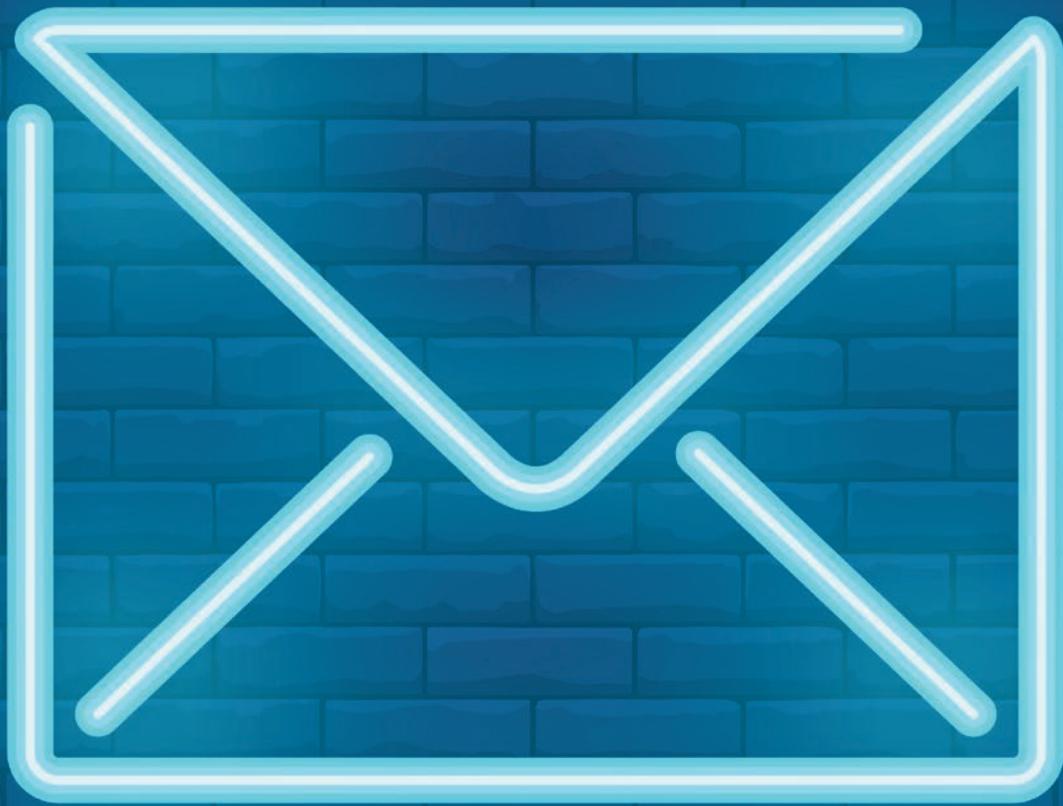


GO INSPIRE.



HOBSON'S CHOICE

A randomised control trial that explores the validity of comparing postal mail and email channels as marketing media

A Go Inspire Group Study

Summary

- Much is published on the relative performance of direct email versus direct postal mail
- However, the raft of published statistics do not examine consistently comparable measurements of performance
- Media-neutral Go Inspire Group therefore constructed a randomised control trial (RCT) to test relative performance on a level playing field
- The selected retail client offers a product range that appeals broadly across the population regardless of age, gender, wealth or geography
- Both channels received equal treatment in terms of: -
 - Creative effort
 - Creative variants deployed
 - Segmentation
- The success measure was incremental revenue generated per customer – a consistent metric for return on investment
- The results of the RCT saw direct mail outperform direct email
- More importantly, however, combining both channels produces incremental revenue rates in excess of either medium on its own
- This report concludes that trying to choose one channel over the other is an essentially unproductive exercise, whereas exploring the productivity of channel combinations is likely to produce solid commercial results
- Given the migration from postal to electronic mail for marketing campaigns, it is also likely that a rebalancing of multi-channel campaigns to embrace more postal-email combinations may often be an opportunity for marketers to deliver improved return on investment

Introduction – a mess of statistics

For too long, an unproductive debate has raged pitting direct email against direct mail. Back and forth go the arguments with statistics presented from both perspectives – often from organisations with a vested interest in the one or the other medium. This paper seeks to take a neutral and objective view of the issue, with data drawn from a large-scale randomised control trial (RCT).

First, it is worth reviewing available statistics to paint a picture of the range of behaviours and reactions to direct mail and direct email, along with some observations on the objective interpretation of those statistics.

4.4 billion pieces of direct mail are sent every year in the UK. By comparison, the UK's leading direct email benchmarking report analyses 37 billion emails – and this is only a significant sample of the total. Click-through rates are 1.56% for direct marketing email, compared with average response rates for direct mail of 4.4%.

