

The Direct Answer

Interest in Direct Mail Solutions for Standard Mail® takes off as organizations look for effective ways to engage consumers.

WHITE PAPER



The combination of channel complexity, information overload and new-found competition has made it extremely challenging to engage customers in effective, cost-efficient ways.

Consumers have adapted to the rapid increase in communication channels, relying on spam filters, do-not-call lists and quick decisions to avoid information overload. Today, everyone finds ways to filter information.

These filters, however, can make it difficult to connect in a meaningful way. It is even more difficult to engage customers in a cost-efficient manner.

In this environment, many organizations are increasing their reliance on direct mail solutions for Standard Mail®, a proven channel with response rates that can exceed digital alternatives. As such, printers and mail production teams are now looking for an edge—innovative ways to improve workflows, increase response rates and lower costs.

This Pitney Bowes white paper looks at recent changes and innovations in technology and mail operations and highlights five strategies that can improve the overall effectiveness of direct mail solutions for Standard Mail®.



The growing need to engage customers more effectively

You would think in a world of Twitter, Facebook and 24/7 text messaging, organizations would have no problem staying connected to customers and prospects. However, the combination of channel complexity, information overload and new-found competition has made it extremely challenging to engage customers in effective, cost-efficient ways. A typical adult may be exposed to anywhere between 600 to 3,000 promotional messages each day...not to mention the countless social interactions and work-related e-mails that clamor for attention. Many simply choose to opt-out, toss out or simply delete these contacts rather than wade through the clutter. Spam-filters, do-not-call lists and unsubscribe buttons have put consumers in control.

Marketers are constantly developing new channels of communication; but organizational silos and disparate systems make it difficult to communicate a consistent, well-targeted message in the channel that a particular customer prefers. Compounding this challenge, managers face tighter budgets and renewed pressure to increase returns on every investment.

In this environment, direct mail has emerged as one of the top choices for organizations looking to increase sales revenue. It is also a channel consumers trust, with 60 percent of consumers preferring direct mail for marketing messages¹.

Direct Mail— delivering higher impact at lower costs

Savvy businesses know that direct mail remains one of the most cost-efficient communication tools available for customer engagement. Consumers still trust mail, especially for highly confidential or sensitive communications. In fact, 81 percent of consumers say they read or at least scan their direct mail².

New techniques and technologies enable mailers to create customized communications that can make a bigger impact at a lower cost. When applied to direct mail, these personalization techniques can increase the ability to connect and engage with consumers at the most efficient cost.

Consumer trust and interest in direct mail is evident in the results, as mail campaigns generate significantly higher response than digital channels. In the DMA 2012 Response Rate Report, response rates for direct mail to existing customers averaged 3.40 percent, compared with 0.12 percent for e-mail, which is roughly a 30-fold difference³.

However, direct mail does have some perceived drawbacks. By definition, it is not a priority for the USPS, and mailers often have difficulty predicting in-home delivery dates. Consumers may refer to direct mail or Standard Mail® as “junk mail,” a reference to the fact that some mailers will send the same un-personalized mailer to “current resident,” regardless of whether it is relevant or not. Some marketers object to direct mail because they believe only older consumers will pay attention. However, this last presumption can be costly, as Nielson reports that 92 percent of millennials are most influenced by direct mail⁴.

Not surprisingly, mailers and service bureaus are looking for innovative ideas and new ways to achieve even stronger results through the mail.

Five ways to increase your direct mail ROI

In today’s environment, organizations need to take another, objective look at direct mail solutions for Standard Mail®. Market leaders have adopted five strategies that can be easily implemented, especially if mailers work with experts in the field of direct mail and data management.

Best of all, these strategies also improve the overall consumer experience, as your direct mail can now deliver more personalized, more relevant, more timely messages than ever before.

1. Automated presort delivers big savings

Postage remains one of the biggest expenses of any direct mail campaign—and one of the easiest ways to increase ROI is to lower your postage investment.

The simplest cost savings strategy is to optimize your presort, achieving greater discounts by reducing the amount of work required by the USPS. When you can sort your mail at the 5-digit ZIP Code™ level, for example, you can save almost four-cents per piece—savings that add up quickly when you are sending a high volume of mail.

For large businesses handling mail operations internally, the right software can make a world of difference in creating efficient print and mailstream operations. Many software platforms can be readily integrated into already existing systems, making it easy to get postage discounts without significant budget outlay. If you are a service bureau, or send mail in-house on a regular basis, it often makes sense to sort mail physically using sorting equipment—which can run as fast as 50,000 letters per hour. Advances in sorting technology have led to the creation of new, smaller sorters that make in-house sorting a good option for organizations.

