

The direct marketing report 2010

Direct-mail data and trends for ultimate consumer reach



An Experian white paper

Emerging trends in 2010

As part of an integrated cross-channel marketing program, direct mail remains one of the most effective methods for reaching consumers.

Despite the decreases implemented by most businesses last year, direct-mail spending is predicted to increase 0.7 percent in 2010.¹ In fact, many of Experian Marketing Services' own clients have shared their plans for shifting a portion of the marketing dollars back into their direct-mail acquisition programs. One reason for this shift back to direct mail is that acquisition efforts suffered due to mailing cutbacks, while other types of media proved to be harder to measure or less effective.

The comeback of direct mail — a strong ally to acquire new customers and reactivate old ones.

Catalogs and direct mail can be more tangible than digital outreach and are constant reminders for the consumer. Smart retailers apply a healthy mix of online and traditional marketing tactics to acquire new customers. When exploring the direct mail channel, it's important to ensure addresses are valid. In fact, Experian Data Management clients have seen as much as a 40 percent lift in response from a verified name and address versus non-verified information.

To improve the performance of your reactivation efforts, ensure that your former customers are still at the same address by using external verification services. Online ordering of catalog items has risen noticeably in the past years and now is the perfect time to be more aggressive in your customer prospecting and reactivation activities.

- Today 61% of catalog orders are placed online compared to 50% in 2006.
- 74% of households either read or scan direct mail they receive.
- Consumers that received a catalog spent 28% more on the retailer's site than those that did not receive one.

Marketers want to return to growth in 2010. Despite the emergence of consumer preference for e-channels, direct-mail continues to extend its reach as a successful method of enticing new customers, bonding with loyal ones and producing measurable results.

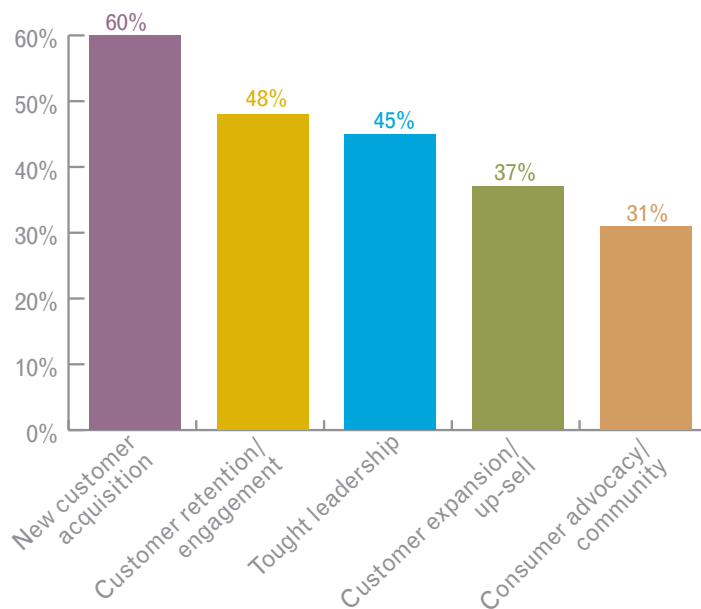
¹Winterberry Group Outlook 2010 (April 2010), *The Maturation of Email in a Continuously Evolving Market*

Direct marketing report 2010

If you are a flats mailer, try co-mailing. Co-mailing your pieces with other titles will add to your postage discounts. For example, if you mail 3 million pieces and you co-mail with another 2 million-piece mailer, your postage rates will be based on a 5 million mailing rate and will offer significant postage savings.

Leading marketing priorities in 2010

Rebounding after the recession requires aggressively acquiring new customers and carefully maintaining current customers.



