The FILLOW of Direct Mail 2023



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Introduction and abstract

Our mission

Given that our singular focus at SG**360°** is improving the performance of our clients' direct mail campaigns, we conduct annual market research to gain direct mail insights.

This year we wanted to understand from all possible perspectives:

- how consumers view and respond to marketing mail,
- what challenges and successes direct mailers have as we get a view into their marketing mix, and
- what results direct mailers are seeing.

Our 2023 survey participants

The data in this report was collected in March 2023, from:

- 427 B2C marketing leaders who use direct mail in executing their brand campaigns.
- **1,257 consumers** across all generations.

A few key themes became clear in the research analysis.

Direct mail is a marketing staple

Audiences, their preferences, and ways to reach them evolve over time. Direct mail keeps pace with these shifts, delivering for marketers coveted outcomes and KPIs that other channels cannot match. Indications are this will only improve over time.

Mailers are missing significant savings opportunities

Postage is the largest cost associated with direct mail. Postage cost optimization is hindered significantly by lack of knowledge, erroneous assumptions, and poor support. This keeps many marketers from utilizing readily available postage savings opportunities.

Robust customer data is essential to marketing performance

Direct mail's great results don't occur in a vacuum. The research shows the direct link between data quality and campaign performance.

Complacency is the enemy of success

New mailers, with fresh approaches and seemingly more aggressive cost-saving tactics, outperform veteran mailers in several ways.

What does all of this mean for your future with direct mail?

Let's find out...

Direct mail is strong and growing

Direct mailers report its benefits over other channels, and consumers report increased engagement.

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Direct mail is strong

Direct mail has stood the test of time because of the marketing results it provides. We asked marketers what benefits they get from using direct mail compared to other marketing channels.

They also report strong response rates*, reflecting healthy consumer engagement. +



∽ % of Marketers Who Attain These Benefits of Direct Mail

⊸% of Marketers, by Response Rate Range*



* Response rates include both customer and prospecting activity. Further, response rates vary by industry. For an industry breakdown, see *Methodology*, page 43. Marketers have consumers and their strong engagement with direct mail to thank for these results.

Consumers also acted on the direct mail they received in a + variety of ways.



at least 2 in 5 pieces of direct mail.

$^{ m o}$ % of Consumers Who Completed These Transactions After Receiving Direct Mail in the Last 6 Months

Purchased a physical product Took advantage of a discount/special offer Applied for a financial product Signed up/enrolled in a telecom service Made a charitable donation Applied for an insurance product Enrolled in a general service



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Direct mail is growing

More than half the direct mailers we surveyed were new mailers. Most of them plan on keeping the channel in their marketing mix for the next 12 months. -New Mailers' Direct Mail Plans for the Next 12 Months Might continue Won't continue

<1%

2023 saw 27% year-over-year growth in consumers who converted to a transaction as a result of receiving direct mail.

To understand this significant increase, let's look at the timing of the surveys.

When March 2022's 66% was collected, the prior six months were characterized by unusually large mail volumes. Responding to the end of COVID lockdowns, marketers shifted into overdrive to make up for missed opportunities, and were not as discerning with their targeting and personalization practices.

Compare that to the six months leading up to this year's survey, where marketers had rightsized their mail volumes and were more intentional with their audience targeting and messaging strategies.

We know these patterns occurred because we observed them first-hand. But also, consumers told us. They reported feeling positive about receiving marketing mail at a rate higher this year, increasing from 61% to 83%.





~ % of Consumers Who Feel Positive and Negative About Receiving Direct Mail



Consumers told us the make or break factors for their feelings about their marketing mail.

All of this data indicates that direct mail will continue to grow in effectiveness with consumers as mailers continue to hone their ability to target and message to audiences with precision.

That positive response from consumers is likely a contributing factor to why more direct mailers than last year plan to continue using direct mail for the year ahead.

Winterberry predicts most offline advertising channel spending will shrink in 2023, but has identified direct mail as one of the top three expected to grow.



more direct mailers than last

year plan to continue direct mail in the next 12 months.

Projected **direct mail spend increase** in 2023 over 2022.¹

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^{1.} Biegel, B., (2023) Outlook for Advertising, Marketing and Data, 2023: Clouds on the Horizon?, Winterberry

Direct mailers' **channel mix**

Direct mailers reveal their use of other channels.

Channel mix overview

Marketing leaders surveyed execute campaigns using a wide range of channels in addition to direct mail.

