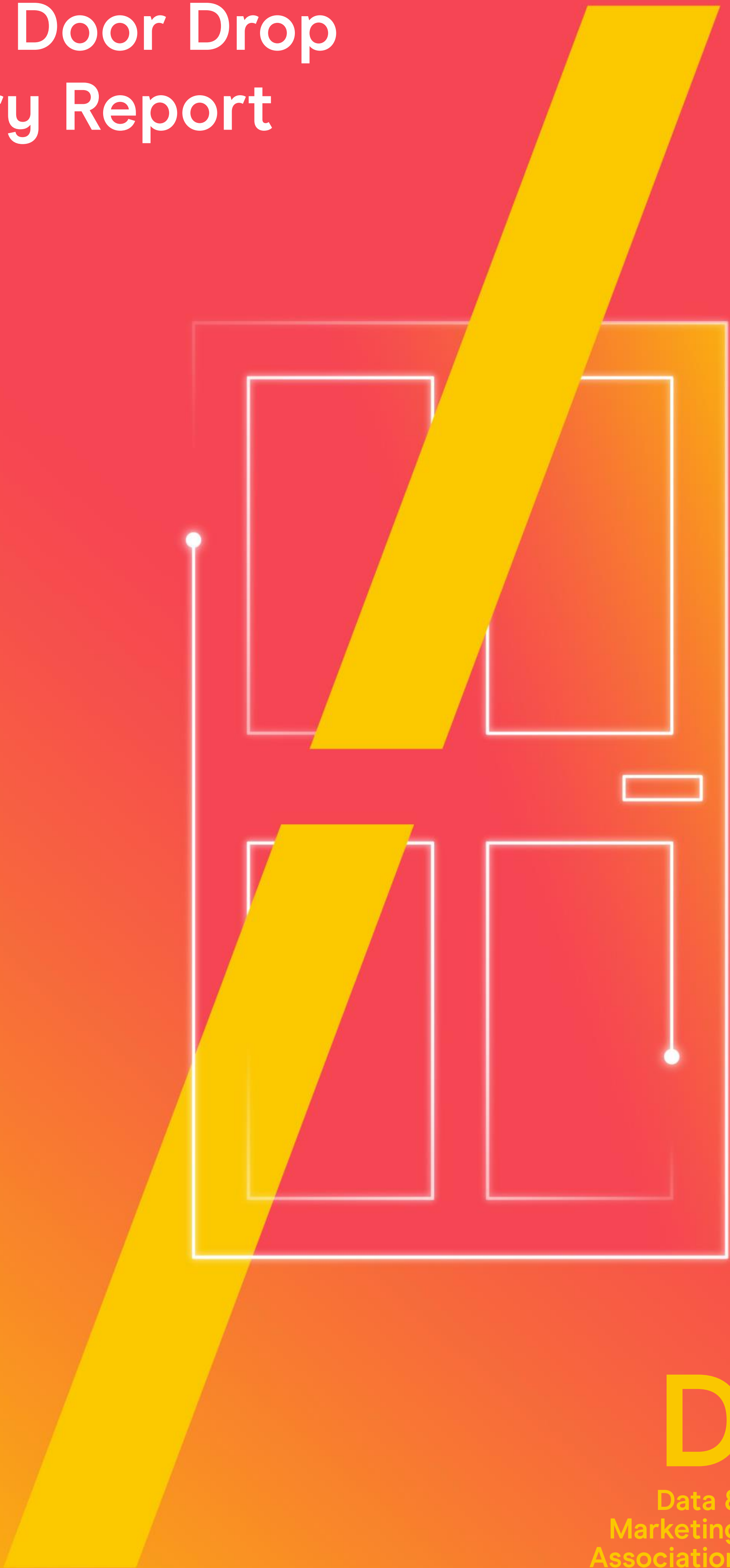
Annual Door Drop Industry Report

2021



Customer Engagement

Data & Marketing Association

/ Contents

Introduction 2
Foreword 3
Exec Summary 4
Spend and Volume 5
    Pandemic Engagement Impact 8
Total Material 10
Trends 12
Acknowledgements 14
Methodology 15
    Clarification 15
About the DMA 16
Copyright and Disclaimer 17

/ Introduction

Welcome to the latest edition of the DMA's annual report on the state of door drops and their position in the wider marketing mix. This report covers a period nobody could have foreseen, with coronavirus changing how everyone lived, worked, shopped and played in 2020. However, the figures contained within this report also show the important role door drops have played in engaging and informing consumers during these challenging times.

Since the start of 2020, the pandemic has dramatically altered how many brands communicated with customers, some having to pivot at breakneck speed to update their offering and continue to maintain relationships with customers in creative new ways. To understand how this has changed consumer behaviour and how brands engage with them, read the Customer Engagement: How to Win Trust and Loyalty 2020 report. You can also learn more on the impact these market conditions had on the data and marketing industry in the DMA's pandemic tracker – Coronavirus: March 2021 - The Impacts on Business'.

The figures collated for this year's report are from January to December 2020, representing a snapshot of how the door drop industry performed last year and comparing it back over the last 5 years and beyond. This year's report also includes an updated methodology which makes these figures the most accurate picture of the UK door drop market available.

Recent years have been challenging for the door drop industry, even before the pandemic, with Brexit and multiple General Elections – including just before Christmas 2019 – making it tricky for many brands. However, coronavirus has had a major influence on this year's volumes and spend.

Looking at the overall picture, the data shows encouraging signs. The latest industry advertising spend figures from AA/WARC highlight the difficult year all media has had, but also that door drops have not been hit as hard as some of its traditionally print-based counterparts. Meanwhile, insights from JICMAIL highlight the continued and, at times, increasing power of print in engaging customers and driving commercial actions.

What all of this means precisely for 2021 and beyond, we will have to wait and see. But whether it's engaging new customers or fostering loyalty in existing ones, door drops offer both an effective and scalable opportunity for brands.

Finally, this is now the 27th year the DMA has produced this report and these findings would not be possible without the support of both the members of the **DMA Print Council's Door Drop Hub** and, of course, the organisations that take the time to collate and share their figures with us each year. I'd like to thank the teams at **LDM UK, The Letterbox Consultancy**, **Newsquest**, **Royal Mail** and **Whistl** for their continued support for this project.

Tim Bond
Director of Insight at Data & Marketing Association

/ Foreword

It will come as no surprise to those reading this report that 2020 represented a tough year for most businesses in the door drop space and, on the whole, this was largely true across the advertising and marketing industry.

