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RESEARCH ARTICLE

DIRECT (JUNK) MAIL INTERACTIVE MARKETING IN RESIDENTIAL HOMES IN THE UNITED STATES: TRENDS IN THE SAN FRANCISCO BAY AREA

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ABSTRACT

With increased business use of electronic media to advertise to individual consumers today notwithstanding, direct mail continues to be a big part and concern in our everyday lives. At the same time, direct mail advertising continues to be a major source of revenue to many businesses and government agencies like the United States Postal Service. For a period of about six months, a total of 39,663 direct mail items were collected from residential neighborhoods of the nine county San Francisco Bay Area, with a combined total population estimate of 7 million people. Results show that three major business categories: retail corporations, miscellaneous companies, and credit card financial institutions contributed about 56% (22,197) of total direct mail received (n=39,663). This business trend is supported by the continued growth in the U.S. economy plus the many benefits accruing to businesses using direct-mail advertising as they target and individualize direct mail advertising to potential consumers. To many businesses, the direct mail remains highly measurable, cost effective, flexible, and customizable. As consumers learn and adopt better strategies to reduce direct mail delivered to their mailboxes, they will continue to face increased challenges considering the substantial revenue and the many jobs created by direct mail advertising.

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INTRODUCTION

In the last ten years, Americans and consumers worldwide have dramatically increased their use of electronic media devices utilizing better technology and user-friendly interfaces. One reason for this increase is that these technologies have become more affordable and their reliability even better. Despite this, non-electronic direct mail remains a big part of our everyday lives especially in the United States and other developed countries. Hoofnagle *et al.* (2012, p2) defines direct mail advertising to include "everything from catalogs and circulars sent directly to named consumers at identified addresses (often drawn from private-market profiles and mailing lists), to "saturation mail" sent to specific street addresses but addressed generically to "resident" or similar, to the recently-reinstated "patron mail" program, which allows advertising mail to be sent to all households without the need to identify specific addresses." Direct mail or advertising mail is usually referred to by many targeted consumers as junk mail. However, it is important to note that junk mail may not be referred to as *junk* by all consumers. For example, consumers who get solicitations from credit card companies offering more competitive interest rates or families receiving better offers or

quotes from insurance agencies or mortgage companies, this particular mail is not *junk*. According to the United States Postal Service (USPS, 2017a), direct mail service known as Every Door Direct Mail (EDDM) is a targeted advertising technique that lets businesses map their marketing mail audience by locality, age, income, or household size. Businesses registered under EDDM can bring as many as 5,000 pieces of advertising mail a day to the post office, to be delivered by a carrier to every home on a route, without an exact address (Times, 2012). The New York Times reports that Americans received about 84 billion pieces of junk mail, and advertisements in the mail have increased over the last few years, accounting for 48 percent of all mail (N.Y. Times, 2012). The Direct Marketing Association, an industry trade group, reports that direct mail accounts for nearly \$700 billion a year in sales and employs more than 10 million people (DMA, 2017). The United States Postal Service (USPS) notes that first-class mail volume has dropped by 26 percent over the last five years, and direct mail is one of its most promising growth businesses (USPS, 2017c). As noted by the USPS, businesses spent over \$21 billion in direct mail representing about 12% of all advertising between 2010-2011. The post office contends that 81% of recipients read or scan their mail daily; 79% find it more convenient than reading online mail; and 58% of households with incomes over \$65K purchased from direct mail in 2009 (USPS, 2017c). Considering the

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competition faced by the USPS from online resources, increased competition from alternative delivery services, it has been pursuing creative innovations and new products to increase the value of mail and retain business customers (USPS, 2017c). The USPS is making deals with businesses and direct mail marketers to increase the number of sales pitches they send by direct mail (Times, 2012). For example, in 2012, the USPS signed an agreement with Valassis Communications, a top direct mailer, providing huge discounts to send out millions of advertising inserts through the mail instead of inserting them into weekend newspapers. The paper reports that agreements such as this one could generate up to \$107 million in new revenue for the USPS in three years. In an active campaign to encourage businesses adopt “greener” practices in preparing direct mailing materials, the USPS reports that for every dollar spent on direct marketing there is a return of about \$12 in sales—higher return on investment than other, non-direct mass communication methods (USPS, 2017a; 2017b).

In the first study of its kind published in a peer-reviewed journal, Wambuguh provided some insights from junk mail delivered in one sub-urban home in California (2011). The current study reports findings from a follow-up study reviewing direct (junk) mail trends five years later (2016) and covering a much wider region in the San Francisco Bay Area.

