

WHITE PAPER

The direct marketing revolution 2023

New consumer & marketer intel reveals how brands should shift their DM strategies



Multiplying channels clamoring for consumers' attention. New media and technology joining the marketing scrum weekly (or at least it seems that way). All complicated by an uncertain economic environment, leading brands to scrutinize their marketing budgets to weed out line items that aren't delivering.

Direct marketing, widely considered to be one of the most cost-effective approaches to generate sales because it communicates directly with consumers more likely to buy, is not excused from this inspection.

The picture's not entirely new, but the stakes feel higher.

"I see clients shifting budget all over the place — not necessarily decreasing their budget, but certainly thinking about how they could do different tactics, different approaches," observed Elizabeth Fowler, a director of analytics for Quad.

In their quest to meet KPIs, direct marketers must answer questions about how or whether to integrate offline with online, what role direct mail with its strong ROI but higher upfront costs should play, the best way to engage younger generations and many more considerations.

To help brands negotiate this challenging reality, Quad conducted quantitative research in March 2023 to explore consumer reactions to direct marketing

communications, both print and digital, to tease out answers to questions including:

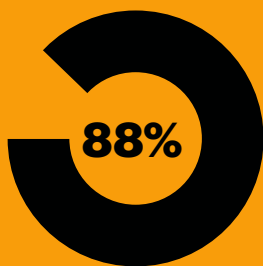
- How much communication is too much?
- Is digital fatigue real?
- Do consumers pay attention to multichannel campaigns?

We also surveyed marketers in four major sectors — telecommunications, financial services, insurance and retail/wholesale — about budget trends, how they are currently using direct marketing, what they hope to accomplish with it and success metrics. (See page 14 for our survey methodology.)

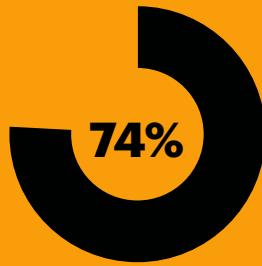
We complemented this new research with related findings from the Quad Customer Focus® November 2022 study that analyzed consumer shopping behaviors and media preferences, as well as third-party research to provide deeper context.

This white paper pulls together new insights from the research to give brands the market intelligence they need and ends with key takeaways to help plan future, even more effective, direct marketing campaigns.

4 key findings



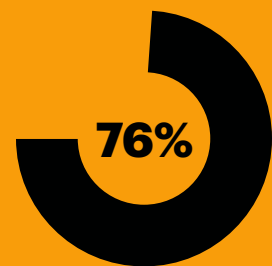
88% of marketers said their ad budgets had increased or stayed the same in 2023



74% of marketers said direct mail delivered the best ROI of the channels their companies used



39% of consumers say they are extremely/very likely to respond to an advertising promotion when they see it across multiple channels



76% of surveyed marketers said digital engagement had increased over the past 12 months

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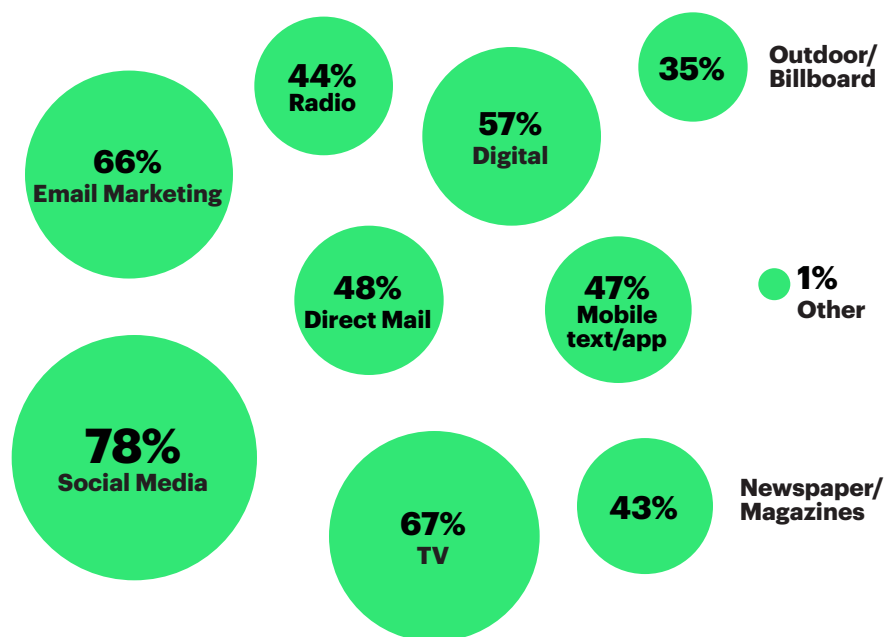
Marketers across all four verticals — telecommunications, financial services, insurance and retail/wholesale — are investing in an array of media for advertising campaigns, with social media the most commonly used.

This allocation was fairly consistent across all four verticals.

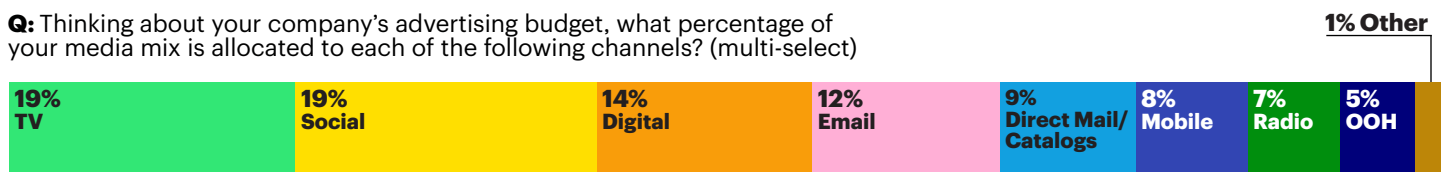
Companies' budget allocation by channel ranged from a high of 19% each for TV and social, to 5% for outdoor.

