



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Assessing Marketers' Barriers to Direct Mail

Management Advisory Report

Report Number
MS-MA-17-001

July 5, 2017





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Highlights

Background

Direct mail has long been an effective form of advertising, offering marketers a way to reach customers. However, over the past two decades, digital media channels have evolved to dominate the advertising market while the share of traditional media, such as newspapers and magazines, has declined.

Direct mail is generally sent as Standard Mail, which the Postal Service recently renamed Marketing Mail. The volume of Standard Mail plummeted from its peak of nearly 104 billion pieces in 2007 to about 83 billion pieces in fiscal year (FY) 2009 – a 20 percent drop in 2 years. Since 2009, however, that decline has slowed. Between FY 2009 and FY 2016, Standard Mail volume reduced from nearly 81.8 billion pieces to 80.3 billion pieces – a decline of less than two percent. Despite economic recovery, Standard Mail volume has not returned to its pre-recession levels. In FY 2016, Standard Mail volume generated \$17.6 billion of the Postal Service's total revenue of \$71.4 billion.

The Postal Service recently evaluated its brand health and has taken steps to engage the marketing industry through business alliances and partnerships in an effort to promote its brand and products – key among them being direct mail. For example, the Postal Service was actively involved in the formation of the Integrated Media Research Center (IMRC) – an initiative designed to share and promote research, case studies and best practices that help marketers and companies better understand

the value of marketing media, including direct mail. As part of its involvement in the IMRC, the Postal Service was able to collaborate with various segments of the marketing industry and showcase its own research about how direct mail can provide a lift to other marketing channels.

Our objective was to evaluate marketers' perceptions of direct mail and the obstacles they face using direct mail as an advertising channel.

What the OIG Found

Through a series of focus groups and an online survey of marketers, we found that marketers see value in using direct mail to connect with consumers. Specifically, marketers identified that direct mail can stand out as a unique medium among the many advertisements they see and hear daily.

While marketers see potential opportunities in using direct mail, barriers to using a direct mail campaign persist. The Postal Service has taken steps to promote the value of direct mail. However, many marketers in our study indicated they do not consider using mail in a marketing campaign because of their perceptions of the lengthy and inflexible process involved in preparing mail, lack of awareness about the effectiveness of mail and inability to access information about the value of mail, including case studies.



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Focus group participants also noted that their views of direct mail are influenced by their negative personal experiences with the Postal Service. News announcements – such as labor cut backs within the Postal Service and financial troubles – also influence marketers’ perceptions of the Postal Service. These “everyday” experiences impacted focus group participants’ business decisions involving the use of direct mail. In one instance, a focus group participant described his arduous experience with the Postal Service when he attempted to renew his passport. After going through the process for more than an hour, he was sent to another location to have a picture taken before having to return to the post office to start the passport renewal process all over again. Focus group participants stated that these types of negative personal experiences affect their decisions as professional marketers.

Additionally, marketers in the survey and focus groups identified difficulties in implementing direct mail campaigns, including:

- High cost;
- Delivery speed, date, and performance;
- Lack of easy-to-use design tools;
- Challenges to complying with mailing specifications;

- Difficulty understanding mailing rates and promotional offers; and
- Difficulty working with the Postal Service.

The Postal Service has made efforts to conduct outreach in the marketing industry by researching the value of mail, attending conferences and industry events, and improving its operations to address some of these challenges. However, survey and focus group participants’ feedback on the value of mail and the Postal Service indicated further outreach opportunities exist. Focus group participants specifically noted the need for a stronger Postal Service presence at marketing industry events and within key associations and groups. By expanding its outreach, the Postal Service has a unique opportunity to connect with marketers to promote the value of direct mail and become an integral part of the marketing industry.

What the OIG Recommended

We recommended management actively highlight the effectiveness of direct mail through case studies and data. We also recommend management develop and implement a strategy to expand partnerships throughout the marketing industry and participate in marketing industry associations and events with senior-level commitment and presence.


Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 5, 2017

MEMORANDUM FOR: James P. Cochrane
Chief Customer and Marketing Officer and
Executive Vice President

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop


FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery, & Marketing

SUBJECT: Management Advisory Report – Assessing Marketers’
Barriers to Direct Mail (Report Number MS-MA-17-001)

This report presents the results of our audit of Assessing Marketers’ Barriers to Direct Mail (Project Number 17RG003MR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lisa Nieman, Director, Marketing Initiatives, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

Introduction

This report presents the results of our self-initiated audit of Assessing Marketers' Barriers to Direct Mail (17RG003MR000). The objective of the report was to determine obstacles that may hinder marketers from using direct mail as an advertising medium and identify possible steps the U.S. Postal Service could take to help eliminate those barriers. See [Appendix A](#) for additional information about this audit.

Domestic marketers are responsible for promoting the products and services of an organization and are one of the Postal Service's largest customers, providing a significant portion of its total revenue. At the same time, the marketing landscape is rapidly changing and now includes alternatives that are quick to produce, easy to widely distribute, and relatively low cost. While direct mail spend has been increasing, direct mail volume has been declining since 2005.

Direct mail is generally sent as Standard Mail, which the Postal Service recently renamed Marketing Mail. The volume of Standard Mail plummeted from its peak of nearly 104 billion pieces in 2007 to about 83 billion pieces in fiscal year (FY) 2009 – a 20 percent drop in 2 years. Since 2009, however, that decline has slowed. Between FY 2009 and FY 2016, Standard Mail volume reduced from nearly 81.8 billion pieces to 80.3 billion pieces – a decline of less than two percent. Despite economic recovery, Standard Mail volume has not returned to its pre-recession levels. In FY 2016, Standard Mail volume generated \$17.6 billion of its \$71.4 billion in total revenue.

While some companies recognize the value of physical communications, the rationale for using direct mail is increasingly under question and some marketers do not consider using direct mail at all. The shift toward digital marketing channels is part of larger digitization initiatives within organizations. This trend drives a larger movement of budgets away from non-digital options, such as using mail for customer outreach. Lack of organizational support for non-digital communications makes it more difficult for marketers to endorse using mail over digital alternatives, especially without solid data to support the value in mailing. As a result, it will be vital for the Postal Service to address the barriers marketers face in using direct mail, including raising awareness of mail as a marketing tool, demonstrating the value proposition of direct mail, and improving its reputation within the marketing community.

The Postal Service recently evaluated its brand health and has taken steps to engage the marketing industry through business alliances and partnerships in an effort to promote its brand and products – key among them being direct mail. For example, the Postal Service was actively involved in the formation of the Integrated Media Research Center (IMRC) – an initiative designed to share and promote research, case studies and best practices that help marketers and companies better understand the value of marketing media, including direct mail. As part of its involvement in the IMRC, the Postal Service was able to collaborate with various segments of the marketing industry and showcase its own research about how direct mail can provide a lift to other marketing channels. Despite the Postal Service's efforts, awareness about the value of direct mail, as well as marketers' perception of the mail and of the Postal Service, continue to hinder their consideration of direct mail as a viable marketing medium.

