Hitting the
(re)Target Directly

ANALYZING THE ROLE DIRECT MAIL CAN PLAY IN
AN EFFECTIVE DIGITAL RETARGETING STRATEGY

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I. EXECUTIVE SUMMARY

Consumers are engaging with retailers and brands across multiple channels throughout the purchasing journey. Further adding to the level of complexity for brands in today's multichannel marketing ecosystem is rising consumer expectations for personalized communications. Consumers expect that the brands they shop with know them and, as a result, present them with relevant, personalized messages and offers.

This type of marketing, often referred to as retargeting, has become common across digital channels (e.g., email, social media, display). Brands are leveraging the data they have around a customer's behavior (e.g., purchase and browsing history) to retarget that shopper with a personalized, relevant offer or message. And, of course, personalized messaging has proven to be more effective at generating conversions than generic "spray and pray" marketing campaigns.

However, many brands have mistakenly drawn the conclusion that retargeting is solely the domain of online marketing channels. The truth is retargeting can be effective via offline channels as well. In fact, brands can effectively use direct mail to retarget customers based upon their online activity.

To better learn how retailers and brands are using direct mail as part of their marketing strategies, including for retargeting, Total Retail, in conjunction with NaviStone, a provider of web-powered direct mail, conducted a survey of the former's audience. More than 200 responses were collected from the online survey, representing a mix of company types (e.g., multichannel retail, CPG, online-only retailer), company sizes (from $1 billion or greater in annual revenue to $10 million in annual revenue, and job functions (with the vast majority being in a marketing leadership role).

This subsequent report features the results of that survey as well as analysis of the data. Here are some of the high-level findings before diving further into the details later in this report:

■ Despite the perception (albeit incorrect) that direct mail is no longer a viable channel for today's marketers, retailers and brands are using direct mail as part of their marketing mix. According to our survey, 94 percent of respondents said they're currently using direct mail as part of their marketing strategy.

■ However, many of those brands are not optimizing their direct mail campaigns to their full potential. Just like marketing online, personalizing direct mail pieces beyond just demographic data (i.e., name, gender, location) is critical to optimizing the full potential of the channel.

- While the overwhelming majority of brands (96 percent) are doing some level of personalization within their direct mail campaigns, they're not seeing the ROI they expect from those efforts. Potential reasons for the disconnect include data silos (i.e., the inability to tie customer data sources from all channels to a single customer profile, limiting the amount of personalization that can be accomplished); lack of speed to market (i.e., brands are taking too long to process the data and missing the opportunity to retarget the shopper in a timely manner, when they're most likely to convert); and improper attribution (i.e., direct mail is not being accurately credited for driving purchase activity further down the purchase funnel, including online and in-store).

- When executed the right way, including retargeting online visitors based upon both purchase and intent data, direct mail is still an incredibly effective marketing channel. In fact, our data shows the conversion rate and ROI from direct mail outpaces that of nearly every digital marketing channel, including email, social media, SMS, display, among others.

The data featured in this report challenges the perception that direct mail is an outdated, ineffective marketing channel. The truth is it can still yield positive ROI, above that of the more hyped digital channels that seem to dominate marketers' conversations. And that extends to all customers. Direct mail isn't just for retailers and brands targeting an older demographic. In fact, 75 percent of millennials find that the mail they receive every day is valuable and most would prefer direct mail over email when receiving a promotional piece. If your brand isn't sending personalized direct mail to its prospects and customers, it's missing an opportunity.

II. RESULTS AND ANALYSIS

An online survey was distributed to Total Retail's audience of retail executives, targeting marketing decision makers. Below are charts of the survey results, as well as analysis of them.

Usage Remains High

Retailers are still including direct mail as part of their multichannel marketing mixes, even in today's digital-first landscape. And perhaps at an even greater clip than one might expect. Ninety-four percent of survey respondents indicated they're currently using direct mail.

For those brands not using direct mail, respondents cited several reasons why, which are often used to counter the potential effectiveness of the channel. They included the following:

- performance concerns (i.e., won't yield positive ROI);

- belief that digital marketing channels will produce better ROI;

- cost of producing and sending direct mail;

- target customers have indicated they won't respond to direct mail; and

- inability to personalize messaging.

