EDSf REPORT
LEADING RESEARCH FOR THE DOCUMENT COMMUNICATION INDUSTRY
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W(h)ither direct mail?

In 2008, U.S. households received 148.6 billion pieces of mail. They mailed 21.3 billion pieces. Mail sent or received by households constituted 81 percent of total domestic mail. Just over half (56 percent) of the mail households received was sent Standard Mail. Only 4 percent of household mail, and about 3 percent of total mail, was sent between households; the rest was sent between households and non-households. This is according to the USPS Household Diary Study.

Advertising mail represented 63 percent of all mail received by households in 2008. 84 percent (83 billion pieces) of all advertising mail received by households was Standard Mail. The remainder consisted of First-Class Mail — either stand-alone advertising (8.3 billion pieces), or secondary advertising sent along with other matter (8.2 billion pieces). The data show a decline in the percentage of First-Class advertising mail.

Households received 6.4 billion pieces of Periodicals mail in 2008, slightly less than in 2007 and 2006. Nearly three-quarters of these were magazines. Newspapers are only 23 percent of total Periodicals, down from 35 percent in 1987. As newspaper content is increasingly delivered through the Internet, newspaper circulation and readership has declined.

In a related report, McCann-Erickson says that American businesses spent about $271 billion in 2008 advertising their products and services, a decrease of 3.2 percent from 2007. Of this total advertising spending, 22 percent was spent on direct mail. More than one-fifth of total advertising dollars are spent on direct mail advertising. Direct mail was the second leading media choice of advertisers in 2008, after television. However, due to a steep economic downturn, direct mail advertising spending fell 1.0 percent compared to 2007. Except for the Internet and Other Media, all other media categories declined as well.

Direct mail's share of total advertising spending has been on a positive growth trend for most of the past 17 years. Since 1999, the direct mail share of all communication has risen steadily, reaching 22 percent in 2008. Direct mail has maintained its large ad share even with the Internet. For every income group, advertising mail received increases as the age of the head of the household increases. In part, this is because age correlates with other characteristics such as marriage, home ownership, and the presence of children in the household. Households with incomes over $100,000 and head of household age 55 and older received the greatest number of advertising mail pieces: 27.8 pieces per week. The amount of ad mail received by a household was tied to income and education level. Households with less than $35,000 income receive less than half as much advertising mail as households with $100,000 or more income. Education plays a role in the amount of advertising mail households receive, even after accounting for the impact education has on income. Direct mail is a textual type of communication, and education may play some role in its relative effectiveness compared to television or radio advertising.

First-Class advertising mail accounts for 16.4 billion pieces (16.5 percent) of all advertising mail received by households. Of this, 8.3 billion pieces were advertising only, while the other 8.2 billion pieces are secondary advertising, such as an advertisement enclosed with a bill. Financial institutions, the largest users of First-Class advertising, have decreased their mail volumes.

Ad mail has declined 5.24 percent since 2006—99.4 billion pieces in 2008 compared with 104.9 billion in 2006. This is a greater percentage decrease than correspondence mail, which dipped half a percent in the same time frame. Transactional mail dropped 2.34 percent during that period. In 2008, 41.7 billion transaction pieces were mailed.

DID YOU HEAR?

- Marketers are shifting advertising dollars out of traditional media and into mobile marketing, online display ads, search, social media, and e-mail. However, marketers who rely on interactive channels, at the expense of traditional channels, risk losing the lucrative Boomer and other aging segments (Forrester Research).
- Younger consumers do not seem to be moving away from paper. For example, 70 percent of consumers aged 25-34 who receive bank statements read them on paper compared to 63 percent of consumers aged 50-64. Across all ages, most printed documents are read more than once and often for an average of three minutes (Forrester).
- Consumer response to direct mail varies by day. The number of consumers who have done something in response to receiving direct mail is highest on Saturday (29 percent). Monday mail elicits lower levels of response (26 percent) (UK Royal Mail Consumer Panel/TNS Global).
- The overall number of unique custom titles being published decreased to 123,157, down from 143,000 in 2007—a 14 percent drop. While this represents a sharp change, the results are still 27.9 percent higher than when this metric was first studied in 1999 (Custom Publishing Council (CPC) and Publications Management).
- For every £1 spent on newspaper and magazine advertising, "bricks and mortar" retailers get a sales increase of £6.23. For every £1 retailers spend on TV and outdoor poster advertising, revenues increase by £3.57 (BrandScience for the UK Outdoor Advertising Association).

