

Fundamentals for Direct Mail Success

Applying Tried and True Practices to Maximize Results



Prepared for FedEx Office by:



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Introduction

Direct mail is a solid communication vehicle that any organization can use to engage a target audience and prompt them to take action. Direct mail isn't just a tool for sales and marketing personnel. Human resources (HR) managers, operations managers, and other non-marketing staff often are required to use mail for direct customer communications. HR managers mailing enrollment packets, operations managers sending recall notices, and membership mangers handling renewal cycles can all leverage direct mail to achieve specific goals. Techniques used by direct marketing pros offer valuable insight to anyone who is charged with executing a direct mail effort. The formula for successfully designing and executing direct mail projects lies in a rule that was defined 50 years ago yet remains applicable today. Direct marketing guru Ed Mayer defined direct mail success as 40% audience, 40% offer, and 20% for all the rest (e.g., creative, graphics format, and paper). This document applies the 40/40/20 rule to provide non-marketers or occasional direct mail users with essential tips for targeting an audience, compelling desired actions, and maximizing direct mail effectiveness.

The Value of Direct Mail

Direct mail is a robust communication tool for reaching an intended audience. While it is often overshadowed by direct digital marketing (i.e., email, mobile, and social media), printed direct mail delivers results. According to a recent Direct Marketing Association (DMA) report, 79% of consumers act on direct mail immediately. Meanwhile, only 45% do the same with email. The DMA also finds that the average response rate for direct mail is 4.4%, compared to email's response rate of 0.12%.

Printed direct mail is often dismissed based on cost, but it is actually a highly cost-effective means of communication. While the cost to print and mail is higher for direct mail than it is for digital communications, its cost per response is lower. The DMA reports that the cost per response of direct mail letters and postcards is in line with online pay-per-click marketing, less than email, and significantly less than telemarketing.

Medium	Cost Per Lead/Order	
Direct Mail (letter-sized)	\$51.40	
Postcard	\$54.10	
Pay-Per-Click	\$52.58	
Print Advertising	\$60.50	
Telemarketing	\$190.49	
Email	\$55.24	
Source: 2012 Response Rate Report, DMA		

Table 1: Cost Per Response Comparison – Direct Mail vs. Other Media

Direct mail has long been a popular tool for organizations of all sizes to engage constituents. Despite the popularity of digital media, the physical impact (people have to look at and touch their mail) and targeting provided by a well-thought-out direct mail effort yields solid results. When properly planned and executed, direct mail can be a tangible and effective way to communicate with a select audience.

Applying the 40/40/20 Rule

Ed Mayer's "40% audience, 40% offer, and 20% all the rest" rule is an enduring framework for developing successful direct mail communications. The order of 40/40/20 rule's three components is critical — if the first component is done incorrectly, the other two components are not likely to make the effort a success.

Reaching the Audience

It's All About the List!

The mailing list is the foundation for a successful direct mail effort. Getting an offer or a call-to-action delivered to the right audience is critical for any direct mail communication. Although there are many types of mailing lists to reach a target audience, they all basically fall into two general categories:

- A **house list** is an organization's internal list of active and former customers, members, or employees.
- Purchased lists are available from many sources and can be rented or owned. These lists are
 customized to fit characteristics of the target audience. There are several different types of
 purchased lists ranging in cost and appropriateness for reaching an audience, but key types include:
 - A specialty list targeting a select audience (e.g. new parents, health enthusiasts, accountants, IT professionals, Fortune 1000 companies)
 - o A custom mailing list based on select customer criteria
 - o A cloned list that finds customers similar to an organization's best customers

The Importance of Managing List Quality

The quality of a list is of paramount importance. Budget dollars are wasted on producing and sending out mail if it never reaches its intended target. Lists need to be cleaned or "scrubbed" to remove duplicate entries, undeliverable addresses, or names on do-not-mail lists. They must be kept up to date, and this means adding, updating, and deleting entries on an ongoing basis. Let's put the importance of maintaining list quality into perspective with an example. Each year, over 40 million Americans change their addresses. Updating mailing lists reduces the volume of undeliverable mail. The United States Postal Service (USPS) formally calls this type of mail Undeliverable-as-Addressed (UAA) and has mechanisms in place to reduce it. Not updating lists can result in the forfeit of postal discounts.