Our research shows that many if not all of these concerns are unfounded.
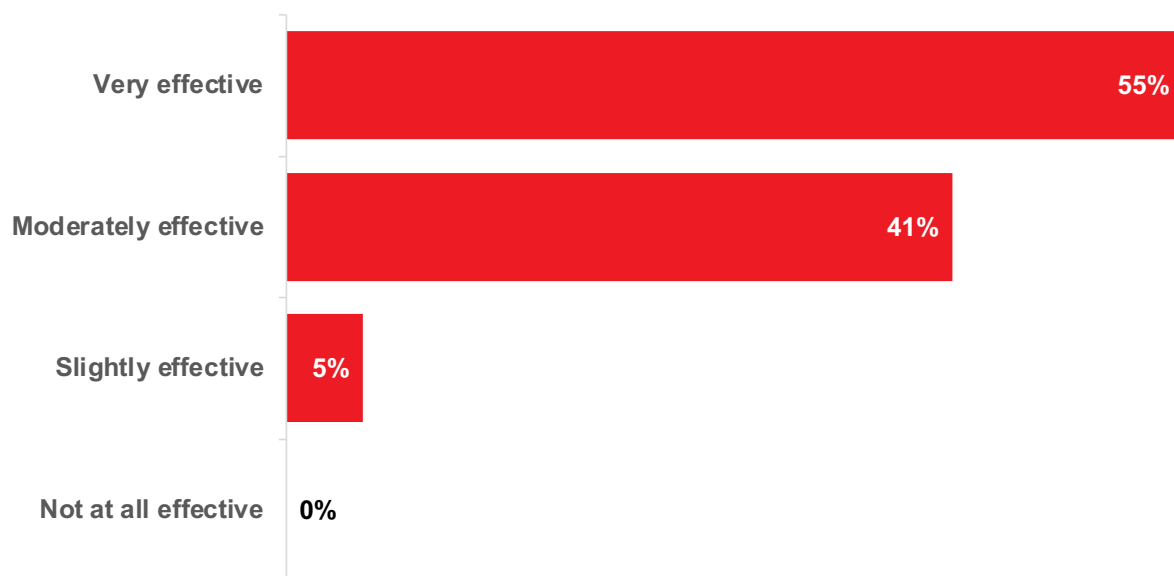
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Personalization is Happening

Just like any other marketing communication, direct mail is going to be more effective if the content (e.g., products, offers) is individualized. Marketers have gotten the message. Only 4 percent of the brands we surveyed are not currently personalizing their direct mail campaigns.

However, the impact of that personalization is leaving direct mail marketers somewhat unfulfilled. When those that indicated they were personalizing their direct mail were asked the follow-up question, "How would you rate the effectiveness of your company's personalized direct mail efforts in driving conversions (i.e., sales)?" nearly half (46 percent) replied either moderately or slightly effective.

Effectiveness of Personalized Direct mail

Category	Value
Very effective	55%
Moderately effective	41%
Slightly effective	5%
Not at all effective	0%

Q. How would you rate the effectiveness of your company's personalized direct mail efforts in driving conversions (i.e., sales)?
n=192 Respondents that use personalized direct mail as part of their marketing strategy

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As you can see from the chart above, the positive takeaway is that all of the respondents believe personalizing their direct mail campaigns is, at minimum, having somewhat of a positive effect on performance. However, the goal should be for marketers' personalization efforts to be very effective, driving the desired outcome (e.g., a purchase) from the consumer.
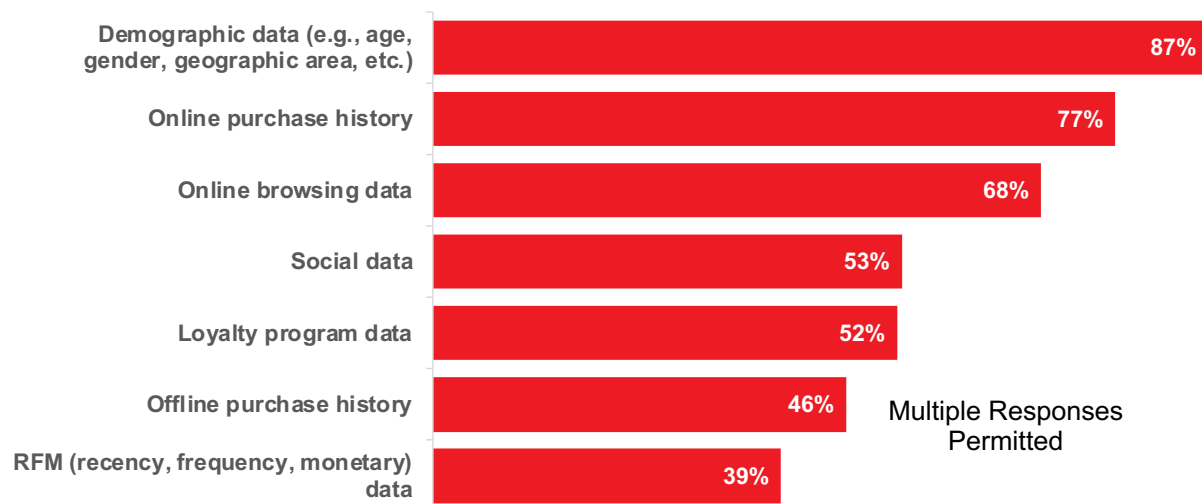
What's preventing that from happening? Perhaps rather than personalizing their marketing efforts, it's about individualizing them. There are a couple of challenges that retailers must overcome to realize the full potential of their personalization efforts. The first is eliminating data siloes within their organizations. Too many brands lack integrated technology systems to tie customer data sources from all channels to a single customer profile, limiting the amount of personalization that can be used. For example, many omnichannel retailers are unable to tie together the online and offline activities of a single customer, particularly in the absence of a loyalty program.

