



## USPS Customer & Market Insights

# **The Case for Marketing Mail** *Strategic & Competitive Update*

April 13, 2016

Dan Barrett - Customer & Market Insights





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# Executive Summary

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- Digital advertising currently accounts for over 30% of all U.S. advertising spend and is projected to overtake TV and become the **largest advertising channel this year**
- While Digital advertising has advantages, as it continues to mature, advertisers face challenges having their message read, **reducing the effectiveness of their marketing spend**
- Marketing Mail volume has remained relatively flat over the past four years, but faces **opportunities to improve overall satisfaction, usage, and targeting**
- However, Marketing Mail is an **integral component of a successful marketing mix** because it offers solutions that help address Digital advertising's shortcomings
- Marketing Mail provides a **cost-effective and highly engaging marketing channel** for customer acquisition and enjoys higher read and response rates than Digital
- Smart organizations are complementing Digital advertising campaigns with Marketing Mail to **increase the conversion rate of advertisements and create more brand awareness**

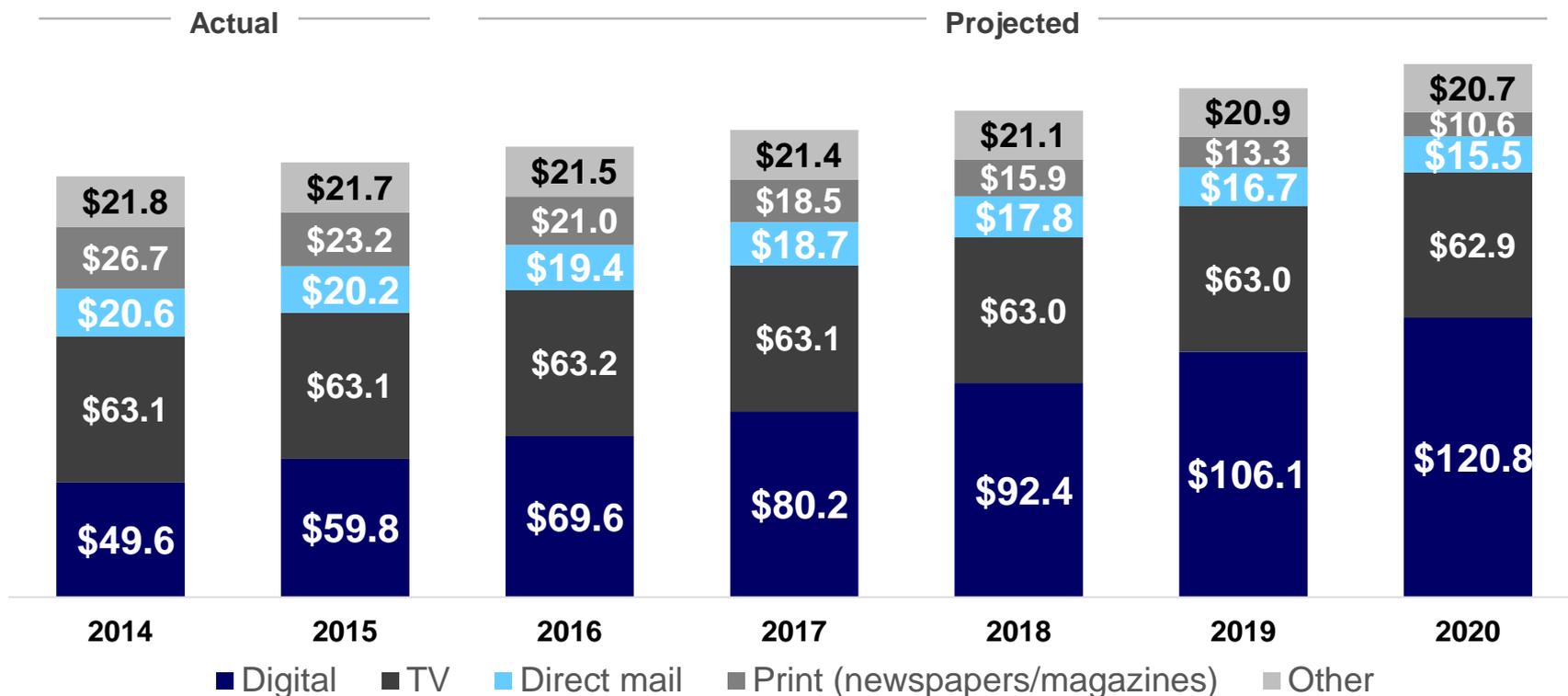




# Background

Digital advertising accounted for 32% of all U.S. advertising spend in 2015 and is projected to double in the next five years

US Total Advertising Spend (2014 – 2020) (\$Billions)