One caution: the channel that the largest portion of direct mailers plan to use, Content Marketing, was reported by consumers to be *least effective* at motivating them to act (tied with Event Marketing). Only 12% say it inspires them to take action. Every other channel listed had *more* consumers saying it catalyzes their response.

Marketers who plan to use Content Marketing or Event Marketing should evaluate ROI closely to ensure they deserve their place in your channel mix.



-• % of Direct Mailers Who Choose These Channels

Addressing diminishing digital returns

Direct response marketers show a softening of support for two long-standing digital channels: email marketing and online advertising like display ads.

These declines in future usage plans likely reflect the waning performance marketers encounter due to consumer digital fatigue (reported by 75% of consumers²), privacy regulations, and walled gardens.

Direct mail can be sent to any physical address with any offer because it is unconstrained by the same privacy restrictions.

Plus, consumers are generally less concerned about privacy when it comes to direct mail as compared to digital marketing efforts.

A direct mail bonus: its physicality engages more senses than digital does, making it a <u>more memorable</u> <u>consumer experience</u>.



• % of Direct Mailers Who Choose These Channels



of consumers have **fewer privacy concerns** with direct mail than with digital marketing.

VS.



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of consumers have more privacy concerns with direct mail than with digital marketing.

Direct mail retargeting

Retargeting is a tactic used with both direct mail and digital channels, but comparing the two is a little like comparing apples and oranges.

The same benefits marketers assign to direct mail over digital channels apply to retargeting:

- Increased conversion rates
- Larger average order values
- Improved return on ad spend
- Larger prospecting audiences

In fact, the results of pairing the converting power of direct mail with the timeliness of retargeting is <u>significantly higher</u> <u>return on ad spend</u> than with digital retargeting.

Direct mail retargeters used social media retargeting at a lower rate and SMS retargeting at a higher rate. 655% of direct mailers employ direct mail retargeting.

⊸ % of Direct Mail Retargeters Who Used These Retargeting Tactics, vs. Direct Mailers Who Don't Do Direct Mail Retargeting



Audiences and direct mail

Demographic insights point to what marketers can do to gain traction.

Generations

18-24 year olds: Direct mail opportunities

82% of 18-24 year olds are positive about the marketing ⊢ mail they receive, with 59% finding it personalized to them. ⊢

Direct mail engagement

Retail purchases are this group's most undertaken transaction as a result of receiving a mail piece, but they are *less inclined* to act on a **financial product** offer than anyone else under the age of 56.





of 18-24 year olds converted to a transaction as a result of receiving marketing mail in the last 6 months.

└─º 18-24 Year Olds Who Feel Positive About Their Marketing Mail: Top Two Reasons Why



I feel like marketing mail is **personalized to me.**

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Marketing mail usually includes a good deal for me on a product or service.

└-○ 18-24 Year Olds:

% Who Completed These Transactions After Receiving Direct Mail in the Last 6 Months







Other channels: A caution when targeting 18-24 year olds

This audience engages with online marketing efforts on par with most other age groups with one notable exception: 18-24 year olds predict they are the least likely of anyone under the age of 56 to respond to email marketing.

It's possible this low interest in email marketing is due to spam levels at the time this age group began using email.

Closely evaluate your ROI on email marketing with this age group. 18-24 year olds predict they will not act on email marketing.



The method is very spammy, which leads (to) a difficult time finding actual important emails from all the junk.

25-39 year olds: Direct mail opportunities

25-39 year olds are the most positive of all age groups about their marketing mail, and have the highest response rate to the mail they receive.



year olds

25-39 Year Olds:

% Who Completed These Transactions After Receiving Direct Mail in the Last 6 Months

Purchased a physical product Took advantage of a discount/special offer Applied for a financial product Signed up /enrolled in a telecom service Made a charitable donation Applied for an insurance product Enrolled in a general service



Consumer Quote

⁶⁶ A lot of times marketing mail shows you what you want or things that you didn't even know that you wanted. ₉₉

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Why 25-39 Year Olds Like Direct Mail



25-39 year olds: Opportunities on other channels

This group is influenced by social media and online ads at above average rates, so ⊢ coordinate their direct mail with those two channels for a potent ROI boost.



of 25-39 year olds are influenced by **Social Media** vs. 32% of all other age groups



of 25-39 year olds are influenced by

Online Ads

vs. 28% of all other age groups

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40-55 year olds: Direct mail opportunities

40-55 year olds have stronger positive feelings towards their marketing mail, at a rate of 86% ⊢ vs. the 81% average of all other ages.