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Second is accelerating speed to market with direct mail retargeting. Consumer attention is fleeting at best; marketers need to immediately seize on the opportunity when a consumer shows purchase intent. That applies to direct mail retargeting. Brands can't wait days or weeks to mail a shopper after they've looked at a product or category of products on their website. The opportunity will have been missed. Individualized content paired with speed to market is a powerful marketing combination.

Don't Forget About Intent Data

Brands are tapping into several different data sources to power their personalized direct mail campaigns. According to the survey, the most popular of those is demographic data (e.g., age, gender, geographic location), which is being used by 87 percent of brands. While demographic data is needed, it's just the start of a truly individualized direct mail piece. Other data sources being leveraged by marketers include online purchase history (77 percent), online browsing data (68 percent), social data (53 percent), loyalty program data (52 percent), offline purchase history (46 percent), and RFM data (39 percent).

Personalized Direct Mail Data Sources

| Data Source	Percentage
Demographic data (e.g., age, gender, geographic area, etc.)	87%
Online purchase history	77%
Online browsing data	68%
Social data	53%
Loyalty program data	52%
Offline purchase history	46%
RFM (recency, frequency, monetary) data	39%

Multiple Responses Permitted

Q. What data sources is your company using to personalize its direct mail? Choose all that apply.
n=192 Respondents that use personalized direct mail as part of their marketing strategy

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While all of this data is important, it only represents a piece of the individualization puzzle. The other component that retailers need to ensure they don't overlook or neglect is intent data — i.e., retargeting a shopper based on their online browsing activity. This level of insight enables brands to create deeper connections with consumers, helping to not only drive conversions (i.e., sales), but long-term loyalty as well.

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The overwhelming majority of survey respondents indicated they're using intent data, per the chart below. However, there are degrees of nuance that apply when evaluating intent data. Retargeting a shopper that looked at footwear on your website with a catalog full of different merchandise is using intent data, but its effectiveness is likely to be limited. However, if that same shopper is sent a direct mail piece featuring the product they were looking at online in a timely manner, as noted above, the likelihood of converting that shopper into a customer increases exponentially. Not all intent data is created equal. The more effective goes beyond surface-level detail to really show an understanding of what the consumer wants and/or needs.