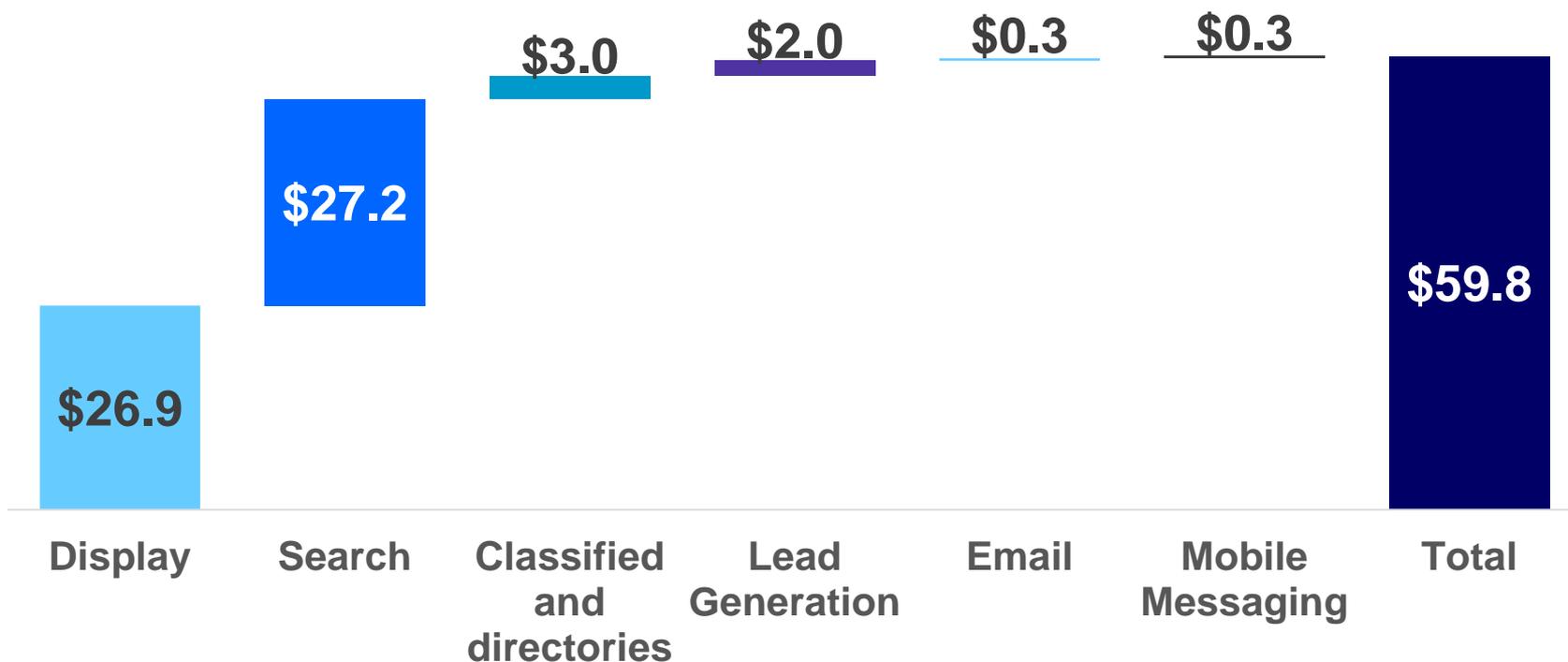




# Background

Display and search ads comprise the vast majority of digital advertising spend, with all other channels taking less than 10% of the total

2015 US Digital Spending by Segment (\$Billions)





# Background

Digital advertising maintains significant advantages in its flexibility, ability to provide real time results and hypertargeting based on customer behaviors



## Reasons for Digital's Growth

- Digital marketing provides opportunity for real time experiments and analytics
- The amount of time the average consumer spends online has doubled to 20.5 hours per week since 2005<sup>1</sup>
- Digital marketers are able to leverage vast amounts of data on online behaviors and histories to target advertisements





# Background

However, as Digital matures as a marketing channel, challenges with digital advertising are becoming more apparent to marketers

## Challenges with Digital Advertising

### Low Response

Most online advertising has click through and open rates of less than 5%<sup>1</sup>

### Digital Fatigue

Consumers are bombarded with more than 1,000 ads per month, making them inefficient<sup>2</sup>

### Ad Blocking

Over a quarter of online ads are blocked and users are able to avoid or ignore advertising<sup>3</sup>

### Online Fraud

\$1 in \$3 spent on online advertising is lost to fraud<sup>4</sup>

Source: 1) Read Path, "The Hidden Metrics of Email Deliverability," 2016 Benchmark.com; 2) Infolinks, <http://www.infolinks.com/blog/infographic/the-banner-blindness-infographic/>, 2013; 3) Arstechnica, "In the name of free speech, Adblock serves up ads, just for a day", 2016; 4) Distil Networks, "Digital Publisher's Guide to Measuring & Mitigating Non-Human Traffic", 2015



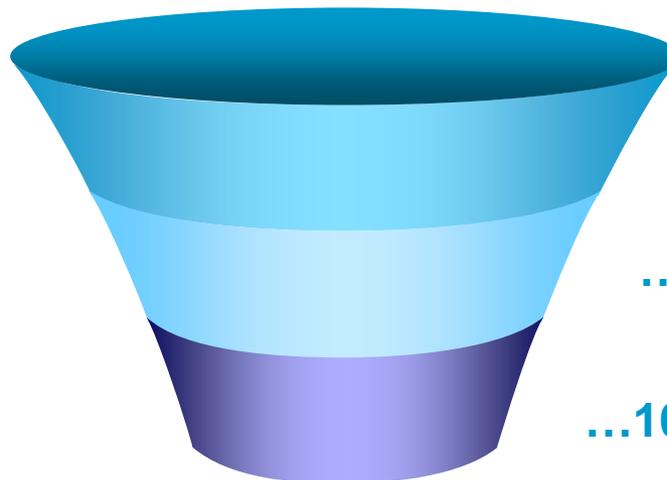
# Key Challenges with Digital

With the growing volume of email advertising, consumers have become even less likely to read or respond to advertisements



The typical email users sees **4x** as many email ads today compared to 2011<sup>3</sup>

The average consumer receives **520** email ads per month.<sup>1</sup>



Of those...

...**80%** actually make it to the inbox<sup>2</sup>, of those...

...**22%** are opened<sup>1</sup>, of those...

...**10%** are responded<sup>1</sup> to...

...resulting in **9.2** clicks; a **1.7%** effective click rate.



Source: 1) Read Path, "The Hidden Metrics of Email Deliverability," 2016 Benchmark.com, 2) "Spam Filters: The Truth About Email Marketing Gatekeepers," 2016; 3) Email Marketing Reports, "How much email do people really get?," 2011



# Key Challenges with Digital

The online display advertising landscape has become more crowded making it more difficult to cut through clutter and deliver your marketing message



- **1,903** online ads per month seen by the typical internet user<sup>1</sup>
- **3%** of internet users thought ads on websites were relevant<sup>1</sup>
- **0.1%** of digital banner ads are clicked on<sup>1</sup>
- **50%** of mobile ad clicks are a mistake<sup>2</sup>
- **50%** of users never click on online ads<sup>1</sup>





# Key Challenges with Digital

Businesses are spending billions of dollars on display advertisements that many customers will simply block before having the chance to see them



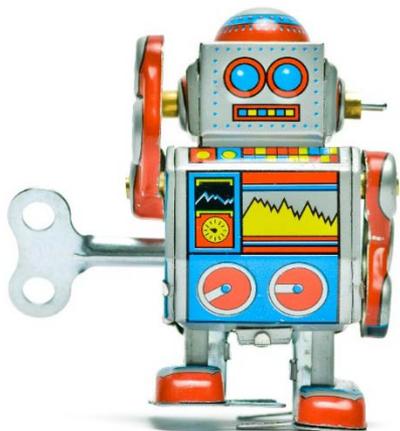
- **41%** increase in ad blocking last year
- **57%** of desktop users have ad blocking software installed
- **20%** of mobile users have ad blocking software installed
- **26 – 28%** of online ads are blocked in the U.S.





# Key Challenges with Digital

The actual returns on online advertising investments are clouded by “non-human” web traffic marketed by an unregulated system with limited transparency.



- **3% - 37%** of digital ad clicks were carried out by bots which are programs generated to click on ads<sup>1</sup>
- **\$1 of every \$3** spent on online advertising is lost to fraud<sup>2</sup>
- **\$7.2 B** will be wasted by advertisers globally to bot traffic<sup>1</sup>

