Annual Door Drop Industry Report

2019

Customer Engagement

Data & Marketing Association

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/ Introduction

This edition of the 'Annual Door Drop Industry Report 2019' marks a number of milestones for the DMA and the wider data and marketing industry that we represent. This is the 25th year we have produced this report, in partnership with the DMA Print Council, and the figures represent the first we've collected from the industry since the General Data Protection Regulations (GDPR) came into force in May 2018.

While the impact of the new laws has not appeared to have an immediate impact on the data collected this year, there are many positive trends, which should be encouraging for media owners and which advertisers should certainly take into consideration in 2019. Not to mention the prospect of ePrivacy Regulation placing further challenges on some digital-first channels.

Every year, this report quantifies the UK door drop volumes and spend from advertisers that, whether directly or indirectly, fund the distribution of pre-printed communications material. The report is the only comprehensive analysis of the size of door drops industry, it is unique in that we've used figures from key stakeholders to estimate the size of the entire industry.

The latest figures for 2018 were expected, by some commentators, to be the first signs of growth for the door drop industry after the implementation of the GDPR. The results did not quite live up to this promise, but the positive signs are clearly there as long-term trends indicate door drops are close to a turning point and the new laws offering an opportunity for the media to become a key part of any multi-channel marketing strategy.

Another milestone in 2018 was the launch of a new currency for mail – JICMAIL – helping marketers and planners to truly understand the benefits of mail, be that addressed mail or door drops. The insights reveal for the first time, gold standard metrics relating to the reach and frequency of interaction with mail, enabling the channel to be viewed in the context of multi channel above the line campaigns.

Looking forward, the next 12 months will be a fascinating time for the data and marketing industry, and, in particular, for the importance of door drops to the marketing mix. In an increasingly data-driven world, the key to success remains the same – putting your customers first and at the heart of every decision you (as marketers) make.

Using the power of door drops may not require personal information, but marketing intelligently through the channel still requires the smart use of data to understand your customers, their needs and their wants. JICMAIL offers planning insights to organisations the like of which have never existed before, allowing them to truly build multi-channel marketing campaigns around customer-first principles.

Tim Bond
Head of Insight, DMA

/ Executive Summary

This report provides the most accurate estimate of the volume and value of the UK door drop market available. This year's edition includes figures for the 2018 calendar year, as well as looking back over trended data gathered from advertisers that, directly or indirectly, buy unaddressed mail.

Key findings for this year's edition include:

- Annual volumes remained relatively steady, with a reduction from 5.7 billion in 2017 to around 5.4 billion over the 12 months.
- Revenues have remained stable, with a decline of just 1.9% – spend in 2018 was around £260m, slightly less than the previous two years but still higher than in 2015.
- Figures over the last decade for door drop revenues and volumes show a positive long-term trend that looks likely to turn into positive gains in the coming years – especially in light of the GDPR coming into force.
- Door drops continue to secure their proportion of the marketing spend, while other traditional print media has seen declines over the last seven years – however, digital channels have led the way in recent years with significant growth in spending.
- Per household, the number of door drops in 2018 has also decreased to less than four for the first time since the DMA began this study – highlighting the increased level of targeting available through the channel.
- Recent figures from JICMAIL have shown that door drops have a far greater impact than previously assumed. The average door drop is seen by 1.05 people in the home (giving door drop campaigns an additional reach of 5%), and are then interacted with a further 2.77 times over the course of month.
- In addition, 64% of door drops are looked at immediately upon arrival and 15% are put aside to look at later, according to the insights from JICMAIL.
- Door drops sent are predominantly leaflets (80% in 2018), with the proportion of booklets gradually reducing over the last five years, while envelopes have increased over the same period – despite a decline in 2018.
- Total weight of door drop material sent fell by over 4,000 metrics tonnes year-on-year over the last five years. This represents an 8% reduction in the door drop weight.

Overall, the data shows an industry that has been shifting to more data-driven strategies in recent years. The new laws governing the way organisations collect, store and use data are expected to change many of the ways organisations engage potential and existing customers.