In the first half of the year, the outbreak of Coronavirus and full UK lockdown led to a stop on many major advertisers' activity and this effect was particularly felt through the whole of the second quarter.

Whilst things recovered to some extent in the second half of the year, uncertainty over local and national lockdowns, as well as businesses that had no option but to close their doors, meant volumes remained lower than one would expect.

However, it has not all been doom and gloom, as the pandemic has also somewhat shone a light on the channel and the benefits that it offers to brands.

The medium demonstrated its ability to respond instantly to urgent client briefs, many Coronavirus-related from the public sector, whilst HM Government chose the channel to communicate to every household in the UK.

JICMAIL data has reinforced client feedback to show that recall and response to door drops has sharply increased across all sectors – presumably linked to more people being home more of the time.

With uncertainty over the consumer's work patterns and the likelihood of that stay-at-home audience remaining for the foreseeable future, at least in part, the medium will continue to offer advertisers a high level of engagement.

New clients and sectors have been introduced to the channel, with other media unviable or unavailable for large parts of the year. Door drops' continuation of service every week of the year provided a valuable service to many, and we are seeing many of those clients retain their use of the channel.

Given the effects of the pandemic on advertising, there is probably very little that we can assess from the statistics this year when comparing them to previous years, except to be thankful that volumes have been held at a higher level than many of our media counterparts in this difficult time.

2021 began with a national lockdown and so we would expect to see the impact of Covid continue into this year, and potentially beyond, as brands seek to recover.

But with strong performance and new clients across a range of sectors, we hope that those effects can be mitigated, and we will see a return to higher volumes more in keeping with previous years.

DMA Print Council's Door Drop Hub

/ Exec Summary

Each year, this report provides the most accurate estimate available of the volume and value of the door drop market in the UK.

This edition's figures explore the 2020 calendar year and also include trended data from previous years and additional insights from JICMAIL's industry-standard audience measurement data.

Key findings from this year's research include:

- Revenues over the year fell significantly amid the pandemic conditions, from £214 million in 2019 to £143.5 million in 2020
- Annual volumes similarly fell year-on-year, from 4.1 to 2.7 billion in 2019
- The number of door drops delivered per household per week was below two (1.93) for the first time – down from around three in previous years
- The average door drop is seen by 1.05 people in the home (giving campaigns an additional reach of 5%) with an average of 3.1 interactions per item (source: JICMAIL)
- Also, 63% of door drops are looked at immediately upon arrival, with 11% translating into commercial action (source: JICMAIL)
- The majority of the door drops sent in 2020 continued to be leaflets (82.6%), but the proportion of envelopes and booklets saw a slight increase year-on-year (7.6% and 9.8% respectively)
- The result of these shifts is an overall minor increase in the average weight of each item to 21.7 grams
- The total weight of door drop material sent fell by just over 7,500 metric tonnes year-on-year, due to the reduced send volume but also continuing a trend over the last five years
- Despite a very challenging year in 2020, figures over the last decade for door drop revenues and volumes had begun to plateau and show some signs of positivity
- Despite marketing spend across all channels falling in the year, door drops continued to secure their proportion of that spend and saw similar reductions (-33.0%) as other print media – -29.1% for magazine and news brands, and -34.3% for direct mail (source: AA/WARC)

The figures reported this year have undergone some significant changes from previous editions. This is due to a correction and an update to the process of calculating these, which has also been applied historically to all figures included in this report. More detail on this is available in the 'Methodology' section at the end of this report.

/ Spend and Volume

In 2020, annual expenditure on door drops reduced by a third amid the challenging market conditions brought about by the coronavirus – from £214.3 to £143.5 million. Yearly volumes also dropped by a third from 4.2 to 2.8 billion units sent. Before 2020, both revenues and volumes had remained relatively steady but with slight reductions each year.

A reminder that the figures reported this year have changed significantly from previous editions due to a correction and an update to the process of calculating them. A more detailed explanation is available in the 'Methodology' section at the end of this report.

The most significant driver of these decreases this year is the impact of the pandemic, with various lockdowns and significant challenges to 'business as usual' throughout the year.

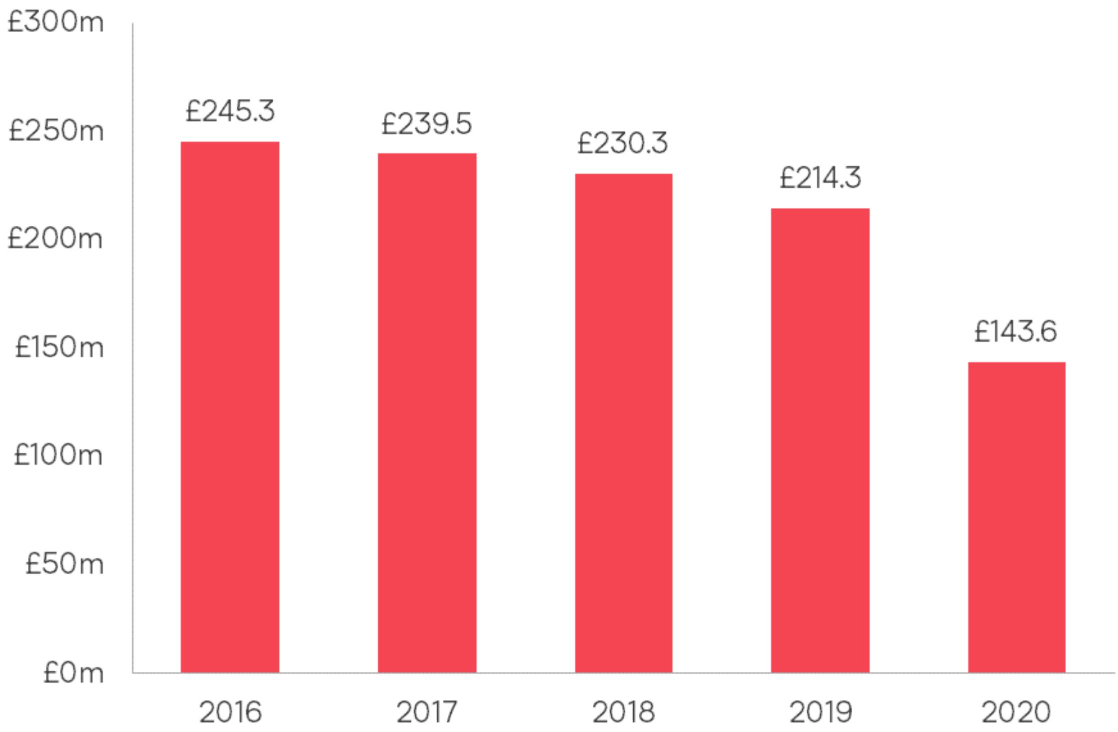
The DMA's 'Coronavirus: March 2021 - The Impacts on Business' tracked the key concerns and impacts the pandemic had on the data and marketing industry (from March 2020 to March 2021). These figures show that revenues fell by as much as half (-47.2%) during 2020, driven by businesses only operating at around half to two-thirds 'business as usual' (53.6%-67.9%).