Spending by channel

Q: Which of the following media channels does your company utilize for advertising campaigns? (multi-select)



Q: Thinking about your company's advertising budget, what percentage of your media mix is allocated to each of the following channels? (multi-select)



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Coping with budget pressures

Certainly marketers are under intense pressure to spend wisely and deliver results, given the uncertain economy. Yet, the majority surveyed reported their channel budgets had either increased or stayed the same compared to 2022.

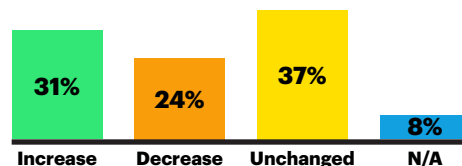
Digital advertising saw the largest year-over-year increase in budget allocation — at least in part a reflection of the rapidly rising cost of digital ad inventory.

Direct mail, of course, hasn't been immune to rising costs — thanks particularly to higher postal rates — but despite that, nearly seven out of 10 (68%) surveyed marketers reported that their direct mail budget allocation had either increased or stayed steady year-over-year. At the same time, they reported keeping a close eye on direct mail ROI as they plan an effective media mix.

Marketers are under intense pressure to spend wisely and deliver results

Notably, financial services marketers reported the highest year-over-year increase in their direct mail ad budgets — 47% — followed by insurance, retail/wholesale and telecom marketers, who reported an average 26% increase.

Direct mail ad budget allocation YOY change



Additional context: The ROI calculation helps explain the continuing allegiance to direct mail.

According to [2023 The State of Direct Mail Report](#) — which surveyed marketing executives from companies in e-commerce, financial services and banking, insurance, health care, and retail — 74% said that direct mail delivered the best ROI of the channels their companies used.

By industry:

e-commerce	87%
Financial services	84%
Insurance	81%
Health care	65%
Retail	63%

Among that group of companies, 58% said they had allocated more budget to direct mail in 2023 compared to 2022, according to the report by Lob.

Budget allocation YOY change

Q: For each of the categories below, indicate the YOY change in the budget allocation.

	Financial Services (n=58)		Insurance (n=54)		Retail/Wholesale (n=57)		Telecom Services (n=54)	
	↑	↓	↑	↓	↑	↓	↑	↓
Total ad budget	66%	5%	48%	13%	42%	11%	65%	7%
Digital ad budget	76%	7%	57%	7%	51%	12%	59%	7%
Direct mail ad budget	47%	19%	26%	31%	26%	25%	26%	20%
Traditional mass media (TV, radio newspaper)	48%	5%	30%	20%	25%	16%	31%	13%
Personalized data-driven campaigns	47%	7%	43%	9%	33%	7%	50%	4%
Automated trigger programs	33%	12%	35%	9%	35%	5%	37%	15%

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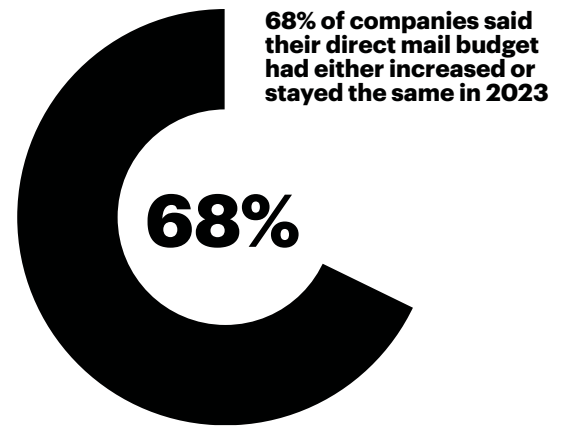
Brand marketers told Quad that direct mail served several objectives as part of a multitouch media mix.

Acquiring new customers, creating interest and audience retargeting were among the most common objectives cited by marketers in all four verticals.

The top five actions marketers said they wanted consumers to take as a result of their direct mail campaigns were:

Visit the website	75%	Download a mobile app	44%
In-person traffic	50%	Make a phone call	40%
Shop or purchase	49%	(to a customer call center, etc.)	

The Quad research shows that direct mail drives a wide variety of consumer purchases.



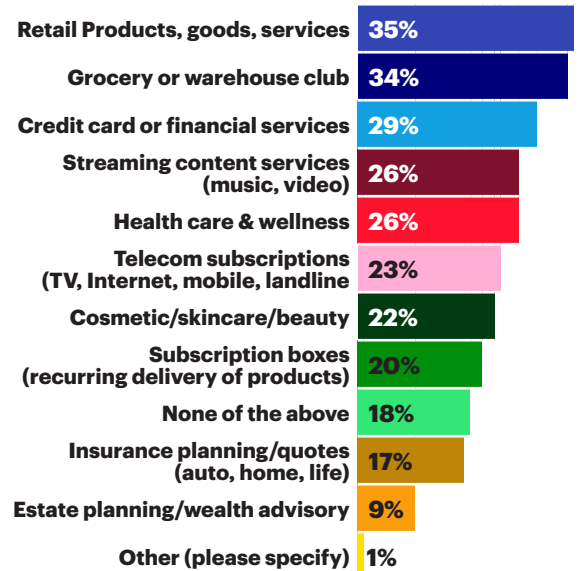
Why companies use direct mail

Q: Which of the following reasons describes why your company uses direct mail advertising? (multi-select)