The year to come may turn out to be one of change for the marketing media landscape as a whole – with door drops in a strong position to take an increasingly important role.

/ 1. Volumes

In 2018, annual volumes continued to reduce from 5.7 billion in 2017 to around 5.4 billion over the next twelve months.

When General Data Protection Regulations came into force, many have expecteded an increase in brands using door drops and the opportunities the channel presents for customer engagement. However, this does not appear to have happened when we consider the annualised figures from the first six months of GDPR.

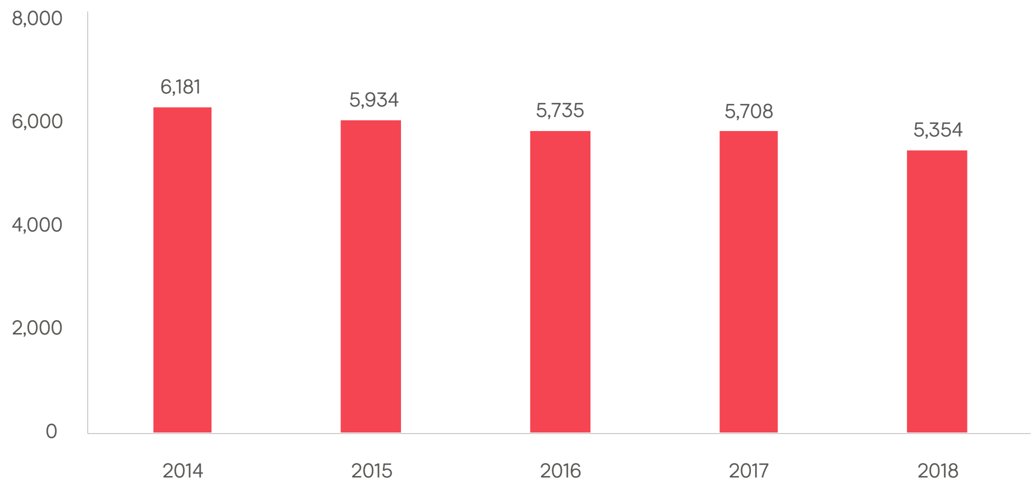
The new laws may have actually been a cause of the reduction in marketing output, as many brands and marketers were focused on implementing the necessary changes within their organisations to be compliant with the new rules. This is something the DMA has tracked over the last three years. T

he most recent report into these preparations and how marketers have found it post-May can be found in the 'Data Privacy: An industry perspective' report.

Beyond GDPR, there may be a number of other possible influences for the fall in mail volumes, not least, Brexit and the political uncertainty that has spread over the UK in the last year. This continues to make it challenging for advertisers to plan and forecast.

A long-term trend has also been the rising costs of paper, resulting in some advertisers opting to send less – whether that's in terms of weight or volume. But this can be construed as a positive too as better campaign planning and targeting across the data and marketing industry has also reduced waste paper volumes. Environmental standards, such as ISO 9001 and ISO 14001, are now the norm and the sector continues to work to collectively tackle the issue of waste.