In addition to the pandemic, other trends have continued to impact door drop volumes. Not least Brexit, local/regional elections (as well as the General Election in December 2019) and the uncertainty these may have created. Furthermore, throughout 2020, Brexit continued to create a significant degree of uncertainty for many brands, both in terms of the shifting timetable and clarity on pricing post the UK's departure. This may have made it very hard for businesses to plan and utilise door drops (or mail more generally) as much as they may have previously.

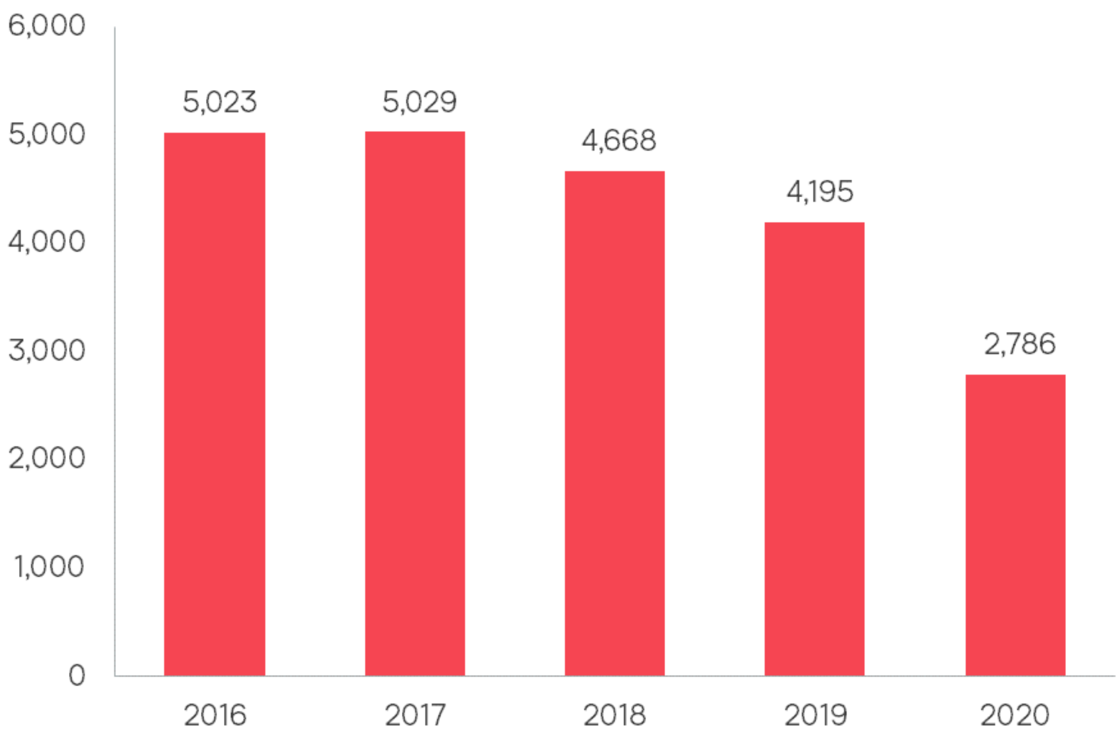
These issues make marketers' planning and forecasting an ongoing challenge. Therefore, we might need to wait for the 2021's report to have a clearer picture of the media mix and what the 'new normal' will look like.

Finally, another longer-term trend that has impacted door drop volumes is the rising cost of paper resulting in brands opting to send less – whether that's in terms of format, weight, or volume. But even here there is a positive effect to consider as better campaign planning and targeting has also reduced the volumes of wasted paper. Indeed, environmental standards, such as ISO 9001 and ISO 14001, are the norm and the sector continues to work to collectively tackle the issue of waste.

Yearly expenditure (millions of pounds)



Yearly volumes (millions of units)



/ Per Household

The estimates for the number of door drops per household are calculated using data from the Office for National Statistics, which suggests there are around 27.8m households in the UK. As a result of the lower volume sent in 2020, the number of door drops per household reduced significantly to below two for the first time since this research began.

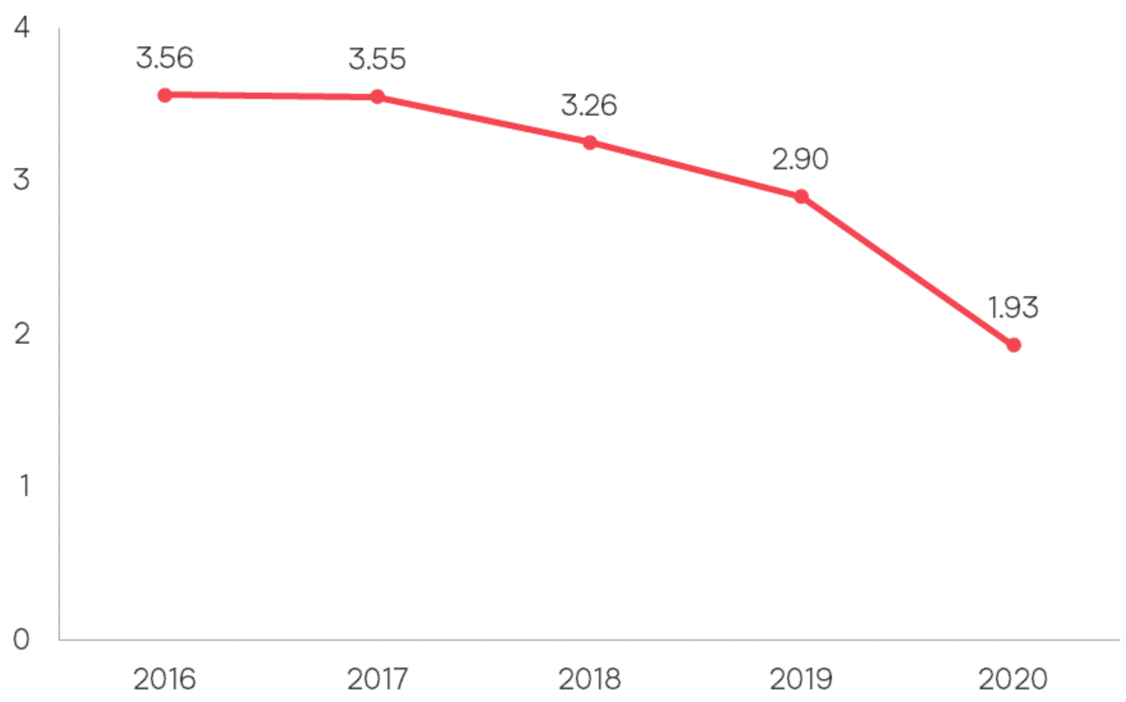
The overall reduction in volume clearly impacts the number of door drops a household receives, which has also been a trend over the last four years previous to 2020. But another key factor in the lowering of the number of items received is targeting. Continued improvements in the use of data, better planning and a more strategic approach across the data and marketing industry, have ultimately benefitted the medium's efficiency. Indeed, all these factors have allowed brands to send more data-driven door drop campaigns than ever.