Source: Unisfair, 2009

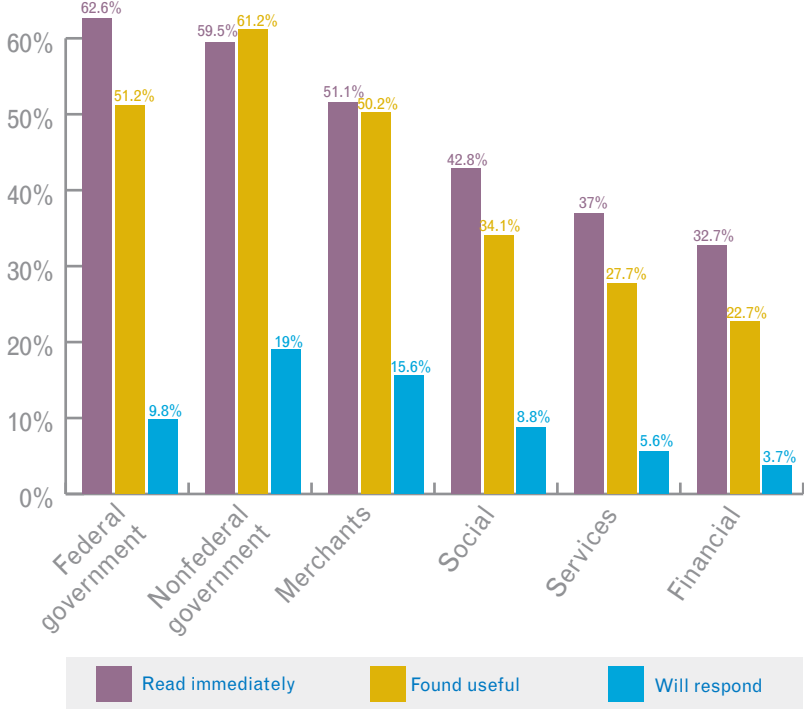
Direct-mail has impact

The United States Postal Service® is projecting a volume of 166 billion mailed pieces for 2010. The average consumer receives 24.7 pieces of mail per week. Typically, direct-mail advertising represents 52 percent of total mail volume in the United States.²

²DMA 2010 statistical fact book, USPS® 2010 Integrated Financial Plan

Consumer treatment of Standard Mail® by selected industries (2008)

Consumers respond best to timely, relevant information directed toward their specific needs. Previous customers of an organization are much more likely to respond to direct-mail offers.



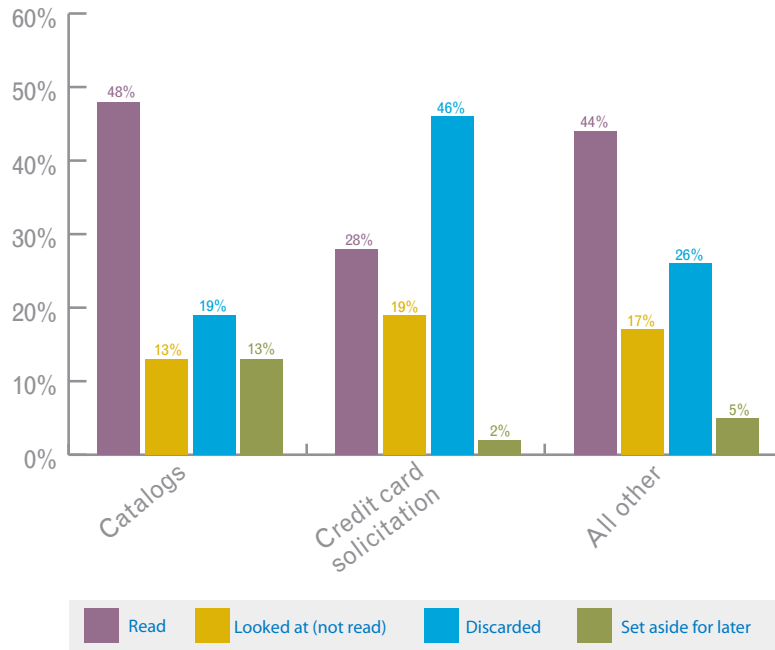
USPS® Household Diary Study, 2009
*Of pieces containing an advertisement or request for funds

According to a June 2010 report from DM News, direct-mail volume is up 16 percent in the first quarter of 2010, driven by the insurance and credit card industries.

Direct marketing report 2010

Treatment of Standard Mail® by type (2009)

Seventy-nine percent of households either read or scan advertising mail they receive. Catalogs are looked at the most frequently and have a relatively high read rate.