Some businesses do not have the time or expertise—or the desire—to implement presorting onsite. In these cases, external presort service providers can offer sophisticated technology and the volumes necessary to optimize presort density. For businesses looking to work with an external presort service provider, it’s important to select a specialist with a national presence as these organizations can maximize postal discounts and increase the speed of in-home delivery.

Presorting your direct mail does not have to be an all-or-nothing proposition. Increasingly, high volume mailers are presorting mail in-house, and then sending any pieces that do not qualify for the lowest postal rates out to an external presort service provider for added savings. This hybrid model helps ensure that more of your mail benefits from 5-digit sort rates and streamlined delivery.

2. Boost open rates—and response—with relevant personalization

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No longer limited to just personalized address and salutation, new print technologies make it easy to create customized messaging on the outside of the envelope—as well as within the body of the letter. Using new data tools, businesses can leverage insights into a customer’s preferences and purchase patterns to create messaging that is specifically relevant to that individual. These personalized messages increase both open rates and response rates—while achieving the same postal discounts as non-personalized offers.

Mailers are also adding personalized Quick Response (QR codes) to their envelopes and mailpieces—making it easy for mail recipients to link to personalized Web sites using their smartphones. This ability to create a multichannel experience—with the same offers and messages in all media—can dramatically improve response.

While personalization provides a highly effective way to increase impact, it does require significant data quality and data hygiene processing. Incorporating routine data hygiene tasks into direct mail practices will help ensure that your mailing lists are accurate, uniform, and maintained over time as customers come and go.

3. Induct mail closer to its final destination for faster, more consistent delivery

The official USPS® delivery standards for Standard Mail® are two to nine days, with no delivery guarantees. For marketers, this represents a challenge: how do you time your direct mailings to optimize specific events (such as a sale) or coordinate activities across multiple channels?

That’s why many in-house mailers are now adopting Drop Ship strategies, where mail is split, shipped and inducted at Post Office facilities closer to its final destination. Drop Ship, or destination-point induction, is a strategy to maximize postal

discounts and help ensure quick delivery—enabling mailers to gain control of in-home dates. This new approach helps mailers to achieve more precise delivery windows for their direct mail, often within a one- or two-day range. The faster mail can reach its intended recipient, the more quickly that recipient can take advantage of the offer, too.

Here is how it works. The closer you take your mail to its final destination, the less postage you pay. For Standard Mail®, mail is dropped off at a USPS® Network Distribution Center (NDC) or Sectional Center Facility (SCF). After the recent postal reorganization, USPS® distribution maps are actually more consistent for better delivery consistency in every area, eliminating lag time, especially since mail is placed in walking order prior to distribution to local post offices. This eliminates the possibility of holding Standard Mail for slow mail days.

If you currently presort your own mail, new software solutions make it easy to sort mail into region-based mail pallets, so you can then deliver these pallets via private shipping companies to USPS® locations throughout the United States. This can help mailers dramatically reduce their overall postage costs, even when you consider the additional cost of private shipping. Drop ship savings can be up to 23 percent. Plus, mailers won’t pay postage until it is actually inducted into the USPS® system—which improves your cash flow, too.

If you work with an external presort services provider on mail presorting, you can also take advantage of drop ship benefits if you choose a third-party specialist with a national network of operational centers. Leading service providers maintain dedicated transportation departments that coordinate shipping across the country, work with large national and regional consolidation partners, deliver directly to national and regional consolidation centers, and self-deliver to local SCF’s. In many cases, these networks can induct as much as 82 to 87 percent of mail at the destination SCF, bypassing many USPS stops along the way.

Even envelopes, once a blank canvas for addressing, can now become masterpieces of promotion as technology allows for printing inside the envelope and exterior wrappers for enhanced personalization.

Increasing the value of mail operations

While mail production is traditionally seen as a “back office function,” some operations directors are demonstrating the value of their department by educating their marketing counterparts on the value of mail, especially the new capabilities that make it easy to:

- Coordinate multichannel efforts
- Manage and control in-home dates
- Increase response with more personalized content
- Achieve consistent postage costs, regardless of mail volumes
- Automatically track and monitor results

4. Increase your impact with variable, color print

For years, direct mail was often seen as a high-volume, low-creative communications vehicle that was relied upon for efficiency and effectiveness rather than visual impact. However, the new economies of digital color printing have changed the game and direct mail letters can be personalized in vibrant, attention-getting color.

