



Direct Mail and Digital Media

An Integrated One-To-One Marketing Model That Drives Results



From anywhere... to anyone

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Version 6

ABSTRACT

A new era of one-to-one advertising is upon us, and it's calling on marketers to wear many hats. Today's customers are constantly bombarded with ads, dividing their time between scores of ever-evolving media, and tapping in to the web to compare and interact with businesses before making purchases. To get and keep their attention, marketers must find a way to cut through the clutter, reach them where they're spending their time, and engage them via ongoing two-way dialogue. It's a multifaceted challenge that demands an integrated multimedia solution—and that solution lies in the intersection between direct mail and digital media. Leveraging both channels together can help marketers:

- **Extend reach** – The age-old marketing mantra, “go where the customers go,” holds true in the digital age, and Canadians are among the most highly-penetrated web users in the world. But in order to maximize return on e-channel investments, marketers must work direct mail into their campaign mix. This trusted tactile media allows them to bypass the saturation of the web, and it has the powerful promotional and data-driven targeting capabilities required to increase reach and drive recipients to action.
- **Enhance customer engagement** – Engaged customers are more loyal, buy more products more often, and generate new leads via positive word of mouth. And when it comes to engagement, direct mail is where it all starts. This attention-grabbing medium enables marketers to drive customers to their online space, where they can take advantage of web-based social media platforms to create long-lasting connections.
- **Increase return on investment (ROI)** – Today's customers are tapping in to multiple sources to conduct product research and make purchases. And the influential recall component that comes into play when they're confronted with similar advertisements across different media has the potential to exert a potent influence on their purchase intent¹.

¹ Canada Post Market Research, CPC #09-204, “P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact,” October 2009

INTRODUCTION

“As global direct marketing continues to evolve, multichannel direct marketers have an extraordinary opportunity to lead all marketing into a new era of profitable global growth. No matter where you travel these days, direct and digital are combining—leading the way to a new world of one-to-one, intelligent advertising powered by data, analytics, and direct interactive response.”

— *The DMA, Annual Report 2009*

The media landscape is shifting beneath our feet, and we can all feel it. While in the past, advertisements were confined to traditional channels like television, radio and direct mail, we’re seeing more and more augmented reality (AR) technology popping up everywhere, from our mobile phones and inboxes to the social networking sites and web pages we visit. It’s a shift that’s reshaping the social dynamics of our day, including what it means to be—and reach—a customer.

With advertising messages coming at them from all angles, customers’ attention is now fragmented. They’re taking advantage of the internet to filter these messages, evaluating and comparing brands before making purchase decisions. What’s more, these net-savvy customers have been empowered by the voice that web-based social media platforms has afforded them. They want to be engaged, and they’ve come to expect choice in when and how to do business. What do these changes mean for marketers? More pressure to stand out than ever before. They also call for an industry-wide need to embrace a more streamlined, interactive communication model.

The marketer’s challenges are heightened by the choice that has been yielded by the ever-growing suite of one-to-one advertising platforms. And the hunt for the right promotional channel often results in a showdown that pits digital media against direct mail. The former has a reputation for quick execution and immediacy, while the latter has a strong legacy of driving response. But more and more, marketers are finding that this channel showdown is all in vain—that scores of opportunities are born when they’re leveraged together.

Due to the popular shift towards online advertising, the internet has become a jungle of clutter and mailboxes across the country are being neglected. Using direct mail enables marketers to bypass the saturation of the web, get noticed, and **extend reach**. And its “touch and feel” powers stimulate the recipient’s senses, evoking emotions that drive response. For example, direct mail can be used to generate web traffic, allowing marketers to leverage the interactive capabilities of new media channels to **enhance customer engagement**. By capitalizing on the best of both tools, marketers can also **increase their return on investment (ROI)**, as such a multimedia approach ignites in customers a recall component that exerts a powerful influence on purchase intent².

² Canada Post Market Research, CPC #09-204, “P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact,” October 2009

EXTEND REACH

When leveraged together, direct mail and digital media help marketers grow their business by enabling them to extend their reach and acquire new prospects.