USPS® Household Diary Study, 2009

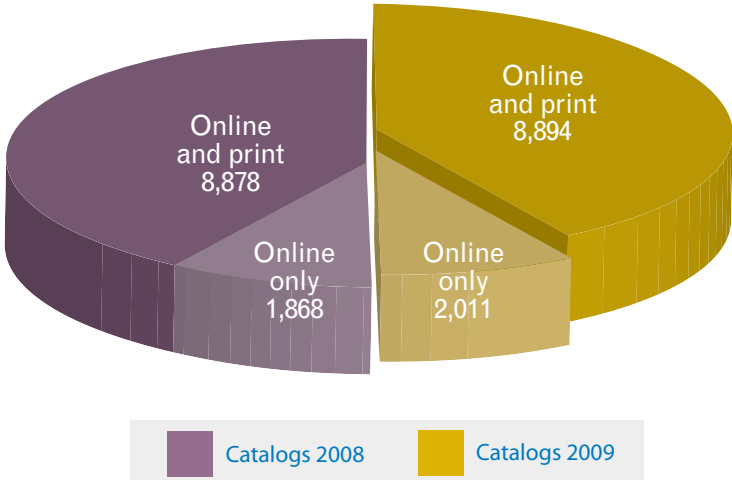
The power of catalog

After deciding to try out a different marketing channel, Zappos.com™ printed 750,000 catalogs in 2009 to retain lapsed customers and attract new ones.³

Abercrombie & Fitch is resurrecting its catalogs in 2010 after tabling the mailings for seven years.⁴

Number of online catalogs

While “online-only” versions of catalogs have increased, retailers with both online and print catalogs continue to dominate and have shown moderate growth.



Source: MediaFinder.com, 2009

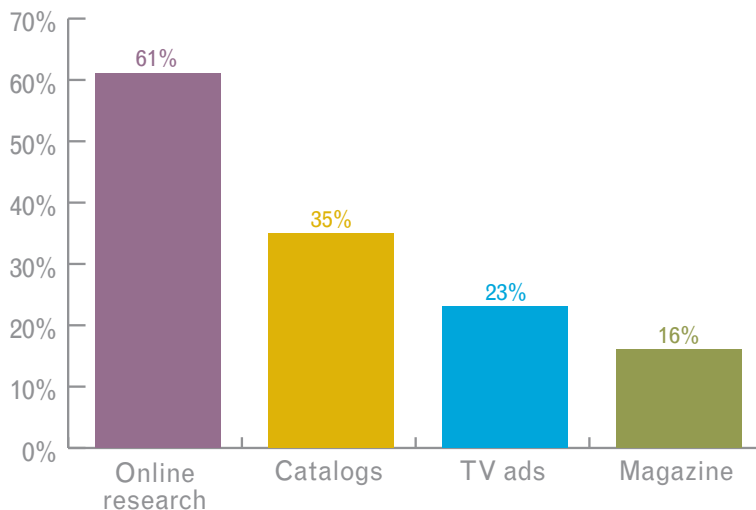
If you can't mail a catalog for each mail event, consider sending First-Class Mail post cards with a discount or special offer to drive recipients to your Website or online catalog. The cost of doing this is much lower, and the positive impact can be just as strong. Among all mail formats, post cards are most likely to be read.

³eMarketer, March 2010
⁴The Online Wall Street Journal, June 25, 2010

Direct marketing report 2010

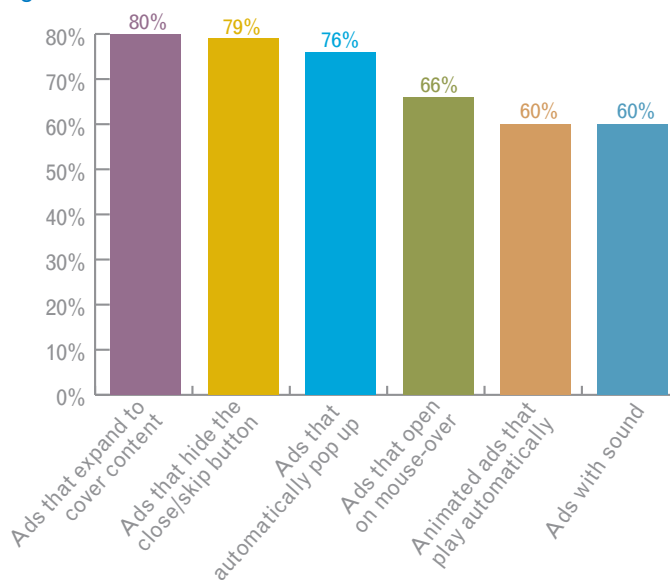
Media employed by internet users to get ideas before holiday shopping (September 2009)

Catalogs can drive more online business because they are constant reminders. According to a USPS® study, consumers who received a catalog spent 28 percent more money on the retailer's site than those who did not get one.