The latest insights from JICMAIL show that despite the reduction in the number of items UK households are receiving, the reach and frequency for these remain strong. The reach, the number of people in a household who have been exposed to the door drop, is 1.05 – meaning for every 100 items sent 105 people are actually reached. In terms of frequency, the number of times consumers interact with a door drop, is just over three times per item (3.1).

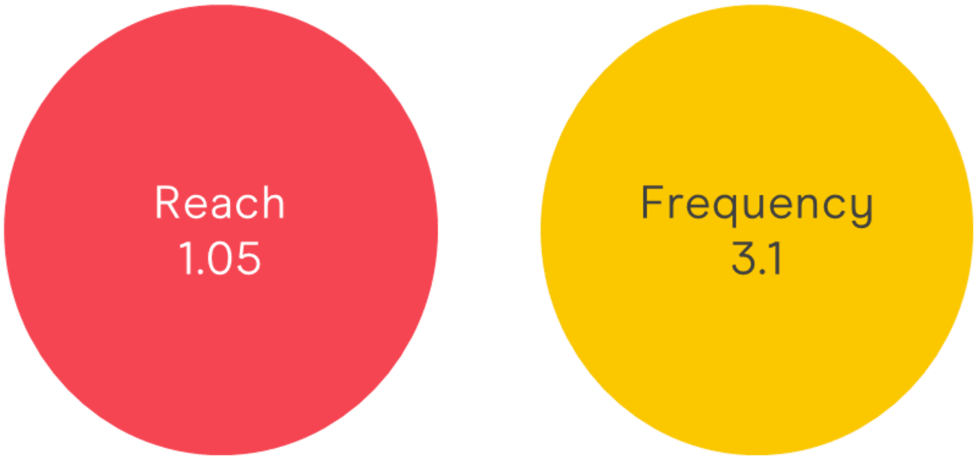
In fact, the immediate action for almost two-thirds of people (63%) when they receive a door drop is to read/look/glance at it right away. One in ten of door drops sent (11%) result in some form of commercial action being taken, meaning someone in the household has bought or used a voucher, gone online to find out more or discussed the contents with others.

In addition, the average lifespan of a door drop is 5.8 days, but for some sectors this can go beyond the 28 days that JICMAIL tracks. For instance, items sent by magazine publishers and governmental organisations were much more likely to remain for longer in the home in 2020.

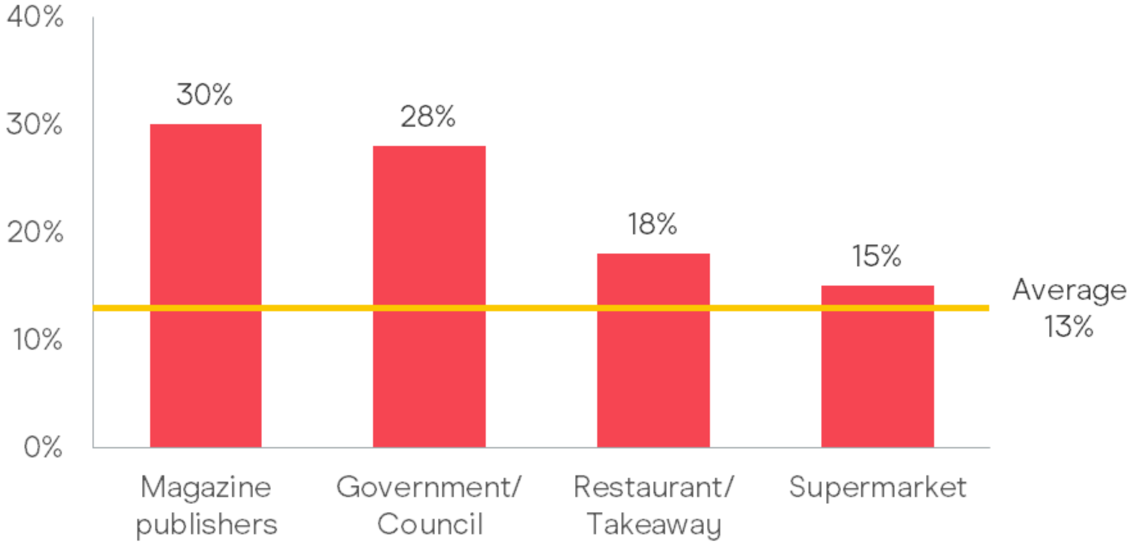
Door drops received (units per household per week)



Reach and frequency of door drops (Source: JICMAIL)



Percentage of door drops still live in the home after four weeks (Source: JICMAIL)



