

Direct Mail: Cheaper than On-line Advertising!

What the direct mail industry, including the Postal Service, has done since 9 -11 and the anthrax scare has been to surrender our customers and their marketing dollars to on-line advertisers. In the throws of a major advertising realignment brought on by a new interactive communications channel, the direct mail industry is nowhere to be found defending itself or our products. There have been no aggressive in your face marketing campaigns supporting the fact that direct mail can compete with on-line advertising, providing superior functionality with competitive cost-per-response pricing.

It's time that we go on the offensive and attack claims made by on-line advertisers and their media supporters. Let's be clear, our battle for customers is not with the Internet but with advertisers that deliver digital programming over the Internet. If we don't start waging an aggressive, fact based, industry wide campaign, the direct mail industry will be as relevant as an association of buggy whip manufacturers. Borrell Associates in a recent report stated it more succinctly, "All signs point to the demise of direct mail..." and directmag.com (7/08/09) has chimed in with, "*Interactive Marketing Will Cannibalize Traditional Channels: Forrester*" reporting that direct mail will take the biggest hit.

On-line advertising has only one functional advantage over direct mail. On-line advertising is (nearly) instantaneous, when consumers are connected to the Internet! Direct mail will never be instantaneous but it is delivered whether consumers are on-line, off-line, or off... on vacation.

The second advantage on-line advertising has is the perception that it is the only channel capable of delivering digital programming to consumers. The simple fact is that there are two channels available for the successful delivery of digital programming: the Internet and the Postal Service.

With the Postal Service's proven ability in delivering digital content (over 3 million rental DVDs delivered daily), why has the direct mail industry walked away from marketers wanting to use digital advertising? Why doesn't our industry challenge on-line competitors? Why do we let them make false claims about responsiveness, functionality and costing?

All it takes for our industry to utilize the Postal Service as the preferred channel in distributing digital programming is to design direct mail packaging to include digital media such as CD/DVDs. With the inclusion of digital media in direct mail, it becomes a digitally connected, interactive advertising medium called multimedia mail. With our targeting, physical presence in people's homes, the ability to stimulate all five senses, and proactive delivery to consumers, we have a digitally connected product that is superior to all on-line offerings!

The average multimedia mail piece will cost around \$1.00 per piece mailed. This \$1.00 covers all in-mail costs including paper, printing, replication, data processing, fulfillment, mail processing, shipping, and postage. Even at \$1.00 per piece mailed, digitally enhanced direct mail is less expensive than most on-line advertising when evaluated on a cost-per-response basis. In many cases, multimedia mail is substantially less expensive than on-line advertising!

To compare equivalent costs between on-line and postal delivered digital advertising you have to find a specific consumer activity that is common to both mediums and then calculate the separate costs of generating that activity. Direct mail has traditionally measured a response as a sale or other significant activity. On-line advertising can't measure sales; it makes its money from selling clicks.

A click on-line is when a consumer opens an ad for more information. As it turns out, the USPS has been measuring direct mail open rates in their *Household Diary Study* for over twenty years. Since opening an ad for more information by a consumer is a common activity between these mediums, we can use a "click" as a common response. The USPS has found that roughly 84% of recipients of direct mail read, partially read, or scan their mail. Therefore, direct mail has a click rate of 84%.

With a click rate for direct mail, it's possible to calculate its click cost based on the in-mail cost of direct mail packages. Comparing the click costs for direct mail and on-line advertising makes possible an equivalent *cost-per-response* comparison between the two mediums. The only difference is multimedia mail delivers greater functionality due to its incorporation of traditional print advertising as part of the marketing package. The cost of multimedia mail must be used in these calculations to provide the digital functionality and interconnectivity on-line advertisers provide through their advertising products.

Multimedia mail has an in-mail cost of a \$1.00. By dividing this cost by 84% (its click rate) we determine its click cost to be \$1.19. On-line studies use this same methodology for calculating click costs in determining relevant cost differentials between banner ads, SEM (Search Engine Marketing) and email campaigns. Multimedia mail is an interactive option, just like the others, and should be evaluated using the same cost-per-response calculation.

As an example, Gartner Research (TU-13-0459 9/5/01) found that banner ads charged between \$5.00 and \$68 per thousand impressions with a click rate of 0.3% to 0.5%. Gartner calculated (in the study) that paying \$15.00/m impressions with a click rate of 0.3% would result in a click cost of \$5.00 for each visitor directed to a web site.

I recently investigated a B to B email marketing campaign for a customer and inquired about the cost of email lists. I was told that the retail cost for a double opt-in B to B list was \$350/m. I asked what kind of response (clicks) my customer could expect from this effort and was told 0.5% to 4% depending on how well they were known in the market place.

My list company sent me several case studies of past campaigns. One consisted of emailing to 19,204 addresses. Applying the current list cost to this case study I calculated a similar campaign's cost ($\$350/m \times 19,204$) at \$6,721.40.

The case study reported a 2.3% click rate with 446 clicks. Using these results to calculate the potential click cost is accomplished in either of two ways, with any difference attributed to rounding. You can divide the list cost of \$0.35 each email by the 2.3% click rate or divide the total cost of \$6,721.40 by 446 clicks. Either way, the calculated click cost for a project similar to the case study would be ***over \$15.00 per click***.

In comparison, multimedia mail could be used to generate 446 clicks at a cost of \$1.19 per click. To generate 446 clicks using digitally enhanced direct mail, we need to mail 531 pieces. In-mail costs would be \$531.00, potentially saving my customer \$6,190.40 and achieving an identical response.

Comparing Search Engine Marketing costs to multimedia mail is a lot easier. Anyone bidding more than a \$1.19 in click costs will save money using the Postal Service to deliver customers to their web site rather than SEM. In 2005 the average of Google's, Yahoo's, and the Shopping Engines' click costs were \$1.83 per click. The average cost of the top five keywords used by the top five search advertising firms was \$4.75 per click the first quarter of 2006. (Search Marketing Fact Pack 2006)

There is a conceptual difference in marketing strategy between using on-line advertising and multimedia mail. SEM sits, waiting to serve ads to consumers searching for information; direct mail actively searches for customers. Therefore multimedia mail delivers ***proactive direct marketing***, while SEM and banner ads provide "***suck your thumb until they come advertising.***"

Todd Butler
Butler Mailing Services
513-870-5060
toddb@butlermail.com
www.ekeymailer.com

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