Intent Data Use

8%

92%

■ Yes

■ No
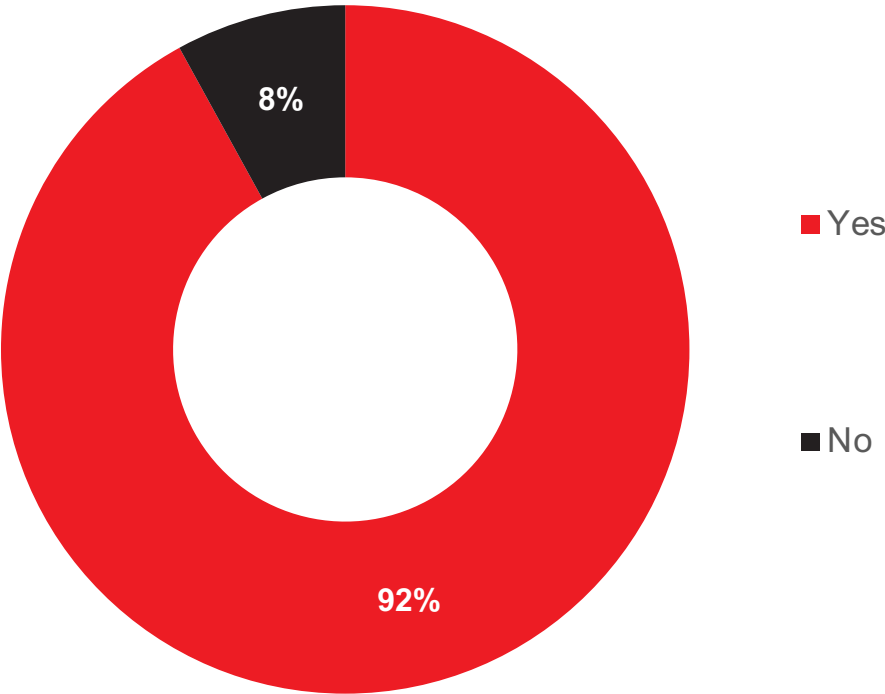
Q. Is your company currently retargeting online visitors with direct mail based upon intent data (e.g., a customer views a product on your company's website and then your company sends that person a direct mail piece featuring that product)?
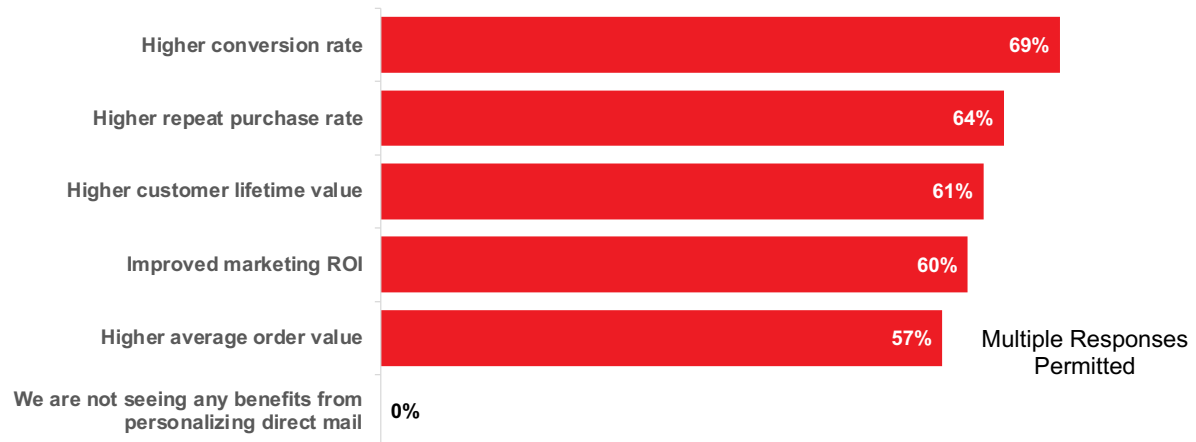*n=200 Respondents that use direct mail as part of their marketing strategy*

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The Reward for Getting Personalization Right

Why are marketers investing in tools that enable them to personalize the direct mail they're sending to customers and prospects? To answer that question, we asked the survey respondents to identify the benefits they're seeing as a result of personalizing their direct mail retargeting campaigns. The interesting finding is that there are multiple benefits, and they're all of high value to the retailer. Check out their responses.

Benefits of Personalized Direct Mail

Higher conversion rate	69%
Higher repeat purchase rate	64%
Higher customer lifetime value	61%
Improved marketing ROI	60%
Higher average order value	57%
We are not seeing any benefits from personalizing direct mail	0%

Multiple Responses Permitted

Q. What are the benefits that your company is seeing from its ability to personalize direct mail vs. a "spray and pray" generic direct mail campaign? Choose all that apply. n=192 Respondents that use personalized direct mail as part of their marketing strategy

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Perhaps not surprisingly, brands most value the revenue that personalized marketing generates. Nearly 70 percent of respondents said their brand is generating a higher conversion rate when personalizing its direct mail retargeting campaigns vs. a generic mailing sent to all. As you can see from the chart, higher conversion rate is far from the only benefit. Brands that are retargeting shoppers via personalized direct mail campaigns are showing a level of understanding of the shopper that earns their trust, leading them to purchase more frequently and spend more when they do. It's a necessary step in building the types of profitable long-term customer relationships that all brands are seeking.