All advertising endeavours are guided by the need to generate product/service and brand awareness in the marketplace, and if marketers fail to reach their target audience, their campaign efforts fall through the cracks. For this reason, “know thy customer” must be every marketer’s mantra. And since Canadians are dividing their time and attentions between a whole stream of digital and physical touch points, today’s marketers must establish a presence in a combination of both on and offline channels in order to stand out, ensure broad reach, and generate extensive brand exposure.

Canadians: A Well-Connected Bunch

They’re texting, chatting, tweeting, blogging and skyping. There’s no mistaking it; Canadians are voracious consumers of web-based media. The vast majority of the population (78%) has access to the internet³, and they’re now spending more than 18 hours a week online⁴.

A growing amount of web activity is taking place on interactive platforms. In fact, two-thirds of the world’s internet population now visit a social network or blogging site, and these sites account for almost 10% of all time spent online⁵. Online Canadians lead in visiting both social networking (40 times per month) and online gaming (12 times per month) sites⁶.

Canadians are also heavily invested in the mobile realm. At the end of December 2009, Canada was home to 22.8 million mobile subscribers; 75% of Canadian households have access to a wireless phone; Canadians send 122 million text messages per day; and half of all phone connections in Canada are now wireless⁷.

A TIME FOR ALL CHANNELS

Consumers react to one-to-one channels differently depending on the message*. The more marketers experiment, the more they’re finding that:

Email is ideal for:

- ✔ invitations to webinars
- ✔ newsletters
- ✔ purchase confirmations

Direct mail is ideal for:

- ✔ special offers
- ✔ information about new products
- ✔ building customer relationships
- ✔ brand strengthening

*Sorted: The Magazine for Direct Success, “The Great Email vs. Direct Mail Debate,” Canada Post, 2010, canadapost.ca/sorted

³ Post Market Research, CPC #09-204, “P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact,” October 2009

⁴ Ipsos Reid, “Weekly Internet Usage Overtakes Television Watching,” 22 March 2010

⁵ Nielsen Online, “Global Faces and Networked Places,” March 2009

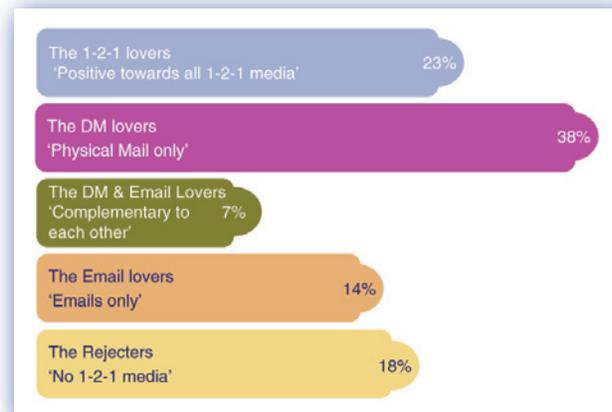
⁶ comScore, Inc., “The 2009 Canada Digital Year in Review,” August 2010

⁷ Canadian Wireless Telecommunications Association (CWTA), Wireless Facts & Figures, 2010

Customer Preferences towards One-to-One Media

In choosing how to shuffle their advertising dollars across channels, marketers must also take into account customer attitudes towards one-to-one media. The importance of investing in both on and offline channels was reaffirmed by a recent market study that identified five groups of Canadians who differentiated themselves in their channel preferences:

- 1 1:1 LOVERS** (positive towards all 1:1 media)
- 2 DIRECT MAIL LOVERS** (physical mail only)
- 3 DIRECT MAIL AND EMAIL LOVERS** (complementary to each other)
- 4 EMAIL LOVERS** (emails only)
- 5 REJECTERS** (no 1:1 media)



Direct Mail Reaches Everyone—and Drives Response

“Direct mail is cutting through the clutter. Open and click-through rates to our email have been very high, but we believe that as people’s inboxes have become more cluttered it is becoming more difficult to reach them through this channel alone.”

