

BUILDING PROFITABLE MAIL VOLUMES BY INVESTING IN CONSUMER DATA PROGRAMMES

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The future of direct marketing is data driven...

Now is the time to take your place in the driving seat

Let's assume you have the basics right. You offer reliable postal delivery at a fair price. You offer consumers value added services that satisfy real consumer needs and deliver profit. To achieve this you have mobilised the efforts of thousands of people and developed systems that are the envy of many businesses around the world.

As in any business, you need to decide where to invest and focus the energies of your organisation in the future. The challenge is to allocate resources where the need for improvement is greatest and the return on investment is highest. Strategic success is built on over-investing in high potential and ruthlessly cutting waste.

To get more results from your investments, while providing better advertiser and consumer service, you should be considering investing in consumer data programmes.

Sometimes the most obvious is hardest to see

While researching this paper we downloaded over 150 presentations made at Postal Conferences and read the annual reports of a dozen Postal Services. Even though it is a key business driver, the references found to data development were few and far between.

It seems no one wants to talk about data- for many it's a dirty word. But for advertisers data is what drives direct mail. They spend a lot of time and money on creative work and strategy, but the final decision on the number of mailings is based on the data available.

Data drives profitable mail volumes. Advertisers start with the number of addresses/consumers available to contact to determine how many mailings are printed and how many are sent.

Data drives direct mail and mail volume



Who to contact
How many contacts

Mail Volume

New data is needed to drive growth

More developed markets

In the more developed postal markets direct mail has grown year by year. What many do not realise is that for many companies the biggest driver of mail growth is not better and better profitability, but falling results. They need to mail more each year to get the same level of business.

No industry can be built on reluctant customers, buying more because they have to. What advertisers don't need is another compiled list or mail order response file. They need new data. New data matching consumer interests and advertiser needs is the way forward. One type of data with particular promise is preference data where information on consumer interests are collected over a broad range of categories.

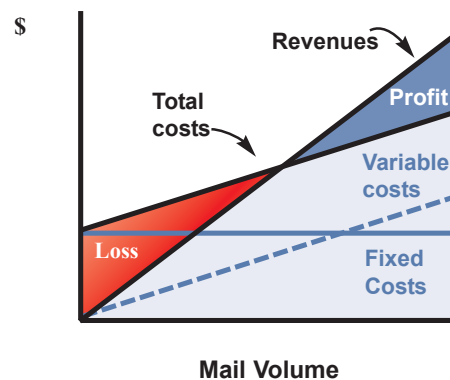
A study by the US Postal Service showed that each response to a direct mail advertisement can generate as much as 40 additional pieces of mail (2 parcels, 13 first class mail pieces and 25 additional pieces of advertising mail)

Lifestyle and Preference data which are usually collected with information on range of consumer interests offer even more potential to build mail volumes.

Less Developed Markets

Large mailers sending mass mailings is the key to profitability in any market. For the developing postal markets this volume is critical. Before advertisers mail, they need a list of consumers with some basic information: age, sex, and income ... The extra volume generated by large mailers is the foundation business productivity and profits can be built on.

Mail volume is key to productivity and profits



Regardless of the type or size of market you are in, large mailers make their decisions in the same way. If direct mail is profitable they will mail more.

Experts estimate that a good list determines over half of the effectiveness of a mailing

Consumer and advertisers agree

Consumers and advertisers agree that the National Postal Services should be working to make direct mail more targeted to consumer interests and profitable for advertisers.

Contrary to what many in the media say, consumers like getting mail. And they like it even more when the mail they receive is targeted to their interests and desires.

In many countries consumers complain about the way data is collected and sold without their knowledge or permission. These same consumers are willing to share information with a trusted third party such as the National Postal Service if they will get something of value in return.

Advertisers are always on the look out for new ways to make more profits. New more accurate data for their mailings is an obvious way to improve their profitability. In most countries advertisers are looking for data suppliers they can trust more than the existing suppliers.

What kind of data ?

There are essentially two kinds of data; 'new business data'- data that can be used to acquire new business and 'hygiene data' - that can be used to clean and update other data sources.

Both types of data are needed for cost effective direct mail. In many markets the postal services are active in the hygiene data market, but absent from the new business data market. The quickest and easiest way to build new business data is the creation of compiled files and consumer survey programmes. It is important to remember there is no "one size fits all solution" these need to be adapted to the local markets.

Case study:

The Postal Preference Service

In October 2000 a new service was started in the UK via a joint venture between Royal Mail and TPG. A survey was put together to ask consumers about their interests. The promise made to consumers was



**More of the mail you want
Less of what you don't**

Key Results after 2 years

Consumers: 3,000,000 households, 9 million members
98% approval rating from consumers
Advertisers 122 of the top 200 mailers
Mailing response rates 20-450% higher

Extra mail generated for a whole range of products and services. The estimated impact is over 100 million extra mail pieces per year.

A few facts on the Data Business

The major difference between the markets with high mail volumes and those with low mail volumes are not consumer incomes and the quality of postal services, but the availability of consumer data and consumer openness to the receipt of direct mail.

In many countries "junk mail" is ruining consumer experiences with direct mail. By creating the right data you can change the content of the mail.

Who is investing in data ? Deutsche Post, The Danish Post, TPG, Royal Mail, The Australian Post, The Italian Post, and Singapore Post... These are not the only Postal Services investing, but those with new programmes worth noting.

A new consumer list will usually be sold 15-25 times a year.

A typical Postal Service might generate a net profit margin of 2%; a data company expects margins over 20%.

Returns on investment

New data programmes set up correctly can

- Improve consumer satisfaction with mail
- Increase mail volumes
- Give you control of a key business driver
- And provide you with information to create many new services

But more importantly, it will generate profit and create real value...depending on your market situation you should be able to get a multi-fold return on investment.

The future for the National Postal Services

A few of the National Postal Services are taking steps to build and improve the data available in their markets.

We predict as markets liberalise the distinction between data and delivery will disappear. Advertisers will buy contacts like they buy contacts in other media. If you don't have access to the data, many advertisers will use another delivery company.

For the forward thinking Postal Services a new position in the market is available that offers a chance to lead the market, improve the quality of service to consumer and profitability for advertisers.

A bridge between consumers and advertisers



Data is key to the future of your market. There is no time better than now to focus some of your investments on this key business driver.

Bryan Cassady is the Managing Director of Postal Solutions. Postal Solutions is a new company focused on helping the National Postal Services to find ways to build profitable mail volumes. The team has experience working in Northern & Southern Europe, Africa, Asia and the Americas.
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