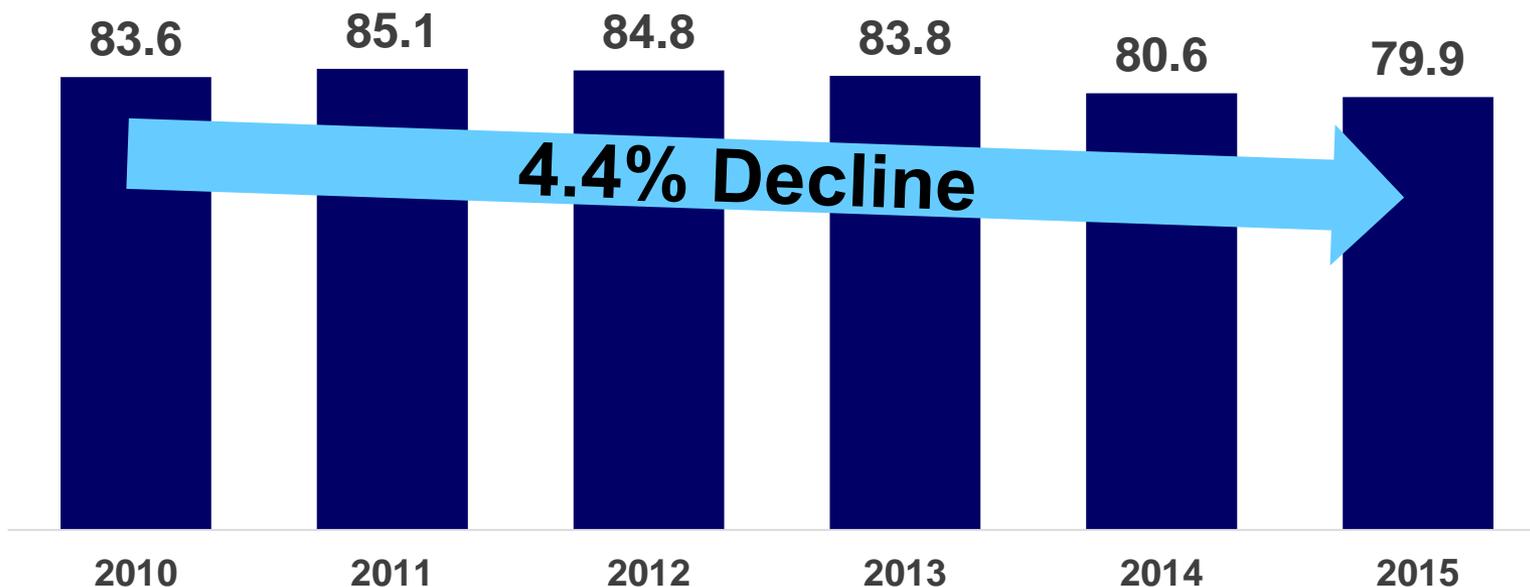




# Direct Mail

Despite perceptions to the contrary, Marketing Mail has mostly maintained its volume base since 2011.

Advertising Mail Historical Volumes (Billions of Pieces)





# Direct Mail

Marketing Mail has opportunities to close gaps in perceptions with Digital advertising and increase uptake from small businesses.



## Reasons for Marketing Mail's Decline

- Only **32%** of small business use Marketing Mail
- Mail is not viewed as critical to overall marketing success by media professionals
- Rise of mobile and social media platforms
- Agencies have inherent bias towards Digital advertising as it is seen as more buzzworthy

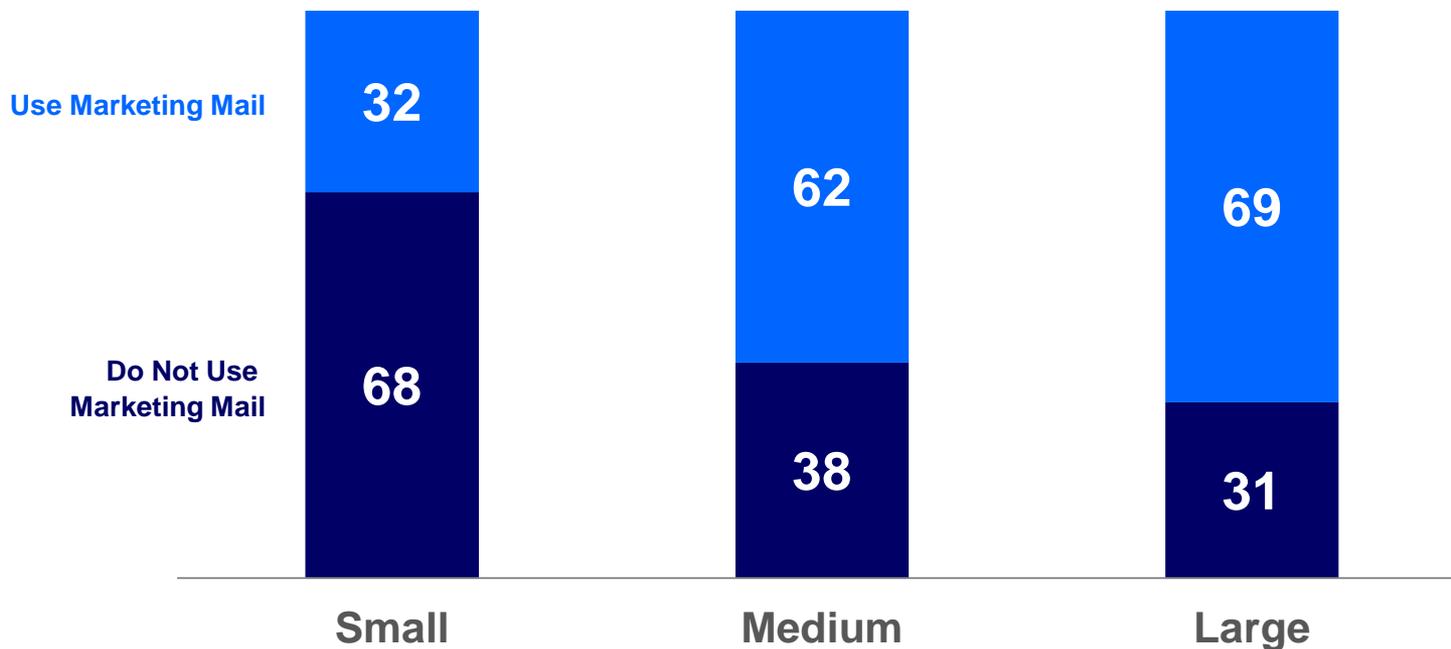




# Direct Mail: Business

Roughly two-thirds of medium and large businesses use mail for advertising while only one third of small businesses are Marketing Mail users.

Proportion of Businesses That Use Marketing Mail (Oct. '15 – Dec.'15, %)



Question: "In the last thirty days (excluding holidays), how much has your business spent on advertising through the mail?"