For the casual user of direct mail, it can be difficult to keep on top of best practices for list selection, management, maintenance, and the larger implications (e.g., not qualifying for postal discounts). Even heavy direct mail users can find this task to be challenging and often rely on service providers to optimize the management, maintenance, and updating of lists. Given the importance of the list, turning to an expert can help ensure success.

Selecting the Right Channels

There are many channels to communicate directly with an audience, and organizations often struggle to determine the best ones. Would a combination of printed mail and email be most effective, or would it be better to combine email and social media? Is a postcard better than a letter? The questions can go on and on, but there actually isn't a universal formula for success. Channel selection is tied to strategy and audience. Who is your audience, and what do you know about them and their communication preferences?

According to InfoTrends' research, strategically integrating channels yields the best results for corporate enterprises. While response rates will typically improve when more channels are used (Table 2), it's the strategic integration that drives conversion or action. For example, combining print and digital media in a synchronized effort where an email alerts a recipient to a mailpiece that is on the way or a mailed postcard drives a recipient to a website. There is no one-size-fits-all approach — the selection of various channels should depend on the effort's underlying strategy and goals.

Campaign Media Combinations	Response Rates	Conversion Rates
Print only	6.0%	16.2%
Print and email	7.6%	18.3%
Print and web landing pages (pURLs)	7.6%	15.3%
Print, email, and web landing pages (pURLs)	8.2%	16.5%
Print, email, web landing pages (pURLs), and mobile marketing	8.7%	19.0%
N = 1,026 Enterprise Communication Decision-Makers	, 	

Table 2: Results of Various Media Combinations

Source: Understanding Vertical Markets: Enterprise Communication Requirements, InfoTrends 2012

The Offer

Compelling the Audience to Act

The offer motivates recipients of direct mail to take action. Without a clear and compelling reason to respond, the recipient will likely do nothing. Great offers convince recipients that an offer is valuable and compels them to act immediately. Most recipients won't read an entire piece; many will skim or skip around. Consequently, it is critical to tell recipients exactly what to do.

Structuring the Offer

Direct mail experts recommend that offers be specific, clear, and align to the following the structure:

- 1. Acknowledge pain or opportunity
- 2. Offer benefit (ease pain, define opportunity)
- 3. Define call to action (visit a website, send a text, dial a toll-free phone number, scan a mobile barcode, fill out a form and place in business reply envelope)
- 4. Offer description & benefit(s)
- 5. Repeat call to action
- 6. Mention product and briefly summarize benefits
- 7. Add sweetener (a reason to respond NOW, such as a giveaway or limited-time discount)
- 8. Summarize benefits of responding (keep it punchy!)
- 9. Repeat call to action

The better the offer and the more ways a customer can respond, the better the chances of getting a response. Tips for improving an offer to drive response are as follows:

- Include a strong call to action (e.g., Click here! Call now! TEXT 123!)
- Eliminate response barriers: Use mobile barcodes, personalized response codes, business reply mail, and provide a toll-free phone number.
- Make it easy to respond with pre-populated forms and/or perforated response cards
- State the offer clearly, prominently, and frequently
- Include testimonials
- Use email to alert recipients about the offer
- Follow up the mailing with a phone call or an email
- In direct mail letters, use a P.S. to restate the offer and call to action. This is the second-most viewed section of a letter (the salutation is first).

