

Driving with Data: Direct vs. Digital

The Role of Direct Mail In a Digital World



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As new generations make their way into the financial marketplace, the demand for a digital-first consumer experience is exploding, after bubbling under the surface for years. Financial institutions that miss this digital boat will soon tire of treading water and slip out of sight. But, how far toward digital should the pendulum swing?

Direct mail might just be the marketing channel that most represents “the old way” of reaching and converting consumers—it’s analog, printed, harder to track, costs postage to send, and takes days to get to the consumer instead of nanoseconds. But, is it time to throw it out altogether in exchange for its digital cousin?

The data reveals that direct marketing not only has a place at the table but is a vital ingredient for marketing in the digital age. **The direct connection that consumers have with physical mail is proven to boost brand recall, response rates, and attention. It boasts some of the best ROI in the business. And the data on millennials and direct mail is often shockingly good** (see page 4 to see how good).

However, while direct mail may be a key ingredient in modern marketing, maximizing returns requires some smart choices. Letting data drive strategy (we have some of the best data scientists you'll find anywhere) is a no-brainer. Combining direct and digital communications in an omni-channel approach is also mandatory because it connects the dots for consumers, letting them pick their own path to conversion ... like a choose your own adventure book that always ends in sales.

Playing the Numbers: Data on Direct Mail Engagement

The most dangerous direct mail myth propagated over the past decade is that direct mail is an ineffective medium for communicating with consumers. Critics of direct mail in the finance industry often suggest that consumers are unresponsive and direct marketing isn't as cost-effective as digital marketing. The data reveals a drastically different story.

According to the [2018 DMA Response Rate Report](#), **direct mail response is five to nine times larger than email, paid search, or social media.** Direct mail has an average response rate of 3.7% compared to 0.62% for a combination of mobile, email, social media, paid search, and display advertising.

The value of that level of engagement is undeniable, and yet companies are walking away from it, lured by the promise of greener digital pastures and the tease of digital's reputation for being cheap and easy.

So, does direct mail really cost more? The short answer is yes. The 2017 DMA Response Rate Report showed that direct mail is the most expensive medium in cost per response at \$26.40 (household level). In comparison, email maintains a cost per response of \$10.32, paid search \$16.22, online display \$24.75, and social media \$20.32. But, what does that price get you?

Many stellar enterprises have fallen victim to myths about direct mail. Make sure you're not one of them by rejecting each of these and instead embracing the **real truth behind them.**

The Biggest Direct Mail Myths



Myth 1: Millennials Only Do Digital



One particularly prevalent direct mail myth is that millennials only respond to online and mobile communications. While millennials may be extensive mobile users, mail is still important to them. Lending Science indicates 84% of millennials look through their mail, with **64% preferring physical mail to its digital cousin to scan for useful information.**

SOURCE



Smart marketers care far more about return on investment than overall cost. And while direct mail is costlier to produce than digital marketing, the increased response rate drives ROI. In other words, direct mail may cost more, but the increased response rate provides huge value. The same DMA report describes an extremely competitive average of \$19 cost-per-acquisition for direct mail, compared to mobile and social at \$16-18, paid search at \$21-30, and internet display at a whopping \$41-50. Only email outperformed direct mail, coming in at \$11-15 cost-per-acquisition. **The data is clear: Direct mail shouldn't just be part of your marketing spend—instead, it should probably be a foundational element.**

Even better news for those maintaining a direct mail focus: Across the financial services industry, there has been a substantial decline in spending on direct mail, driven by this high cost and, likely, misconceptions about its effectiveness. Mintel has discovered that major credit card issuers are sending less mail. Even insurance direct mail is in decline. That means that as more brands preemptively depart the direct mail sector, opportunity will only skyrocket as consumers' attention becomes less divided. And for those brands who master omni-channel marketing, the upside gets even higher.

Omni-Channel Marketing Provides Maximum Value

Consumers no longer interact with brands on a mono-channel basis. So even though direct mail is a proven method for communicating with consumers, it is only part of the solution.