Note: Small Business (1-49 employees); Medium Business (50-499 employees); Large Business (500+ employees)

Source: USPS Brand Health Tracker, Q1 2016, (Oct.'15 – Dec.'15)

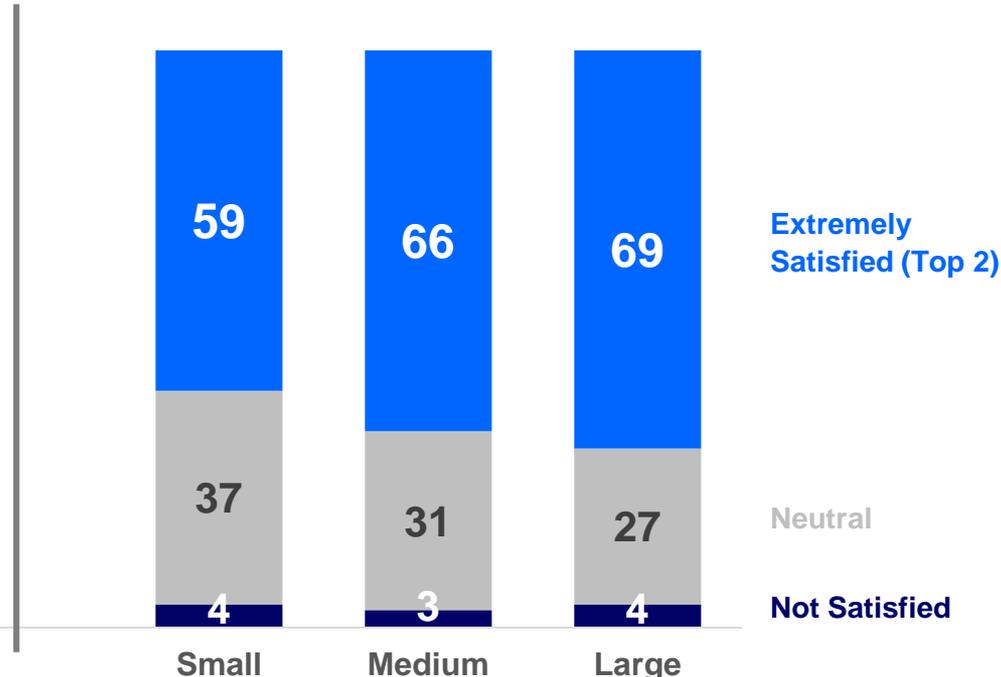
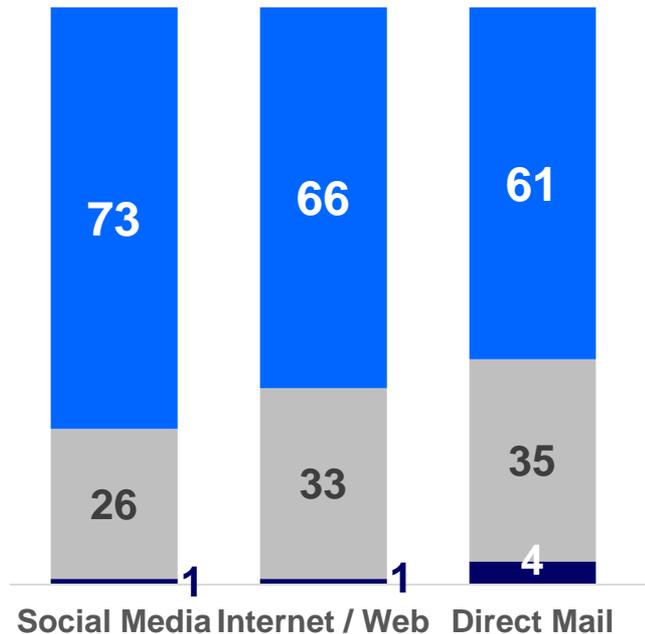


# Direct Mail: Business

Marketing Mail slightly lags Digital advertising forms in overall satisfaction with larger businesses generally more satisfied than smaller ones.

### Satisfaction with Direct Mail and Digital (%)

### Satisfaction with USPS for Direct Mail (%)



Question added Nov'15

D5a. Based on your overall experience with advertising through each type of media below, how satisfied are you with services provided by...?

Please rate using a scale from 1 to 7, where '1' means "Not at all Satisfied" and '7' means "Extremely Satisfied."

D5. Based on your overall experience with the United States Post Office mail service for advertising through the mail,

how satisfied are you with the United States Postal Service?

Please rate using a scale from 1 to 7, where '1' means "Not at all Satisfied" and '7' means "Extremely Satisfied."





# Direct Mail: Business

Almost half of small businesses do not have positive perceptions of Direct Mail, and overall Direct Mail trails Digital on key drivers of overall satisfaction.

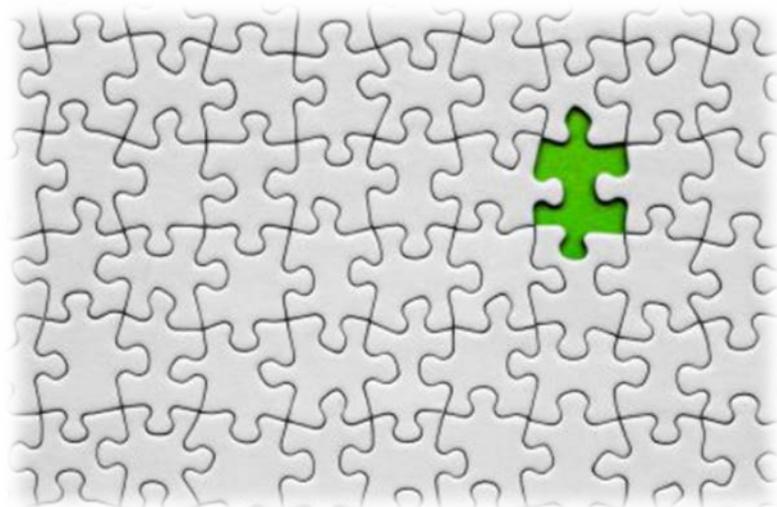
% Who Agree		Small Businesses	Medium Businesses	Large Businesses	Overall	Digital
<p>Importance to Satisfaction</p> <p>More Important</p> <p>Less Important</p>	Materials delivered in good condition	58	72	63	61	N/A
	USPS offers the right delivery speeds	53	68	66	58	N/A
	USPS provides excellent customer service	45	67	63	52	N/A
	Direct Mail communicates my organization's message effectively	50	69	69	57	67
	Direct Mail provides a good return on investment	43	65	66	52	59
	Direct Mail helps my organization target/reach the right customers	49	64	69	56	62
	Direct Mail helps my organization measure return on investment	36	61	60	45	56

Note: Small Business (1-49 employees); Medium Business (50-499 employees); Large Business (500+ employees)  
 Source: USPS Brand Health Tracker, Q1 2016, (Oct.'15 – Dec.'15)



# Direct Mail: Business

To successfully grow volume, Marketing Mail needs to improve its effectiveness in targeting customers.



