Direct Mail: Delivering Strong Opportunity for Commercial Printers

NAPCORESEARCH
a service of **NAPCO**MEDIA

Direct Mail: Delivering Strong Opportunity for Commercial Printers

Printed direct mail is a fundamental component of many organizations' effective communication efforts because it delivers results. Given direct mail's importance, many commercial printers either offer or are considering adding it to their service mix.

Innovations in printing technology, data analytics, and software have expanded direct mail features and possibilities, including personalization, embellishments, shorter order quantities, substrate options, and recipient targeting. In addition, as consumers are exposed daily to hundreds of digital messages on multiple devices, direct mail often cuts through the clutter of electronic communications. Both factors are fueling growth in organizations' use of direct mail and helping to create revenue opportunity for commercial printers.

This report highlights the opportunity direct mail offers commercial printers, the key factors driving its use by organizations, and the ways digital printing is powering its results.

ATTRACTIVE APPLICATION FOR COMMERCIAL PRINTERS

Direct mail is an attractive print application for commercial printers. According to the U.S. Postal Service's (USPS) fiscal year 2022 results, marketing mail — how USPS classifies direct mail — revenue increased $1.4 billion, or 9.7%, on volume growth of 894 million pieces, or 1.4%, compared to 2021. USPS reports in a press release that marketing mail experienced steep volume declines at the onset of the pandemic but has been rebounding as the economy continues to recover. Describing marketing mail as a resilient marketing channel, USPS notes its value to U.S. businesses remains strong due to customer returns on investment, and better data and technology integration.

Commercial printers offering direct mail report that it is a growth application. According to the PRINITNG United Alliance's 2023 "Commercial Printing Print Business Outlook," sponsored by Canon U.S.A., commercial printers that offer direct mail expect it will grow annually between 3.8% to 5.2% over the next three years, posting a three-year compounded growth rate of between 11.9% to 16.3%. Of all commercial print applications included in the report, commercial printers expected direct mail to offer the highest growth.
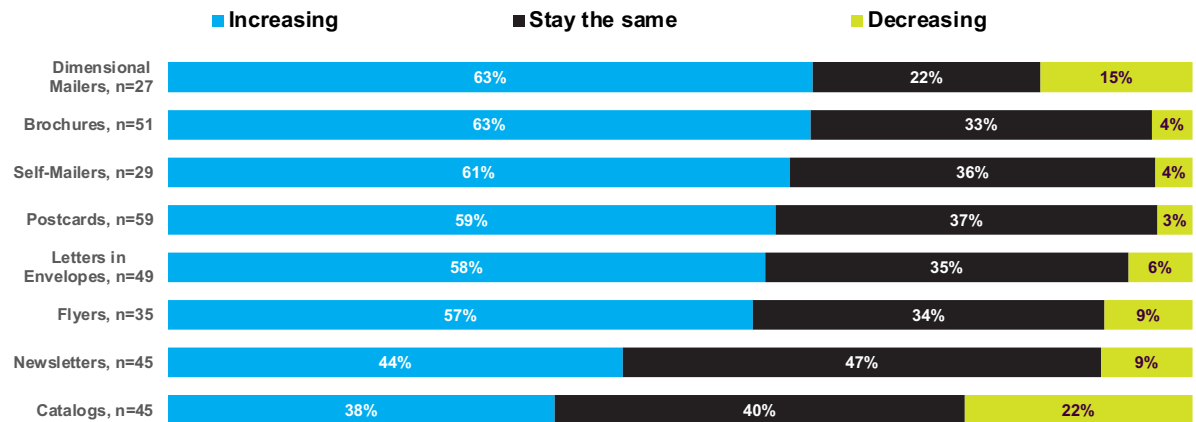
The report also indicated that commercial printers' capital investment wish lists aligned with direct mail production. When asked to identify the most desired capital investments, commercial printers reported the following, many of which support direct mail:

- Bindery/finishing equipment 63.4%
- Inkjet, commercial 38.8%
- Mailing capabilities 29.9%
- Fulfillment capabilities 21.6%
- Print enhancement technology 20.9%
- Dry toner 11.2%

Canon NAPCO RESEARCH

In a NAPCO Research survey of print providers that produce direct mail, over half report increasing growth across many types, including dimensional mailers, brochures, self-mailers, postcards, letters in envelopes, and flyers (Figure 1).