We conducted an online survey of over 400 marketers regarding direct mail usage and facilitate four separate focus groups in New York City and Chicago to gather marketers' personal perceptions, usage information, and understanding of direct mail and the Postal Service. We analyzed the results of the survey and focus group input to draw conclusions about marketers' barriers to direct mail.

Summary

Through a series of focus groups and an online survey of marketers, we found that marketers see value in using direct mail to connect with consumers. Specifically, marketers identified that direct mail can stand out as a unique medium among the many advertisements they see and hear daily.

While marketers see potential opportunities in using direct mail, barriers to using a direct mail campaign persist. The Postal Service has taken steps to promote the value of direct mail. However, many marketers in our study indicated they do not consider using it in a marketing campaign because of their perceptions of the lengthy and inflexible process involved in preparing mail, lack of awareness about the effectiveness of mail and inability to access information about the value of mail, including case studies.

Focus group participants also noted that their views of direct mail are influenced by their negative personal experiences with the Postal Service. News announcements – such as labor cut backs within the Postal Service and financial troubles – also influence marketers' perceptions of the Postal Service. These “everyday” experiences impacted focus group participants' business decisions involving the use of direct mail. In one instance, a focus group participant described his arduous experience with the Postal Service when he attempted to renew his passport. After going through the process for more than an hour, he was sent to another location to have a picture taken before having to return to the post office to start the passport renewal process all over again. Focus group participants stated that these types of negative personal experiences affect their decisions as professional marketers.

Additionally, marketers in the survey and focus groups identified difficulties in implementing direct mail campaigns, including:



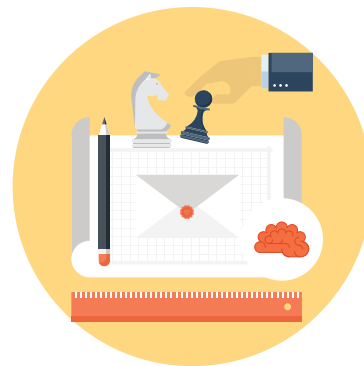
HIGH COST



**DELIVERY SPEED,
DATE, AND PERFORMANCE**



**LACK OF EASY-TO-USE
DESIGN TOOLS**



**CHALLENGES TO COMPLYING
WITH MAILING SPECIFICATIONS**



**DIFFICULTY UNDERSTANDING
MAILING RATES AND
PROMOTIONAL OFFERS**



**DIFFICULTY WORKING
WITH THE POSTAL SERVICE**

The Postal Service has made efforts to conduct outreach in the marketing industry by researching the value of mail, attending conferences and industry events, and improving its operations to address some of these challenges. However, survey and focus group participants' feedback on the value of mail and the Postal Service indicated further outreach opportunities exist. Focus group participants specifically noted the need for a stronger Postal Service presence at marketing industry events and within key associations and groups. By expanding its outreach, the Postal Service has a unique opportunity to connect with marketers to promote the value of direct mail and become an integral part of the marketing industry.

Recognition of the Value of Direct Mail

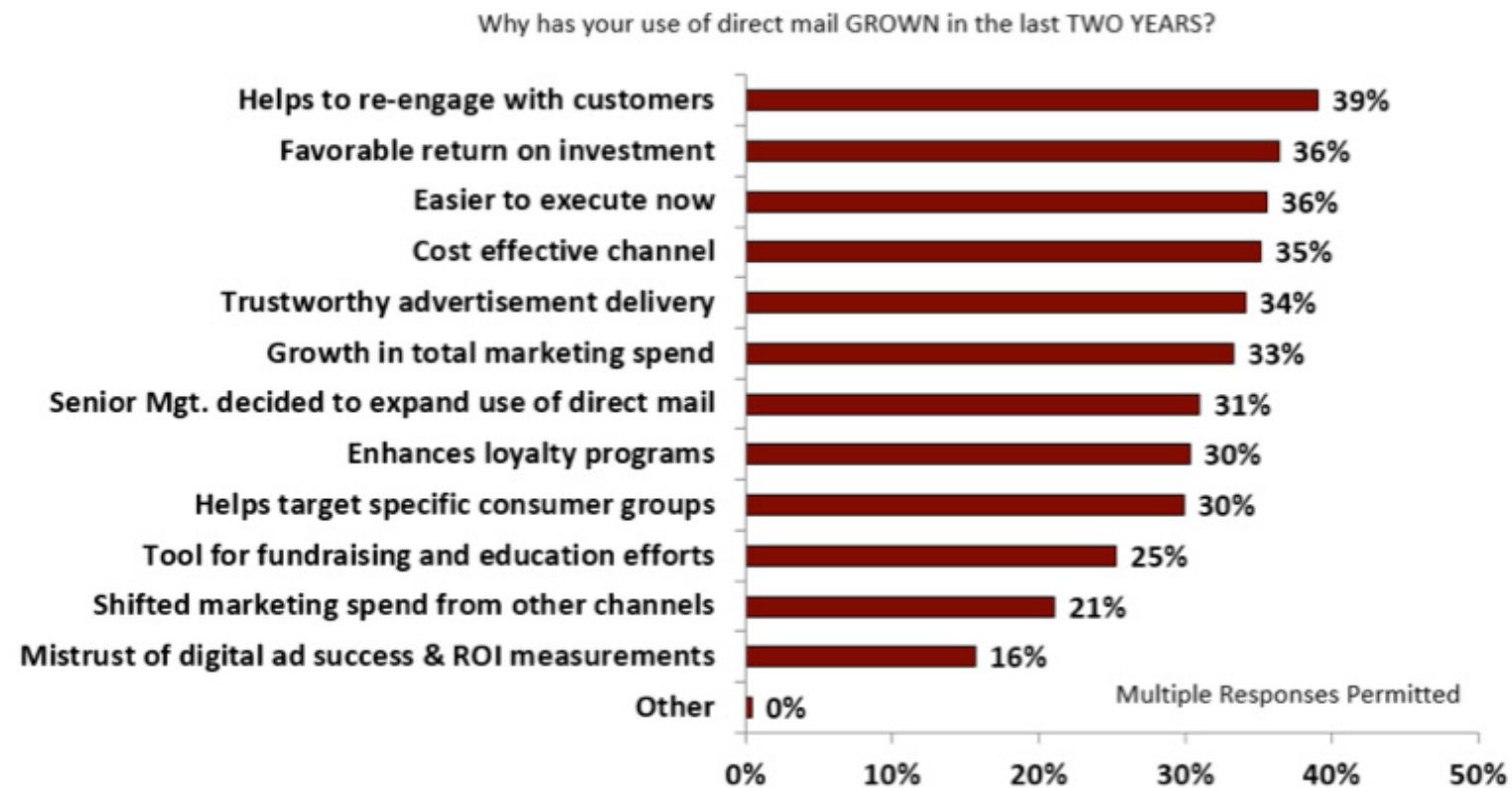
Survey results reveal that many marketers value direct mail. Focus group participants noted the importance of the tactile nature of direct mail and mentioned that digital is becoming mainstream and, as a result, direct mail is unique.