— Melissa Kenney, Senior Director of Marketing, Days Inns – Canada

So it’s clear that variety is the key to maximizing campaign performance in our multichannel world. But, as any well-seasoned marketer knows, not all channels were created equal. And when it comes to attention-grabbing promotional vehicles, direct mail is a ride marketers just can’t afford to miss. Consider this:

- Direct mail provides **universal reach**, while email and internet reach only three quarters of Canadians⁸.

HOW TO CHOOSE THE RIGHT MEDIA MIX

What are your customers’ channel preferences?

Customers will tell you how to communicate with them, especially when asked.

Does your media fit your brand?

Choose your media based on how well it aligns with your brand/product. A book purchaser will be pleased with a quick thank-you email, while a thick, glossy catalogue might be more appropriate for a high-end wine connoisseur.

What are your campaign objectives?

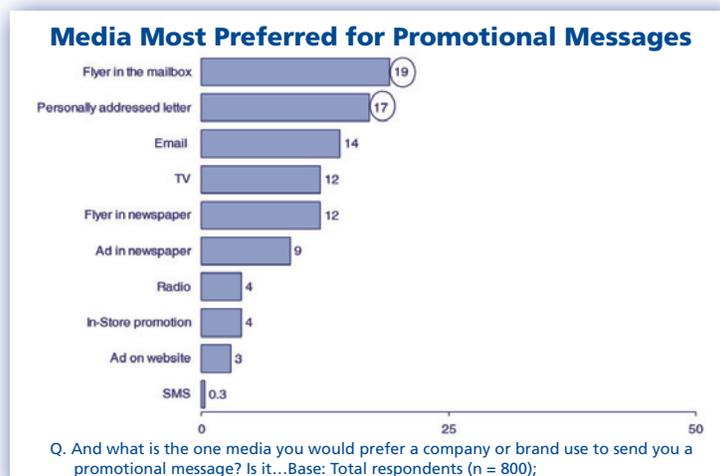
The goal and size of your campaign will dictate your media choice; when it’s a volume game, use direct mail to drive customers to the web.

How big is your budget?

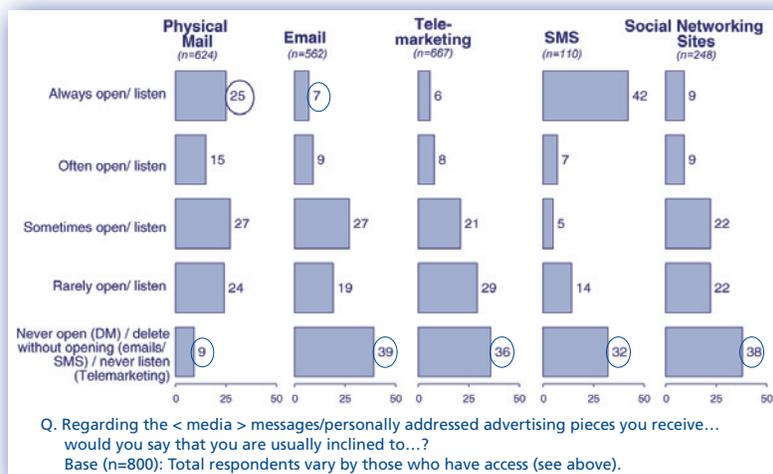
Choosing the right channels on a tight budget is a balancing act. Just remember that you don’t have to choose one over the other.

⁸ Canada Post Market Research, CPC #09-204, “P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact,” October 2009

- Direct mail is Canadians' **preferred promotional media**, irrespective of sector sending⁹. When surveyed, the largest group of respondents (19%) ranked flyers in the mailbox as their top choice, followed closely by personally addressed letters (17%). These channels were followed by email (14%), television (12%), and flyers in the newspaper (12%)¹⁰.



- Direct mail is **non-intrusive**; 49% of Canadians prefer to receive mail from companies they are currently doing business with, and 52% prefer to have their first time business solicited through the mail¹¹.
- Direct mail receives **immediate attention**; 93% of Canadians are reading their mail as soon as they receive it (66%) or later on that day (27%)¹².
- Direct mail is **intriguing**. It is more than three times as likely to be always opened (25%) than email (7%), and more than a third less likely to be discarded unopened¹³.