Figure 1: **Direct Mail Application Demand Trends**

Q. Of the direct mail print applications you print, what are you expecting in terms of demand in the next 2 years?

■ Increasing   ■ Stay the same   ■ Decreasing

Application	Increasing	Stay the same	Decreasing
Dimensional Mailers, n=27	63%	22%	15%
Brochures, n=51	63%	33%	4%
Self-Mailers, n=29	61%	36%	4%
Postcards, n=59	59%	37%	3%
Letters in Envelopes, n=49	58%	35%	6%
Flyers, n=35	57%	34%	9%
Newsletters, n=45	44%	47%	9%
Catalogs, n=45	38%	40%	22%

n=70 Print providers that print direct mail
Source: NAPCO Research 2023

NAPCORESEARCH

Direct mail printer respondents expect demand for dimensional mail — pieces that feature a third dimension beyond length and width, and include boxes, tubes, containers, bags and other carriers — to increase the most over the next two years. Typically, dimensional mail contains a giveaway item, and its goal is to give recipients an exciting opening experience.

Another direct mail application some print providers expect to increase is self-mailers — any sort of marketing material mailed without an envelope. Self-mailers can be folded and sealed in a variety of ways. They can be printed on paper or cardstock, and cardstock self-mailers can include a tear-off response card. These all-in-one print pieces support marketers in their customer communication and may provide a cost savings compared to mail in envelopes and allow featuring bold, attention-grabbing designs and folds.

In addition, respondents expect demand for postcards to increase. Postcard direct mail marketing has been a staple for many organizations because can be an effective direct mail format.

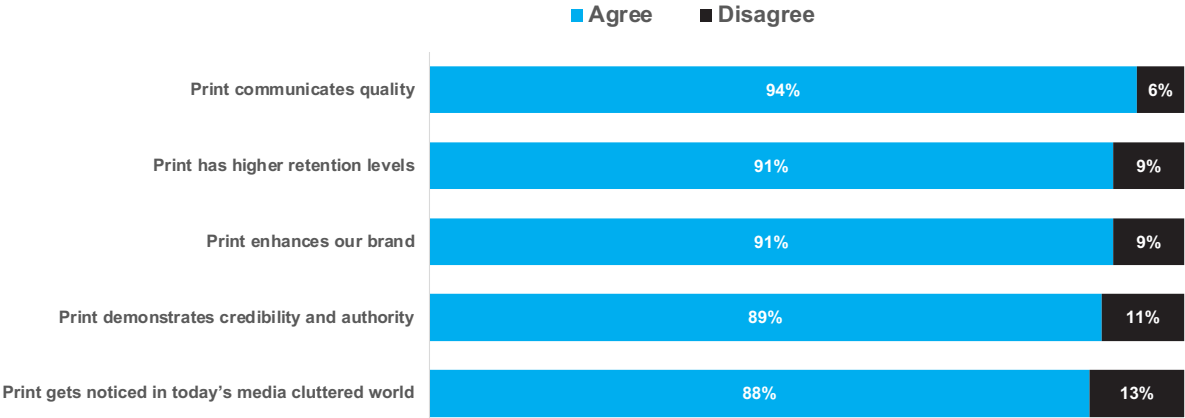**Canon**   **NAPCO**RESEARCH

DIRECT MAIL USERS EXPECT TO INCREASE USE

Users of direct mail also expect growth in use. According to NAPCO Research's *Propelling Your Business Forward in an Everchanging Competitive Environment*, 49% reported that use of direct mail increased in the prior 12 months, and 43% expected further increases over the next two years.

In addition, respondents that specified or influenced direct mail gave high marks to print, reporting that it communicates quality, offers high retention, enhances branding, demonstrates credibility and authority, and gets noticed in a media-cluttered world (Figure 2).

Figure 2: **Value of Print to Direct Mail Users**

Q. Of the direct mail print applications you print, what are you expecting in terms of demand in the next 2 years?

■ Agree ■ Disagree

	Agree	Disagree
Print communicates quality	94%	6%
Print has higher retention levels	91%	9%
Print enhances our brand	91%	9%
Print demonstrates credibility and authority	89%	11%
Print gets noticed in today's media cluttered world	88%	13%

n=64 Buyers and Influencers of direct mail
Source: *Propelling Your Business Forward in an Everchanging Competitive Environment*, NAPCO Research/Canon U.S.A. 2022

○ NAPCORESEARCH

An annual direct mail research study conducted by Lob and Comperemedia also confirms direct mail's ability to deliver results. A Lob press release issued on the study reports that close to three-fourths (74%) of 250 respondents participating in "2023 The State of Direct Mail" survey, report direct mail delivers the best return on investment, response rate, and conversion rates than all other channels used, including email. These survey findings explain why 58% of respondents report that more marketing budget will be allocated to direct mail compared to 2022.

