

Direct Mail Makes a Comeback

MARKETING
WHITE PAPER

by Henry Eason and Rosalie Bulach

Summary

Companies and organizations have spent many billions on e-mail and other Internet message delivery mechanisms over the past decade, often at the expense of more traditional marketing methods, like direct mail. But in



some respects e-mail has failed to live up to its initial promise. And marketers who are turning back to tried-and-true methods like “snail mail” report excellent results, often better than e-mail.

According to a 2005 Direct Marketing Association (DMA) comprehensive study of marketing tools, e-mail produces the best return on investment and is the cheapest and fastest direct marketing tool. But only a fraction of the average company’s prospective customers opt in to most rentable lists. And it can be against federal law to send commercial e-mails to people who have asked not to receive them. It’s spam. If companies play by the new rules, they cannot get their marketing messages to the vast majority of their prospective customers using e-mail.

So marketers are going “back to the future” by reinvigorating their marketing campaigns with renewed investments in printed and mailed materials to complement or substitute for e-marketing methods.

Why Direct Mail Works

In a recent article in *B2B Marketing Newsletter*, a publication of the Business Marketing Association, consultant Eric Gagnon described direct mail as the “workhorse” of every business-to-business marketing program. “While the buzz these days is all about Internet-based marketing—Google AdWords and e-mail marketing programs—direct mail is still the mainstay of most business-to-business marketing and lead-generation programs: where there’s a readily-identifiable mailing list of plausible prospects, and a mailing piece to send to them, there’s a profitable marketing project waiting to happen.”

Direct mail is effective at focusing marketing strategies on vertical markets that can be reached by renting targeted mailing lists. Says Gagnon, “the most important element of any direct mail project is the mailing list.”

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Increasingly, marketers are finding that postal-mailed printed materials are better for prospecting new business because marketers can have access to entire lists, such as subscribers to a trade magazine or members of an association. Rarely more than a fraction of publication subscribers or association members opt in to a permission-based e-mail list. And the more “selects” required, such as job function, industry or number of employees, to carve out the best segment of the list to reach a particular target, the fewer

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names remain. Marketers who want to reach almost everyone who can be a customer must use direct mail in their multimedia mix.

For instance, only 31% of the subscribers to *InformationWeek* magazine agreed to receive e-mail, only 55% of *Chain Store Age*, and 65% of *Sales & Marketing Management Magazine*. To reach all of the subscribers of these influential industry publications, you must rent these lists and send them a direct-mail piece.

E-mail’s second major limitation as a cold-call leads-generator is deliverability.

Spam filters, frequently changed e-mail addresses, multiple e-mail addresses for the same person, list churning and unreliability in e-mail dissemination mean that a substantial minority of e-mails that are sent don’t get delivered.

In an environment where success or failure is measured in tenths of a percentage point, every e-mail message that fails to get through to its intended recipient is a lost opportunity. Industry estimates indicate that the proliferation of spam filters has created a virtual spam filter minefield, which traps as much as 14-25% of e-mail messages broadcast for legitimate marketing purposes. And marketers rarely know who didn’t get their message.

Messages trapped by spam filters are shown as delivered on e-mail transmission reports. That is, recipient e-mail servers do not reply back to the senders to notify them that the message was trapped by the spam filter. There are tactics that can be used to substantially increase the likelihood that the e-mail will avoid spam filters, but there is no guarantee.

Not every printed piece gets to a prospective customer either. Many direct marketing professionals acknowledge that direct mail can’t reach everyone on a list. But there is no such thing as a spam filter in the direct-mail universe and at least there are postal mechanisms for reporting which pieces cannot be delivered.

Ninety percent is the standard guaranteed delivery rate of a direct-mail list, but e-mail delivery rates are usually high, too, and you only pay for the quantity delivered. The problem is that you don’t know how many are trapped by spam filters.

Rich Carango, vice president of marketing agency Schubert Communications in Downingtown, PA, was quoted recently by *DM News* as saying flatly, “There is a souring about the feeling of how well e-mailing is working, mostly because of spam filters.”

His agency also guides their clients more toward direct-mail tools like newsletters and postcards.

Direct mail “is kicking butt,” Laurie Beasley, president of Beasley Direct, recently told a Silicon Valley audience of mostly technology marketers. She strongly recommended its use along with effective e-marketing methods, which she says can be made more deliverable employing certain techniques her company uses.

Direct Mail: Good ROI

Reports *B-to-B* magazine in its July 10 issue, “In a bright spot for traditional media, (forecaster Robert) Coen said, despite the postal rate increase in January, direct-mail advertising in the first quarter grew 3.5% over the year-earlier period to 20.6 billion pieces.” He said marketers’ renewed interest in gaining better ROI is driving them to use direct-response marketing methods.

Many young people who grew up on the Internet enjoy communicating by e-mail or instant messaging and have never learned the mechanics—and benefits—of direct mail. They have little experience with the complexities of list acquisition, distribution, printing and the strategies and tactics of direct-mail creative. This generational predisposition toward e-marketing tools often means that companies are not taking advantage of all the direct-marketing methods that are available to them. But the trend is changing.

The DMA, representing mail, phone and online direct marketers, in its 2005 response rate study demonstrated a noticeable growth in corporate use of direct mail, after some years of decline. In its review of 21 industries, from computers to agriculture, the DMA documented direct mail edging out e-mail response rates by 2.77% to 2.48%.