- Direct mail is a **highly effective acquisition vehicle**, thanks to ongoing advances in targeting and data-gathering capabilities.

⁹ Canada Post Market Research, CPC #09-204, "P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact," October 2009

¹⁰ Canada Post Market Research, CPC #09-204, "P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact," October 2009

¹¹ CNW Group, "A major new survey: Canadians welcome the National Do Not Call List," 29 September 2008

¹² Canada Post Market Research, CPC #07-219, "Marketing Research Fact Sheet: Canadian Attitudes towards Direct Marketing and Mail," October 2008

¹³ Canada Post Market Research, CPC #09-204, "P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact," October 2009

ENHANCE CUSTOMER ENGAGEMENT

Direct mail is a results-proven way to drive customers online. Once there, marketers can take advantage of the interactive capabilities of digital media platforms to enhance engagement.

In today's ultra-competitive media landscape, where customers have unlimited access to information and are exposed to more ads across more channels than ever, it's becoming very challenging for businesses to attract and keep customers. So what are savvy marketers doing to build long-term B2C relationships? They're getting their customers engaged.

Touted as one of the most powerful emerging business principles of the century, engagement is the emotional connection or attachment that a customer develops during repeated and ongoing interactions with a company. An engaged customer refers other people; buys more products more often; and remains loyal even when faced with a poor customer experience. Engagement has also been linked with a decrease in negative word of mouth and reduced risks of problem escalation¹⁴.

Marketers can open the gates to customer engagement by generating and maintaining open communication through two-way dialogue. And thanks to the proliferation and increasing maturity of new media channels, B2C interactions have the potential to become more active and dynamic than ever before. This relationship empowers customers by giving them a voice and letting them decide when and how they want to do business. In fact, today's customers have come to expect a network of communication outlets wherever they shop, and any company standing on the social sidelines is now at a competitive disadvantage.

Leading marketing agencies are reaping the benefits of the strengthened B2C relationship to their fullest. They're working customer feedback into their processes, shaping and improving their product and service offerings accordingly. They're also building customer profiles based on individual interactions, which enables them to further personalize future communications, tailor ad campaigns, and identify new prospects. By doing so, these marketers expand their customer base and increase the success of their offerings in the long haul.

Direct Mail Generates e-Traffic and Fosters Long-Lasting B2C Relationships

Marketers looking to boost customer engagement can get the ball rolling with direct mail—a results-proven way to generate online traffic. And by using direct mail to draw customers to their web space, marketers can capitalize on the interactive capabilities of new media channels to set the two-way dialogue in motion.

¹⁴ LaMalfa, Kyle, "The Positive Economics of Customer Engagement," Allegiance, Inc., www.allegiance.com/library

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“We have found that once direct mail hits our target markets’ mailbox, we see a substantial increase in visitation to the campaign’s website. This is a big part of what we want—to drive our target to the site for more info on what to see and do, for incentives, to enter contests, etc.”

*— Jenifer Christenson, Managing Director of Marketing Services,
Edmonton Economic Development Corporation/Edmonton Tourism*

Marketers can increase the relevance of their web-driving direct mail by adding PURLs (personal URLs). PURLs allow marketers to direct each customer to a customized landing page that is specifically tailored to their interests. The perks of using PURLs are well known in the marketing world: They increase response rates by improving the relevance of messaging¹⁵, they enable real-time behavioural tracking and precise campaign measurement, and they allow for the seamless integration of on and offline channels.

“The good news is that we as an industry are finally starting to understand how to work with technology in an environment of constant change where customers are truly empowered. Technology is the bridge from the digital world to the physical world: it is quickly becoming one world. A world designed around the customer.”

— Mike Maguire, CEO, Structural Graphics

Depending on the call to action included, direct mail can also be used to drive any number of specific actions—sign up for a newsletter, visit a store, call for more information, or subscribe to a news feed or email list. In fact, with customers setting up different email accounts for different reasons (online Canadians have an average of 2.5 email addresses per person¹⁶), this is a particularly great opportunity to gather email addresses. Asking for addresses increases future response rates by ensuring that they are active and establishing the recipient’s consent.