The overall direct mail engagement rate for 40-55 year olds is roughly in line with the average of all other age groups.

But they are a bit above average when it comes to:

- Purchasing a physical product
- Taking advantage of discounts and special offers
- Purchasing a financial product



% Who Completed These Transactions After Receiving Direct Mail in the Last 6 Months

Signed up /enrolled in a telecom service

Made a charitable donation

Applied for an insurance product



Enrolled in a general service

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-∘ 40-55 Year Olds:

% Who Completed These Transactions After Receiving Direct Mail in the Last 6 Months, vs. All Others



This is the age group that most appreciates a good deal. -

-71%

of 40-55 year olds like direct mail because "Marketing mail usually includes a good deal for me on a product or service."

-> 40-55 Year Olds:

40-55 year olds: **Opportunities on** other channels

This age group predicts they will be somewhat more responsive to commercials/ video ads and marketing emails than the rest of the age groups. ⊢



All others

40-55 year olds

Actionable

Insight

Marketers should coordinate direct mail campaigns with linear TV, OTT, and CTV media buys and email campaigns to boost overall performance.

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56-74 year olds: Direct mail opportunities

A majority of 56-74 year olds have positive feelings about the marketing mail they receive.

While fewer consumers in this age group like their marketing mail than in younger age groups, they predict they will act on it more than all other age groups.

And over half respond to 20% or more of their marketing mail.





of 56-74 year olds respond to 20% or more of their marketing mail.

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Other channels: A caution when targeting 56-74 year olds

It was not surprising to find this age group less likely than the other consumer age groups to respond to digital channels, given they grew up in a mostly analog environment.



56-74 Year Olds:
 % Likely to Respond to Other Marketing Channels, vs. All Others

75+ year olds: Direct mail opportunities

Consumers age 75 and older claim to be the least influenced by marketing tactics in general.

When they are influenced by direct mail, purchasing a product and making a charitable donation are their dop conversions by far.

75+ year olds receive less mail than the average, and consequently engage with marketing mail less frequently. •

It is possible this age group is falling victim to some long-held marketing myths³ surrounding deficits of purchasing power and/or interest.





respond to 20% or more of their marketing mail

└₀ 75+ Year Olds:

% Who Completed These Transactions as a Result of Receiving Direct Mail in the Last 6 Months

46%





^{3.} forbes.com/sites/charlesrtaylor/2021/05/04/breaking-down-myths-about-marketing-to-older-consumers/

²⁵

Direct mail does influence 75+ year olds to visit a brand's website.



of 75+ year olds visited a brand's website

as a result of receiving direct mail.



Other channels: A caution when targeting 75+ year olds

This group reports strong use of Google, but is not heavily influenced by online ads. Content marketing does not even chart, and social media and influencers barely register with them.





Genders

Men and women:* Direct mail opportunities

A long-held marketing axiom has been, "Market to women, since they generally control household spending."

Our research should give marketers pause on that front; we discovered a number of areas where men outperformed women.



% Who Completed These Transactions After Receiving Direct Mail

* The 1% of respondents who identified as non-binary or selected "Prefer not to answer" are statistically insignificant and their answers have been filtered out.

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Men and women: Opportunities on other channels

Men and women predict they will respond to other marketing channels fairly evenly, though men are more responsive to commercials/video ads and online ads than women.



Winning over naysayers

Those who profess to dislike their marketing mail ("naysayers") make up only 17% of consumers. This is an all-time low over the last three years.

This year, we wanted to know more about these folks. It turns out they are mostly age 56 and older.



2022

2021

% of Consumers With Negative Feelings About Marketing Mail, by Age Groups

2023



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Cautionary tales

Many marketers are missing opportunities to improve campaign performance and increase ROI.

Proactively control costs

Like last year,⁴ this year's survey confirms that a surprisingly large number of direct mailers are not leveraging the multiple postage savings opportunities offered by the United States Postal Service. This year, we gained insight into why.

Because postage is the top cost of direct mail campaigns, marketers not participating in these savings opportunities are leaving significant money on the table.

Lesson #1 Use Automation Discounts

Most mailers use automation discounts to reduce postage. +

However, 27% do not, mostly because their mail package exceeds USPS specifications I to qualify.

48%

of mailers not using automation discounts miss out because their package **exceeds USPS standards.** % of Mailers Using Automation Discounts





Actionable Insight

If your package does not meet USPS requirements for automation discounts, find a mail design expert who understands the ins and outs of postal regulations. They can propose effective design/ content adjustments to make the savings worthwhile.