“Everybody’s paperless with everything...I’m paperless with everything. When mail does come to me, it stands out a little bit more.”

“We are targeting a certain [demographic] in a certain income median in zip codes. So we often buy those zip codes to get our direct mail out to try to target those individuals.”

According to focus group participants, a high-quality mailpiece can be used to attract a particular target audience, which can have a significant impact on the success of a campaign. Focus group participants indicated that using direct mail is frequently dictated by the target demographic. Marketers cited the top reasons for their increased direct mail use is its role in re-engaging with customers, a favorable return on investment, and an improved ease in executing a direct mail campaign (see Figure 1).

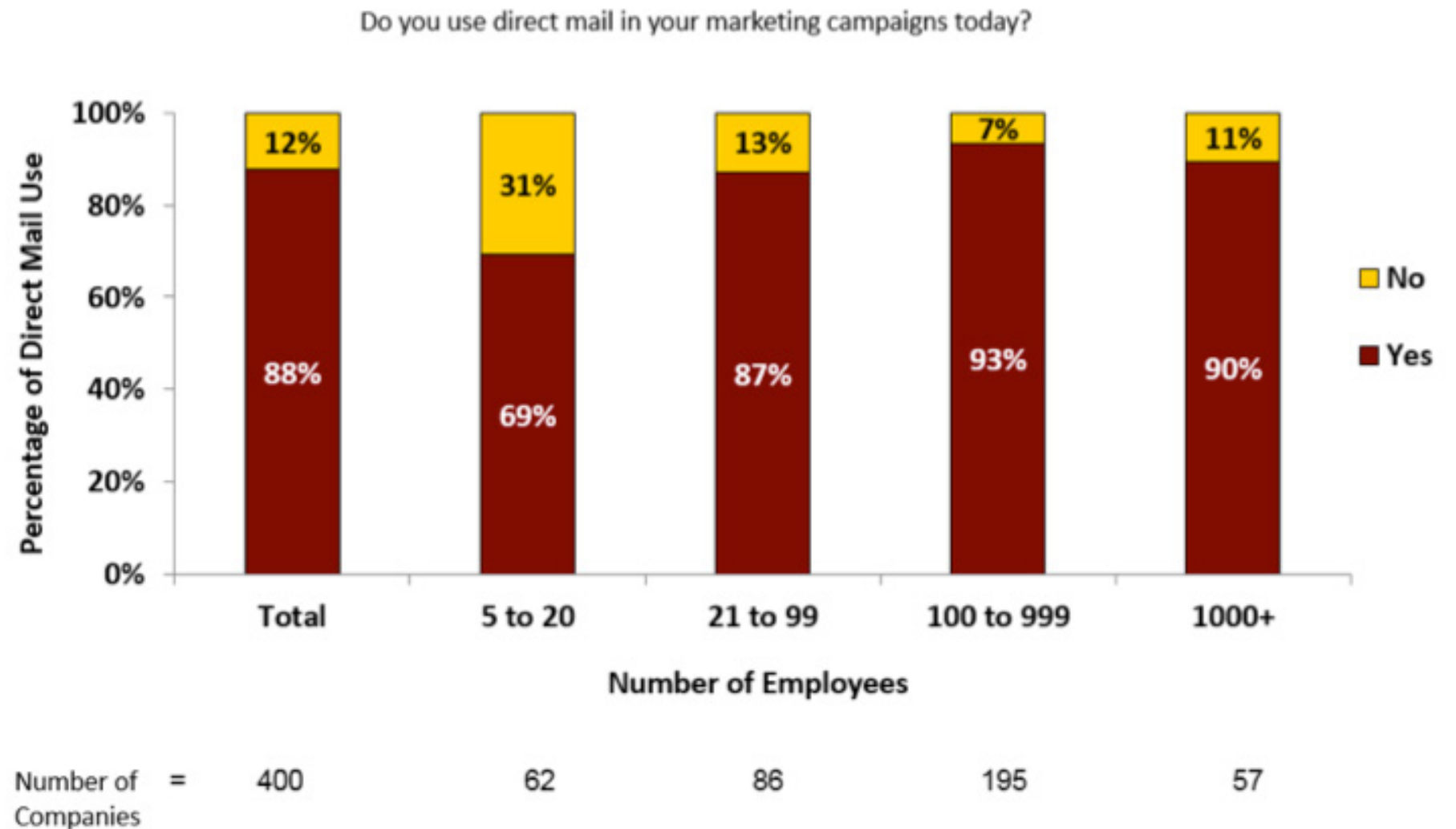
Figure 1. Reasons for Increase in Direct Mail Usage



N = 261 marketers in the U.S. who indicate that the use of their direct mail had grow in the last two years
 Source: *Direct Mail and the Marketing Mix: A Survey of Marketers in the U.S.*, InfoTrends, 2016

Additionally, the marketers we surveyed reported that their marketing budgets allocated to direct mail have remained steady for the past 2 years and are expected to remain about the same over the next 2 years. Among the marketers we surveyed, the mean percentage of annual advertising budget associated with direct mail 2 years ago was 22 percent and 24 percent in 2016. The percentages marketers reported in this survey were higher than the overall direct mail marketing spend we reported in a white paper issued last year.¹ In 2016, we reported that direct mail accounted for 11 percent of the total \$190 billion in advertising spending in 2015. As shown in Figure 2, about 88 percent of the marketing professionals we surveyed currently use direct mail to varying degrees.

Figure 2. Direct Mail Use Today



A higher percentage of medium and large businesses (those with 21 or more employees) use direct mail for their marketing campaigns than small businesses (those with five to 20 employees). These medium and large businesses include Internet-based companies, some of which have begun including mail in their marketing strategy. Specifically, Wayfair, an online company founded in 2002 as a home furnishings e-tailer, has become a giant in the retail space. In February 2016, the company introduced its first print catalog to provide an immersive touch point that allows it to tell its brand stories and enhance its customers shopping experience. Similarly, ThredUP.com was established in 2009 and is now the leading online shop to buy and sell “like new” women’s

¹ *Advertising Mail: Past and Present*, U.S. Postal Service Office of Inspector General, RARC-WP-16-006, March 2016, https://www.uspsog.gov/sites/default/files/document-library-files/2016/RARC-WP-16-006_0.pdf.

and kids clothing. To re-engage customers during the “off-peak” season, the company developed a direct mail campaign, which resulted in a response rate of about 10 percent. Focus group participants that represented online companies indicated that there are still applications where the targeted use of direct mail drives sales and promotes a brand in ways that purely digital formats cannot.