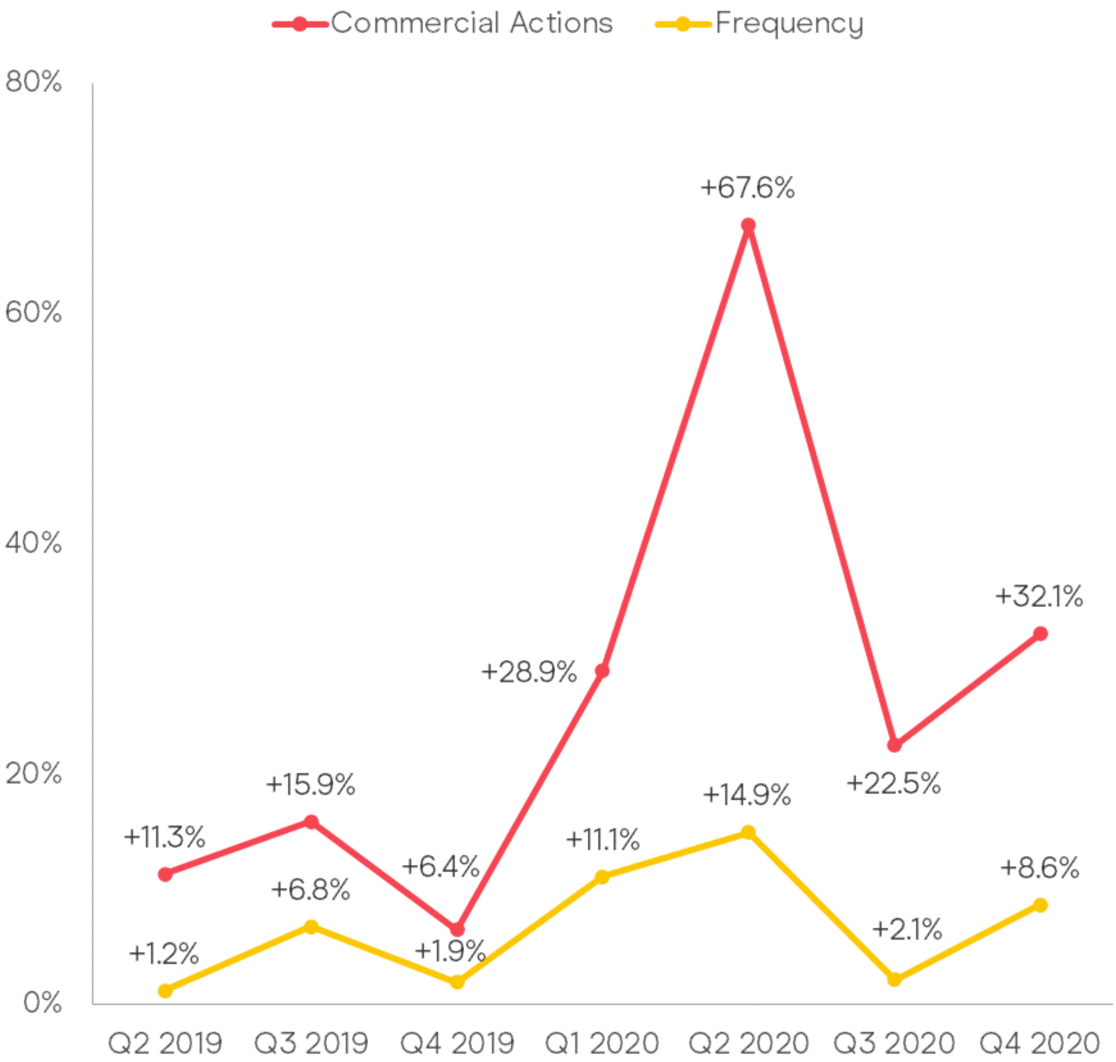
Pandemic Engagement Impact

The team at JICMAIL have also identified some key metrics for door drops during the pandemic and how this has impacted consumer engagement with the media. Indeed, those brands who stuck with door drops while others decided to cut spend on the media, have words, as the first lockdowns arrived during spring 2020, more time at the home also meant more time to engage with door drops.

The frequency of interaction with door drops also grew but this growth was outstripped by the increase of the medium's commercial effectiveness. Namely, throughout 2020 each door drop impression was working harder than ever before at driving some sort of commercial outcome for brands.

Q2 2020 year-on-year door drops metrics (Source: JICMAIL)

Change year-on-year in frequency of interaction vs door drops driving commercial action (Source: JICMAIL)



/ Total Material

The majority of the door drops sent in 2020 continued to be leaflets (82.6%), but the proportion of envelopes and booklets increased year-on-year. After a reduction of around a third in those sending envelopes in 2019, this bounced back slightly to 9.8% this year. Meanwhile, the number of booklets sent continued its gradual increase over the last two years from 6.7% in 2018 to 7.6% in 2020.

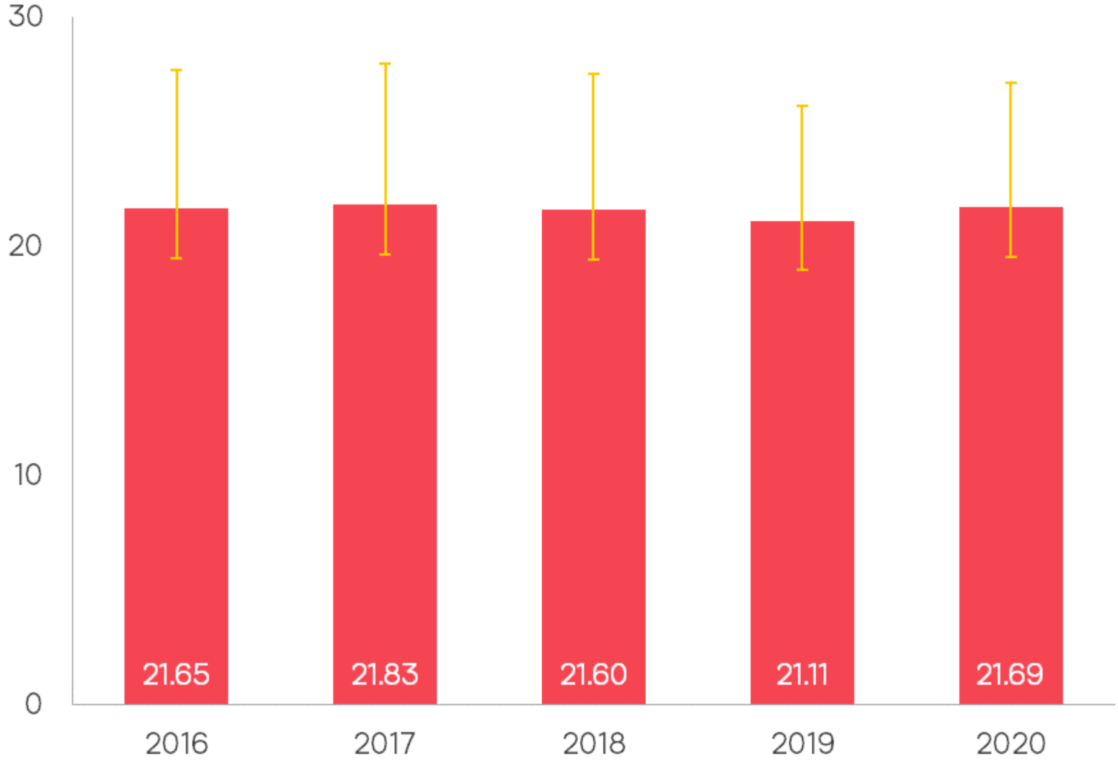
The result of these shifts is an overall minor increase in the average weight of each item to 21.69g. While this is in line with previous averages over the last five years, the details of exactly what formats are being sent have shifted.