Canon **○ NAPCO**RESEARCH

FIVE KEY DIRECT MAIL GROWTH INFLUENCERS

Direct mail is an attractive opportunity for commercial printers because a variety of market influences — from postal incentives to new features enhancing its ability to deliver results — continue to drive innovation, increase its effectiveness, and expand use by organizations. Here are five key factors supporting direct mail growth.

1. USPS Promotions Advancing Customer Demand

For over a decade, USPS has offered promotional discounts between 3% to 5% to encourage direct mail users to enhance the value and competitiveness of mail compared to other media. The annual promotion program offers mail discounts for direct mail campaigns that use emerging printing and marketing technologies like QR codes, personalization, voice assistants, and Informed Delivery. The USPS website offers a wealth of information on these promotions (www.usps.com/business/promotions-incentives.htm) that are creating customer incentives to use direct mail.

Typically, USPS annually offers the following six promotion options for marketing mail:

- **Personalized Color Transpromo**

- **Tactile, Sensory, & Interactive Mail Piece Engagement**

- **Emerging and Advanced Technology**, such as enhanced augmented reality, mixed reality, virtual reality, near-field communication (NFC), video in print, or mobile technologies

- **Reply Mail IMbA (Intelligent Mail® barcode) — new in 2023**

- **Informed Delivery**

- **Retargeting — new in 2023 —** incentivizes marketers to send out personalized postcards to recent website visitors that didn't convert to sales.

2. Digital Printing Supporting Direct Mail Use

A major factor advancing the success and use of direct mail is digital printing. Here are key attributes of digital printing that are expanding direct mail's use and demand:

- Accommodates affordable printing of shorter runs, offering more organizations the ability to use direct mail. In addition, the ability to print short runs gives direct marketers a powerful tool for testing and measuring the effectiveness of various marketing messages.

- Offers a wide variety of options to personalize direct mail to recipients, from images to customized offers.

- Ability to gang different jobs enables producing the various components in a direct mail campaign (e.g., letter, reply vehicle, bookmarks, certificates, other printed pieces) in the same run and targeting the same postal zone, which can result in efficiency gains and postal savings for print providers and their customers.

Canon NAPCORESEARCH

- Provides an alternative to a two-step direct mail personalization process composed of printing shells on an offset press and then personalizing and/or addressing with digital printing. Digital printing enables producing personalized direct mail in one pass. The combination of digital presses' color quality and expanding run length capabilities helps enables "white-paper in — finished product out", eliminating the multiple printing steps need for some direct mail applications.

- Turns the envelope into a marketing vehicle. Digital production presses can print high-quality marketing content and imagery on envelopes, which can help drive higher attention and response rates. Printing more than addresses on envelopes offers print providers an opportunity to enhance the value of the direct mail they produce. AM Lithography, Chicopee, Mass., prints envelopes on its imagePRESS V1000, according to a Canon U.S.A. case study video. AM Lithography Director of Prepress Services Fred Gamber explained in the video: "The envelope capability of the imagePRESS V1000 is really solid; we put most of our envelopes on that piece of equipment now, instead of the piece of equipment that was previously dedicated to envelopes… 10x13s [and] 9x12 booklet envelopes are a pretty standard variable-data feature for us, and we do a lot of magazine work that gets inserted into those size envelopes. The ability to print the variable data [on envelopes] at speed effectively with color is something a lot of clients find very useful."

3. Personalization Increasing Response Results

Relevant and timely personalized direct mail communications that provide a unique experience for each recipient by combining customer data and variable-data printing can aide marketers in motivating customer response and purchasing. According to a 2023 NAPCO Research survey of print providers that produce direct mail, 56% report customer demand for personalization is increasing, and almost half the direct mail they produce includes personalized copy and images.