Marketers noted, however, the importance of ensuring that the direct mailpiece has a quality consistent with the company’s brand image. Marketers expect their campaign material to align with the overall company branding strategy, both on and offline. Images and slogans that comprise a brand are often known as the face of the company and are what customers recognize and trust.

A manager at a large manufacturing company in Chicago noted during a focus group that:

“...it’s all about brand consistency. And it’s not just consistent with the collateral that we’re mailing out [but consistency across all channels]. It’s our website, it’s our social media. It’s events that we bring them to. It’s events that we ask them to go to...I mean, it’s a global look and feel of the company.”

If the quality of a mailpiece is lower than the quality of the product or service the company delivers, it may send a mixed message to the recipient and lower the company’s credibility.

Survey and focus groups illustrated mixed findings for the current state of direct mail usage. Overall, there is relatively high use of direct mail; however, 25 percent of focus group respondents indicated they have stopped using direct mail and 50 percent indicated they decreased their use of direct mail over the last 2 years while they increased the use of digital channels. According to our web survey, over half of marketers (58 percent) with decreased direct mail usage indicated the decline is due to a preference for emphasizing digital channels. Furthermore, about 50 percent stated that marketing spend is shifting from direct mail to other channels. Without improving the awareness and perceptions of direct mail, this trend may continue in the future.

Perceptions of Direct Mail

Many marketers in our study indicated they do not consider using mail in a marketing campaign for a variety of reasons, including the lengthy and inflexible process involved in preparing mail, lack of awareness about the effectiveness of mail and inability to access information about the value of mail, including case studies.

Lengthy and Inflexible Process Involved in Preparing Mail

One of the primary reasons that marketers often do not use direct mail is because of the lengthy process and resources needed to prepare a direct mail campaign and the lack of flexibility in changing or adapting printed materials. These also hinder marketers’ creative flexibility in direct mail campaigns. According to focus group participants, direct mail lags digital channels relative to “speed to market”. The president of a small business-to-business technology company in Chicago stated during a focus group that one of his biggest decision points about using digital channels over direct mail is speed. He said “Just to be able to reply or get somebody what they want, sending it digitally is just a lot faster and more efficient for us than sending it through the mail.”

Marketers who use direct mail said the process to develop a direct mail campaign typically requires significant amounts of time and resources, which may lead to inefficiency. The director of a mid-size media planning and buying agency said “Design, making sure the graphics, to everyone’s point are really well done, making sure the paper’s stocked, getting it printed, getting the lists, making sure you clean the lists up, get rid of all the bad addresses. There’s a lot that goes into the run up to a direct mail.” This

is particularly the case with businesses with less in-house expertise in properly executing a direct mail campaign. Marketers also expressed concern that it is difficult to make adjustments to a direct mail piece once the campaign preparation is complete because the material has already been printed. By contrast, editing or updating a digital campaign takes less time and fewer resources.

Lack of Awareness of the Effectiveness of Direct Mail

Many segments of marketers do not think about using direct mail in a marketing campaign, do not fully understand how to best use it, and do not proactively seek out information on best practices for direct mail usage. Focus groups illustrated that marketers generally do not proactively search for information regarding direct mail and would only encounter it if it were presented to them via resources that they typically engage with as part of their profession (e.g., associations or industry events). Focus group respondents did not know where to look for information, such as case studies, that support the benefits of mail. Without solid data to support the effectiveness and value of direct mail, marketers are hesitant to suggest it to a colleague or client. This finding highlights that the Postal Service needs to engage marketers more to promote the full spectrum of benefits that mail can provide as a marketing medium.

Marketers are increasingly inundated with information about the return on investment of various marketing channels, including digital. However, marketers indicated during focus group discussions that they have limited understanding about the effectiveness of direct mail and they do not proactively seek information about mail. The Postal Service could benefit from being actively involved in delivering educational seminars in the breakout sessions of major marketing events. A marketing professional from New York explained that the Postal Service would be most effective by engaging marketers in their individual industry events. He emphasized the importance of attending trade shows because that is where the bigger players will be present. Marketers indicated that the booths at marketing events should be prominent and strategically situated to fully promote the Postal Service brand. At these events, the Postal Service could benefit from providing educational information about the value of mail, as well as an opportunity to increase trust and credibility in the marketing community.

Inability to Readily Access Information About the Value of Direct Mail

Only a minority of marketers leverage sophisticated data-driven campaigns — customized campaigns including text and images that are relevant to individuals or segments. Without acknowledging the value of direct mail and the benefits of integrating it with other channels, marketers often choose digital media. Those focus group participants who did not use direct mail indicated that mail is not commonly considered to be a marketing tool because its effectiveness in accomplishing the campaign objectives is unclear. About 38 percent of marketers whose use of direct mail declined over the last 2 years stated the return on investment for direct mail is often confusing. Additionally, many organizations focus on digitizing operations, including marketing. This trend drives a larger movement of budgets away from non-digital options, such as using mail for customer outreach. Lack of organizational support for non-digital communications makes it more difficult for marketers to make a case for using mail over digital alternatives, especially without solid evidence to show mail's value.

Importance of Case Studies

Focus group participants also stressed the importance of case studies that are objective and industry specific. About 42 percent of barriers to direct mail identified through the survey could be partially addressed with well-publicized case studies. Another eight percent of marketers suggested they would increase their use of direct mail if the Postal Service provided case studies or data which highlight the effectiveness. A marketing director for a large Chicago manufacturing company that does not currently use direct mail said:

“If I saw a case study that showed how somebody in fast moving consumer goods...was using it and it was effective, and it was coming from somebody else as an objective source, it would get me to consider [using direct mail.]”