	All Verticals (n=106)	Financial Services (n=31)	Insurance (n=20)	Retail/Wholesale (n=28)	Telecom Services (n=28)
Acquire new customers	64%	65%	50%	57%	81%
Create interest	55%	58%	45%	64%	48%
Build brand awareness/affinity	48%	39%	35%	64%	52%
Generate leads/sales	45%	45%	45%	50%	41%
Audience retargeting	42%	58%	40%	32%	37%
Introduce a new product/service	42%	45%	45%	36%	41%
Drive loyalty	39%	35%	40%	43%	37%
Win back customers	36%	39%	30%	36%	37%
Post-purchase cross-sell, upsell or repeat purchase	32%	39%	25%	29%	33%
Prompt purchase	28%	24%	35%	39%	19%
Build credibility/showcase expertise	27%	35%	20%	25%	26%
Drive grand openings/special event attendance	23%	19%	15%	43%	11%

Direct mail-prompted purchases

Q: What types of purchases have you made or signed up for, prompted by a direct mailer?



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Consumer attitudes toward direct marketing are another reason for the durability of direct mail as a marketing tool. In Quad's survey of consumers, 84% of respondents said that the direct mail they receive from a company they purchase from regularly is "extremely useful" (24%), "very useful" (26%) or "somewhat useful" (34%) — statistically on par with email (with a combined extremely/very/somewhat usefulness of 87%)

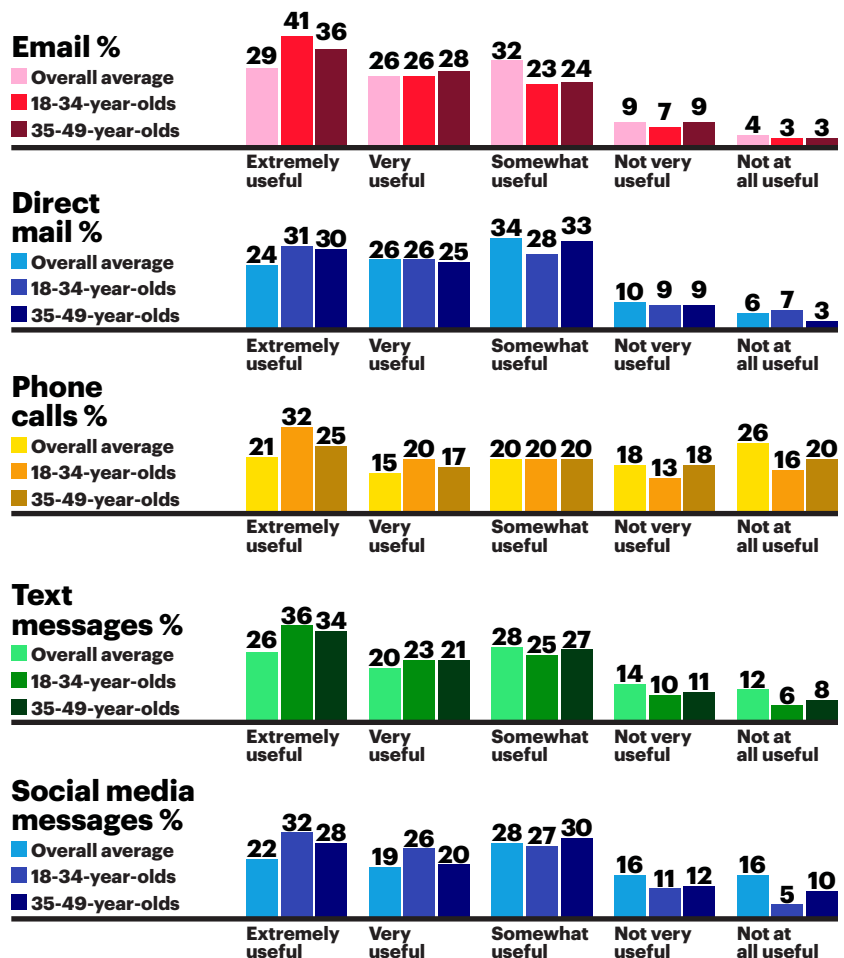
Notably, younger generations are the most enthusiastic about the usefulness of direct marketing — both in the form of direct mail and email.

A total of 90% of 18- to-34-year-olds said they found email extremely/very/somewhat useful, and 85% said the same about direct mail.

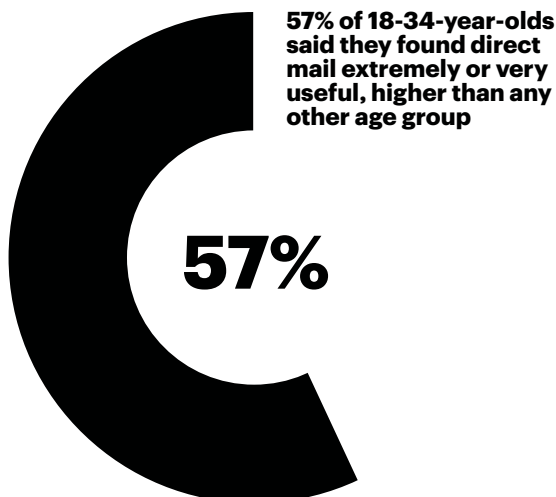
Among 35- to 49-year-olds, 88% reported the email they received was extremely/very/somewhat useful, the same percentage that said direct mail they received was extremely/very/somewhat useful. These two age groups reported a stronger embrace of email and direct mail than older generations.



Q: Considering a company you purchase from regularly, how useful are the communications you receive in each of the following channels?



