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Marketspace

Nick Francis and Andrew Kershaw

In this edition Marketspace provides a snapshot of recent trends in direct mail receipt. The information is from the Royal Mail Consumer Panel, and it has not been published in this format before. The Royal Mail Consumer Panel consists of 2,400 adults and is run by TN Sofres on their behalf. The panel has been running since 1985.

Figure 1: Product or service advertised index of growth, 1998–2001 (1998 = 100)

Using 1998 as an index (=100), the single greatest growth has been exhibited by credit cards, achieving an index of 165 by 2001. Loan companies are second in the growth stakes by some margin. Interestingly, insurance as a sector has behaved differently, demonstrating virtually no growth trends up to 2000, and then increasing dramatically in 2001, at which time it also exhibited growth ahead of the average direct mail growth.

Only two of the represented sectors have achieved above-average growth — household goods and clothing. Prize draws and competitions continue to grow. Books stand out as the only sector declining over the period — perhaps one can speculate that the arrival of the Internet may have affected this sector. More anomalous is the growth curve of travel and holidays, which saw a decline at the start of the period followed by strong growth.

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The clothing and household goods sectors have shown sustained growth

Books stand out as the only sector declining

Figure 2: Product or service advertised sectoral index of growth, 1998–2001 (1998 = 100)

The 55–64 age group appears to be a direct marketer's dream

Figure 3: Direct mail volume by individual age index of growth, 1998–2001 (1998 = 100)

The most striking change in who is receiving the direct mail during the period 1998–2001 is the rapid growth in mailings to the 55–64 age group. Analysing panel data suggests this growth is linked to the fact that this age group is not only more likely to request direct mail than any other but they are also more likely to buy. The following data from the panel show how much more likely the group are to act than any other:

- read contents and made appointment or intend to visit — with a percentage difference of 123 per cent versus the total percentage of all other ages

- will consider buying as a result of receiving DM mailing — with a percentage difference of 122 per cent versus the total percentage of all other ages
- have bought before and will buy again — with a percentage difference of 87 per cent versus the total percentage of all other ages.

Acquisition mailings
continue to fuel
industry growth

Figure 4: Direct mail volume by relationship with company index of growth, 1998–2001 (1998 = 100)

Despite the prominence of CRM in recent years, Figure 4 shows that mailings to people who have never been a customer or member of the sending organisation remain the key growth driver, attracting above-average growth throughout the period. The need for continuous customer

The autumn mailing
peak has changed
over time from
September to
October

Figure 5: Total volume of direct mail received by consumers' calendar year, 1998–2001

acquisition in the financial sector is the most likely cause. It is not all bad news for CRM, however, with growth in mailings to customers keeping track with the average growth rate. What is interesting is that growth in mailings to lapsed customers has been relatively static.

The pattern of direct mail receipt has actually varied little over the period, with pronounced lows in December and August reflecting holiday periods and peaks in January, March, June and October/November. October has shown consistent growth during the period, however, and has replaced September as the autumn peak.

**Internet access
appears to correlate
with greater direct
mail receipt**

Figure 6: Average number of direct mail items received by private individuals per month, by quarter

The arrival of the Internet was initially seen as a threat to traditional direct marketing media. However, Figure 6 shows that in 1998 there was no perceptible difference between direct mail receipt whether the individual had Internet access or not. Since that time the trend is that individuals with Internet access receive more items of direct mail per month than those without: Internet-connected individuals receive 7.2 items per month versus only 6.3 items for those without access. Internet access is therefore a potential driver of direct mail receipt.