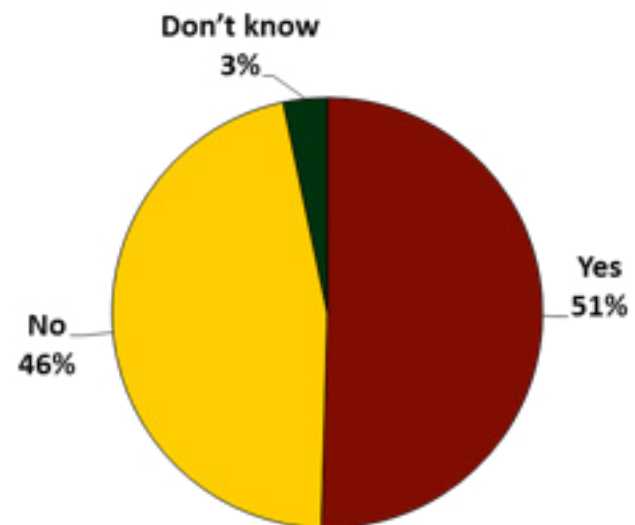
Focus group respondents did not know where to look for information, such as case studies, that support the benefits of direct mail. Marketers expect information on direct mail to be available to educate themselves with industry knowledge. The owner of a small business in Chicago said “I need to be marketed to know that direct mail is an option from all the different options that I can choose to market my business.”

Negative Personal Experiences with the Postal Service

The Postal Service plays a significant role in public perceptions of direct mail. Just over half of the surveyed marketers (51 percent) agreed that the reputation of the Postal Service as an organization is a barrier to direct mail use (see Figure 3). Marketers with separate direct mail teams and organizations of 100 to 999 employees are more inclined to see the Postal Service as a barrier.

Figure 3. The Postal Service as a Barrier to Direct Mail

Does the Postal Service play any role in the barriers you face to using direct mail?



N = 351 marketers in the U.S. who use direct mail in their marketing campaigns today
Source: *Direct Mail and the Marketing Mix*, InfoTrends, 2016

The focus group participants provided significant insight into the source of perceptions of the Postal Service. We noted a majority of marketers’ professional perceptions of the Postal Service are, in part, based on their personal experiences. A focus group participant described his arduous experience with the Postal Service when he attempted to renew his passport. After going through the process for more than an hour, he discovered that he did not even have a proper picture for the passport, so was sent to another location to have a picture taken before having to return to the post office to start the passport renewal process all over again. Focus group participants stated that these types of negative personal experiences affect their decisions as professional marketers.

Twenty-one percent of surveyed marketers indicated the Postal Service is a barrier due to poor service quality. For these marketers, negative experiences at post offices can lead them to believe that customer service is a barrier to conducting business with the Postal Service. In addition, Postal Service coverage in the news affects marketers' perceptions of working with the Postal Service. A business owner of a small agency in Chicago stated,

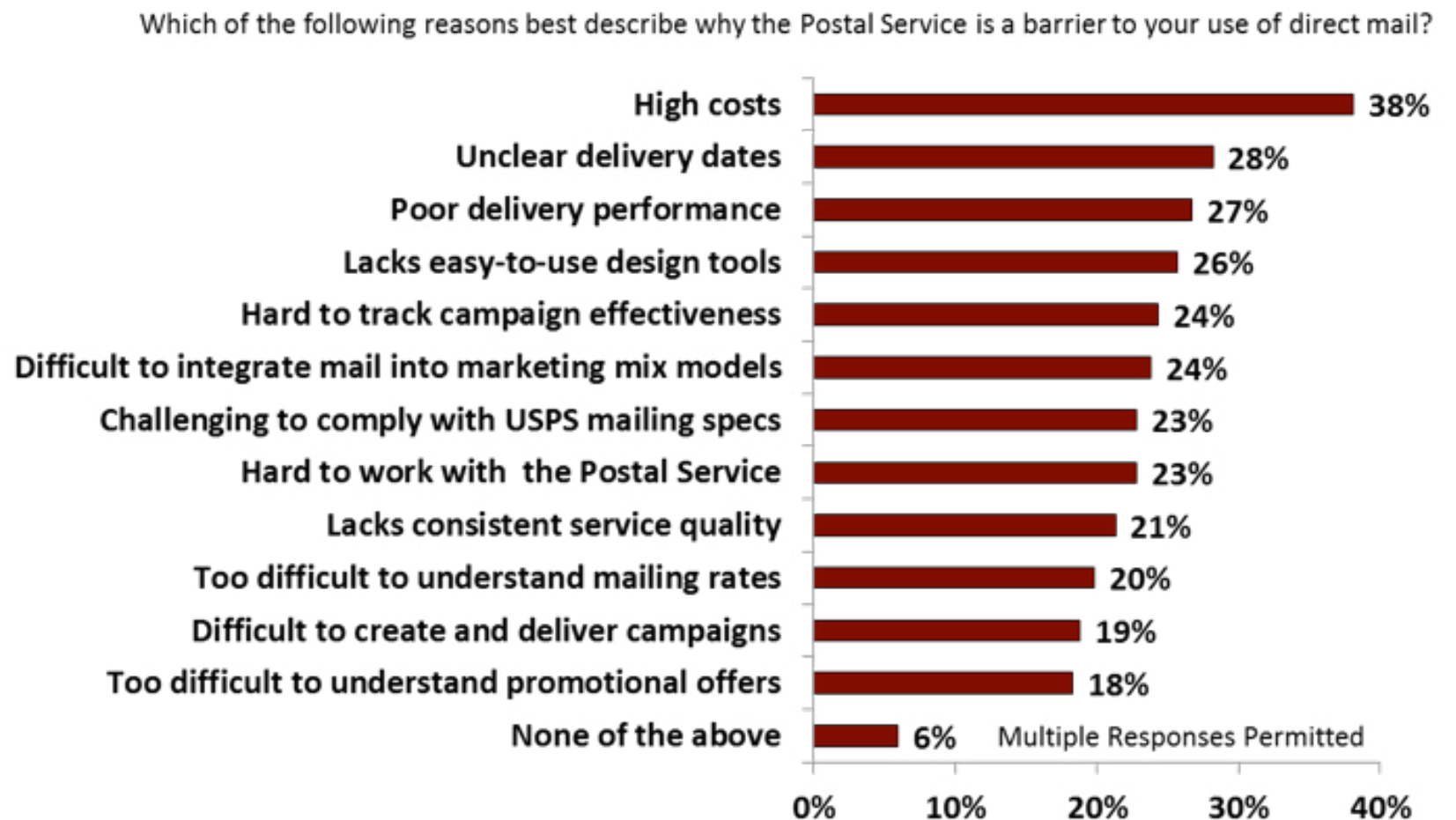
“And when I think about USPS as a marketer, all I hear about is just, they’re not going to get funded this year. They had some random thing happen to them. I don’t know, it just seems like it’s a dying organization, when in fact, it actually is a backbone.”

Further, a vice president at a large cultural institution in Chicago told us “... I think the people that are the face of the organization for the USPS, are the people that are often times unhappy people.”

Difficulties Implementing Direct Mail Campaigns

Marketers identified other barriers that prevent them from using direct mail, including high cost; delivery speed; lack of easy to use tools; challenges in complying with mailing specifications; difficulty understanding mailing rates; and difficulty working with the Postal Service (see Figure 4).