## Challenges with Targeting Marketing Mail

- Difficulty in identifying list brokers or source of lists
- Difficulty in narrowing down customer segments within lists
- Marketing Mailers unfamiliarity with cleaning data and data mining
- Consumer address changes and high turnover in metropolitan areas

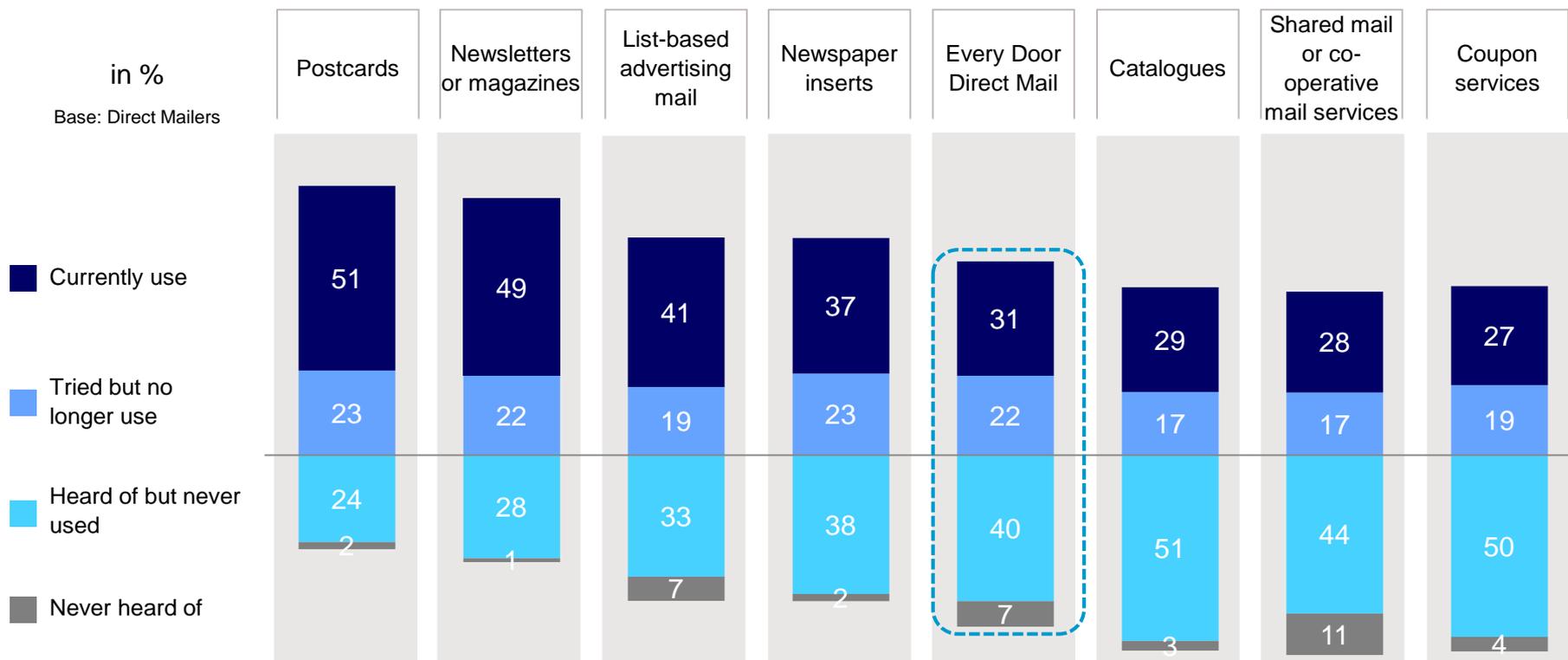




# Direct Mail: Business

Although 93% of mailers have heard of Every Door Direct Mail (EDDM), less than a third currently use the service.

## Familiarity with EDDM & Print Media



D2a. Please select your level of familiarity with each of the following types of print media at your organization (delivered to a home or business)?

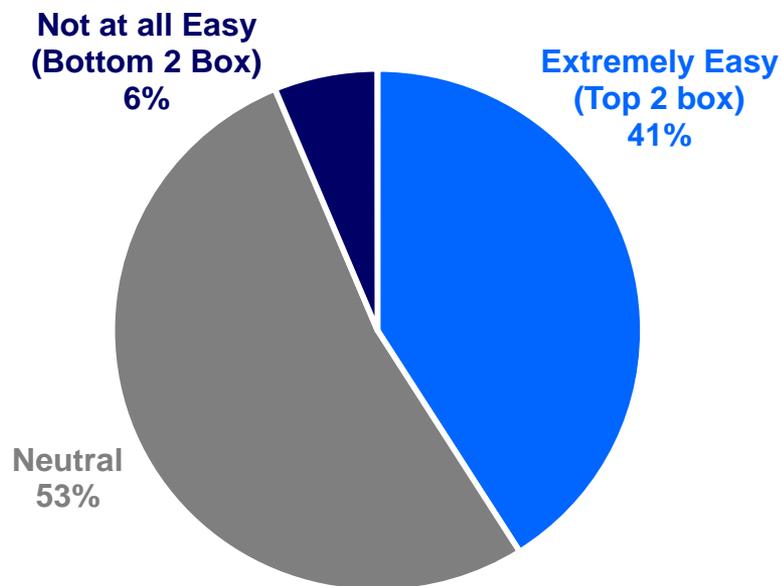




# Direct Mail: Business

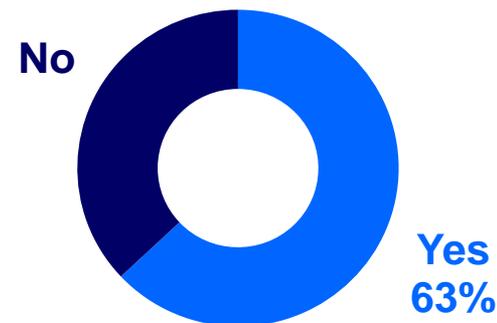
Every Door Marketing Mail (EDDM) presents one opportunity for targeting, as 63% of users felt it achieved the anticipated result of obtaining more customers.

## Ease of Use with EDDM



D11. How easy or difficult is EDDM to use?

## EDDM Provided Anticipated Results



By Business Size	% Yes	% No
Small	59	41
Medium	67	33
Large	67	33

D12. Has/Did EDDM provide(d) the results you were anticipating?