A different NAPCO Research survey of direct mail users indicates that personalization delivers direct mail results. NAPCO Research's study, "Hitting the (re)Target Directly," finds that 96% of the 192 survey respondents that use personalized direct mail as part of their marketing strategy rate it as very/moderately effective. In addition, respondents report experiencing the following benefits from personalized direct mail compared to direct mail that is not personalized:

- Higher conversion rate............................69%

- Higher repeat purchase rate................64%

- Higher customer lifetime value..........61%

- Improved marketing ROI......................60%

- Higher average order value 57%

Canon NAPCO RESEARCH

4. Print Enhancements Making Direct Mail Stand Out

Enhancements can take many forms, from substrates to coatings. Available substrates and special finishes to enrich a message continue to expand. For example, choosing a heavier stock gives a direct mail piece a more substantial feel that can stand out in a mailbox full of print produced on lighter weights. Textured paper can give a mailer a more luxurious feel to showcase a higher-end brand or important communication, such as an invitation to an event or sale. Digital presses are expanding in the variety of substrates they can accommodate. For example, the recently launched Canon imagePRESS V1350 can print on a diverse range of substrates up to 450 gsm, as well as large-sized envelopes, textured stocks, and synthetic medias. The imagePRESS V1350 is designed for demanding high-quality production runs of catalogs, booklets, light packaging, and direct mail.

5. Technology Tools Enhancing Value and Results

Technologies such as intelligent mail barcodes, quick response codes, and variable-data printing are enhancing direct mail's value and its results. These tools can help enhance direct mail's effectiveness because they enable delivery tracking, collect valuable lead data, and generate ROI. Here is a summary of tools and services that are enhancing direct mail results:

- **Intelligent mail barcodes** allow print providers and the USPS to sort, track, and deliver each direct mail piece with accuracy and speed. In addition, this unique barcode enables a direct mail sender to better estimate a mail piece's delivery timeframe, essential for coordinating the supporting elements of integrated multi-channel marketing campaigns.

- **Quick response codes** offer recipients quick access to marketing follow-up communications, such as coupons, product information, landing pages, videos, or special offers. QR codes also allow marketers to collect data on the activities of mail recipients and track the effectiveness of marketing elements in real time.

- **Mobile SMS text marketing** elements on direct mail pieces, such as QR codes and personalized URLs, allow for an immediate customer response, collect real-time consumer data, and facilitate two-way communication. Marketers use mobile text marketing in direct mail to solicit customer feedback, extend promotional offers, support loyalty programs, and provide customer service and support. Marketers benefit through up-to-date response metrics in addition to capturing mobile phone numbers and other significant customer information.

- **Extreme personalization** that combines database marketing and variable-data printing delivers unique, relevant, and timely communications targeting individual recipients, captures attention, and motivates response.

- **Linking printed direct mail and digital media:** The use of QR codes during the COVID-19 pandemic educated the masses on how print can connect to digital media and was a key factor in a resurgence of omni-channel integration. As direct marketers look for ways to enhance customer experiences and engagement, innovative print service providers are guiding them in combining direct mail with digital media.

Canon ●NAPCORESEARCH

FINAL THOUGHTS

Direct mail is a print application delivering growth and opportunity to commercial printers. Key factors expanding organizations' use of direct mail include digital communications overload, innovations in the ability to harness data to personalize printed communications, digital printing's ability to personalize and print in shorter runs, and printing enhancements.

Digital printing has and continues to help commercial printers to produce highly personalized output capable of meeting customers' direct mail requirements, competing with or complementing digital media, yielding ROI, and delivering desired results.

WHO WE ARE

NAPCORESEARCH

NAPCO Research crafts custom data-centric solutions that leverage our highly engaged audiences across the markets in which we operate, our industry subject matter experts and in-house research expertise. We partner with our clients to identify their unique business problem and create solutions that enable deeply informed decision-making.

NAPCO Research can help with:

- Business goal prioritization
- Opportunity discovery
- Market segmentation
- Landscape insight
- User needs and wants
- Product features and functionality
- Content marketing strategy
- Sales strategy and tactics
- Market conditions
- Benchmarking
- Industry trends
- Brand awareness

Contact research@napco.com to talk with our analysts to find out how we can help you with your research needs.

WHO WE ARE

Canon

It should be this: Canon U.S.A., Inc. is a leader in digital imaging and printing solutions with one of the broadest portfolios in the industry, offering solutions such as digital presses, production inkjet presses, wide-format printers, workflow solutions and professional services. With approximately $30.3 billion in global revenue, its parent company, Canon Inc. (NYSE:CAJ), as of 2022 has ranked in the top-five overall in U.S. patents granted for 37 consecutive years. Canon U.S.A. is dedicated to its Kyosei philosophy of social and environmental responsibility.

To learn more about Canon, visit us at www.usa.canon.com