Figure 4. Reasons the Postal Service is a Barrier to Direct Mail



N = 202 marketers in the U.S. who indicate that postal service play a role in the barriers that they face using direct mail

Source: *Direct Mail and the Marketing Mix*, InfoTrends, 2016

High Costs

Thirty-eight percent of survey respondents said that high cost was their biggest barrier to using direct mail. A manager from a large non-profit organization in Chicago disclosed cost as being a substantial drawback.

Delivery Speed, Date, and Performance

The distribution of direct mail is a segment of the customer lifecycle, which may lead customers to the next steps, such as actually purchasing a product. For example, a coupon sent in the mail may direct recipients to the store for redemption. Since direct mail is often connected to other parts of the full customer lifecycle, marketers expressed the importance of the speed for direct mail delivery. For example, if a customer receives a coupon after the expiration date, other steps such as redeeming coupons will not take place. The president of a small business-to-business technology company in Chicago said that digital channel is faster and more efficient for their business compared to developing and sending a direct mail campaign.

Lack of Easy-to-Use Design Tools

Twenty-six percent of marketers in the survey reported that lack of easy-to-use design tools was a barrier to their use of direct mail. Significant amounts of time and resources are typically put into the direct mail campaign process, which can lead to inefficiency. This is particularly the case with businesses that have less in-house expertise in proper execution of a direct mail campaign. The Postal Service offers resources that can help organizations develop a campaign, such as identifying affiliate printers and mailing experts that can support a mailing. Marketers were not aware of these resources.

Challenge to Comply with Mailing Specifications

Twenty-three percent of marketers in the survey indicated the Postal Service is a barrier to using direct mail because of the challenge of complying with mailing specifications. Eight percent responded that they would increase their use of direct mail if the Postal Service were to make it easier to understand the mailing specifications. A director at a small agency in Chicago said:

“[If] they put it all together for you and help you to distribute it. Offering the tracking. Getting a flat rate for a particular mailing piece. That would be amazing.”

About 16 percent of marketers in the survey indicated they would increase their usage of direct mail if the Postal Service were to make it easier to understand the mailing specifications or make campaigns easier to create and deliver. The Postal Service currently has programs in place that can assist marketers in developing and implementing a direct mail campaign, as well as opportunities to take advantage of promotions. However, many of the marketers in the survey and focus groups were not aware of these programs.

Difficulty Understanding Mailing Rates and Promotional Offers

Focus groups also revealed confusion over pricing and promotions. Respondents that use direct mail said that information about sizing guidelines and postal rates is not readily available. Specifically, focus group participants stated that they often are uncertain about specifications with respect to letter and/or package sizes and weights. One of the Chicago focus group participants said:

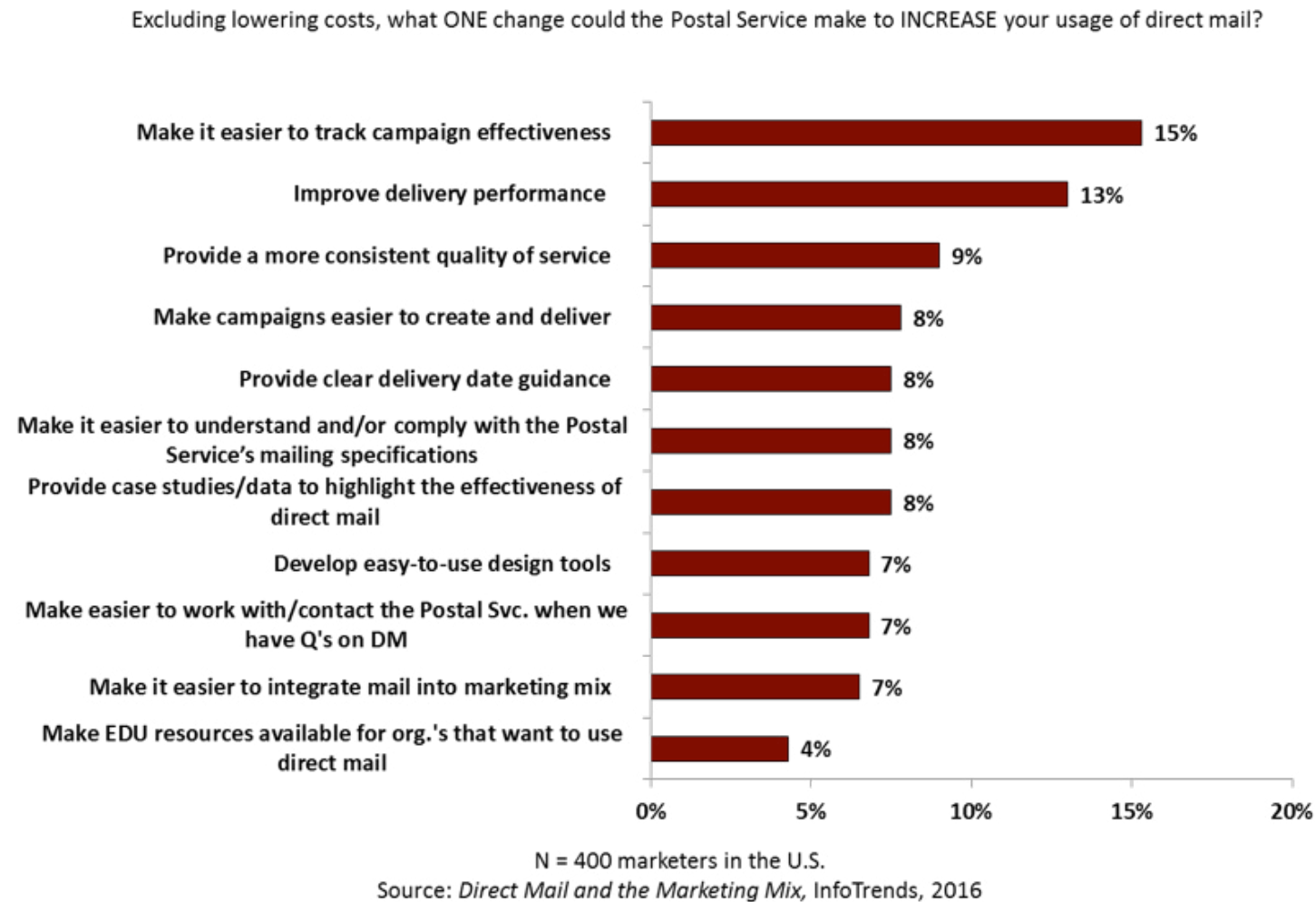
“...that’s probably one of my biggest pain points, because I never know how much it’s actually going to cost per box and I’m sending my team over to weigh things and then we look for other stuff and we change it. It is a constant back and forth. We are literally directly across the street from the main post office. It’s a huge pain point.”