The direct and digital pairing becomes even more dynamic when marketers use augmented reality (AR) technology to enhance their mail. AR-enabled mail directs recipients to a website and instructs them to hold the piece in front of their webcam. The image on the screen then becomes three-dimensional, allowing for a thorough interaction between the customer and the brand/product.

¹⁵ Goldstein, Mona, “Acquisition Marketing in a Multichannel World: The Resilient Principles of Successful direct mail,” The Goldstein Group, August 2009

¹⁶ Canada Post Market Research, CPC #09-204, “P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact,” October 2009

“[Direct mail] has a halo effect on email. [It] is tangible and it can quickly raise the core value proposition to make one more predisposed to email, which makes quick click-through responses more likely.”

— Guy Stevenson, Managing Director, OgilvyOne worldwide – Toronto

Direct and digital go hand in hand

According to Steve Mast, President of the award-winning digital agency Delvinia Interactive, the power of using direct mail to drive web and mobile traffic can't be overstated. "It's incredible to see the extent to which results increase when direct and digital are leveraged together," says Mast. "For example, one of our financial clients wanted to drive new customers to their online quoting system. They sent out some 200,000 mailers, geo-targeting prospects by the postal code, and directed recipients to their quoting site, which was optimized for both traditional web browsers and mobile devices. They also provided an incentive for recipients to share the quoting system with friends via Facebook™."

The campaign was nothing short of a hit, as Mast explains. "The program yielded an overall 14% return. More than 6% of the new business came from customers who shared the experience with their friends online, and just over 3% used their Smartphone to get a quote."

Mast goes on, "We're also seeing more and more augmented reality (AR)-enabled direct mail pieces. For example, Audi recently sent its customers calendars that, when held up to a Smartphone camera, come to life as an animated car races across the page. And then there's Ray Ban, which sent its customers AR-enabled paper sunglasses, encouraging them to visit the store's website and try them on in front of their webcam. The webcam then acted as a virtual mirror before which customers could sample different pairs in the comfort of their own home."

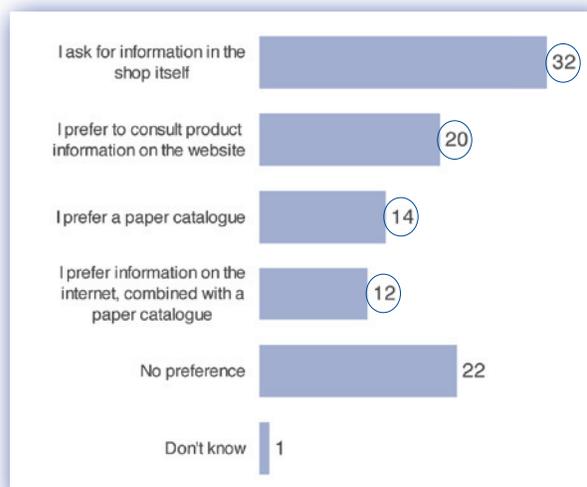
The bottom line? "Direct and digital are a great fit. They integrate and interact with one another to drive impressive (and measurable) results."

In today's highly saturated media landscape, it's more important than ever for marketers to invest in customer engagement. Not only does it generate positive word-of-mouth, establish loyalty, and boost sales, but customers have come to expect the reciprocal dialogue that drives it. And when it comes to engagement, direct mail is where it all starts. Used in conjunction with interactive platforms, it's an invitation to a community where customers are empowered with voice and choice—where a mutual, long-lasting B2C relationship can begin.

INCREASE RETURN ON INVESTMENT (ROI)

Multimedia campaigns that are powered by direct mail ignite in customers an influential recall component that increases purchase intent.

With digital media commanding more and more consumer time, it comes as no surprise that it's transforming purchase behaviour and the dynamics of sales. When asked how they prefer to conduct product research, Canadian customers were divided between visits to retail outlets (32%), the internet (20%), print-based catalogues (14%), and a combination of web and print-based catalogues (12%)¹⁷. Shopping is no longer just taking place in stores, either; the growing suite of e-commerce and m-commerce platforms is allowing customers to shop where they live, work and play.