Yearly volumes (millions of units), 2014-2018



/ 2. Spend

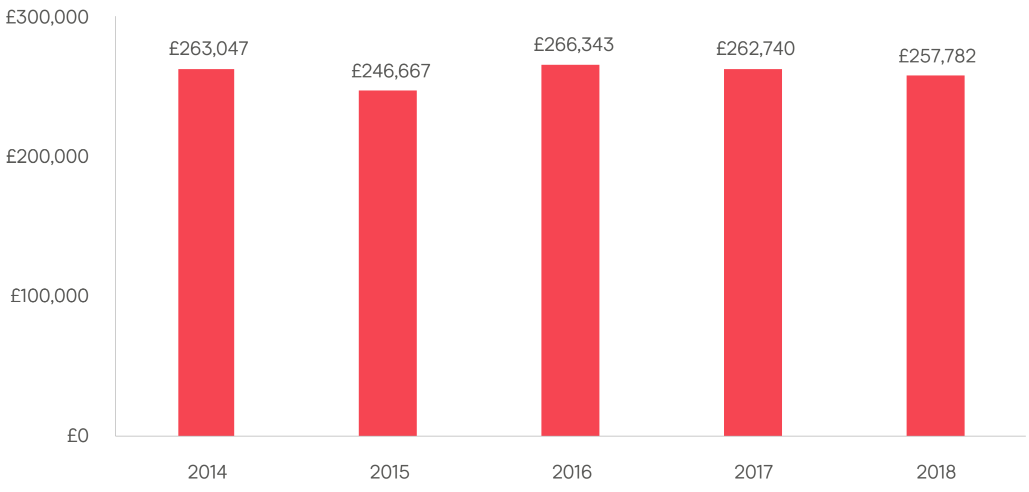
Despite the reduction in volume industry revenues have remained relatively steady, with a decline of just 1.9% - markedly less than the 6.6% decrease in the number of door drops sent in 2018. The result was a figure for spend just under £260m in 2018, slightly less than the previous two years but still higher than in 2015.

The slight annual decline last year is to be expected given the reduction in volume already discussed. However, the overall spend over the past 5 years has been broadly flat – averaging less than a 0.3% decline over the period.

As already discussed in the previous section on volumes, several possible factors are affecting the industry – not least the incoming GDPR legislation and uncertainty around Brexit. We will also have to wait for the 2019 figures to understand the continued impact of these factors on the industry, as these may be positive in the long term as marketers return to door drops and mail.

This return to mail is something consumers are also open to, as the DMA found in its most recent Customer Engagement reports ('Acquisition and the consumer mindset' and 'How to win trust and loyalty'). The research asked consumers how they prefer to hear from new brands and the ones they already know. It found that 'post' (or mail) was the second most popular channel behind email, but ahead of social media, online ads and face-to-face (to name just 3). Highlighting the opportunity marketers have to utilise door drops amid concerns around data and privacy when it comes to some digital channels.

Yearly expenditure (thousands of pounds), 2014-2018



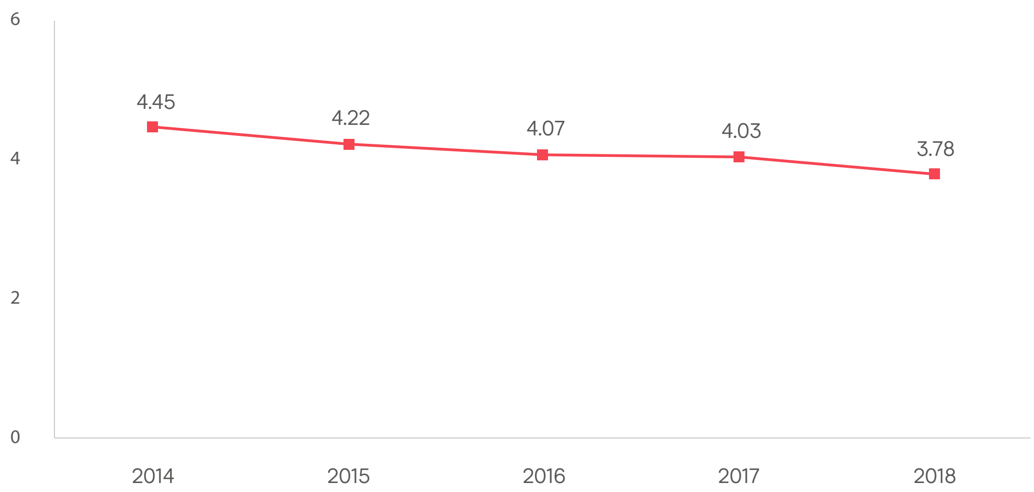
/ 3. Door Drops per Household

The reduction in door drop volumes in 2018 has also had a positive impact on the number of items consumers are receiving. 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 27.2m in the UK.