As such, customers acquired via individualized retargeted direct mail campaigns offer the additional benefit of higher lifetime value. The brand has proven to the consumer through the individualized content in its direct mail piece that they know him/her, and it isn't marketing to them as part of a larger generic campaign. This level of trust is integral to driving repeat purchases and, ultimately, elevated customer lifetime value.
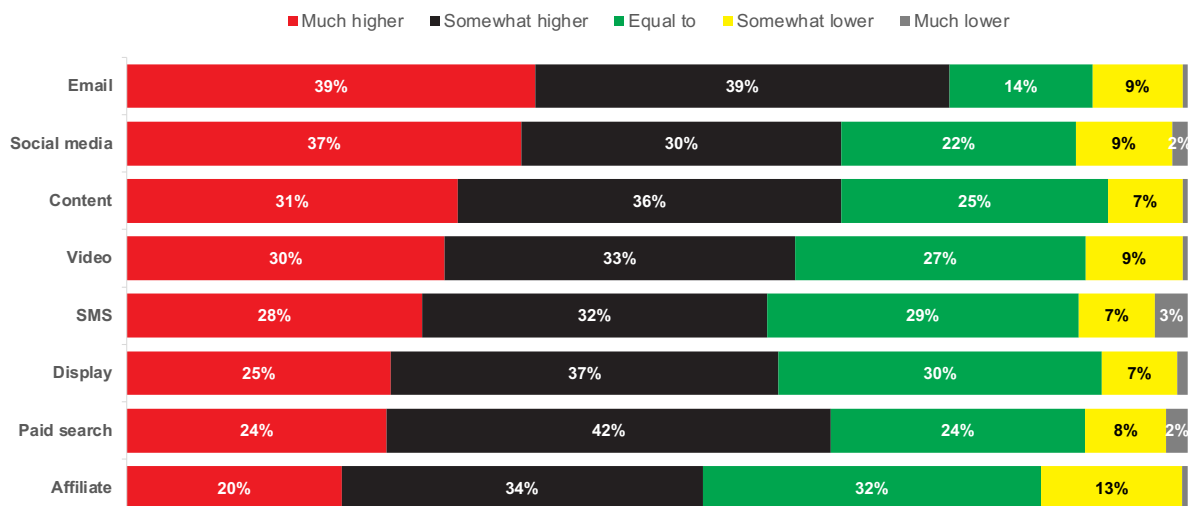
Lastly, it's a testament to the value of personalization that zero of the respondents reported that their company wasn't seeing any benefits from personalizing direct mail. The data proves that personalized retargeting works, including via direct mail.

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Outperforming Digital

The argument is often made that offline marketing channels no longer have a place in today's digital ecosystem. The point is made that consumers prefer to interact with brands digitally, and that offline channels such as direct mail don't gain consumers' attention and are thus ineffective. Furthermore, offline channels are expensive and thus more difficult to produce a positive ROI. However, this data tells a different story — one in which direct mail is proven to be a valuable contributor to a brand's multichannel marketing mix.

The chart below shows that well over 50 percent of respondents are seeing either much higher or somewhat higher conversion rates and ROI for direct mail vs all other digital channels, including email, social media, paid search, SMS, content, video, affiliate, and display. If results are what matter, then this data presents a strong argument that retailers should either a.) begin investing in direct mail and, more specifically, personalized direct mail retargeting or, b.) increase their investment if already allocating budget to this channel.
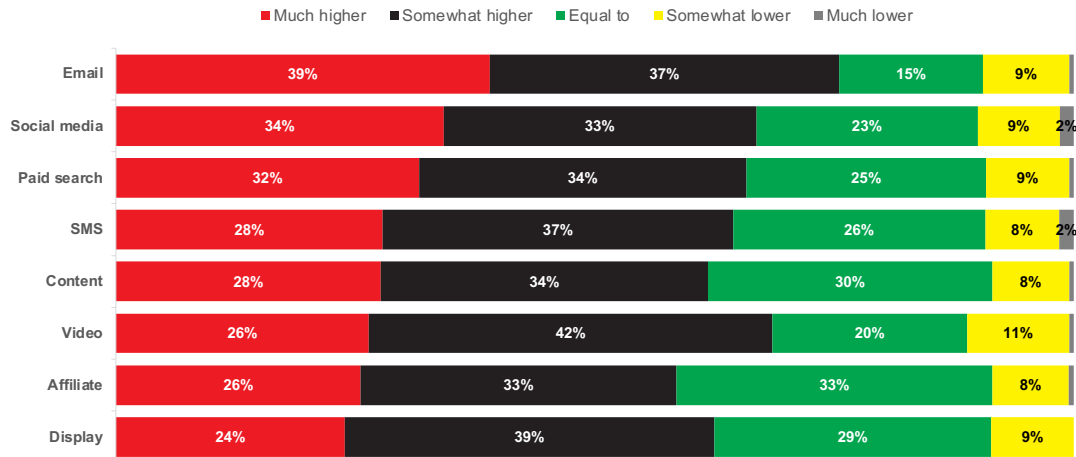
Direct Mail Conversion Rate