Note: May add up to more than 100% due to rounding



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Consumers also hold onto direct mail — across all product and service categories and age groups.

The reason for saving it, according to Quad’s research, is that consumers overall see direct mail as a resource.

Additional context: In a world where consumers are bombarded with messages 24/7, another characteristic of physical mail keeps

it popular: memorability. [Research](#) conducted in the U.K. by the global marketing research firm Neuro-Insight revealed that mail activates areas of the brain responsible for long-term memory encoding 49% more than email and 35% more than social media advertising.

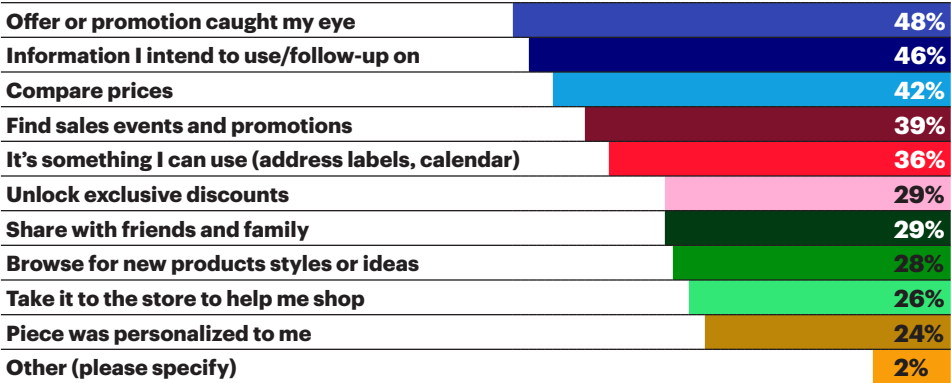
Part of the reason for this is that direct mail is simply more engaging,

according to the study: 33% more engaging than email and 35% more engaging than social media — and engagement drives memory encoding.

“Mail is the touchpoint that people actually touch,” the Neuro-Insight report noted. “While it’s getting harder for marketers to cut through, the power of touch can make a real difference.”

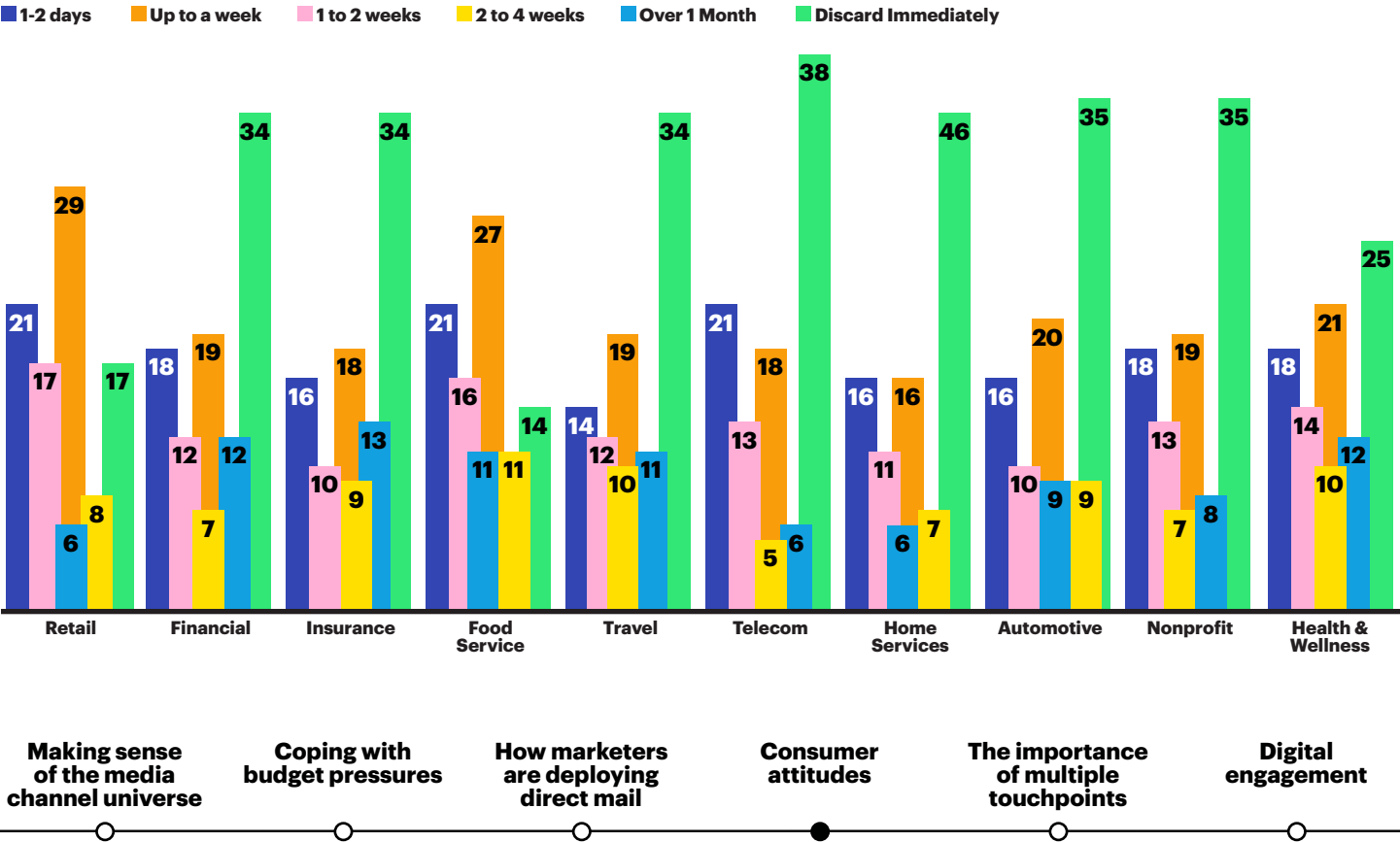
Stickiness of direct mail

Q: For which of the following reasons have you saved a piece of direct mail?