Difficulty Working with the Postal Service

Among the marketers who said the Postal Service is a barrier, 21 percent cited the lack of consistent service quality. Twenty percent of survey respondents said that it is difficult to understand mailing rates and 18 percent reported difficulty in understanding promotional offers. Nearly half of the marketers surveyed said that they may use more direct mail if the process of executing direct mail campaigns was simplified (see Figure 5), which include:

- Making it easier to track campaign effectiveness.
- Making it easier to deliver a campaign.
- Making it easier to comply with specifications.
- Making it easier to contact the Postal Service with questions.
- Providing educational resources.

Figure 5. Opportunities to Increase Direct Mail Usage



Postal Service Outreach Efforts

The Postal Service has taken steps to promote perceptions of direct mail, including developing research and case studies about the value of mail and engaging the marketing industry through business alliances and partnerships in an effort to promote its brand and products. For example, the Postal Service was actively involved in the formation of the IMRC – an initiative designed to share and promote research, case studies and best practices that help marketers and companies better understand the value of marketing media, including direct mail. As part of its involvement in the IMRC, the Postal Service was able to collaborate with various segments of the marketing industry and showcase its own research about how direct mail can provide a lift to other marketing channels. Despite the Postal Service's efforts, survey and focus group participants' feedback on the value of mail and the Postal Service indicated further outreach opportunities exist. Lack of awareness about the value of direct mail continue to hinder their consideration of direct mail as a viable marketing medium.

While the Postal Service has made efforts to conduct outreach in the marketing industry and its employees have attended industry conferences, focus group participants indicated that the Postal Service's role in the marketing industry may not be immediately apparent. They noted the need for a stronger presence at marketing industry events and within key associations and groups. For example, Postal Service senior executives should be engaged in marketing associations and events, and, where possible, provide keynote addresses to demonstrate their commitment to the marketing industry. Marketing professionals leverage many resources, including the American Marketing Association, Ad Week, Internet Retailer, LinkedIn, and the Association of National Advertisers. In addition, they attend trade shows and industry events related to the marketing profession. Focus group participants suggested that the Postal Service should have a presence at more trade shows and events that these marketers are attending. By expanding its outreach, the Postal Service has a unique opportunity to connect with marketers to promote the value of direct mail and become an integral part of the marketing industry.

The Postal Service recognizes many of the difficulties in implementing a direct mail campaign, including high costs and the need for easy-to-use design tools. To address those challenges, the Postal Service provides resources to help develop direct mail campaigns and offers discount promotions for innovative mailpieces. However, few focus group participants were aware of these resources and promotions.

Additional outreach and education throughout the marketing industry could help address these challenges. A high-level, multi-step strategy could create opportunities to further increase awareness about the value of mail and improve marketers' perceptions of direct mail. It could also allow the Postal Service to increase knowledge about the services it offers to help make implementing a direct mail campaign easier. This strategy could include metrics to help assess progress made in raising awareness and expanding into the marketing industry.

Recommendations

We recommend the Chief Customer and Marketing Officer and Executive Vice President:

1. Actively highlight the effectiveness of direct mail through case studies and data.
2. Develop and implement a strategy to expand partnerships throughout the marketing industry.
3. Participate in marketing industry associations and events with senior-level commitment and presence.

Management's Comments

Management agreed with our findings and recommendations.

Regarding recommendation 1, management agreed that they should actively highlight the effectiveness of direct mail through case studies and data. Management stated that there are three activities underway to support the effort, as follows:

- The Postal Service has developed two case studies in FY 2017, and is planning to have two more completed by the end of the calendar year. Management also stated that they will share case studies with industry as the case studies are being developed as part of the IMRC, as well as through their sales organizations. The target implementation date is December 31, 2017.
- The Postal Service will highlight the value of mail through sales material, a media mix modeling tool designed for customer engagement, and online website (<https://www.uspsdelivers.com>) for small and medium-sized companies. These are already in place and updated monthly.
- The Postal Service launched the Irresistible campaign, When Paper and Pixels Converge It's Irresistible, and designed a book that uses emerging technologies launched at the National Postal Forum 2017. Additionally, it built a website to encourage and teach marketers how to implement successful digital-in-mail campaigns. This was implemented May 31, 2017.

Regarding recommendation 2, management agreed to develop and implement a strategy to expand partnerships throughout the marketing industry. The Postal Service currently has the USPS Affiliates program, which is a network of mail service providers that can assist customers with their mail campaigns. Additionally, the Postal Service partnered with various stakeholders including industry partners, and built the IMRC (<http://www.imresearchcenter.com>), which, according to the Postal Service, has been successful in proving the foundations for collaborations to gather significant resources. The committee overseeing this initiative is currently looking at ways to evolve it to the next level. This ongoing effort was implemented as of April 30, 2016 and is expected to move to a new platform by December 31, 2017.

Regarding recommendation 3, management agreed to participate in marketing industry associations and events with senior-level commitment and presence. The Postal Service is an active member of Association of National Advertisers and the Direct Marketing Association and participates in several of these conferences with tradeshow exhibits and provides workshops. In their original response, Postal Service management did not provide a completion date and stated that these efforts were ongoing. In subsequent correspondence, the Postal Service indicated their initial efforts were completed as of May 31, 2017.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should help resolve the issues identified in the report. The OIG continues to support management in taking steps that will ensure the case studies and data about the effectiveness of direct mail are introduced in resources that marketers already rely on, such as marketing conferences, communications and publications. In addition, we continue to believe the Postal Service would benefit from more active senior-level engagement at marketing events and encourage increased participation with marketing industry organizations. Enhancing its presence throughout the marketing industry will help to improve the perceptions of the Postal Service as an organization.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

The Postal Service is responsible for delivering about half of the world's mail. The Postal Service delivered 153.9 billion mailpieces in FY 2016. Furthermore, Postal Service statistics show that advertising mail represented about half (53 percent) of all mail received by households in 2016. According to the Data and Marketing Association, direct mail spend increased from \$8.7 billion in 2013 to \$9.4 billion in 2015. These statistics support the notion that countless businesses and consumers rely on the Postal Service to deliver goods and fulfill their services and obligations.

In FY 2016, Standard mail volume (composed primarily of USPS Marketing Mail) approached 81 billion pieces, generating \$17.6 billion in revenue. Marketers in the U.S. who have responsibility for or awareness of the promotion of products and services of an organization are one of the largest customers of the Postal Service's largest customers, providing a significant portion of its total revenue. At the same time, the marketing landscape is rapidly changing and now includes alternatives that are quick to produce, easy to widely distribute, and relatively low in cost. While direct mail spend is up, direct mail volume has been declining since 2005.