It is possible to redesign a parcel to mail at automated flat mail rates, potentially **saving more than \$2 dollars per piece in postage.**

Further, future campaigns and a testing strategy can be designed around leveraging Automation Discounts as much as possible.

^{4. (2022)} The Future of Direct Mail 2022, SG360°

Lesson #2 Leverage Commingling

Slightly more than half of mailers are using commingling to reduce postage on lowerdensity mail volumes that fail to fill USPS mail trays to specific zip codes.

That leaves 45% of mailers who do not use commingling, mostly because they perceive it to be cost-prohibitive. ⊸ % of Mailers Using
 Commingling



#1 Reason for mailers who do not use commingling

My mail provider charges too much for commingling.



Commingling does have costs associated with it. But competitive commingling pricing can **save up to \$0.05 per piece**—after costs for mail volumes not large enough to bypass early USPS sorting steps.

If five cents per piece doesn't sound particularly impressive, consider this example, where a home goods retailer realized \$400,000 dollars in postage savings in the first six months of their commingling program.

Before investing in a commingling program, have your provider evaluate your file to determine if the process will benefit you.

Lesson #3 Adopt USPS Promotions

36% of brands are not reducing postage bills ("nonparticipants") with USPS postage discount programs.

All the reasons those mailers give for not using these promotions come down to mail provider support. ⊸ % of Mailers Who Use at Least One USPS Promotion



$^{ m Lo}$ % of Non-Participants, by Reason For Not Using USPS Promotions



Actionable Insight

Depending on the specific promotion, mailers can save 3%-6% off their postage totals.

There are always opportunities to qualify for savings. The programs run on and off throughout the year, and new options are added regularly. <u>Access the 2023 details here</u>.

Find a partner who can:

- Educate you
- Help you apply and qualify
- Produce mailers that satisfy all USPS requirements

There can be manufacturing costs to meet some program requirements. But at large enough quantities, the earned discounts provide a **net savings, often in the sixfigure range.**

Know your audience

Direct mail performance and consumer actions demonstrate a number of lessons for marketers about the relationship between audience knowledge and marketing results.

Lesson #4 When people get more mail, they act on more mail

% of Marketing Mail Acted On by Consumers, by Pieces Received Per Week



Actionable Insight

"You miss 100% of the shots you don't take."

-Wayne Gretzky

Direct mail is proven here again to be powerful at inciting action.

Sometimes marketers tell us they fear landing in the mailbox with too many other marketing mail pieces. This data suggests it may actually gain you *more* attention.

However, in order to get the best results, refer to the lessons that follow. And remember the post-COVID lockdown phenomenon we referenced earlier... Honing targeting and relevancy resulted in higher conversions.

Lesson #5 Better data = better results

Superior marketing performance depends on a deep understanding of your best customers. In order to gain that understanding, you must have robust customer data.

63% of marketers graded themselves at the equivalent of a B- or below when it comes to how well they understand who their customers are and why they do business with them. For retailers, this was 77%.

Less than half of marketers have comprehensive address data on more than half their customers.

Yet, marketers with that data on over half their database achieve **25% higher response rates** than those without. 63% of brands, including
 77% of retailers, grade themselves



or lower, in understanding who their customers are.

• Only

of brands report

having both physical

and email addresses plus permission for outbound marketing for more than half their customers.



Actionable Insight

Build out zero and first party data, and enable it to be actionable in campaigns, as a key step to improve marketing performance.

Then use third-party data to create a robust knowledge set on your ideal buyers. So that you can message to them accordingly, know their:

- Demographic details
- Buying habits
- Recent purchase behavior
- Digital and social activity



* Response rates include both customer and prospecting activity. Further, response rates vary by industry.

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New

Lesson #6

Approach direct mail campaigns with a "Beginner's Mind"

The Zen Buddhist concept of "beginner's mind" states that if you approach every situation like it's your first time seeing it, you are better able to access new outcomes.

This may help explain new mailers generally outperforming veterans in postage savings and marketing results. ⊢

When comparing direct mail to other channels, more new mailers reported larger and more diverse prospecting audiences, and higher conversion rates.

Plus, more new mailers reported response rates over 3%. ⊢

Fewer veteran mailers utilized postage-reducing tactics when - compared to new mailers, and in some cases, seem to know less about savings opportunities.

vs. mailers new mailers saw larger/more diverse prospecting audiences compared to other marketing channels. more new mailers saw increased conversion rates compared to other marketing channels.





-24⁰ more new mailers use **automation discounts**.



o/ more new mailers use **commingling**.