Consumers hold onto direct mail because they see it as a resource

Q: How long do you typically keep direct mail you receive from the following categories?



The importance of multiple touchpoints

No marketer wants to — or should — concentrate spend in any single channel, no matter how effective. Consumers, especially ones you're seeking to acquire who don't know your brand, need multiple touches, Quad's Fowler noted.

"When you're prospecting, you don't really know how that consumer is going to respond, so that needs to be a coordinated multichannel effort. You see me in your mailbox, and you see me in social, then if you hit the website you get retargeted via display," Fowler said. "So we target consumers across channels."

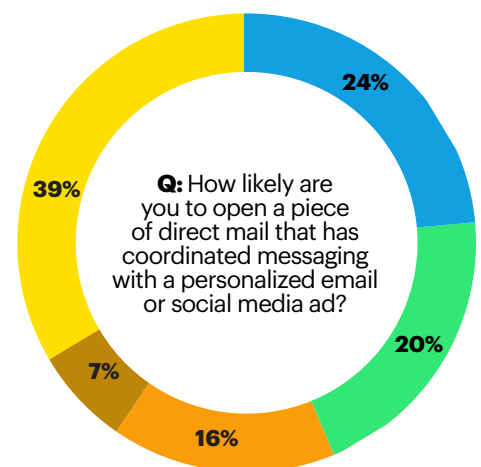
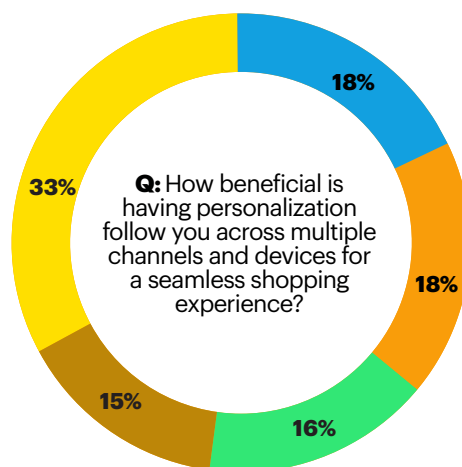
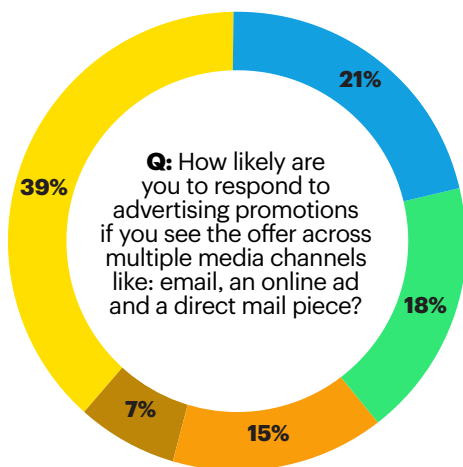
This is particularly effective when combining offline and online touchpoints. Direct mail integrated with complementary messaging through digital channels bolsters awareness and response. "We are taking one touchpoint direct mail piece and then giving them [the consumer] an additional eight to 16 touches through digital channels to surround that direct mail piece and drive response," Fowler explained.

Quad's new research supports the value of multichannel communications. Thirty-nine percent of consumers said they are

extremely or very likely to respond to an advertising promotion when they see it across multiple channels; the tally rises to 78% across the extremely/very/somewhat likely responses.

And consumers like it when multichannel communication is personalized across all the channels.

Among consumers surveyed, 44% said they are extremely or very likely to open a direct mail offer when it is coordinated with a personalized email and social media ad; again, the tally rises to 78% when "somewhat likely" responses are added.



Extremely Very Somewhat Not very Not at all

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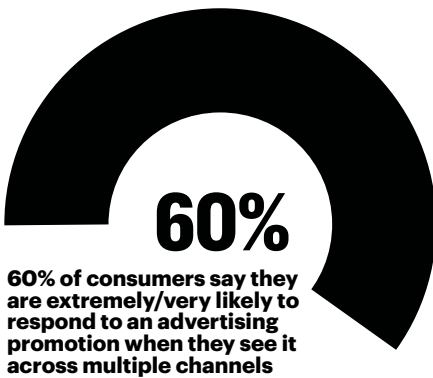
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Receiving direct mail prompted action and interaction with other channels for about three-quarters of those surveyed in the November 2022 Quad Customer Focus® study.

Marketers who use direct mail recognize the importance of multiple touchpoints, with email, social media and display ads the most commonly integrated touchpoints across all verticals.