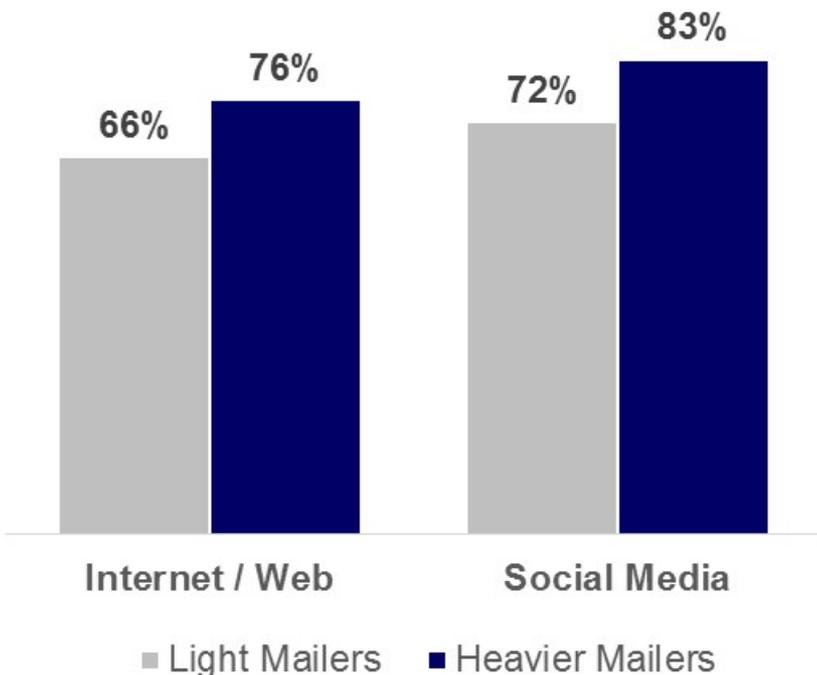




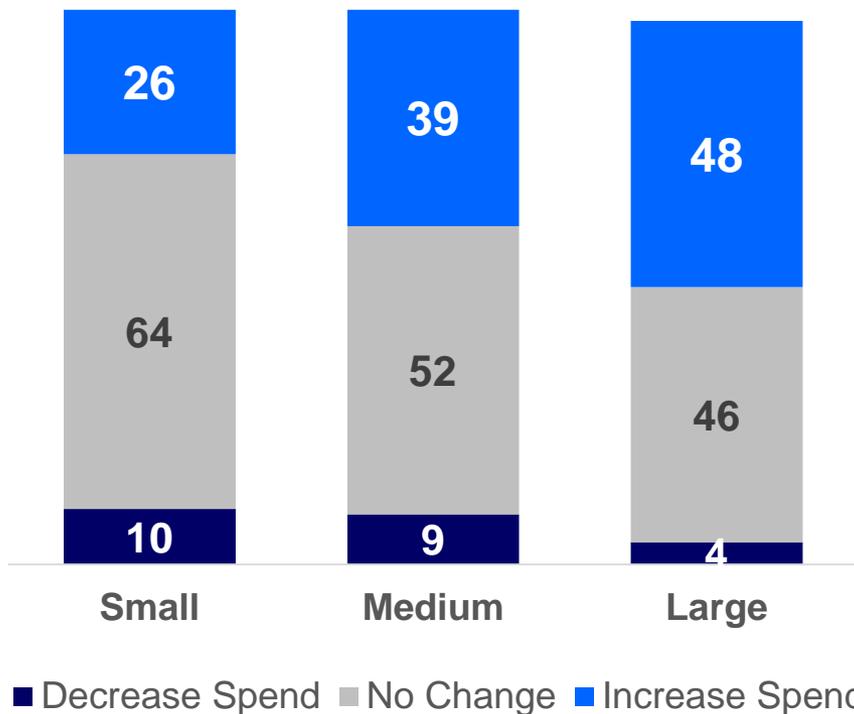
# Direct Mail: Business

Our research shows that heavier direct mailers are more satisfied with other advertising channels than lighter mailers, and plan to increase spend on Direct Mail.

### Satisfaction with Internet/Web and Social Media, by Mail Volume



### Future Spending on Direct Mail (%)



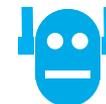
D5a. Based on your overall experience with advertising through each type of media below, how satisfied are you with services provided by...? Please rate using a scale from 1 to 7, where '1' means "Not at all Satisfied" and '7' means "Extremely Satisfied."

D8. In the next 2 years, do you plan to use more or less direct mail for the following marketing objectives?



# Opportunities for Direct Mail

Smart marketers have recognized how Marketing Mail can help complement and overcome fallbacks of purely digital advertising campaigns.



Digital advertising experiences low click through and open rates

Digital advertising is bombarding consumers, making ads inefficient

Customers have become better able to avoid or ignore online advertising

True effectiveness of online advertising is uncertain due to online fraud

Marketing Mail is read more and has a higher response rate

Physical mail is psychologically more engaging to consumers

Marketing Mail can provide a highly personalized, differentiated message people will actually see

Marketing Mail is still the best conduit to a potential customer's hands





# Opportunities for Direct Mail

The vast majority of Americans include checking the mail into their daily routine and read or scan most of the Marketing Mail they receive.



**86% of heads of households check their mailbox at the first opportunity**

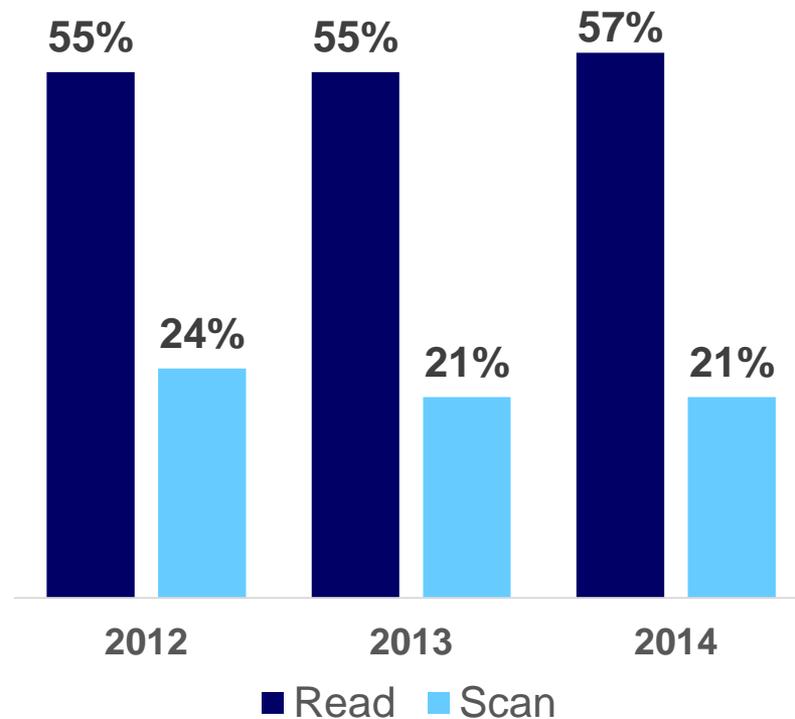
Q207. Did you pick up your mail at your first opportunity (e.g., when you got home from work, as soon as the mail was delivered, etc.) on this occasion? (Select one)



**41% of adults look forward to checking their mail everyday**

Question: "Generally speaking, would you say you look forward to checking what is in the mail each day, or is that something you don't think much about either way?"

**Percent of Marketing Mail Read or Scanned**  
By year



Source: FY14 USPS Household Diary Study, 2015  
Results were pulled from an aggregated table.