All the Rest

Maximizing Creative Elements

Creative includes the copy, design, and communications format that delivers the offer in a clear and compelling way. Creative's contribution to direct mail success may represent the smallest percentage, but it is the most visible part of an effort — it supports an organization's brand and it's what gets noticed! Catching the recipient's eye is critical. This is evidenced by the popular 3:33 direct mail principle, which suggests that a piece has:

- 3 seconds or less to stand out against other mail in the pile and stay out of the trash
- 30 seconds to convince the recipient to open it
- 3 minutes or less to persuade the recipient to respond

Good creative execution is an important factor in getting the reader's attention. Historical perspectives indicate that using color and simple personalization can have a significant effect on response rates. A creative design, such as an oversized mailer or personalized images, will increase the likelihood that a recipient will pay more attention to that particular piece than anything else that may have come in the mail.

Personalization or "Me-Mail"

Direct marketers have been personalizing direct mail communications for decades, and are now increasing their precision to send targeted, relevant offers to specific audiences (or individuals) and increase the effectiveness of a campaign or initiative. Tactics like data mining, audience segmentation, and predictive modeling are playing a prominent role in driving effective personalization of direct mail and other types of business communications. Technological advancements in print production are also enabling higher levels of personalization. Direct mail can be personalized to include unique headlines, messages, images, offers, calls to action, or other variables. The variables that are worth changing will depend on what is most relevant to a recipient.

Format: The Delivery Vehicle

Finding the right format means choosing from an assortment of direct mail formats, including postcards, letters, and self-mailers. Descriptions of the core direct mail types are provided below.

- **Postcards:** Postcards have the advantage of being impossible to ignore. Their messaging is right out in the open and can be seen at a glance. These are excellent tools for promoting events, distributing coupons, thanking customers, alerting an audience to a future mailpiece, or directing recipients to an online registration site.
- Letters: Letter mailers have an outer envelope and generally contain a letter, reply device, and possibly additional inserts. They offer more space to convey a message and persuade a reader to take action. Letters are an excellent option for messages that require more explanation, privacy, security, and additional components (e.g., reply device, brochure).
- Self-Mailers: Self-mailers are self-contained mailpieces that require no envelope. They offer similar benefits to postcards, but provide more message space and are generally less expensive to produce than letters.

Key considerations in format selection include message space requirements and postage costs.

Postage: Formats Influence Rates

Postage rates account for a large portion of a direct mail campaign's budget — sometimes 50% or even more. Mailpieces are classified by shape, size, weight, and how they are prepared; certain classifications are eligible for discounts. These classifications are based on how efficiently mailpieces can be processed on USPS equipment. The USPS classifies letters and cards into one of three categories:

- **Machinable**: Letters and cards with accurate addressing and that can be processed on USPS equipment because they meet specific requirements for size, shape, and weight.
- **Nonmachinable:** Mailpieces not easily processed by USPS equipment because of their size, shape, and/or weight.
- **Automated:** A letter or postcard may qualify for lower pricing if it is machinable and also displays the correct delivery point barcode or Intelligent Mail barcode.

There are many rules, considerations, and tactics for getting the best prices on postage. A knowledgeable direct mail provider can offer assistance as many have postal service experts on staff.

Picking the Right Provider

The components required to successfully plan and execute direct mail span many disciplines (e.g., databases, postal rules, print production, copy, creative). Because there are many different components, selecting the right direct mail service provider requires careful evaluation. All providers are not the same, so it's important to ensure that the provider has experience and a proven track record for offering the services needed. In addition, a direct mail provider should be up-to-date on postal rates and regulations, which can sometimes change multiple times per year. Postage is a big expense, so it's important to have a provider that can advise and guide you through this process.

This material is prepared specifically for clients of InfoTrends, Inc. The opinions expressed represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies. We believe that the sources of information on which our material is based are reliable and we have applied our best professional judgment to the data obtained.

Appendix A: Direct Mail Checklist

- Clearly define what the direct mail effort is designed to accomplish
 - Sell more to existing customers?
 - Acquire new customers?
 - o Build awareness?
 - o Invite potential customers to an event?
 - o Drive renewals?
 - Prompt sign-ups?
- Establish the budget
 - How much money can be spent?
 - o What is the frequency/timing of the mailings?