As a result of the lower volume distributed, the number of door drops per household in 2018 has dropped to less than 4 for the first time since the DMA began this study. The 6.2% decline in 2018 is only part of the story too, as the last five years show a 28.1% reduction in the number of items received by households in the UK.

As well as the reduction in volume, the long-term decline in the number of door drops consumers receive can be attributed to better targeting across the data and marketing industry, based on improvements in the data used, planning, and the strategies chosen, as well as improved efficiencies in printing technology. All of these elements have combined to allow advertisers to target door drops in a way comparable with many digital channels.

Door drop frequency (units per household per week), 2014-2018



This continued improvement in targeting and the challenges that GDPR may have posed to some digital activity has already begun to inspire some new brands to test the channel. This trend will be critical to the future success of the channel and is something consumers are open to as well – as discussed in the previous section surrounding the DMA's latest Customer Engagement insights.

The figures from JICMAIL highlight that, over the last two years, the frequency with which people interact with door drops and the average number of people reached in a household have changed very little. The figures for 2017 show a frequency of 2.76 and reach of 1.06, while 2018's equivalents are 2.77 and 1.05. These figures highlight the stability of door drops as a medium through which to reach various target audiences, as shown in the figures below.

Frequency of exposure to door drops (JICMAIL)

Millennials	Home owners	Families	Social grade A	65+
2.61	2.64	2.63	2.48	2.85

/ 4. Total Door Drop Material

Following an adjustment in the way we calculate the estimation of total weight applied in the 2018 edition of this report, we can see that the average weight of a door drop over the last five years has remained relatively stable. The weight has fallen at a rate of around 0.64g year-on-year. Overall volumes have also declined.

In terms of the make-up of the door drops sent, these were predominantly leaflets (80% in 2018). Over the last five years, the proportion of booklets has gradually reduced, while envelopes have increased over the same period, despite a decline in 2018.

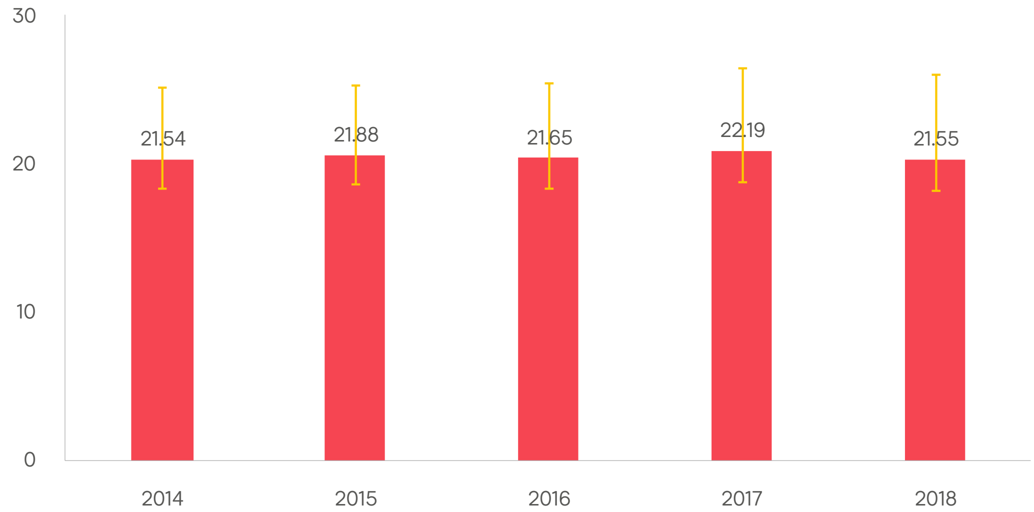
Overall, the total weight of door drop material the data and marketing industry has sent fell by over 4,000 metrics tonnes year-on-year. Over the last five years, this represents an 8% reduction in the weight of door drops.

A significant factor in relation to weight in recent years is the continued increase in paper prices, which has resulted in advertisers shifting away from larger items and towards lighter formats as a cost-saving measure. In addition, brands may have reduced print volumes, as previously mentioned, to save budget.