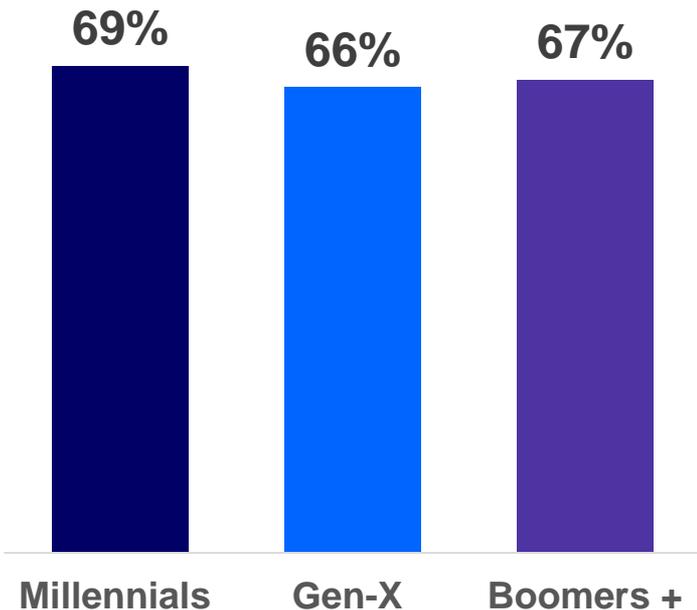




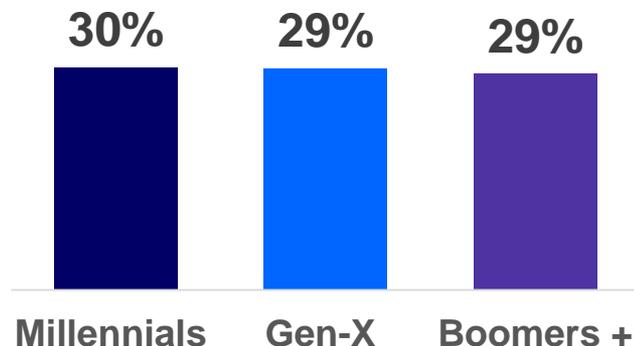
# Opportunities for Direct Mail

Millennials, highly desirable to marketers, are not less engaged with the mail, and are at least as likely to consider responding to advertisements in the mail.

**Percent of Marketing Mail Read**  
*by Generation*



**Consideration Rate for Marketing Mail**  
*by Generation*



## Comparisons to Digital Mail

- 1.7% of email ads are clicked on
- .01% of digital banner ads are clicked on





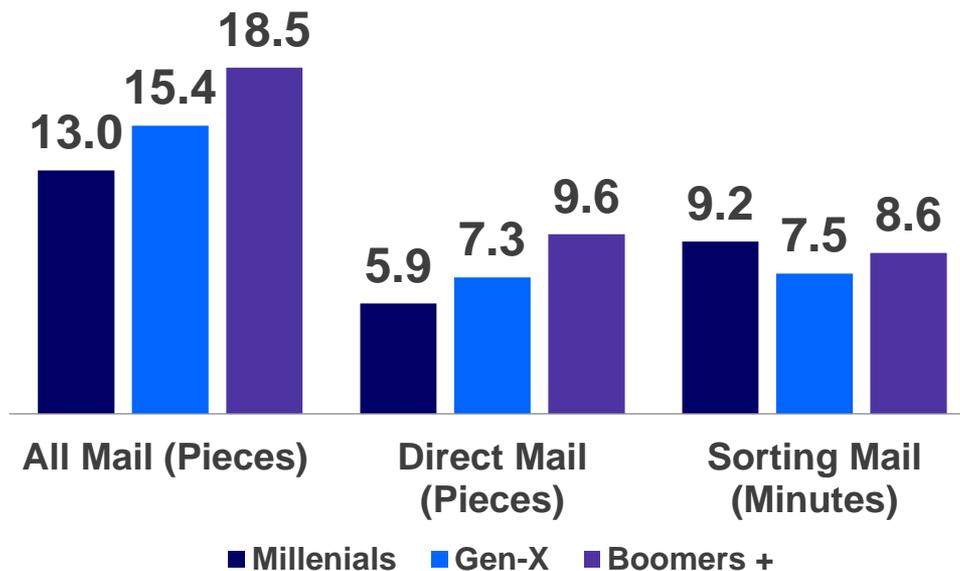
# Opportunities for Direct Mail

Though Millennials receive the least amount of mail, they spend more time sorting and reading their mail each day.

# 416

advertising emails received per month by the average American internet user

Monthly Mail Volume (pieces) and Sorting Time (minutes) by Generation



Question: About how many minutes did you spend bringing in, sorting, and organizing your mail? Think of the total minutes you spent doing these activities. (Enter total length of time you spent doing these activities in minutes)

Source: Mail Moments, March 2016





# Opportunities for Direct Mail

Brooks Brothers used Marketing Mail to complement email advertising campaigns to increase the conversion rate and create more awareness of special events.



*“Brands with a compelling message or offer that link Marketing Mail and digital can expect a 10% to 30% uplift in conversion... when combining the two channels”*

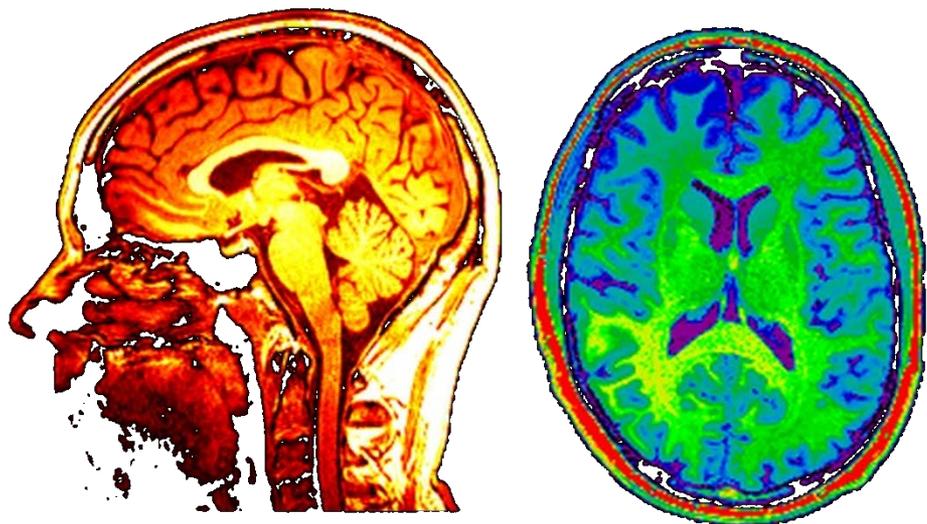
*- Richard Rushing, Epsilon*





# Opportunities for Direct Mail

Neuroscientific study proves Marketing Mail is psychologically more engaging to consumers than its digital counterparts.



Digital ads seized consumer attention quicker, but **physical ads held attention longer**, elicited **greater emotional reaction**, and played a more **direct role in ultimate purchase decisions**





# Opportunities for Direct Mail

The Obama campaign used highly targeted political mail to identify and engage persuadable voters in Ohio.