Direct mail Integrates and Energizes Purchasing Behaviour

According to recent research into the Canadian market, direct mail combined with another channel (such as email) has the potential to boost purchasing intent by up to three times. And when confronted with similar advertisements via direct mail and at least one other channel, customers' likeliness to save the mail for later increased by 266%¹⁸. Moreover, multichannel shoppers on average spend 50% more than single-channel shoppers¹⁹. This effect is driven by the influential recall component that comes into play when similar visuals and messages are delivered to the same recipient in different ways.

"One of the nice things about email is you know exactly which components people interact with and you can customize your direct mail pieces on the heels of it."

—Uwe Stueckmann, former Senior Vice-President and General Manager, Blitz Direct

This research confirms that beyond the indirect bottom-line benefits that multichannel campaigns generate via their extensive reach and enhancements to customer engagement, their effects can be measured in sales volumes. Customers clearly appreciate and are strongly influenced by the selection that multiple channels afford them, and multichannel marketers are reeling in the ROI to prove it. Direct mail's role in all this is clear; it grabs attention and drives response, energizing other shopping platforms within the marketer's channel network.

¹⁷ Canada Post Market Research, CPC #09-204, "P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact," October 2009

¹⁸ Canada Post Market Research, CPC #09-204, "P Loves E: Or How Physical Admail and Email Complement Each Other to Create Impact," October 2009

¹⁹ Schijns, Dr. J.M.C. en Hoekstra, Dr. J.C. (2007) "The multichannel shopper paradox: How loyal are multichannel users anyway? An empirical study in the home shopping industry," DM/Interactive Marketing Research Summit, 14 October 2007

HOLT RENFREW

Holt Renfrew is no stranger to the benefits of multichannel marketing. For each campaign it launches, the luxury retailer makes extensive use of digital media, including a regular e-newsletter, and coordinates these efforts with traditional channels like daily newspapers, lifestyle magazines and direct mail. Similar messages and images are featured across ad platforms—a combined effect that helps Holt enhance brand recognition and drive sales.

The Test

In the fall of 2008, during its annual promotions for three lines of cosmetics, Holt's marketers tested direct mail's merit in the media mix with a pilot campaign and follow-up survey. They drew from the retailer's database of regular customers and created a series of test and control groups. The marketers sent print brochures to the test groups, but not the control groups. Meanwhile, both groups were exposed to a series of newspaper and magazine ads, in-store signs and e-newsletters.

The Results

Follow-up phone surveys validated direct mail's integral role in the marketing mix. Customers who received brochures were up to 50% more likely than those who didn't to take advantage of the promotional offer. The most common way people heard about the promotion was through direct mail, which outperformed traditional media (magazines and newspapers) by more than three to one. The mailings also delivered a substantial brand recognition boost; 63% of direct mail receivers cited Holt Renfrew by name when asked about recent beauty product ads they had come across, compared to 46% of the control group. At least 49% of receivers said it got their attention, 44% found it memorable enough to be able to describe specific content, and 17% considered the brochures important enough to keep.

The pilot also speaks to the value of cross-platform brand exposure in reaching key target groups. More than 80% of survey respondents had purchased beauty products recently and were familiar with Holt's gift promotions. "The findings will certainly influence the media mix of future campaigns," says Jackie Charest, Director of Cosmetics and Beauty Services Marketing at Holt Renfrew.

IN SUMMARY

The diversity and constantly evolving nature of today's media landscape has called on marketers to take a multifaceted approach to campaign planning in which direct mail plays an array of pivotal roles. Driven by data and analytics, it's a powerful acquisition vehicle that allows marketers to bypass the saturation of the web. And at a time of unprecedented competition, direct mail grabs attention and elicits a response. When delivered in conjunction with coordinating e-channel advertisements, it enables more precise, individualized tracking; it opens a wealth of interactive opportunities that enhance customer engagement; and it exerts a potent influence on customers' purchase behaviour. In today's marketing world, no single channel is fit to go it alone. But when combined together, direct mail and digital media work in harmony to perfect the marketing mix.

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