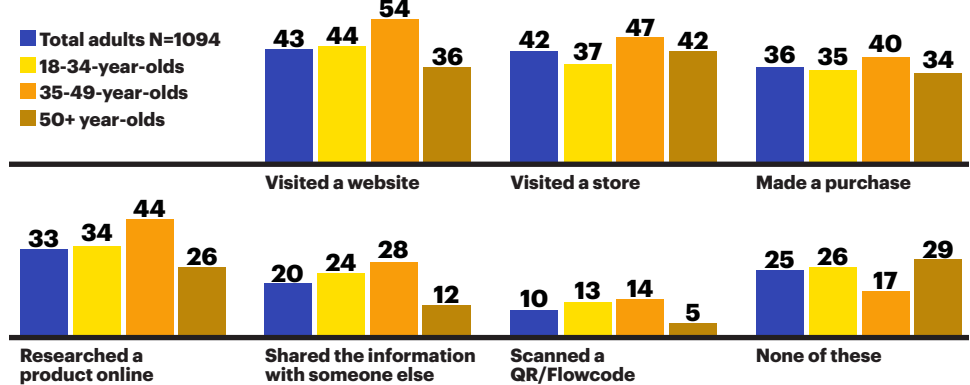


“Mail is the touchpoint that people actually touch. While it’s getting harder for marketers to cut through, the power of touch can make a real difference.”

-Neuro-Insight

Direct mail prompts action

Q: Which, if any, of the following actions have you taken after receiving a direct mail ad in the past 30 days?



Offline plus online

Q: Which of the following tactics do you integrate with your current direct mail marketing strategy?

	All Verticals (n=106)	Financial Services (n=31)	Insurance (n=20)	Retail/ Wholesale (n=28)	Telecom Services (n=27)
Email marketing	65%	68%	70%	64%	59%
Social media	58%	58%	75%	46%	59%
Display ads (images, video on a website)	48%	52%	35%	57%	44%
Retargeting and remarketing	36%	32%	30%	36%	44%
Mobile (SMS/MMS)	35%	35%	30%	32%	41%
Video marketing	34%	32%	45%	18%	44%
Search engine marketing (SEM)	33%	29%	30%	25%	48%
Digital signage	30%	26%	35%	21%	41%
Podcast	18%	13%	30%	11%	22%
Sponsored content (native ads)	17%	10%	30%	14%	19%
None- stand-alone	5%	3%	0%	11%	4%

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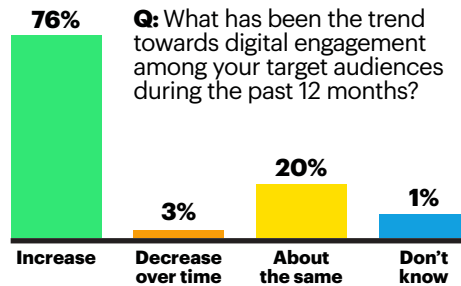
The importance of multiple touchpoints

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Digital engagement

Despite anecdotal reports of consumers turning away from digital interactions — sometimes attributed to burnout after a digitally dominated life during the COVID-19 pandemic — Quad's research found little indication of that among marketers from the four verticals, or from consumers.

Asked what the digital engagement trend among target audiences had been during the past 12 months, 76% of surveyed marketers said it had increased over time and only 3% said it had decreased. That included 82% of marketers in financial services, 76% of those in insurance, 71% in retail/wholesale and 74% in telecommunication services.



Note: Among 214 advertisers using digital media including search, display, video, email marketing, mobile text/app, web display/video and social media

Consumers surveyed about their use of social media platforms during the past 12 months also generally reported increases, though the degree of increase varied between platforms and among age groups.

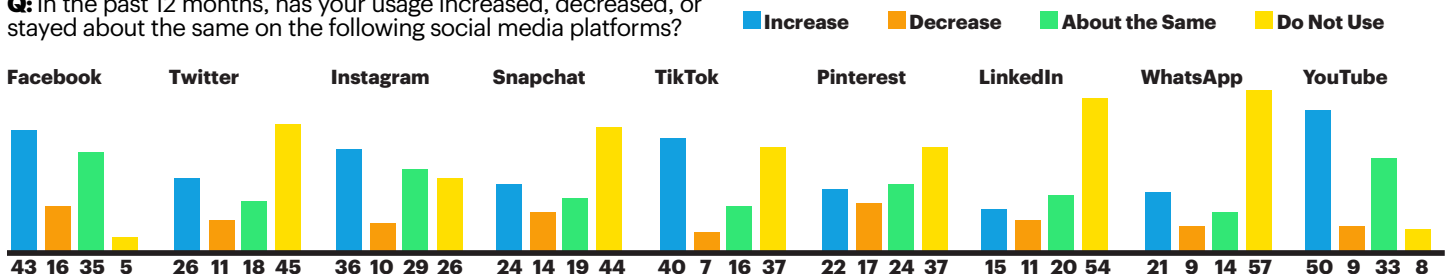
A significant portion (46% to 34%) of all age groups reported increased use of Facebook. But 20% of both 18- to 34-year-olds and 35- to 49-year-olds reported using it less — higher than the average across groups.

Consumers who said they were spending less time on social media gave a variety of reasons.

