

Methodology

The Mail Matters report is an initiative undertaken by the DMA and sponsored by Ricoh. This was conducted during November and December 2014 via a survey that was hosted online and also telephone surveys via research agency ICM. This was promoted on the DMA homepage and added to some relevant DMA-member newsletters, social networks and websites. Therefore, both DMA members and non-members were surveyed and a range of geographic locations were reached. The data was collated and analysed by the both the DMA's research department and the multi-dimensional scaling tool MarkSim before being sent to the report writer. The analysis was checked through for any discrepancies and the report proof read by the DMA. The report was designed in-house by the DMA's design team.

The survey consisted of both qualitative and quantitative question types in order to get valuable information that would be useful to both client companies and agencies using mail advertising and mail related products and services. 113 responses were recorded.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

About DMA

The DMA provides guidance and support to help its members put their customers at the heart of their one-to-one communications to give them the rich benefits of a much more relevant, welcomed and effective relationship with each individual customer.

The DMA aspires to facilitate its members' marketing evolution with the opportunities, advice, support, networks and tools to be able to reach the sensitivity and sophistication of marketing to build their future prosperity – along with the success of the industry as a whole.

Published by The Direct Marketing Association (UK) Ltd Copyright © Direct Marketing Association. All rights reserved.

www.dma.org.uk

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

About Ricoh

Ricoh is a global technology company specializing in office imaging equipment, production print solutions, document management systems and IT services. Headquartered in Tokyo, Ricoh Group operates in about 200 countries and regions. In the financial year ending March 2014, Ricoh Group had worldwide sales of 2,195 billion yen based on the IFRS accounting standard (approx. 21.3 billion USD).

The majority of the company's revenue comes from products, solutions and services that improve the interaction between people and information. Ricoh also produces award-winning digital cameras and specialized industrial products. It is known for the quality of its technology, the exceptional standard of its customer service and sustainability initiatives.

Under its corporate tagline, 'imagine. change'. Ricoh helps companies transform the way they work and harness the collective imagination of their employees.

For further information, please visit www.ricoh.co.uk

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015

Copyright and disclaimer

The *Mail Matters 2015* is published by The Direct Marketing Association (UK) Ltd Copyright © Direct Marketing Association. All rights reserved. No part of this publication may be reproduced, copied or transmitted in any form or by any means, or stored in a retrieval system of any nature, without the prior permission of the DMA (UK) Ltd except as permitted by the provisions of the Copyright, Designs and Patents Act 1988 and related legislation. Application for permission to reproduce all or part of the Copyright material shall be made to the DMA (UK) Ltd, DMA House, 70 Margaret Street, London, W1W 8SS.

Although the greatest care has been taken in the preparation and compilation of the *Mail Matters 2015*, no liability or responsibility of any kind (to extent permitted by law), including responsibility for negligence is accepted by the DMA, its servants or agents. All information gathered is believed correct at March 2015. All corrections should be sent to the DMA for future editions.

COPYRIGHT: THE DIRECT MARKETING ASSOCIATION (UK) LTD 2015