• Determine the best direct mail format

- o Postcards
- o Letters
- o Self-mailers

• Select the right mailing list

- Align with goals (who are you trying to reach)
- o Establish criteria (geography, industry, annual sales, gender, income, etc.)
- Maintain in-house and owned list

• Develop a clear and compelling offer

- o Grab attention
- Create interest
- Provide an action step (e.g., call today, visit website, come into the store)

Choose a reliable direct mail service provider

- \circ $\;$ Companies that specialize in direct mail services can save customers time and money
- They provide printing services, mailing lists, envelope inserting and sealing, address printing, and mailing
- \circ $\;$ They understand the ins and outs of postal rules to procure the best discounts

Appendix B: Glossary of Terms

Address change service (ACS): A computerized version of the Address Correction Requested service. To be eligible for this service, the mailer requests an identifying code that must print as the first line of the address block. Information on moves and non-delivery is supplied on magnetic media. Fees for ACS are lower than for ACR.

Address correction requested (ACR): A service of the USPS that can be requested by printing the words "Address Correction Requested" in the upper left corner of the mailpiece. If the address is undeliverable, the USPS will provide the mailer with the forwarding address of people who have moved, or will indicate a reason for non-delivery (e.g., no such address, unknown at this address, forwarding time expired). The charge for this service varies depending upon the class of mail and the weight of the mailpiece.

Address correction source: A service provided by the USPS to help provide corrected addresses for pieces that are undeliverable as addressed and mailed third-class bulk.

BRC: Business Reply Card.

BRE: Business Reply Envelope.

Bulk Mail: Mail that is rated for postage partly by weight and partly by the number of pieces in the mailing. This term is generally used to refer to Standard Mail.

Call to action (CTA): This is a common term for the portion of a direct marketing message that encourages the target audience to take advantage of an offer.

Caging List: A list/database of addresses that are updated, after a mailing has completed, with notations on responses and corrections for addresses of returned mail.

Coding Accuracy Support System (CASS): Created by the USPS to ensure the accuracy of software programs used by service bureaus to check addresses and code mailings for delivery.

Compiled List: Any list created from a compilation of public sources such as phone books, deed information, directories, newspapers, and courthouse records.

Consumer List: Any list of individuals at home addresses who have bought merchandise, subscriptions, given to a non-profit, etc.

Conversion Rate: The rate at which qualified leads convert to sales, calculated by dividing the number of closed leads by the number of qualified leads delivered to the sales force.

Intelligent Mail Barcode: USPS barcode technology used to sort and track letters and flats. Compared to prior USPS barcodes, it encodes more information while minimizing the space used on the mailpiece. IMBC expands the ability to track individual mailpieces and provides customers with greater visibility into the mail stream. USPS requires the use of the Intelligent Mail barcode to qualify for automation discounts. **Direct mail marketing:** A form of direct marketing in which marketing materials are sent directly to the residence or business of target customers. Direct mail marketing formats include flyers, postcards, enveloped letters, and trifold postcards.

Data Hygiene: The process of keeping data up-to-date. Hygiene tactics include the development of processes to capture all non-delivered mail and update the database accordingly.

Data Mining: The process of identifying previously unknown relationships and patterns in data, in particular customer databases, to solve a business problem.

Database Modeling: Using statistical techniques to predict future customer behavior.

Data Overlays: The matching of two or more lists that contain the same names or addresses but where one list adds additional data such as demographics of geographics to the other.

Database Analysis: Interpreting information within the database to gain customer insight and improve marketing efficiency.

Datacard: List information including counts, demographics, pricing, etc.

Delivery Sequence File (DSF): A computerized file of more than 125 million records containing all the addresses in the United States. Each address record features ZIP+4, carrier route, delivery sequence, accurate and complete addresses on the lists they own and rent, and a code for walk sequence discounts from the postal service.