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SHORT TAKES

The latest findings of the Pew Research Center's Internet & American Life Project show home broadband adoption at 63 percent of adult Americans as of April 2009, a significant departure from the stagnation in adoption rates from December 2007 through December 2008, when home broadband penetration remained in a narrow range between 54 percent and 57 percent. The study shows that the greatest growth in broadband adoption in the past year has taken place among population subgroups which have below average usage rates. Among them, broadband usage among adults ages 65 or older grew from 19 percent in May 2008 to 30 percent in April 2009.

The LinkedIn Research Network/Harris Poll in June, 2009, found that consumers and advertisers involved in the advertising decision-making process often have disparate views of the effectiveness of advertising types. MediaPost reported that while the poll found over half of advertisers believe ads that make people stop and think (53 percent) and ads that give people new information (51 percent) are very effective, just three in ten consumers (30 percent and 29 percent respectively) feel the same, says the report. Twenty one percent of advertisers say ads that reinforce a message that is already known are very effective. Consumers and advertisers both like ads that amuse.

Simon & Schuster is working with a multimedia partner to release four "vooks," which intersperse videos with electronic text that can be read and viewed on a PC or on an iPhone or iPod Touch. This kind of multimedia hybrid is indicative of the way technology has changed the literary world with the advent of electronic books. Devices like Amazon's Kindle and Sony's Reader have gained in popularity. Digital editions displayed on these devices are faithful to the traditional book using words—and occasional pictures — to tell a story or explain a subject. The new hybrids add much more — videos. Simon & Schuster is also releasing two digital novels combining text with videos that are a minute or 90 seconds long which supplement or advance the story line.

UPS began a test of its insert marketing service in five US metropolitan areas. Industry executives reacted to the program by saying that they do not feel threatened by the move, but are hopeful that UPS's brand cachet creates opportunities for mailers. The Direct to Door service includes offers from brands such as Bed Bath & Beyond, Men's Warehouse and Zappos.com in boxes separate from, but delivered with, customer orders. UPS is delivering the packs, which contain about 12 offers each, to customers in select ZIP codes in Chicago, Dallas-Ft. Worth, Miami, Phoenix, and Washington, DC.

The "Going Mobile: How Publishers Are Preparing for the Burgeoning Digital Market," study says 70 percent of publishers are paying more attention to the mobile market this year than last. Twenty percent are giving it the same attention. Print publishers are focusing on the market as a prime opportunity to expand their brands, reach new audiences and generate additional revenue while offering advertisers the chance to reach locally targeted, engaged audiences.

Further to the page 1 article, a white paper by Winterberry Group looked at rising postage rates and the growing marketer preference for low-cost digital communications. They found that total U.S. direct mail spending declined 3.0 percent in 2008, and was accompanied by an even more significant cutback in mail volume. According to the report, a rapid drop-off in financial services mail activity (brought on by the crisis in the banking and mortgage sectors) fueled the overall decline in mail spending, the channel's first in a recorded history that began in 1945. Further decay in mail activity is expected to continue through the course of the recession, at which point the direct mail channel will likely emerge as a medium used more for precise targeting than "saturation mailing" as it has been over the last decade. The report concluded: "A wide variety of new mail applications will continue to emerge. Based largely on deep data and technology underpinnings-and structured to take advantage of direct mail's unique ability to enable customer acquisition and integrate with other media..."

EDSF RESEARCH: THE WIRED WORKFORCE

The EDSF study, "The Wired Workforce Hiring Trends of the Printing Industry," by Patricia Sorce, Ph.D., Charles Armendariz, M.S., and Vincent Gargiulo, M.S., and InfoTrends was funded by the EDSF.

The printing industry is evolving, and with that evolution comes changing workforce requirements. With printers becoming more involved in digital services, new skill sets are required and these can be gained by hiring new employees or by training existing ones. Using Printing Industry Center research collected in 2005 as a benchmark, this study aims to show how dramatic these changes have been in the nature and number of employees hired in digital services today. The purpose of this research was to describe the changing hiring practices in the printing industry. The research presented here determines whether there have been changes in the nature and number of employees hired or being sought by print service providers. In addition, the survey also investigated the types of digital services companies offer, as well as the amount of training dollars allocated to digital services skills for existing employees.

Printers are becoming more involved in digital services and are integrating different equipment and software into their value-streams. Professor Frank Romano's 2007 article entitled "Where have all the students gone?" identified the need to incorporate the Internet into every facet of a printing business, which requires hiring employees with new skills in these companies. To do this, printers must find employees with skills in information technology, database management, Java scripting, and digital asset management. In a related 2008 article called "The New Printing Workforce," Romano concluded that the printing industry had a skills shortage of IT-based employees.