Direct mail costs much more to transmit than direct email. Yet 70% of consumers feel they receive 'too much email'¹. UK consumers typically have 2-3 different email accounts, with 44% of us sending all marketing email to a secondary account². Direct mail has a lifespan of 17 days, compared with direct email's 2 seconds³. On the other hand, a typical prospecting direct mail piece might cost 70 pence to produce and transmit⁴, compared with 20 pence per email piece (mainly data costs). The email transmission costs reduce dramatically for customer communications, where permission has been given for marketing emails.

From a data security and data protection perspective, the requirements of the General Data Protection Regulation are predicted to dramatically reduce the third party data market, as many email marketing lists do not have informed consent. On top of this, one respected information security survey⁵ reports that the number of data breaches attributed to third party vendors has increased 22% since 2015, further weakening the email data supply market.



Clearly, there are arguments to support direct marketing both by email and by postal mail. Yet the overwhelming volume of marketing communication today is sent by electronic channels. Why?

Firstly, email is perceived as inexpensive. It is also typically the case that much less creative effort is devoted to email campaigns than postal campaigns, possibly because the low cost of transmission also psychologically devalues the perceived need for creative input. By extension, perceived low cost can also suppress discipline over communications frequencies. Why is it that some marketers think that frequent emails are appropriate for a product that is bought once every six months? There is often a failure to align frequency of email communications/offers with the frequencies of a customer's likely behaviour – with the result that the customer feels pestered and is likely to be turned off. Cost of transmission prevents this from happening with direct mail.

Another factor encouraging a skew towards email communications may also be skills-based. As the demand for design – for instance – has increasingly shifted to digital media, finding good designers who present high capabilities in graphic design for print is becoming more difficult. Equally, agency account management and practitioner skills to create and execute effective direct mail campaigns are more scarce than five years ago.

Comparing channels - achieving a level playing field

In order to achieve clarity of comparison between the postal and email channels, all factors need to be equal. Equal creative effort should be put into each channel. The same number of creative variants should be applied via email and post. The same level of segmentation (variables) need to be applied through each channel. Timings should be equitable and equivalent.

Accordingly, Go Inspire Group decided to construct a randomised control trial (RCT) in order to gather meaningful evidence about the relative performance of direct email and direct mail. Go Inspire is able to assume a neutral position as it generates media neutral campaigns and loyalty activity for its clients and therefore straddles all media with no particular vested interest.

A single campaign was mounted for a retail client which ensured that equal effort was applied to each channel. The products offered by the client had broad market appeal – to younger and older, to wealthier and to more modest means, to male and female, to North and South, to city and country, and so on. It was strategically important to the RCT that the client company was not a niche provider.

Just under 240,000 customers were selected at random to receive the campaign. The creative agency input equal attention and care to both postal and email channels. The same number of creative variants were applied in each case. And segmentation was no more nor less detailed for any recipient. One randomised segment of the distribution database received offers by post alone. Another received the offers only over the email. Finally, the third segment received the offers via both channels.

The measurement of success was not simply response. It is a factor of almost all statistics publicly available on the subject of direct mail performance versus direct email performance, that it is very difficult to compare them. This is evidence even from the few statistics highlighted in our introduction. In order to provide hard commercial outcomes, incremental revenue generated was the yardstick chosen for Go Inspire's RCT. This measure tracks real business outcomes, from offer, to response, to conversion, to value. In this way, a level playing field was established which avoided any skewing of commercial success from the campaign, and provided data that a CMO, a CFO and a CEO could find equally useful.

The results were revealing. While response rates were closer, conversion and incremental revenue rates diverged markedly.

- Those who only received the offers by email generated incremental revenue per customer of under £1
- Those who received the offers only through postal direct mail generated an incremental revenue per customer of around £5
- Those who received the offers through the post and by email generated incremental revenue per customer of over £6

Clearly, the results of this RCT show that commercial outcomes (rather than just campaign response) differs widely between standalone email and standalone postal mail. However, the real learning for modern marketers is the power of both media in tandem, and the fact that the combination adds the power of each together to provide a stronger commercial output where neither medium is cannibalising the other.

Conclusion

In conclusion, the clear results of this randomised control trial provide compelling evidence of relative channel performance, expressed in meaningful commercial terms. However, it should be stressed that – despite the fact that this trial was across a broad appeal product set – the resulting numbers should be taken as indicative only. Other product ranges and customer bases will result in different outcomes.

Nevertheless, the major insight from the RCT is that astute marketers should not be regarding direct email and direct mail as a choice – an either/or decision – but should be exploring how the two mediums are combined to provide the greatest incremental, complementary effect. Ultimately, common sense would back this up. None of us consume one medium and ignore another. We absorb messages from multiple channels, and the most effective way of reaching us and eliciting a profitable purchase is evidently to combine the power of mail and email.

Footnotes

1. Proactive Marketing, The best direct mail vs email infographic, 26 Mar 2018
2. Direct Marketing Association, Consumer email tracker 2017
3. Digital Doughnut, Direct Mail vs Email, 15 Feb 2017
4. Marketing Minefield, Direct Mail Costs, 2018
5. PwC, Global State of Information Security Survey 2017

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