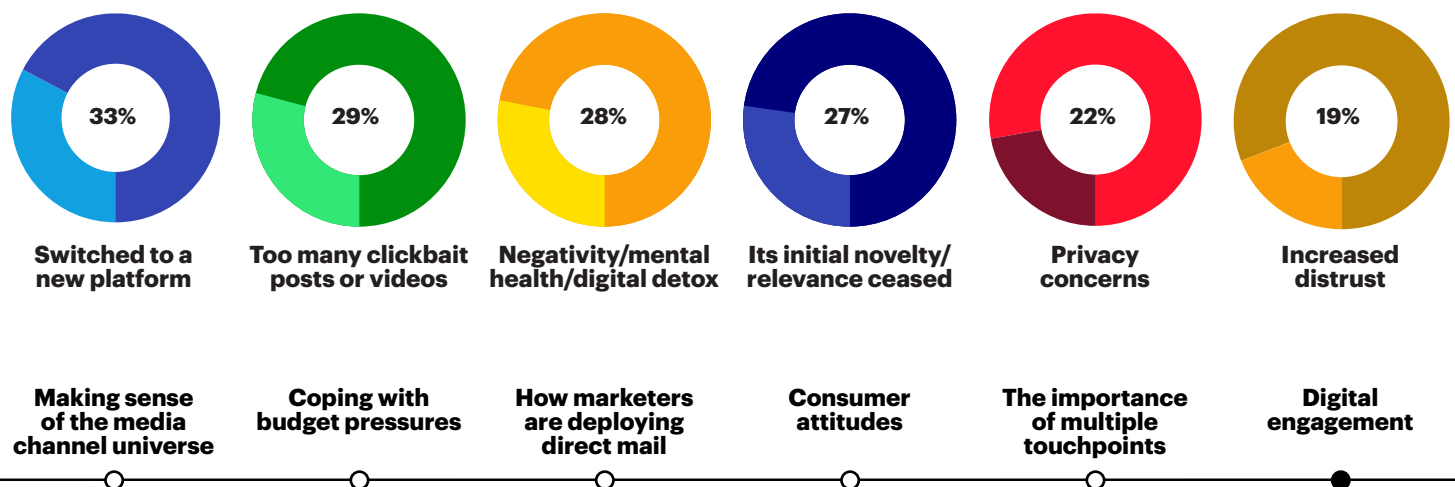
Reasons respondents gave for using social media less included: “I just got bored,” “Just haven’t been using it as much,” “Just stopped,” “I’m just over social media.” Life stage reasons also played a role, with “less time” and “less spare time” some of the most common.

Consumer engagement snapshots

Q: In the past 12 months, has your usage increased, decreased, or stayed about the same on the following social media platforms?



Q: What are the main reasons for your decreased usage of (social media)?



What's next?

Brands face a dizzying array of variables they need to parse to determine how to get the best return on spend. To name a few of the most basic:

- What are you selling? Does it have an average item price of \$100-\$200? Or \$25-\$50? This affects whether you can afford a higher cost-per-acquisition (CPA) tactic.
- What are you trying to do? Find new customers? Maximize current customers? Reactivate lapsed ones?
- How do you measure ROI? Or do you measure it? The ANA's 2022 Response Rate Report for direct media is based on 323 qualified responses, but only 137 of them were complete because, the organization noted, "a large percentage" of the sample did not share response rate averages when they took the survey, and that there were few responses to many of its ROI questions. It added that the ROI percentages included in the report reflected "extremely small bases." In Lob's 2023 The State of Direct Mail Report, only about a third — 34% — of marketers surveyed said they were able to measure direct mail ROI; 64% were not.



Marketers struggle with measuring ROI

Here are some recommendations for how to put any confusion aside and create effective direct marketing campaigns:

Coordinate your direct marketing channels. That seems obvious, but often in-house teams and/or outside agencies operate without visibility into what's happening across all channels. For one thing, this creates a major challenge to accurate measurement. For example, say a digital agency launches a two-week campaign and reports a great response in search traffic, which it takes credit for because of last-click attribution. But it turns out that the digital campaign took place during the two weeks after the catalog dropped. How much of the response was due to digital tactics and how much to the catalog?

The other reason to integrate channels is to create a seamless customer journey by coordinating touchpoints and reinforcing messages. This drives the consumer behavior you want and helps build strong customer relationships.

Being inconsistent does the opposite. Twilio's 2023 [The State of Customer Engagement Report](#) found growing consumer frustration with inconsistent digital experiences: 51% said they had been frustrated with brand interactions online over the past year, up from 46% the year before.

Don't spend money that you don't have to. If a given customer is a consistent catalog responder, investing in other media to target them is likely a waste of budget. Other customers and prospects need more than one touchpoint. "Who are you targeting with your direct mail tactics, who are you targeting with digital ads?" asked Quad's Fowler. "Are you reaching people who are already your customers when you're supposed to be acquiring new customers?"

Using the right tactics goes back to what you're trying to accomplish, who you're trying to reach. Staying focused on the 'who' is more important to success than offer, format, etc., Fowler noted.

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Focus on incrementality, not attribution. As Albert Einstein said, “Not everything that can be counted, counts.” John Puterbaugh, Ph.D., VP of Advanced Media and Innovation for Quad, cited that when referring to the challenges associated with attribution. “The aspiration is trying to give credit where credit is due, but in reality, there are so many variables, so many things to try to measure and understand. A lot of people have spent a lot of money trying to figure out what set of data points give you the full picture and have been unsuccessful.”

Sinan Aral, the David Austin professor of management, marketing, IT and data science at MIT, called it “a fundamental confusion between correlation and causation” in an [article](#) published in the Harvard Business Review in 2021.

Incrementality refers to lift — getting people to buy or do something, prompted by a specific stimulus, that they wouldn’t have done without that interaction. Aral cited the well-known examples of Procter & Gamble and Unilever reducing digital spend in 2017 and 2018 yet experiencing gains in organic sales growth.

What produced the increases, Aral said, was a shift from a narrow focus



on frequency as measured by clicks and views which was delivering diminishing returns, to a focus on reach — the number of consumers they touched.

Leverage marketing automation technology to drive direct mail.

This is catching on throughout the direct marketing industry. Take Salesforce as an example. Plugging direct mail campaigns into the platform’s customer journey management feature transforms them from scheduled to always-on, streamlining workflows and holding down costs. “You can deploy direct mail just like you would deploy email,” Puterbaugh observed.

He pointed to one Quad client, Kasasa, a financial services firm that helps small banks and credit unions offer competitive products and market them to consumers. The company is using Salesforce to trigger online and digital content as well as direct mail postcards [see below].