■ Much higher ■ Somewhat higher ■ Equal to ■ Somewhat lower ■ Much lower

Channel	Much higher	Somewhat higher	Equal to	Somewhat lower	Much lower
Email	39%	39%	14%	9%	
Social media	37%	30%	22%	9%	2%
Content	31%	36%	25%	7%	
Video	30%	33%	27%	9%	
SMS	28%	32%	29%	7%	3%
Display	25%	37%	30%	7%	
Paid search	24%	42%	24%	8%	2%
Affiliate	20%	34%	32%	13%	

Q. How does the conversion rate (i.e., transaction) for direct mail compare to the following digital marketing channels for your company?
n=200 Respondents that use direct mail as part of their marketing strategy. Responses are only shown for the channels used by each respondent

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Direct Mail ROI

Legend: ■ Much higher ■ Somewhat higher ■ Equal to ■ Somewhat lower ■ Much lower

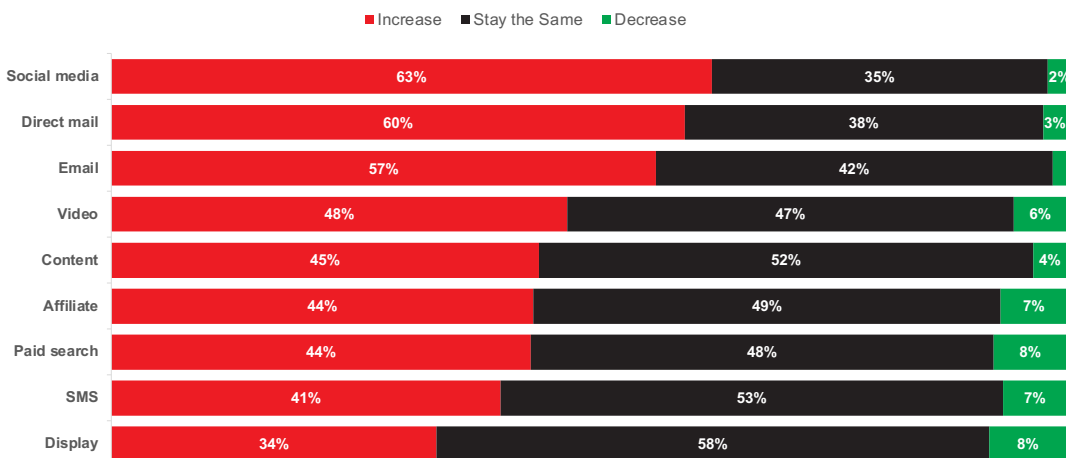| Channel	Much higher	Somewhat higher	Equal to	Somewhat lower	Much lower
Email	39%	37%	15%	9%	
Social media	34%	33%	23%	9%	2%
Paid search	32%	34%	25%	9%	
SMS	28%	37%	26%	8%	2%
Content	28%	34%	30%	8%	
Video	26%	42%	20%	11%	
Affiliate	26%	33%	33%	8%	
Display	24%	39%	29%	9%	

Q. How does the return on investment (ROI) for direct mail compare to the following digital marketing channels for your company?
n=200 Respondents that use direct mail as part of their marketing strategy. Responses are only shown for the channels used by each respondent

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The takeaway here is that perception is not always reality. The conversion and ROI numbers when compared against digital channels prove that direct mail deserves a place in retailers' marketing budgets. And that's what we're beginning to see in the market.