No matter the format being sent, these items have the tactile influence to inspire customers like no other channel. A look at the latest history of DMA Awards winners in both 'Unaddressed Print' and 'Mail' showcases the effectiveness and power of the medium. Meanwhile, JICMAIL's data not only shows engagement, but its 'Mail Item Database' offers a host of examples of how consumers are interacting with specific mail items too.

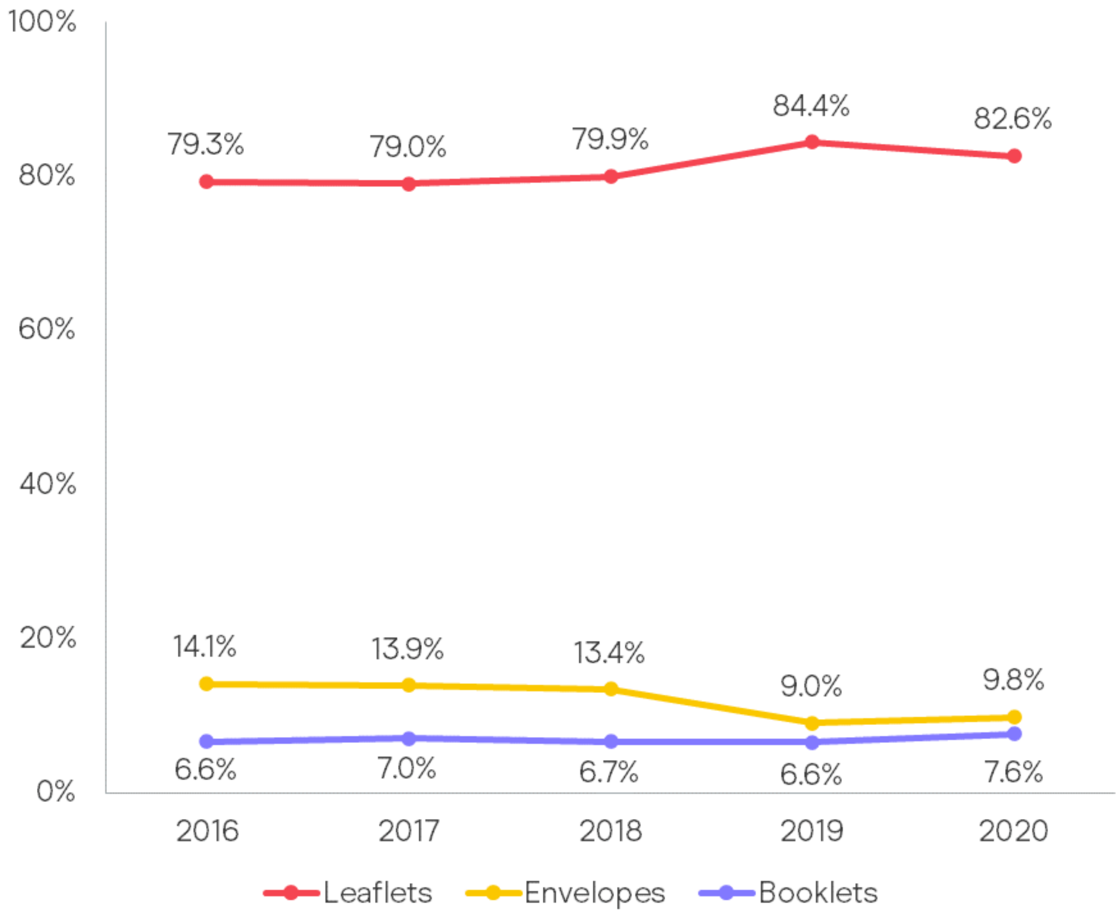
Overall, the total weight of material that door drops account for has also continued to fall. Due to the reduced send volume, in 2020 it decreased by another 7,500 metrics tonnes, continuing the trend of the last five years.

As mentioned previously, a significant factor in relation to weight drop is the continued increase in paper prices in recent years. As a result, advertisers are opting for either lighter formats or committing to larger items to offer richer experiences.

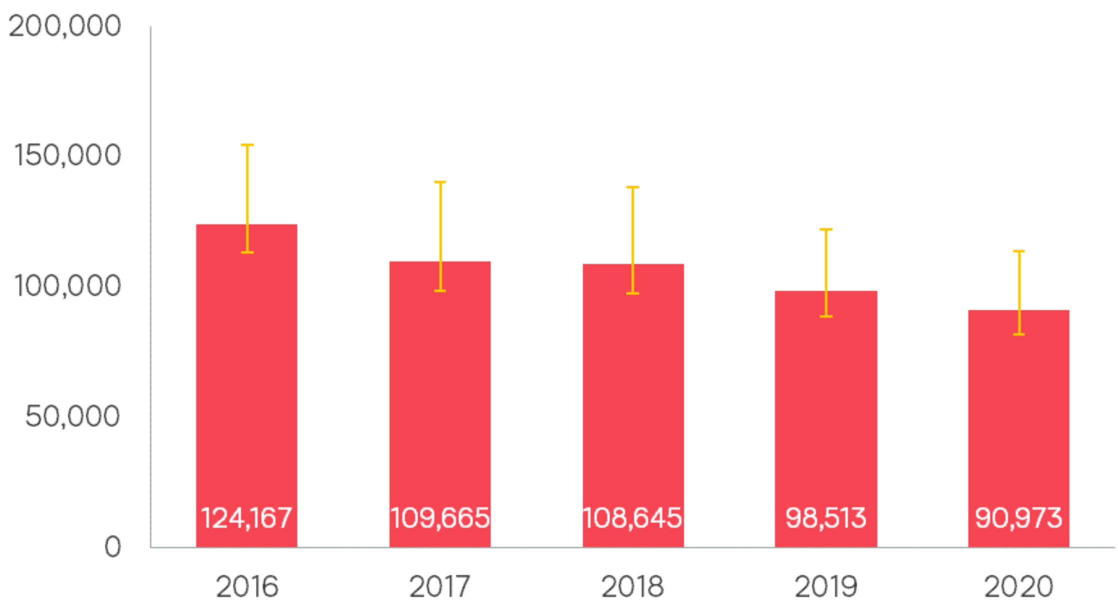
Average estimated weight of a door drop (grams)