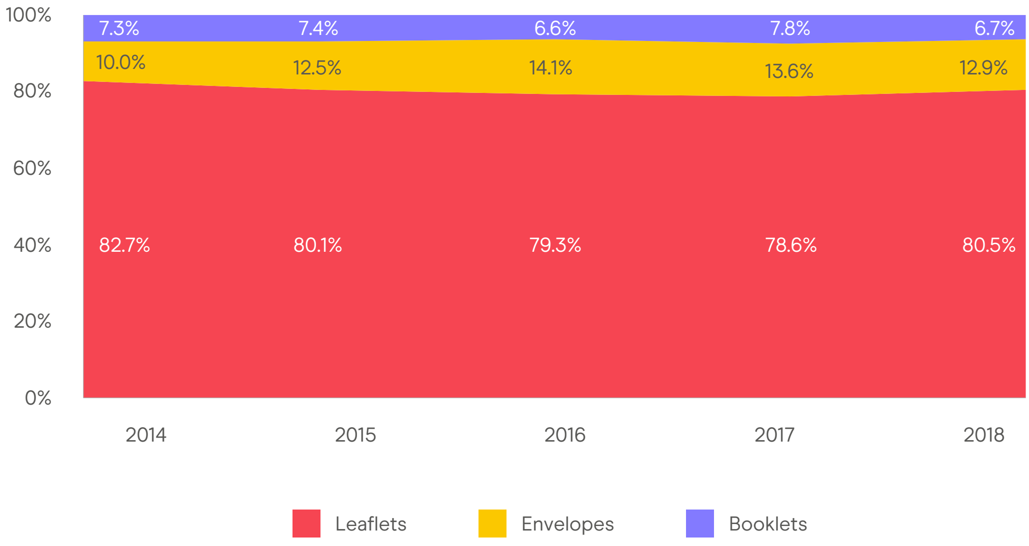
It's worth noting that reducimg frequency and cost does not, however, reduce performance. The latest insight from JICMAIL show the continued influence and power of door drops.

The latest figures from JICMAIL have shown that door drops have a far more significant impact than. The average door drop is seen by 1.05 people in the home (giving door drop campaigns an additional reach of 5%), and is interacted with 2.77 times over the course of a month. In addition, 64% of door drops are looked at immediately upon arrival, and 15% are put aside to look at later.

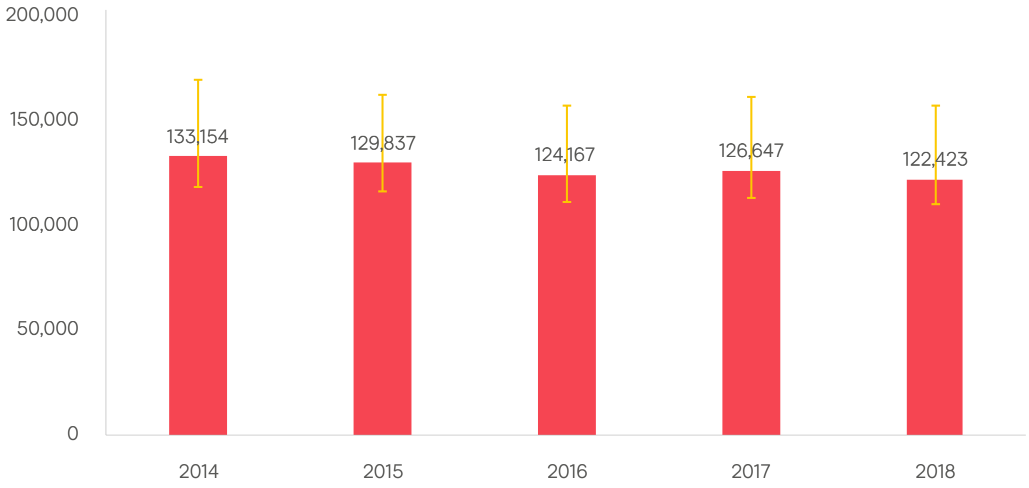
Average estimated weight of a door drop (grams), 2014-2018



Percentages of door drop material by category, 2014-2018



Total door drop material (metric tonnes), 2014-2018



/ 5. Trends

The last decade has been a challenging one for door drops, although this is the case for several other mail and traditionally print-based media too.