As documented by Professor Franziska Frey and Henrik Christensen in their 2005 survey of hiring trends for digital asset management (DAM) and VDP services, fewer than 10 percent of employees hired by digital printing services firms were in information systems, networking, or database management for VDP and DAM. The majority of companies (83%) provided DAM and VDP training in-house with the top training areas in spreadsheets (41 percent) and VDP applications (34 percent).

Harvey Levenson, Department Head of the Graphic Communications Department at California Polytechnic State University, stated in an interview regarding print education, "The graphic communications industry is in a state of transition, with companies diversifying in mission and processes to address competing communication media" (Adams, 2008). Levenson goes on to say that educators have the opportunity to prepare the future leaders with the following skills that will strengthen and sustain the graphic communications industry:

- Increased knowledge of digital printing and VDP
- Increased knowledge of on-demand printing
- Ability to apply alternative media sources, such as the Internet
- Use of value-added products and services (i.e., ancillary services)
- Increased knowledge of niche markets

Mike Grasso agreed in a 2008 article called "Navigating Today's Hiring Minefield: Who Is Available & Do You Really Want Them?" As printers adapt to the changing business environment, it may require that existing employees obtain a different and/or greater expertise. As printing companies require more digital skills within the workforce, many progressive firms are retraining employees with the desired abilities. Nevertheless, they find that in some instances there is ambiguity as to what digital functions are required within the company. Howie Fenton from Graphic Arts Online states that "About one-quarter of all new hiring in the printing industry involves IT-based functions. Some printers do not always define these skill sets as IT-based. The industry needs to provide a long-term action plan, enterprises must promote solutions within the workplace, and education/training providers must broaden their approaches to traditional training" (Fenton, 2008).

To assess the geographic concentration of their businesses, we asked what percentage of customers is located within a fifty mile radius of their primary production facilities. Respondents were asked about the proportion of revenue derived from digital services and conventional print manufacturing services. Digital services were defined as VDP, database services for VPD, Web page production, graphic design, DAM, and computer programming. The majority of revenues (53 percent) were generated from offset printing, followed by digital printing (20 percent), and other services such as mailing and fulfillment (20 percent). Digital services represented only 6 percent of revenue. Graphic Design (74 percent) was the primary in-house digital service that companies offer. Online ordering was the second-most popular with 54 percent currently offering the service and an additional 27 percent who were planning to offer it in the near future. VDP and database management followed with 48 percent and 37 percent, respectively. The lowest frequency services were DAM, Web page production, and computer programming.

WATCH FOR FLEXIBLE DISPLAYS

IDTechEx finds that the total market size for e-paper displays in 2010 is $131 million rising to $1.17 billion in 2014. This is the value of the display component, not the product. To date, e-paper display technologies have been used in more than $1 billion worth of products. Much of the growth is driven by e-readers following the huge success of Amazon's Kindle. Much more is to come. IDTechEx predicts in 2020 the market value will reach $7.45 billion because of flexible, color displays and faster refresh rates.

A variety of e-paper display technologies will enable completely new products or are allow for the introduction of electronic functionality in products where it was previously unavailable. They include displays that are non-emissive (require light to read and are easily readable in bright light) and sometimes bi stable (only require power to change the image). Many versions are flexible and some can even be printed. They include electrophoretic, electrochromic, electrowetting, cholesteric LCDs, and other display types. New companies are entering the market with improved technologies.

For now, key areas of development are flexible displays, color displays, and displays which can operate at faster refresh rates. These will open up new opportunities compared to the slow black and white versions currently available. Expect black and white e-readers on flexible plastic by the end of 2009. These will still be in a rigid frame but will be lighter and more robust than glass-based versions.

MURL—MAGAZINE URL

Advertisers seek to drive consumers to their websites as the Internet becomes an element in their marketing plans. As a result, web traffic and search results are increasingly regarded as measures of marketing success. New research from Affinity confirms that magazine ads with URLs are more likely to drive readers to advertiser websites overall, as well as across a range of genres. Including a URL to boost web visits is a benefit most advertisers will appreciate, says the report. The VISTA research is based on an analysis of 833 ads in seven different magazines representing six distinct magazine genres.

The firm Marketing Evolution aggregated nine studies that had quantifiable data on web visits to examine how magazine ads contributed to building web traffic. Findings showed that when the URL was included in the magazine advertising the percentage change in website visits tripled.

The research includes third-party surveys from the American Advertising Federation, BigResearch, Mediamark Research, Inc., and the Online Publishers Association, as well as a new analysis from Marketing Evolution, that shows the impact of magazines to influence web visits.

Offline media perform well in driving web traffic and search, often better than online media. Media synergy is important, though each medium influences behavior differently and plays a distinctive role. Including a URL in magazine ads significantly increased web visits.

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Flexible displays

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Short takes