Even envelopes, once a blank canvas for addressing, can now become masterpieces of promotion as technology allows for printing inside the envelope and exterior wrappers for enhanced personalization.

One-size-fits-all content cannot match the relevance and response-generating abilities of personalized color messaging inside and outside the envelope. In fact, studies show that consumers are 70 percent more likely to open a mail piece with color text and graphics on the front before opening pieces with no headline or graphic⁵.

Today’s print and mailstream processes enable 100-percent variable printing within highly efficient production timeframes. Mailers can imprint an address, postal barcode, logo, return address, targeted message and targeted image in a single

pass without any slowdown in mail production. Mailers can use any or all of the existing “real estate” on documents to create personalized color messaging and transform even transactional documents into data-rich customer communications that can drive new revenues.

5. Gain visibility into the mailstream

A decade ago, direct mail offered little in terms of data and reporting. You would know the total volume mailed—and months later you could compare that to your orders to determine your overall response rate.

Today, barcode technologies and online dashboards provide piece-level tracking and detailed financials, which provide managers new ways to coordinate multichannel efforts, increase response and maximize campaign ROI. With the right tools, you can:

- Validate that all of your mail is inducted on the date promised
- Monitor each piece as it moves through the USPS® network
- Track when each piece arrives at a local post office for its final delivery
- See when a customer responds to your offer—even before you receive that response

When mailers can track who receives an offer—and just how and when that customer responds—they can refine customer engagement strategies to create effective offers in the future. The Intelligent Mail® barcode (IMb™) makes this possible.

With IMb, a required element for direct mail preparation as of January 28, 2013, organizations need to make sure they have the wherewithal to capture and leverage this new-found intelligence.

There are two versions of the IMb. The Basic option is priced at the same rate as the current POSTNET™ barcode options. The Full-Service option, which requires unique barcodes on

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each and every piece, also provides for additional postal discounts. Even if you mail as few as 500 pieces, you can take advantage of the increased visibility offered by piece-level barcodes.

In terms of capabilities, organizations need a way to generate the barcode, print the barcode, capture USPS data and generate action-oriented reports. Organizations can achieve this using software and hardware, or by working on mail preparation with an external presort services provider that has invested in technologies that maximize the value of barcode intelligence.

Also, some third-party specialists also provide 24/7 access to incident and geo-location tracking for greater visibility. As technology continues to evolve, large national service providers will be able to track weather patterns, traffic accidents and road construction so trucks used to ship mail to local USPS® facilities can be quickly re-routed to avoid any possible delays.

Making the most of a good thing: Direct Mail

For organizations looking to increase efficiency and effectiveness of customer communications, now is the time to take a closer look at direct mail solutions for Standard Mail®. While IT heads and some marketers continue to search for the next best thing, direct mail has emerged as a proven communication channel that can create impact, deliver relevancy and boost response.

Organizations looking to connect with customers are finding innovative ways to improve on the time-tested approach to direct mail. Five strategies have risen to the top as the must-have capabilities to improve, strengthen and maximize.

- Innovations in presort are making it possible to achieve higher postage discounts—even on smaller campaigns.
- Personalization is helping to bridge the gap between physical and digital mail, with QR codes and mobile sites helping to ensure a consistent experience across all channels.
- National networks and enhanced software solutions have made it easy to induct mail closer to its final destination, providing even greater control over in-home dates.
- Variable color print has turned the promise of one-to-one communications into a reality, as marketers break through the clutter—increasing open rates and response.
- And, at a time when information is power, new visibility to mail processing helps coordinate efforts, confirm delivery and manage day-to-day tactics in a way to improve overall ROI.

Organizations committed to engaging customers in ways that improve revenue and reduce costs should look for solution providers that have broad-based expertise in print, mail, software and customer communication management. Such national players can help you achieve cost-efficient, high quality production and delivery of direct mail across all five strategies—raising the bar on what you can achieve through this proven communication channel.

For additional information on direct mail solutions for Standard Mail®, please visit www.pb.com.

Footnotes

¹ 2011 Channel Preference Study, Epsilon Targeting

² DMA Statistical Fact Book 2012

³ DMA 2012 Response Rate Report

⁴ Evolution of the Circular; Nielsen; 4Q 2011

⁵ Leflein Associates, "Physical mail preferred by many," April 2010



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