Source: NPD Group "Annual holiday survey 2009," as cited in a press release, Nov. 16, 2009

Online ad fatigue



Source: Harris Interactive, 2009

Catalog fast facts⁵

- For 2010, catalogs are forecasted to generate \$7.34 in sales for every dollar spent to make them.
- People age 55 and older prefer shopping via catalogs and ordering by phone.
- Catalog shoppers tend to be more qualified leads when they arrive at the Website (versus those who use search engines) and thus more likely to convert to buyers.
- Compared with shoppers using search engines, catalog shoppers are more familiar with products by the time they arrive at the Website.

Include “or Current Resident” when your offer is more generic (catalogs, for example). Implement this tactic in time for the holidays so your piece will be delivered to someone instead of being thrown out or returned. Also, since more people are shopping during the holiday season, you have a better chance of getting a response.

⁵eMarketer, March 2010

Direct marketing report 2010

Direct-marketing best practices

Match addresses against credible data sources.

Mailing to an address that is validated and ZIP+4™ coded through a CASS Certified™ hygiene product will automatically qualify that piece for postal automation discounts.

- **Performance** — A recent Experian Marketing Services analysis of a large catalog mailer found that address correction tools produced an annual benefit of more than \$250,000.
- **Result** — Postage savings. For a Standard Mail® flat mailer, each ZIP+4™ coded address can save, on average, 10.5 cents; for Standard Mail® letters, the average savings is 2.3 cents per piece.

Improve mailings with advanced suppression tools.

Most direct mailers use industry-standard suppression files such as “prison” and “deceased,” but there are many more proprietary suppression tools available, including “child” and “undeliverable address” files.

- **Performance** — Experian clients typically are able to identify up to 2 percent of their mail files as “undeliverable” and 0.5 percent as known “children.”
- **Result** — Eliminate wasted advertising. The more filters you can apply, the lower the advertising cost of your undeliverables and nonresponders.

Optimize mail files.

Add names to lift existing direct-mail segments to lower-cost postage tiers, and delete names from lower-performing file segments that fall into higher-cost postage tiers.

- **Performance** — Advanced functions within the presort process can have a dramatic impact on the overall cost and performance of your mailings
- **Result** — Reduced costs. Adding records to the mail file at the time of presort increases potential responders and reduces overall postage. Dropping records from marginally performing segments that fall into higher-cost postage tiers allows you to eliminate, on average, an additional 15 cents per flat mailer.

Work with partners that have strong data and analytics.

The key to maximizing your targeting effectiveness is having access to quality external data, and the analytical expertise required to mine that data's potential.

- **Performance** — Experian's VeriScoreSM modeling for acquisition simplifies targeting by helping you dig into your prospect files to uncover hidden markets and find profitable new prospect universes.
- **Result** — Targeting the right people. Customer modeling helps you target your existing customer base and make better use of names you already own. Through customer modeling, a leading men's retailer cut its mailing costs in half and still maintained 92 percent of its revenue.

Improve targeting with proprietary change of address tools.

According to the USPS[®], approximately 22 percent of people who move each year do not file an official change of address.

- **Performance** — Proprietary change of address services give you access to additional move sources such as utilities, banks or publications, improving the chances of finding your targets at the correct address.
- **Result** — Maximize response and performance. Mailing to individuals at an old address decreases response rates by 75 percent.

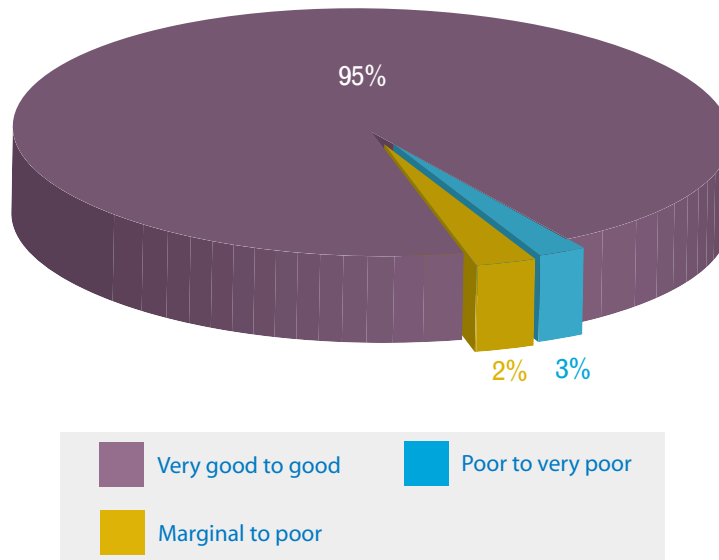
Regardless of today's movement of advertising dollars from printed mail to digital mediums, feedback from a number of Experian Marketing Services' clients indicates that many businesses plan to increase their use of printed mail in 2010 to bolster their integrated marketing programs.