Combining direct mail and digital marketing is proven to be the most effective method for engaging with prospects. In a media mix study, [Canada Post - The Science of Activation](#), direct mail following display ad was shown to be the highest performing marketing sequence. The study also revealed that **the omni-channel sequence increased the attention by time that a consumer spent by an enormous 39% over single-media digital campaigns and increased brand recall by 10%.**

Direct mail clearly performs at its best when strategically combined with other channels. The tangible awareness that a well-written mail piece offers presents a tremendous opportunity, particularly when paired with a display ad.

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Myth 2: No One Reads Mail Anymore



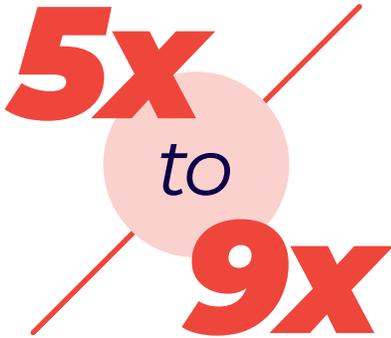
Another reason for the decline in spending on direct mail is the belief that prospects don't read and respond to mail anymore. When looking at the data, it's easy to see this is another falsehood. In fact, according to the USPS, **77% of consumers sort through their physical mail as soon as they get it.**

SOURCE



WHAT DATA SAYS ON DIRECT

Spending on direct mail may be on the decline, but the data around consumer response toward direct mail couldn't be more promising, indicating a huge opportunity for smart marketers.



Direct mail's response rate is 5 to 9 times larger than email, paid search, or social media.

SOURCE



Letter-sized envelopes have the highest response rate of all direct marketing at 15.1%.

SOURCE



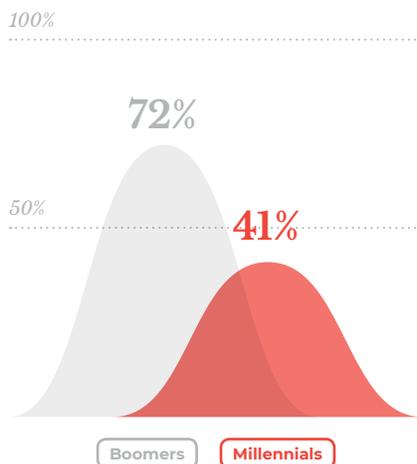
56% of consumers who respond to direct mail do it online or at a physical store.

SOURCE



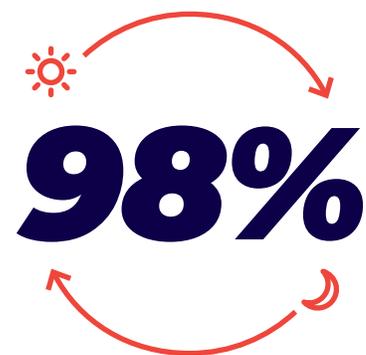
62% of millennials have visited a store "in the past month" based on physical mail.

SOURCE



72% of boomers and 41% of millennials review, read, or sort mail at least 6 times a week.

SOURCE



98% of people check their mail daily, and 77% sort it immediately upon receipt.

SOURCE



The Millennial Dollar Question

The strength of direct mail lies in its extensive reach, as almost any demographic is reachable through the mailbox. And, even in the digital age, mail remains surprisingly popular among millennials. In fact, while the majority still cite mobile as their most frequent communication channel, **64% of millennials would rather scan physical mail for useful info than email**, according to the most recent data available from the USPS.

The reality is that millennials aren't that different from their predecessors. The same study says that in-person communication preference is only 4% less than Generation X and 11% less than the Greatest Generation.

This trend should continue, as the emerging iGen generation also shows signs of being responsive to direct mail. For these younger consumers, mail is a novelty, which will only increase in time. Novelty often equals attention, which in turn leads to conversion. Pair that novelty with personalization through narrow targeting, and high conversion rates are in your future.