Actionable Insight

New mailers have a fresh package and approach their strategy with a fresh eve.

Evidence that more data and a fresh package and approach attain better results demonstrate that all mailers should be continually looking for ways to:

- save on costs, and ۲
- engage in proactive and regular testing of offers, creative, packages in order to reap those new mailer benefits with constantly optimized results.

Success breeds complacency.

Complacency breeds failure.

Only the paranoid

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survive. 99
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-Andy Grove INTEL CEO (1987 - 1998)

Turning the findings into **action**

Direct mail accomplishes for marketers coveted outcomes that other channels cannot

Direct mail is a workhorse, with many benefits when compared to other marketing channels, including:

- The ability to <u>reach a larger and more diverse</u> prospecting pool
- Larger average order values
- Lower cost of acquisition/higher return on ad spend
- Higher conversion rates

Additionally, direct mail's place in the modern marketing mix is defined by its ability to achieve markedly higher response rates than any other channel.

By consumers, direct mail is well-revered and well-responded to. This is largely due to its delivery mechanism, which is unique to most other marketing today. Marketers can place a tactile object in-home and in-hand, and <u>leverage</u> <u>neuroscience and behavioral psychology</u> to their favor.

As long as these measures are true, direct mail will remain a key channel for direct-to-consumer marketing.

Mailers are missing significant savings opportunities

Significantly more new mailers than longtime mailers use automation discounts and commingling. If you are not doing either of these, give a hard look at your reasons why.

Almost every brand can save with commingling *without* losing visibility of their mail, with the

right provider. At SG**360°**, the way we build and process your mail.dat files, you'll know exactly where every name is located throughout the process should you need to make a change.

There's a gap in communication between direct mail providers and direct mailers that is impacting return on marketing investment. Find a partner who can educate you on all available postage discounts, and help you maximize your savings in a way that preserves or improves your marketing results.

Turn your customer data into wins, with direct mail and beyond

Post-pandemic marketer behavior gave us a unique glimpse into the impact that honing audience targeting and messaging has on marketing performance:

- +36% consumer positivity about their marketing mail
- +27% of consumers convert to transactions as a result of marketing mail

Leveraging robust data on your best customer is crucial to campaign performance. It is necessary to identify your best prospects to target next, and to lower your cost of customer acquisition.

At SG**360°**, we blend your customer purchase information with our analytics engine – a uniquely massive data warehouse containing 5,000 data elements on 99.9% of all 255 million U.S. adults. We create detailed profiles of your ideal buyers, and rank prospects based on:

- Their likelihood to purchase from you,
- Cost to reach them,
- Projected profit per sale, or
- Your essential KPIs.

Then our Audience Insights team can collaborate with your creative team on campaign preparation and creative review throughout. Or, leverage our direct mail strategists and designers to create your offer strategy and messaging for each audience group.

Optimizing direct mail, as with any channel, is an important best practice

The research uncovered that veteran mailers may be resting on their experience a bit too much. That new mailers earn more direct mail benefits and higher response rates shows the importance of continually optimizing direct mail performance.

The way to do this is through testing. It shouldn't be painful. SG**360**°'s direct mail strategy and customer data gurus can design a testing strategy around robust data on your best customer. We focus on lowering your cost of acquisition and achieving your favored KPIs.

SG360° can help

Leverage our:

- Expertise
- Equipment
- Data warehouse
- Strategic guidance

to create successful, targeted, omnichannel campaigns that **attract new customers**, **increase conversions**, and **grow revenue**.

Contact us today.



Scan the code or click <u>here.</u>

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METHODOLOGY

COMPANY PROFILE

In March 2023, SG**360**° partnered with a third-party who surveyed 427 direct marketers and 1,257 consumers in the U.S. All marketer participants worked at brands that used direct mail in the prior 12 months as part of their marketing mixes.

Marketer Respondents

OMPANY PROFILE			
B2C	100	+	
Business Type	Employee Coun	nt	
Y POSITION			
		/	
30%	20%	Ó	28
Manager	Senior Manager		Director
17%	9 %		6 %
Vice President	Senior Vice President		C-Suite
Y INDUSTRY			
Retail			21%
Consumer Goods		14%)
Financial Services Travel & Entertainment		13%	
Food Services		10% 9%	
Transportation		9%	
Non-Profit	4%	7 /0	
Business & Professional Services	4%		
Home Builders	4%		
Healthcare	3%		
	3%		
Education	3%		
Education Other	3%		