Direct marketing report 2010

Direct mail insights from experian

Utilizing Experian's Data Management Services can bolster and strengthen the impact of your direct-mail campaigns. The studies and statistics below illustrate how our services can help clients save money.

Data hygiene statistics — address quality



Source: based on average data quality assessments

To improve direct-mail performance, verify information before it enters a database. Using Data Management Services can overcome errors and provide significant benefits. Data-driven Data Management Services utilizes a service provider's data assets to correct records and improve address quality that software-only products cannot accommodate.

Use validated models on both your customer and prospect mailings to ensure you are targeting the right people. Also, incorporate the depth and breadth of external data to create stronger models. Prospect models are much more effective when done at an individual/household level versus a ZIP™ level. Always partner with a list processing services provider that has strong data and analytics as part of its tools.

NCOALink® processing

Case study:

It had been more than two weeks since a national retailer's mailing records had been cleansed with the NCOALink® service from the USPS®.

Question:

Is it cost-justified to rerun NCOALink®?

Resolution:

Experian® recommended that the retailer start using last effort NCOALink® processing. The retailer conducted an "in-the-mail" test and discovered that the performance of the unchanged addresses was 27 percent of the performance of the changed addresses.

Result:

Performance and monetary increases. There was a 300 percent increase in performance by changing the address. Annually, that amounts to a net benefit of more than \$1 million.

Identifying the value of catalogs

Case study:

The client wanted to prove that catalogs were having a greater impact on sales than \$1.01 per book.

Question:

Are more sales coming from online and retail than the catalog?

Resolution:

Using Multichannel Response Analysis, online and retail orders were attributed to appropriate catalog mailings.

Result:

Proven monetary value in the direct-mail channel. Experian attributed an additional 34 cents per book from internet orders and an additional 64 cents per book from retail orders. That was a total multichannel impact of \$1.99 per book, justifying catalog circulation.

Direct marketing report 2010

Verifying data processes

Case study:

A warehouse retailer developed a deliverability task force comprised of internal and external associates to examine the impact of its direct-mail efforts.

Question:

Did the mail data processes the warehouse retailer used work?

Resolution:

Experian took a lead role in creating successful deliverables and continually brought in company experts on data hygiene.

Result:

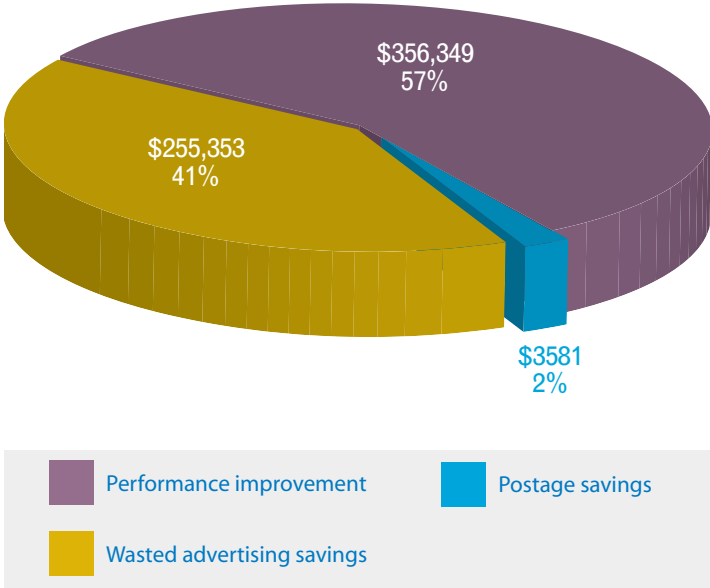
Increased direct-mail efficiency. Substantial print and mail savings estimated at more than \$200,000. The improved data accuracy increased the effectiveness of direct-mail projects.

For more than 30 years, our Data Management Services team has exceeded client expectations in list processing and data management. We have serviced small and large clients in the direct-marketing industry, saving national retailers, financial services and other industries millions every year. We process more than 16 billion records and are involved in the preparation of approximately 18 percent of all commercial-class mail annually.