The Basics: Doing Direct Mail Right

It's clear that direct mail should be the backbone of any omni-channel strategy. However, Franklin Madison data scientist Jasmine Joseph says there are a number of things you need to do and avoid if you want your direct mail strategy to be successful at reaching consumers:

- 1. Don't have a one-channel strategy.** The number one mistake businesses make when using direct mail (or, for that matter, digital marketing) is to use it in isolation. Combining direct mail with other digital mediums, like email or social media, will increase the effectiveness of your mail and drive engagement.
- 2. Keep it simple and straightforward.** Direct mail materials have to get straight to the point. Consumers have an attention span of seconds, so your mail has to make a quick impression. Cut to the chase, and create a summary of all your products' benefits with a clear value proposition in any mail you send.

The Biggest Direct Mail Myths



Myth 3: Direct Mail Is Too Expensive

While the cost of direct mail may be higher than sending an email, **the ROI of sending direct mail is exponentially higher.** The Online Marketing Institute has revealed that direct mail has a lower cost per lead than any other channel and a conversion rate of 4.4%, meaning your direct mail dollars go farther.

SOURCE



3. Build a seamless consumer experience. Brands often mistakenly think online marketing is an entirely different entity to direct mail, but it isn't. The consumer experience delivered by your mail needs to mirror your online presence and vice versa. Visual elements, tone, and value propositions should all match.

4. Test and refine your marketing. Your marketing needs to be continuously tweaked and refined to meet the needs of your customers. New packages, designs, and concepts all need to be tested. This will not only tell you what is important to consumers but will inevitably increase your response rates.

Connecting the Dots— Our Omni-Channel Approach

The major challenge of marketing in the digital age is building a consistent omni-channel experience. Developing an understanding of a target audience and delivering that experience consistently in both print and digital is a tall task ... like asking an oil painting expert to craft you a watercolor. Franklin Madison has addressed this challenge by placing consumer research and empathy at the heart of its omni-channel marketing strategy.

All direct and digital marketing communications sent by Franklin Madison to its clients' consumers rely on a deep understanding of consumer preferences and financial data. One way we accomplish this is through Personix Life Stage data. Joseph, who as one of our data scientist is responsible for ensuring maximum ROI for our clients, says of its role in developing marketing assets, "Personix Life Stage data is a combination of any given potential audience's demographics, interest, lifestyle, credit history, financial standings, etc. And we use those type of variables in the direct mail model to identify the most responsive prospects."

Franklin Madison uses this information to identify which prospects will be the most responsive to current products. After creating a list of potential consumers, the prospects become segmented into groups. The responsiveness of each segment is then tested to ensure the relevance of direct mail offers.

"In one recent test, Segment A performed 60% worse than other consumer groups," Joseph says. "So, we deselected the

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Myth 4: Direct Mail Isn't Engaging



In an age of online content from videos to visual ads, there is an attitude that direct mail isn't successfully engaging modern consumers. Data from Marketing Sherpa suggests this isn't true, with **76% of consumers trusting direct mail when making a purchase decision**. Direct mail is excellent for building consumer trust.

SOURCE



unreceptive group and focused marketing to consumers who displayed greater interest. This allowed us to mail 78% of the available universe and still generate over 90% of the premium.”

The strategy isn't limited to print channels, either. After completing consumer research and sending out mail to prospects, Franklin Madison followed up with an email to reach out and cement the connection. Consumers received an email using a subject line related to previously-sent mail. This triggered the prospect's memory, connecting the dots between the direct and digital.

Having the necessary consumer data for your target audience is essential for building an omni-channel experience. By testing your marketing materials against consumer segments, you can make sure that your audience is interested in what you have to offer. You can then set about revising your marketing to build a base of loyal consumers.

The Right Partner Can Determine Success

Direct mail requires special expertise to be effective, and our dynamic and individualized direct marketing campaigns drive above-average response rates. Here's how we do it:

- Start with relevant, best-in-class, consumer-driven insurance products.
- Develop simple, straightforward creatives to educate consumers.
- Use data to ensure we are presenting relevant solutions to the target audiences in a way that will drive them to action.
- Present our partners' brands to elevate the solutions and build on the brand loyalty our partners already have with their consumers.

If you're ready to put the data behind direct mail and omni-channel marketing to work for you, let's talk. Contact Andrea Heger at (615) 764-2082 or by emailing her at aheger@franklin-madison.com. Or for more info, you can visit www.franklin-madison.com.



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