Geocoding: Also called address-matching, this is the process of adding latitude and longitude map coordinates to a particular address in a database. This allows for pinpointing customers geographically for more targeted direct marketing purposes, such as:

- Listing a store or dealership closest to the recipient
- Personalizing a letter with a sales representative for that area
- Aid in purchasing mailing lists for under-represented areas

List Cleaning: The process of updating a list to remove any undeliverable addresses. Other cleaning activities could include removing duplicates, bad debts, names on the DMA Mail Preference Service, and prison ZIPs.

List Maintenance: The ongoing process of keeping a mailing list up-to-date by adding, editing, and deleting data.

Mail Evaluation and Readability Lookup Instrument (MERLIN): The USPS's tool for evaluating letter and flat-rate mailpieces to determine their qualification for discounted automation rates. One of the tests that MERLIN performs is for barcode readability. Pieces that do not meet MERLIN requirements are not eligible for discounts.

Merge-purge: The process of combining two or more lists into one while simultaneously identifying and removing any duplicates.

National Change of Address (NCOA): A USPS-developed service that uses licensed computer service bureaus to enable mailers to make any necessary address corrections prior to their mailing being dropped. The mailer provides a magnetic tape that is run against the NCOA bank and then is returned to the mailer with all the corrections made.

Personalization: The process of adjusting direct marketing content to match the personal details or preferences of the recipient (e.g., addressing the customer by name in the greeting of a marketing message). Personalization requires availability of and access to the customer data stored in marketing lists or customer databases.

PLANET Code: A barcode that will allow mailers to track a mailpiece, or an entire mail campaign, throughout the USPS delivery system.

Presorted Mail: A form of mail preparation, required to bypass certain postal operations, in which the mailer groups pieces in a mailing by ZIP code or by carrier route or carrier walk sequence (or other USPS-recommended separation).

Premium: A free gift offered to a prospect to induce a greater response to the main product or service that is being sold. A premium does not need to bear any relationship to the product that is being offered.

Response: Action on the part of consumer receiving the ad.

Response Booster: Any device, token, premium, or sweepstakes that will help raise the response rate.

Response Lists: Individuals who have responded to a direct marketing offer (e.g., magazine subscribers, mail order buyers).

Response Rate: The amount of responses received as a percentage of total promotions mailed.

Seeding: False or "dummy" names that are added to a mailing list to check delivery and uncover any unauthorized list usage.

Segmentation: A process of dividing a market into smaller pieces based on demographic, psychographic, or behavioral patterns.

Selects: Demographic data that is compiled/used to mail into a more specific segment of a list (e.g., specific states on a national list). A select charge/fee is typically applied to pull specific data.

Single-Piece Rate: The "undiscounted" or "full" postage rate available for individual pieces of Express Mail, First-Class Mail, Priority Mail, and Package Services.

Sorting: The computerized process of reorganizing a list from one sequence to another. For example, a file can be sorted by last name, company name, ZIP code, high donors, multi-buyers, recent buyers, etc.

Source Codes: An identifier that goes with a particular house file segment or list. The code must be unique to the particular segment and/or list being coded, so marketing and circulation efforts can be measured.

Suppression: Removing undesirable/non-fruitful names from your mailing list (e.g., deceased individuals, those in prison, people on do-not-mail lists).

Token: An action device that is designed to involve the prospect in the offer. It can be pretty much anything, but common examples include coins, peel-off stamp, or punch-out paper pieces that are inserted into the order form.

About InfoTrends

InfoTrends is the leading worldwide market research and strategic consulting firm for the digital imaging and document solutions industry. We provide research, analysis, forecasts, and advice to help clients understand market trends, identify opportunities, and develop strategies to grow their businesses.

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Lisa Cross is responsible for conducting market research, managing custom business development consulting projects, and monitoring and reporting on industry trends. She also assists companies in developing multi-channel communication, marketing, and content strategies.



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