During the initial period, many of these channels saw a marked decline linked to the demise of local newspapers in the UK and the global economic downturn which impacted the data & marketing industry as a whole.

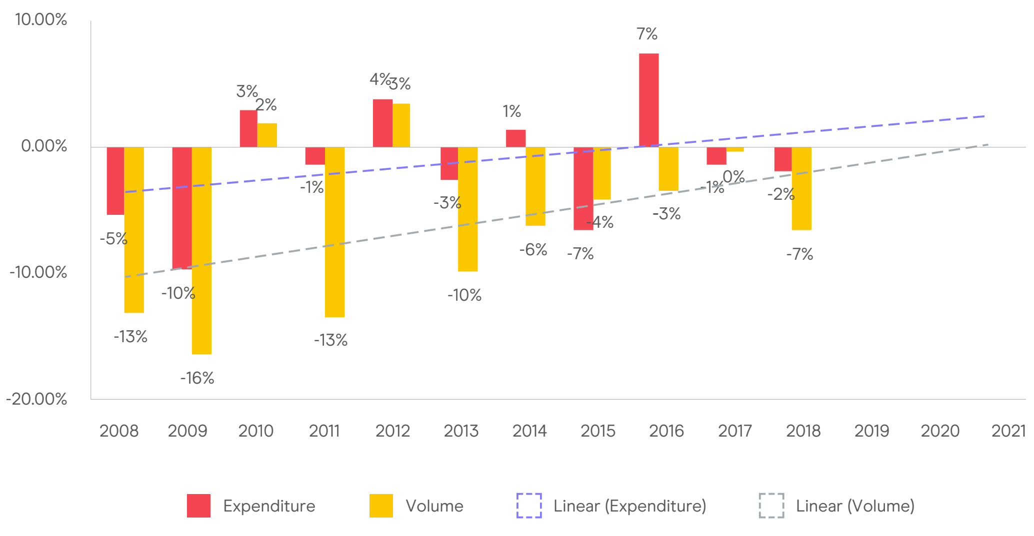
More recently and overall, the trend of the last ten years has been one of decline in both revenue and volumes; however, the figures also show that this is flattening out. In fact, despite the declines we see in the 2018 results, the trend lines continue to show an upward trajectory.

Volumes show a more positive trend but have also historically fluctuated more dramatically year-on-year. Meanwhile, spend has been much steadier, and if we discount the declines in 2008/2009, they have shown a small amount of growth over the last eight years.

The impact of GDPR is still yet to be fully realised within these figures ,which could mean more positive results for the channel and marketers.

The availability of the JICMAIL insights and marketer and planning tools used to build campaigns, coupled coupled with the effectiveness of the medium as proved throughout this report, can only have a positive impact on the use of door drops in the future.

Change in year-on-year expenditure and volume, 2008-2018



/ 6. Comparative Performance

The latest Advertising Association/WARC Expenditure Report for 2018 offers an opportunity to compare door drop spend to other marketing media, as well as looking at trends over the last eight years. The 2018 figures reveal a positive picture for the industry as a whole, with spend up 5.9% to just over £23.5bn.

Looking deeper, we can see that this growth is fuelled by double-digit growth for ‘Internet’ channels (grouping ‘Display’, ‘Classified’ and ‘Search’ from the AA’s analysis). In the below graph, we have grouped a number of the media to simplify visualising these trends.

When we consider the last seven years’ worth of data, it’s clear to see online media and those digitalising their processes – such as the trend for Out of Home displays increasingly converting to digital screens – have seen consistent annual growth.