The use of digital channels is rapidly growing and becoming a cause for concern for the future health of direct mail. With marketers now allocating their budgets across an array of channels, it will be vital for the Postal Service to raise awareness of mail as a marketing channel, demonstrate the value proposition of direct mail, and improve its reputation within the marketing community.

Objective, Scope, and Methodology

Our objective was to evaluate marketers' perceptions of direct mail and the obstacles they face using direct mail as an advertising channel. To accomplish our objective, we:

- Collected and analyzed online survey results of over 400 participants regarding direct mail usage.
- Conducted four separate focus group meetings in two cities to gather marketers' perceptions, usage information, and understanding about direct mail and the Postal Service.
- Interviewed Postal Service managers and headquarters officials on marketing and promotion efforts for direct mail.
- Reviewed and analyzed prior OIG reports.

We conducted this review from October 25, 2016 through April 2017 in accordance with the Council of the Inspectors General on Integrity and Efficiency, Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on June 1, 2017, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Advertising Mail: Past and Present</i>	Examine recent historical trends and provide insights into the overall advertising market	RARC-WP-16-006	3/28/2016	None
<i>Advertising Mail: Future Prospects in Five Scenarios</i>	Generate projections of Standard Mail volume in 2025 under five different scenarios.	RARC-WP-16-010	5/9/2016	None

Appendix B: Management's Comments

STEVEN W. MONTEITH
VICE PRESIDENT, MARKETING



Date: June 22, 2017

To: Lauri Lau Dillard
Director, Audit Operations
U.S. Postal Service Office of the Inspector General

SUBJECT: Audit Report: Assessing Marketers' Barriers to Direct Mail
Report Number: DR17RG003MR000

Thank you for the opportunity to review and respond to the Office of Inspector General audit on Assessing Marketers' Barriers to Direct Mail. The Postal Service agrees that more needs to be done to improve customer awareness and provide additional opportunities to change the perceptions of direct mail. In fact, the Postal Service already has a number of activities underway that address the recommendations.

Recommendation 1:

Actively highlight the effectiveness of direct mail through case studies and data.

The Postal Service agrees with this recommendation and has three activities that will support this going forward.

A. Management Response/Action Plan:

Case studies are strong assets to demonstrate the value of direct mail. The USPS has already developed two case studies in FY17, and is planning to have two more completed by the end of the calendar year. As case studies are created they will be shared with industry as part of the Integrated Media Research Center, as well as through our sales organization.

Target Implementation Date:

December 2017

Responsible Official:

Heather Snead, Marketing Specialist Brand Mail

B. Management Response/Action Plan:

The USPS is promoting the benefits of direct mail to decision makers' at large enterprise companies by creating sales collateral (PPT presentations, case studies, talking points, and sample mail pieces) to facilitate marketing conversations with C-level executives at companies with high revenue potential. In addition the development and enhancement of the USPS Marketing Impact Calculator, a media mix modeling tool designed for customer engagement, will help to show how mail can be effective in a multi-channel environment.

To highlight the value of mail to small and medium-sized companies, the USPS created an online site to show the value of direct mail- <https://www.uspsdelivers.com/>. Its content promotes the value of mail and provides insights on how to seamlessly implement a successful campaign.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-4016
WWW.USPS.COM

Documents include research and case studies that reveal DM's appeal to millennials and informative guides that outline the 10 steps to create a successful mail campaign. The website is promoted in USPS direct mail and email campaigns, search, and through organic Facebook messaging that drives traffic to the website. This site will be updated throughout the year to remain fresh and relevant.

Target Implementation Date:

Already in place and updated monthly.

Responsible Official:

Christopher Karpenko, Executive Director of Brand Marketing

C. Management Response/Action Plan:

To showcase the benefits of blending physical and digital, the USPS launched the Irresistible campaign, *When Paper and Pixels converge, It's Irresistible*. USPS designed an inspirational book that contains digital-in-mail samples that utilize emerging technologies launched at the National Postal Forum 2017. Previous Irresistible campaign response rates have been higher than other direct mail campaigns demonstrating a high level of interest for direct mail. An Irresistible website was built to inspire marketers and teach them how to successfully implement a digital-in-mail campaign. The website contains a gallery of 54 award winning sample mailpieces that incorporate best practice techniques and awe-inspiring ideas, as well as white papers and information guides on the different technologies used in the book.

Target Implementation Date:

Implemented May 2017

Responsible Official:

Heather Snead, Marketing Specialist Brand Mail

Recommendation 2

Develop and implement a strategy to expand partnerships throughout the marketing industry.

The Postal Service agrees with this recommendation.

Management Response/Action Plan:

To expand partnerships throughout the marketing industry and assist marketers with their mailing needs, the Postal Service has the USPS Affiliates program. It's a network of mail service providers that can assist customers with their mail campaigns (EDDM services, Design, Mail Prep & Entry, Mailing Lists, and Printing). Contact information and company descriptions are located on the USPS website.

In addition, the OIG, USPS, academia, and industry partners built the Integrated Media Research Center (IMRC)- <http://www.imresearchcenter.com>. This valuable resource brings thought leaders together to share materials, case studies, and research in a media agnostic approach to discuss best practices and how all media works with each other in implementing successful omni-channel marketing campaigns. Most importantly, it brings direct mail to the conversation with other digital media channels. This site has been a successful proving ground in collaboration and developing into a strong resource. The committee overseeing this initiative is currently looking at ways to evolve it to the next level.

Target Implementation Date:

April 2016 – Ongoing. IMRC move to a new platform planned completion by December 2017

Responsible Official:

Christopher Karpenko, Executive Director of Brand Marketing

Recommendation 3

Participate in marketing industry associations and events with senior-level commitment and presence.

The Postal Service agrees with this recommendation.

A. Management Response/Action Plan:

USPS recognizes the need to expand interactivity with the marketing industry, and acknowledges the importance of networking and having a presence at market industry associations. USPS is an active member of ANA (Association of National Advertisers) and DMA (Direct Marketing Association). The USPS participates in several of these conferences with tradeshow exhibits and provides workshops. The USPS will continue to be active in these organizations. The Golden Mailbox Award will also be presented at the October 2017 DMA Echo Awards.

At this years National Postal Forum, the Postal Service partnered with both ANA and Bloomberg to hold partnership events specifically targeting marketing professionals. Over 200 marketing professionals, who normally would not attend NPF, were able to attend the USPS general session, walk the exhibit floor, and attend NPF sessions, in addition to attending their specific event.

Target Implementation Date:

Ongoing

Responsible Official:

Christopher Karpenko, Executive Director of Brand Marketing

Please let me know if you have any questions.


Steven W. Monteith

cc: Manager, Corporate Audit Response Management



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