When asked how their marketing budgets will change for a litany of channels in the next 12 months, 60 percent of respondents said they will be increasing spending on direct mail. This was second only to social media (63 percent). In fact, it might be worth questioning the other 40 percent of respondents that are planning to keep direct mail spending static or even decrease it. Aren't they missing an opportunity? The ROI data would tell you they are.

Marketing Budget Change

Legend: ■ Increase ■ Stay the Same ■ Decrease

Channel	Increase	Stay the Same	Decrease
Social media	63%	35%	2%
Direct mail	60%	38%	3%
Email	57%	42%	
Video	48%	47%	6%
Content	45%	52%	4%
Affiliate	44%	49%	7%
Paid search	44%	48%	8%
SMS	41%	53%	7%
Display	34%	58%	8%

Q. How will your marketing budget for the following channels change, if at all, in the next 12 months?
n=200 Respondents that use direct mail as part of their marketing strategy.

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III. CASE STUDY: POSTCARD RETARGETING PROGRAM BOOSTS CONVERSIONS, AOV, ROAS FOR LEADING FOOTWEAR BRAND

Nisolo, a Nashville-based seller of handmade, high-quality leather shoes and accessories, was a digital-native brand seeking to grow its customer base. The brand was struggling with a high website abandonment rate. Consumers were going to Nisolo's website and browsing specific product categories, yet despite high levels of engagement they were leaving the site without making a purchase.

To address this challenge, Nisolo tested a new marketing channel to help it capture a percentage of its website abandoners. The online brand rolled out a postcard program that retargeted its site visitors, featuring content that was highly individualized and timely.

The results of the postcard retargeting program were impressive. Nisolo's direct mail campaign generated a 3.4 percent response rate, a $177 average order value, and an 8.1x return on ad spend. This digital-native brand learned the value of a well-executed offline retargeting campaign.

IV. CONCLUSION

Retargeting consumers with timely, relevant, personalized messaging fueled by intent and historical data across all channels, including direct mail, is effective. Yet despite the pervasiveness of direct mail as a marketing channel, not enough brands are getting it done right. Effective direct mail retargeting requires extending beyond just demographic data to include intent data — true customer insight, not just surface-level identifiers such as gender or age.

The good news for those that haven't gotten direct mail retargeting right yet is that there's technology in the market that can help them. NaviStone offers a platform that combines classic direct mail with digital retargeting and provides the newest, most responsive marketing channel: web-powered direct mail. The tool helps brands associate anonymous browsing data to name and address for direct mail retargeting, making it an effective channel for both customer and prospect outreach.

And the benefits of getting direct mail retargeting right make it worth the effort and investment. Brands are creating the foundation for trusting, long-term customer relationships, the types that yield higher conversion rates, increased customer lifetime value, and improved marketing ROI.

With that in mind, personalized direct mail retargeting needs to be a part of marketers' future plans and budgets. Despite perceptions in the market, the channel is still very effective, and new technology capabilities can improve ROI performance even further. The wave of the future includes an old-school channel (direct mail) with a digital twist.

WHO WE ARE

NAVISTONE®

At NaviStone, our mission is to make marketing more efficient by combining signals of intent with the most powerful conversion medium. An advertiser's best prospects are those who have raised their hand and shown intent by visiting their website. Now you can reach these highly engaged web visitors with direct mail, the most highly responsive medium. Our patented technology combines intent data and direct mail so you can convert new customers with personalized content, while maintaining consumer privacy and reducing your customer acquisition costs. Retail, travel, financial services, automotive and other consumer-facing companies have found our proprietary modeling methodology, which uses more than 100 browsing variables, effective and have added it to their marketing mix. We're proud to call Cincinnati, Ohio our home, with our headquarters located in Over-the-Rhine.

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WE
ARE

TotalRetail

Total Retail is the go-to source for retail executives looking for the latest news and analysis on the retail industry. Featuring a daily enewsletter (Total Retail Report), robust website, virtual and live events, comprehensive research reports, podcast channel, and more, Total Retail offers retail executives the information they need to do their jobs more effectively and grow their professional careers. Visit myTotalRetail.com.

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• Product features and functionality
• Content marketing strategy
• Sales strategy and tactics
• Market conditions
• Benchmarking
• Industry trends
• Brand awareness

Contact research@napco.com to talk with our analysts to find out how we can help you with your research needs.