Experian impact

The following are examples of the annual value we provide to our clients as a result of improving data quality and eliminating unprofitable and redundant records from their campaigns.

Benefits for the marketer

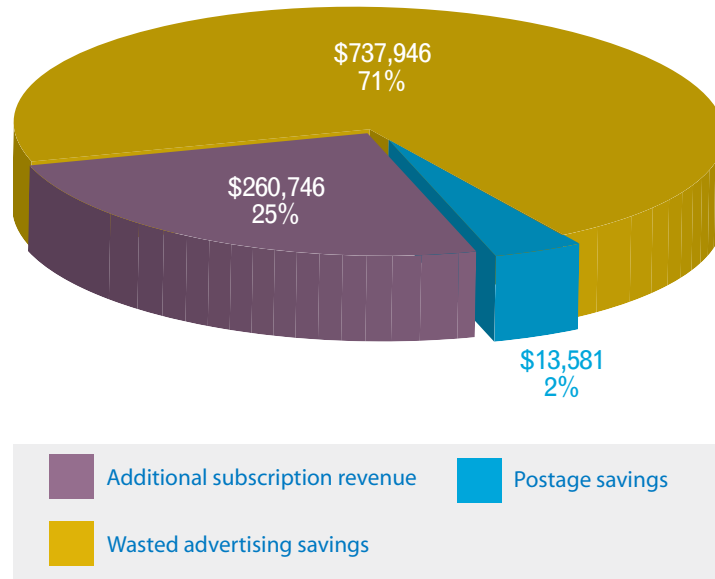


Client example:

- Annual mail volume: 28 million
- Annual benefit: \$625,283

Direct marketing report 2010

Benefits for the publisher



Client example—media publisher:

- Annual mail volume: 40 million
- Annual benefit: \$1,042,430

The Experian Advantage

Experian averages 1 percent higher ZIP+4™ coding than our competition.

- Experian matches, on average, 10 percent more change of address records than other providers
- Experian identifies 0.5 percent to 3 percent additional valid duplicates and suppresses over other service providers

Customer testimonials

“The team we work with is absolutely incredible. I cannot say enough — Experian is a first-class company.”

— **Brandon Ivie, President, Ivie US**

“We have a complex process with lots of moving pieces, along with constant changes being made to our data. The Experian team tirelessly works with us through everything and keeps to the schedule even when we throw last-minute challenges at them.”

— **J. Edelstein, Director of Marketing Analytics, Restoration Hardware**

“The partnership with Experian has been a long and successful one. Experian has helped Crate & Barrel maintain a strong relationship with lifelong customers while ensuring that we continue to grow our customer base.”

— **Gordon Segal, Founder and CEO, Crate & Barrel**

“Experian has allowed us to advance the science of prediction in terms of whom to mail and not to mail. Our new mailing platform is giving us the flexibility and efficiency we need to compete in a very challenging retail environment.”

— **Pat Connolly, Chief Marketing Officer, Williams-Sonoma**

Direct marketing report 2010

"We transitioned to Experian in 2006, and we were impressed at how quickly they caught on to our business requirements and truly listened to what we needed. As our relationship progressed, they have immersed themselves in our data and business and bring up ideas/suggestions that no one else has ever thought of. We love our Service Delivery List Processing team."

– J. Robinson, Director of Marketing, Service Master TruGreen

Market Forward with Experian Marketing Services

Experian Marketing Services moves marketing forward with predictive insights that improve how marketers target and engage their customers across both traditional and digital media. We offer a full range of products — from data management to campaign execution — to add to your dynamic marketing efforts.

For more information on how Experian's Data Management Services team can help you manage your marketing data and increase your response rates, call 1 877 870 5663 or email us at datamanagement@experian.com.

Experian Marketing Services
955 American Lane
Schaumburg, IL 60173
1 877 870 5663
www.experian.com/datamanagement



Marketing
forward 

© 2010 Experian Information Solutions, Inc. • All rights reserved

Experian and the Experian marks used herein are service marks or registered trademarks of Experian Information Solutions, Inc.

Other product and company names mentioned herein are the property of their respective owners.

Experian is a nonexclusive full-service provider licensee of the United States Postal Service®. The following trademarks are owned by the United States Postal Service®: USPS, United States Postal Service, First-Class Mail, Standard Mail, NCOA^{Link}, ZIP, ZIP+4 and CASS Certified. The price for Experian's services is not established, controlled or approved by the United States Postal Service.

AD#5.10