Percentages of door drop material by category



Total door drop material (metric tonnes)



/ Trends

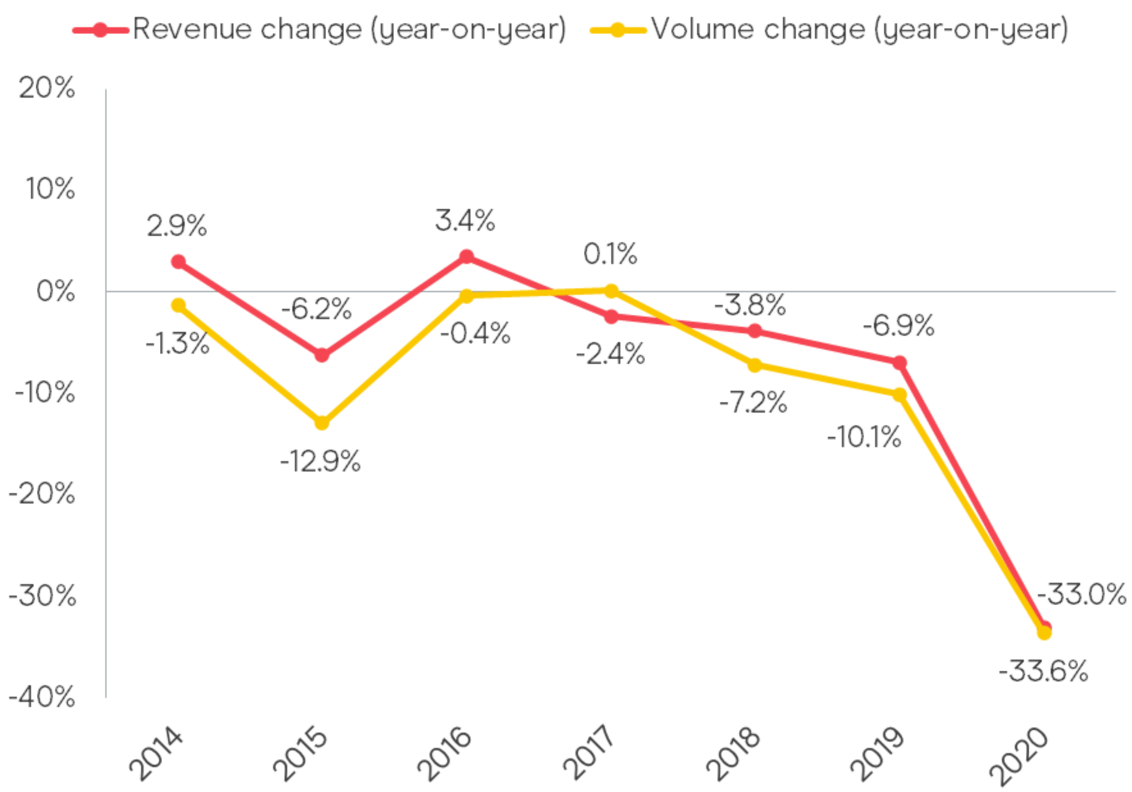
Looking back over the last ten years' worth of data, it's clear that it's been a challenging decade – even before the unprecedented year we've just had. However, when looking across other channels, particularly other mail- or print-based media, it's clear that it hasn't been easy for many other channels either.

Looking at the beginning of this period, we can see significant fluctuations from year to year in both volumes and revenues. This has settled in recent years, seeming to plateau and even showing some signs of positivity – before 2020 that is.

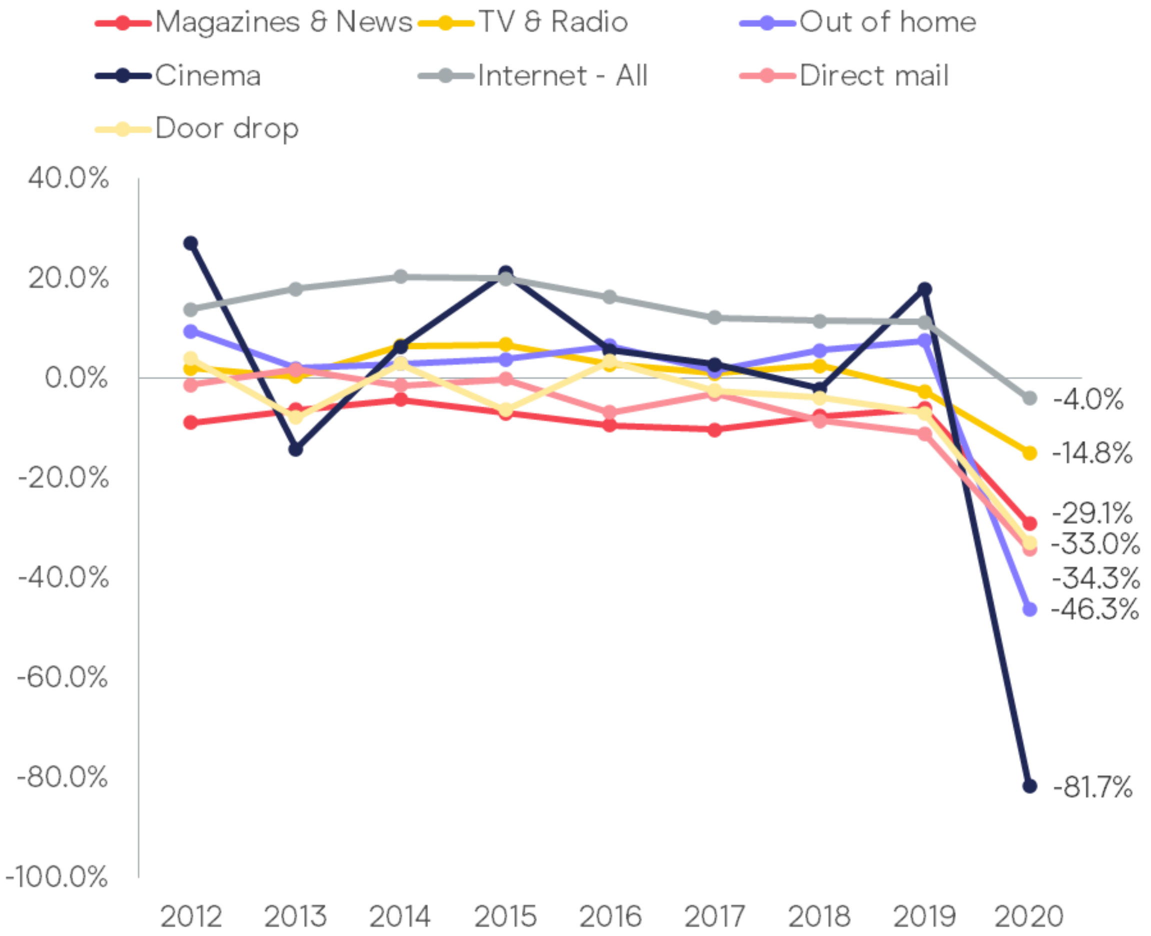
The latest Advertising Association/WARC Expenditure Report figures for 2020 offer a stark view of spend across the industry. They also allow a comparison between spend on door drops and other key marketing media. The figures show that despite marketing spend across all channels has fallen in the year, door drops has continued to secure their proportion of that spend and saw similar reductions (-33.0%) as other print media (-29.1% for magazine and news brands and -34.3% for direct mail).