E-mail outperformed direct mail in the study as a lead generator 3.15% to 2.15%, but, again, the results are considerably diluted by the fact that only a comparatively small proportion of potential customers on lists agree to receive e-mail. A fairly higher percentage of those became leads, but the statistical majority of prospective customers have chosen not to get unsolicited e-mails.

In some important respects, direct mail bested e-mail in the DMA test. Direct-mail response rates were even higher than e-mail in the online-oriented computer and electronic products industries (3.14% over 3.02%). Direct mail out-performed e-mail in other areas, such as revenue per contact (\$0.85 over \$0.18), traffic generated (5.84% over 1.54%), fundraising (5.08% over 0.66%) and direct order (2.20% over 2.07%).

A June 2006 article in *DM News* entitled, “Mail Withstands BTB’s Online Shift” quotes mega-direct marketer Harte-Hanks SVP Matthew Rosenblatt as saying that in spite of the

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money gushing into Internet promotional vehicles, “mail remains very powerful, particularly when used in conjunction with online strategies.”

DM News notes, “Mail also is a better driver than e-mail when C-level executives are the target audience. At this level the best types of communication are either dimensional pieces or very simple personal letters.” Some direct marketers have observed that younger workers have a greater tendency than senior executives to opt in to e-mail lists.

Steve Middleton, EVP of Strategic Planning for international marketing services agency Publicis Dialog says “E-mail is still an extremely effective mechanism for campaigns sent to our customers’ internal databases. When it comes to using external lists, however, the response rates have dropped precipitously over the last five years and yet the price for the lists has remained constant. The result is that the cost per lead for e-mail has been driven up significantly. With many of our large, blue chip accounts who used to use e-mail as their primary lead generation vehicle, we are now seeing response rates and cost-per-lead ratios from direct mail that far surpass the results from e-mail.”

Marketers can draw from a wide variety of direct-mail vehicles to suit specific campaign objectives: letters, packages, promotional items, postcards, brochures and publications like newsletters.

Printed direct-mail communications give marketers total control over the look and feel of the final piece.

Some companies have used newsletters as very effective lead-generation, cross-selling and relationship-growing tools, empowered by comprehensive databases provided by list brokers. Newsletters are often the most effective type of direct mail because they are less likely to be discarded in corporate mailrooms than brochures. They reach targets’ desks—the first threshold a direct-marketing campaign.

Secondly, newsletters are often better read than brochures because they are perceived as more informational and less promotional, contain success stories of customers who use a company’s services and products, use compelling artwork and graphics, feature product information and useful industry news,

drive prospects to web sites and can help gather marketing research. They can even have persuasive PR value when you send them to reporters, editors and producers who use them for article ideas.

Direct Mail: Using Graphics to Market

A picture is not only worth a thousand words in marketing. It’s also worth a heck of a lot of money in increased response rates, say graphics communicators.

One frustrating thing about e-mail communications is a marketer’s inability to use many images to present information, particularly complicated information. E-mail limits

the use of complex graphics, since long download times can be annoying to prospects and some graphics never reach targets at all.

Furthermore, it is difficult to get the kind of reaction from an e-mail subject line that you can get from an emotionally evocative image on a brochure or publication cover that works with compelling copy. With direct-mail pieces, you can get more of your message into the hands of your target audience. The challenge with an e-mail subject line is that you've only got a few short words, coupled with the "from" line, in order to influence the maximum two-second read or delete decision. At least with a hardcopy mailing, your piece gets into the recipients' hands and has more "real estate" to persuade them to open it rather than throw it away.

Limitations on the use of graphics in marketing deprive a communicator from using essential aspects of the marketing spectrum. In addition, it is challenging for marketers to completely control the final look of e-mail communications. Unless they are very carefully coded to ensure the proper use of HTML escape sequences, the actual image may vary when viewed from different browsers. For example, a question mark may appear instead of an apostrophe and graphic images will vary when viewed on different monitors or output on inexpensive desktop printers.

Mailing, calling, e-mailing when possible, and mailing and calling again is a winning combination.

In contrast, printed direct-mail communications give marketers total control over the look and feel of the final piece—from the photo quality to the paper stock. The power of visuals is strong in our fast-paced society. Generations raised on television are influenced by visuals and are less inclined to read text-heavy communications. Striking visuals entice prospects to read and respond to printed direct-mail pieces. They also better explain complex subjects.

The DMA study also revealed very high performance rates from "dimensional" direct mail, defined as mailings shaped other than the standard envelop stuffed with letters and materials. In fact, dimensional direct mail pulled

dramatically better than standard commercial marketing mail.

Dimensional mail can take the form of imaginative objects sent to creatively illustrate a marketing campaign, like a football or an orchestra conductor's baton sent to an executive with a message tie-in. Average response rates on dimensional mail over letter mail were 3.67% compared to 2.77%. Dimensional direct mail produced lead generation results of 5.4% compared to 2.15% for traditional direct mail.

Conclusion: Direct Mail Enhances Other Marketing Methods

Direct mail is a key instrument in your direct marketing symphony, perhaps the most important. Most marketers support research findings that every form of marketing enhances the effectiveness of every other form. All instruments playing together make

great music, if skillfully executed and driven by well-researched and talented creative. There is as much art as science in selecting the right media mix.

Each marketing challenge will necessarily produce a unique campaign. And yet, research and the case-history experience of many marketers support the contention that mailing, calling, e-mailing when possible, and mailing and calling again is a winning combination in generating leads in a business-to-business and many business-to-consumer environments. Naturally, the bigger the price tag on a company's services or products, the more contacts will be needed to support a sale. Hence, the need for multi-media orchestration.

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