Personalization matters, and good data make it cost-effective.

Consumers’ appetite for personalization hasn’t waned. In the 2023 Twilio customer engagement report, 60% of global consumers said they would quit a brand if their experience wasn’t personalized. That includes 75% of Gen Zers.

What does all this mean for direct marketers?

Kasasa is a financial services and consulting company that helps smaller, local financial institutions offer and market competitive banking products. But their direct mail services weren’t scalable, requiring manual list management that made life difficult for the institutions, which struggled to personalize offerings.

Quad implemented JourneyMail™, an app for Salesforce that provides templates to easily customize DM pieces with personalized images and offerings. This streamlined workflows. Marketing teams could complete campaigns in one efficient sprint, and the system automatically triggered direct mail pieces

in reaction to email and other channel engagement activity.

Using the new system, Kasasa scaled run size by 80,000 pieces, giving clients a turnkey-proven, flexible and personalized direct mail program. They’ve expanded print capacity and improved speed to market, going

from monthly runs to weekly while cutting postage costs.

“With Salesforce and JourneyMail™, we can identify the right consumers with tailored messaging and create real marketing returns more efficiently than ever before,” said Keith Brannan, Chief Marketing Officer, Kasasa.

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In Quad's March 2023 survey, more than a third of consumers said they would share personal data to receive tailored offers for health care and wellness, footwear and skin care and beauty products.

60% of global consumers said they would quit a brand if their experience wasn't personalized.

But personalizing direct mail costs more. Marketers need to get a higher response rate or order value to justify it, and the key to that is making personalization meaningful enough to drive response.

Unfortunately, many marketers admit to feeling they don't have the right data to personalize. In some cases, the data is there, but it's not organized properly, Fowler said. In others, they need testing to help identify the right things to personalize—imagery, product, offer, etc. Testing enables effective personalization.

Jump on the QR/Flowcode® bandwagon. Incorporating QR or Flowcodes into direct mail pieces is a highly effective way to coordinate and integrate print with digital channels. It also enables personalization and the capture of first-party data.

This is how it worked for one outdoor equipment retailer that wanted to drive traffic to its new store in a major metro area. Every piece in the initial 50,000-piece mailing carried the same substantial offer plus a Flowcode (a type of QR code) unique to the individual recipient. To claim

the offer, recipients scanned the code and entered their email address, capturing that piece of first-party data. (A QR scan is a top-of-funnel intent signal that provides immediate response data that in this case was

tied to each individual.) The scan data gave the brand greater insight into what types of people on the original mail list engage, so the mail list can be optimized. Individuals can be retargeted digitally or by mail, with trackable, personalized offer codes and coupons.

Puterbaugh compared Flowcode scans to click-through rates. As with other digital engagement vehicles (e.g., email links, digital ads, social content), you need to consider both the click-throughs and the conversion rates. QR codes have very high conversion rates compared to most other mobile response vehicles.

Acknowledging that scan rates are typically lower than CTRs — though often at or above programmatic display ads — Puterbaugh noted that their conversion rates are higher. "If you make the effort to scan something, you complete the action, so they end up performing better than digital tactics." He noted that of the 3,500 people who scanned the Flowcode in the outdoor equipment retailer's campaign, 80% gave their email address.

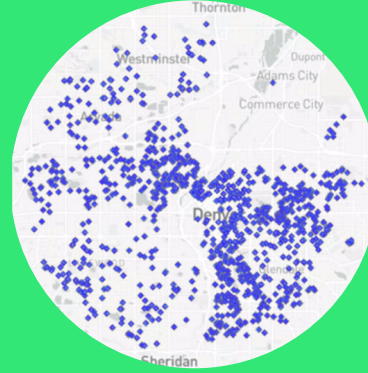
QR code scans deliver first-party data

QR code scans provide first-party data that allows direct marketers to optimize mail lists — both offline and digital — and retarget consumers with personalized offer codes and coupons.

Original Target List



Scans by Location



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Conclusion

In a budget-conscious world, ensuring you maximize your return on investment involves finding a balance between online and offline strategies and a need to be careful not to over-rotate to one or the other. Consider using solid test-and-learn tactics within and between channels. Make sure you're working with a direct marketing partner that can help you with balanced online and offline strategies.

Quad works with literally thousands of marketers, including American Express, Citi, New York Life and U.S. Bank. We help brands reach the front door, discover more sustainable solutions, bring teams together and put your budget where it matters most. Most importantly, Quad sees your marketing as more than a journey — it's an experience. And our people can make it an extraordinary one.

Research methodology

The Quad quantitative consumer and marketer research was conducted in March 2023 via online surveys. The consumer panel size in the final report was 818, consisting of a representative sample of the general U.S. population.

The marketer panel size was 223, consisting of C-level executives including CMOs and marketing leaders from companies with 100+ employees and at least \$5 million in annual sales revenue. The respondents came from four verticals:

· Financial services (includes banking, credit and loans)	58 or 26%
· Telecommunications (includes landline, internet, mobile, streaming, TV)	54 or 26%
· Insurance	58 or 26%
· Retail/wholesale	57 or 26%

About Quad

Quad (NYSE: QUAD) is a global marketing experience company that helps brands reimagine their marketing to be more streamlined, impactful, flexible and frictionless. Quad's strategic priorities are powered by key competitive advantages that include integrated marketing platform excellence, innovation, and culture and social purpose. The company's integrated marketing platform is powered by a set of core disciplines including business strategy, insights and analytics, technology solutions, managed services, agency and studio solutions, media, print, in-store and packaging.