Looking deeper into the data, we can see that 'Internet – All' (a group including 'Display', 'Classified' and 'Search' from the AA's analysis) saw a below-average decline in 2020 and has also remained positive over the last five years. Meanwhile, traditionally print-based media like newspapers, magazines and direct mail have seen declines over the same period. Despite these trends, door drops have held relatively steady and have not been impacted as significantly by coronavirus. An encouraging sign for the channel heading into another potentially challenging year for the entire industry on the road to recovery.

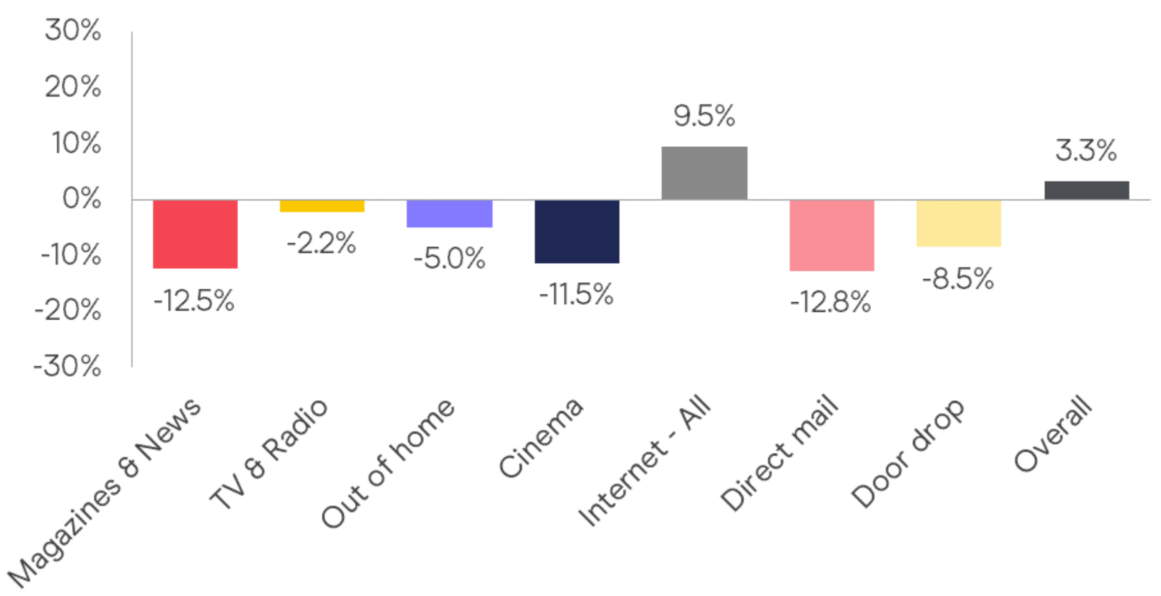
Change in year-on-year expenditure and volume



Change in year-on-year expenditure of door drops and other media



Five-year average change in year-on-year expenditure of door drops and other media



/ Acknowledgements

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- Neal Dodd, The Letterbox Consultancy (Hub Chair)
- Christian Peterson, MarketReach
- Jayne Raynsford, Whistl
- Nick Brown, Newsquest
- Patrick Bennett, The Specialist Works
- Peter Whittall, PSE Offline Marketing
- Rob Henry, LDM

/ Methodology

This research seeks to estimate the size of the UK market in terms of volume and expenditure from advertisers who, directly or indirectly, fund the distribution of pre-printed communications material on a commercial basis. This includes leaflets, catalogues, newsletters and product samples for commercial organisations, local authorities, charities and central government, as well as locally sourced directories.

The survey specifically excludes volumes and distribution expenditure for:

- Local free weekly newspapers (the actual host newspaper)
- Items inserted mechanically into paid or free publications
- National directories, where these are effectively publications with advertising space sold by the media owner (e.g. Phonebooks, Local Directories)

The above categories measure their own advertising revenue separately and have control over their own recycling and waste control arrangements, liaising directly with Defra.

Volume and expenditure data were kindly provided by anonymous contributors. The analysis was carried out in-house by the DMA's Insight department. The sample covers major door drop companies operating in the UK. This information was collected between February and June 2021 and the data corresponds to January to December 2020. All the information collected is confidential and only aggregates are published in this report.

There were several providers – including one significant provider – that had contributed data for this report from 2009 to 2014 that did not take part in this year's edition. To estimate an industry total for 2020 previous contributions were used to calculate an up-weighting factor.

This report was compiled by the DMA's Insight, with comments and input from members of the DMA Print Council's Door Drop Hub.

Clarification

Following consultation with members of the Print Council's Door Drop Hub, this year's report and the historic figures it contains has undergone some significant changes. An error was identified within the process that may have allowed for double counting of item volumes and revenue within the figures. Therefore, this was corrected and applied to all the historic data and figures reported within this year's report.

In addition, the up-weighting factor was updated to consider the above correction and also both former and new contributors to the data for this study. This new up-weighting factor methodology was also applied historically to all figures included in this report.

/ About the DMA

The Data & Marketing Association (DMA) comprises the DMA, Institute of Data & Marketing (IDM) and DMA Talent.

We seek to guide and inspire industry leaders; to advance careers; and to nurture the next generation of aspiring marketers.

We champion the way things should done, through a rich fusion of technology, diverse talent, creativity, insight – underpinned by our customer-focused principles.

We set the standards marketers must meet in order to thrive, representing over 1,000 members drawn from the UK's data and marketing landscape.

By working responsibly, sustainably and creatively, together we will drive the data and marketing industry forward to meet the needs of people today and tomorrow.

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