## THE CHALLENGE

The Obama campaign needed Ohio to win the 2012 election, and Obama had to reach persuadable voters and bring them into his camp

## MAIL SOLUTION

Marketing Mail **allowed them to micro-target persuadable voters in specific areas** to deliver a more meaningful message

## THE RESULTS

President Barack Obama won the Ohio popular vote with **50.67% of the vote** over Romney's 47.69%

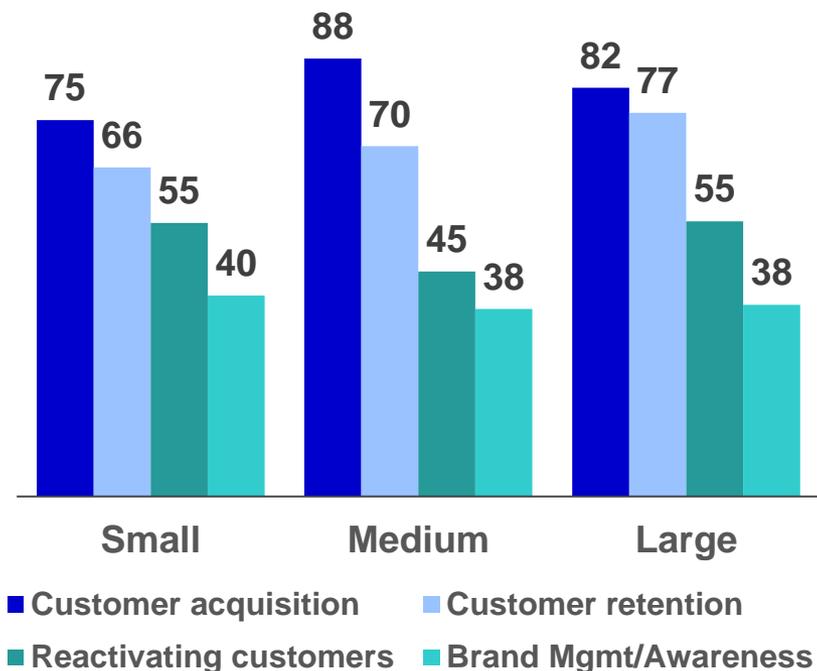




# Opportunities for Direct Mail

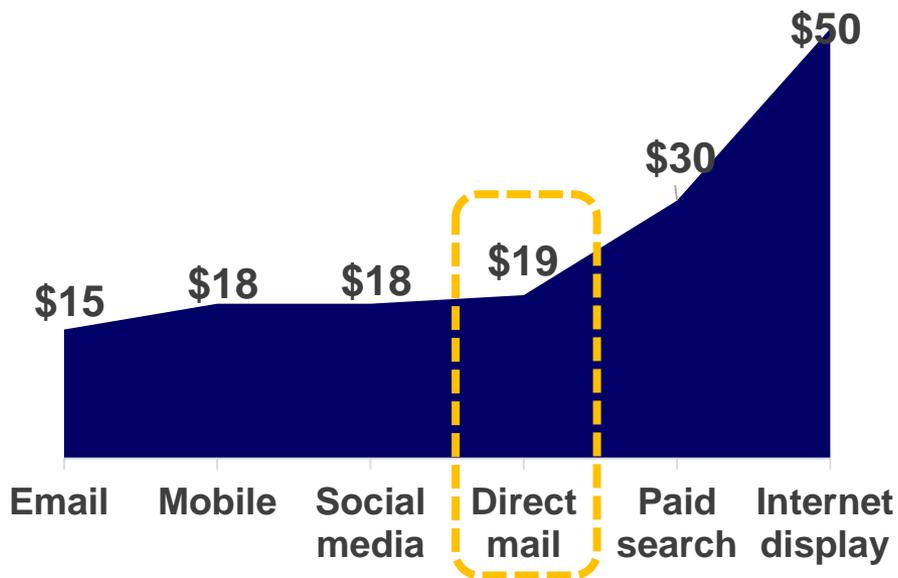
Across businesses of all sizes, the primary objectives for use of Marketing Mail is to acquire and/or retain customers as mail provides competitive acquisition costs

## Objectives for Increasing Marketing Mail Use



D8a. You indicated you are likely to use more direct mail advertising in the next two years. For which of the following marketing objectives are you likely to use direct mail?

## Cost per Acquisition by Channel (House List)



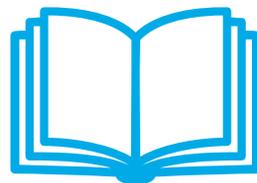


# Opportunities for Direct Mail

In 2015, Wayfair launched its first print catalog to bring together the “best of offline and online” for an immersive shopping experience.



*“We think that Marketing Mail is a chance that gives us a valuable, immersive touch point where we can tell our brand stories and enhance the shopping experience for our customers”*  
- Erin Moran, Wayfair



**70%** of consumers open and read all catalogs received by mail



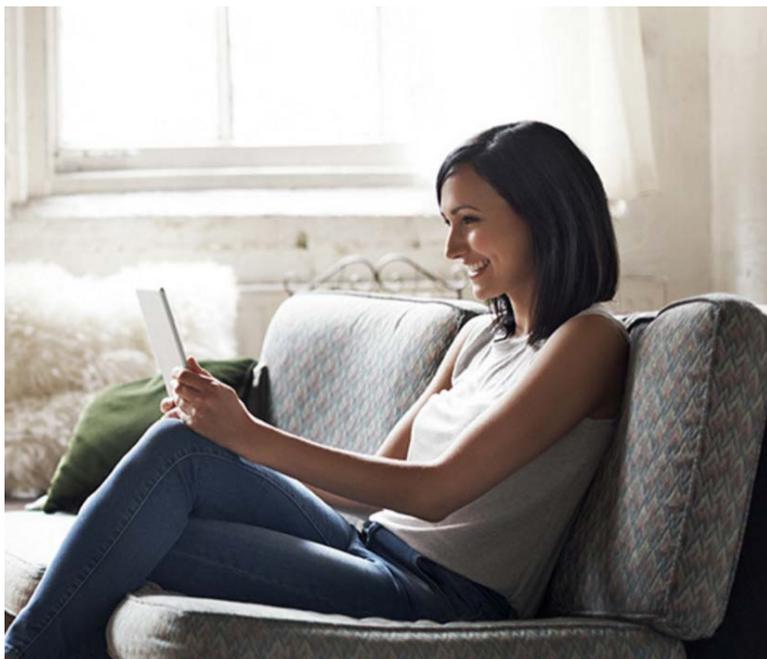
**15 – 20 minutes** is the average time a catalog is looked at, where an email garners **8 seconds**





# Opportunities for Direct Mail

Informed Delivery sends daily email with images of the outside of mail that's coming to your home address that day.



## GET HELPFUL UPDATES WITH OUR NOTIFICATION SERVICE

Daily emails make it easy to manage your mail online.



### Preview in advance

Get a daily snapshot of the outside of letter-sized mail pieces

### Access whenever, wherever

View email notifications from your computer or mobile device

### Interact with content

Take advantage of USPS® digital promotions – coming soon!





# Conclusion & Recommendation

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## What have we learned

- Digital advertising is projected to become the largest advertising channel this year and double in size by 2020
- Marketing Mail volume has remained steady over the past few years, but has growth opportunities especially among small businesses
- While Digital advertising has benefits, advertisers face challenges having their messages stand out in the crowd and be noticed as the market saturates and consumers become more savvy
- Though Marketing Mail has not grown recently, it still maintains advantages in read and response rates, differentiation, and psychological stickiness that are maintained across generations
- Smart marketers have learned to incorporate Marketing Mail into their marketing mix because it complements Digital advertising, especially for customer acquisition
- By coordinating Digital and Marketing Mail efforts, organizations can expect a 10% - 30% boost to customer conversions