However, traditional print-based media like newspapers, magazine and direct mail have seen declines over the same period.

Door drops have held relatively steady amid these trends, which is encouraging for the channel.

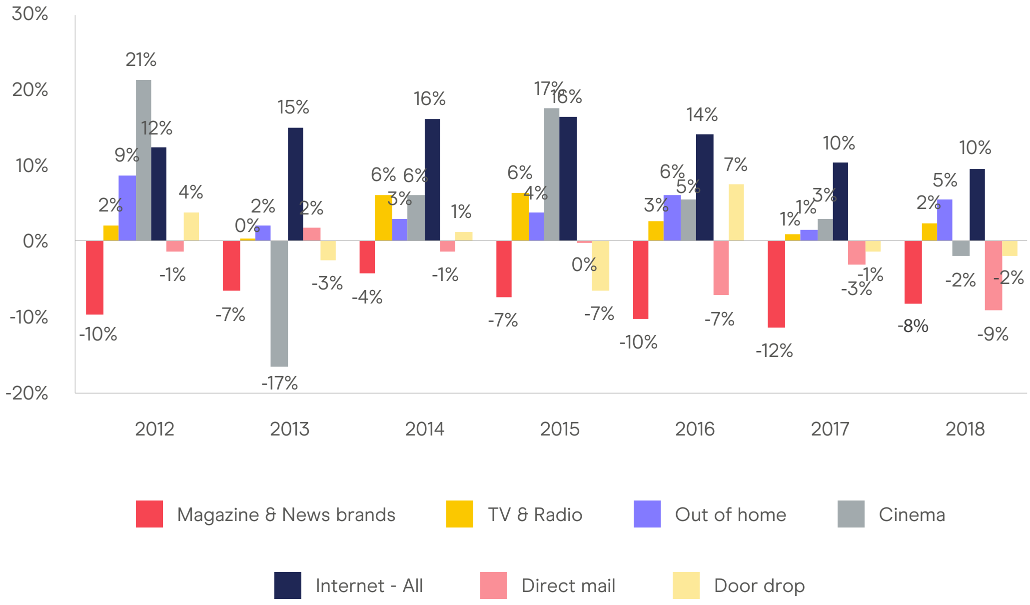
It’s also worth noting that the trend towards digitalisation is something all media owners are increasingly trying to incorporate into their channels. For example, the launch of more programmatic style mail solutions allows marketers to utilise the power of the channel faster than ever before.

The impact of GDPR is also still unknown in the data supplied for this report, as the greater accountability and restrictions required under the new laws on how organisations collect, store and use data may impact the use of some digital channels in the future. There is also the prospect of a revised ePrivacy Regulation which could place further restrictions on digital-first channels in the coming years.

These may both offer an opportunity for mail, but more specifically, for door drops as a critical channel which requires no personally identifiable information to be successful.

As mentioned earlier the DMA’s Customer Engagement research points to customers preferring to hear from brands by mail, which should encourage marketers to test the channel now – if they aren’t already doing so.

Change in year-on-year expenditure of door drops and other media, 2012-2018



/ 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. Yellow Pages, BT Phonebooks, Thomson 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 April 2019 and the data corresponds to January to December 2018. All of 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 2015 that did not take part in this year's edition. In order to estimate an industry total for 2018m previous contributions were used to calculate an up-weighting factor.

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

/ About the Customer Engagement Campaign

About the Campaign

Customer Engagement

If you build a rapport with your customers, and you have something they want, then they will buy from you again and again.

Better engagement means better business.

So, we've developed our campaign to discover what makes brilliant engagement, for the benefit of marketers and consumers everywhere.

Our content includes consumer and marketer email trackers, insight into the use of email as a channel and its overall effectiveness; research on building trust and loyalty; and customer acquisition and retention research.

Find out more on the Customer Engagement site.

/ 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 be done, through a rich fusion of technology, diverse talent, creativity, and insight – underpinned by our customer-focussed 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.

www.dma.org.uk

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