MATERIALS AND METHODS

For a period 11 weeks (between March 28, 2016 to June 10, 2016) and another 13 weeks (September 19 to December 17, 2016) a total of 39,663 direct mail items were collected from residential neighborhoods in San Francisco Bay Area counties. The San Francisco Bay Area (Fig. 1) is the second most populous region in California (after the Los Angeles Metropolitan Region) with a combined total population of about 7 million people (Bay Area Census, 2010).



(Source: <http://www.bayareacensus.ca.gov/counties/counties.htm>)

Fig. 1. The nine counties of the San Francisco Bay Area

This study was part of an assigned project for an environmental health course offered to students at the California State University, East Bay (CSUEB) located in Alameda County. The course had approximately 199 students

(96 enrolled in the spring quarter of 2016, and 103 enrolled in the fall quarter of 2016). The distribution of students attending CSUEB from all nine Bay Area counties is not random although the University’s student population catchment area encompasses all Bay Area counties and neighboring areas of northern California. There are more students from the counties immediately surrounding CSUEB including Alameda, Santa Clara, and Contra Costa (Fig. 1). All direct mail received in residential homes where our students live was collected weekly and bagged. The mail was then sorted at end of each week, counted and classified in a list with 14 business categories as shown in Table 1.

RESULTS

The top three direct marketers in Bay Area homes are retail corporations, miscellaneous local companies, and credit card financial institutions contributing about 56% (22,197) of total direct mail during the study period (Table 1). Retail corporations came in first with direct mail contributions of 26% (10,285) of the total direct mail. A miscellaneous category of businesses was second highest contributor with 19% (7,356) of total. Credit card financial institutions came in third highest with 11% (4,556) of the total. Of the remaining 44% of the total direct mail for this period, each of four business categories (insurance agencies, magazine publishers, utilities and retail banks) contributed a total of 24% (6 % each, Table 1). The remaining proportion (20%, 8,194) was contributed by non-profits plus a mixture of businesses dealing with travel, vacationing, mortgage, real estate properties, investment companies and consumer unions/associations.

Table 1. Proportional contribution of direct mail in residential homes from various businesses in the San Francisco Bay Area between March 28-June 10, 2016 and Sept. 19-Dec. 17, 2016 (n=39,663)

Business category	Number of direct mail items	Approximate percentage
Retail Corporations	10,285	26
Miscellaneous (local newspapers, coupons, food ads, campaign ads, etc.)	7,356	19
Credit Card Corporations	4,556	11
Insurance Agencies	2,383	6
Magazine Publishers	2,344	6
Utilities Companies	2,331	6
Retail Banks	2,214	6
Non-Profits	1,634	4
Travel/Vacation Companies	1,355	3
Academic Institutions	1,269	3
Mortgage Finance Institutions	1,108	3
Real Estate Companies	1,014	3
Investment Companies (e.g. Fidelity, TD Ameritrade)	967	2
Consumer Unions/Associations	847	2
Total	39,663	100

DISCUSSION

Wambuguh’s study five years ago with insights from one home in the study region (2011), reported that three major businesses contributed up to 70% of reported direct mail: credit card companies (41%), mortgage companies (18%) and insurance corporations (11%). For the current (2016) period, these three business categories had fewer relative contributions: credit card companies (11%), insurance corporations (6%), and mortgage companies (3%). While credit card companies still had a relative higher contribution in 2016 compared to the other two businesses (11% versus 6% and 3% respectively), they were completely overtaken by retail

corporations and other miscellaneous businesses during the current period. For a better perspective of these direct mail trends which are directly related to the state of the economy, a brief review of the key forces in the U.S. economy in the last five years follows. Still recovering from the U.S. and global recession which ended in 2010, overall U.S. GDP has been on an upward growth and is expected to continue (U.S. Treasury, 2013). In its early stages, this was greatly attributed by extraordinary actions of the U.S. Congress, U.S. Treasury, and the Federal Reserve (Blinder, 2013). These included a Congress-backed fiscal stimulus, extension of credit to major financial institutions through the Troubled Asset Relief Program [TARP], and U.S. Treasury's Fannie Mae and Freddie Mac conservatorship including major business bailouts (U.S. Department of the Treasury, 2013; Blinder, 2014). According to the U.S. Bureau of Labor Statistics (U.S. BLS, 2017), U.S. unemployment has dropped from nearly 10% at the height of the recession to 4.8% in January 2017. This growth most likely has fueled the biggest direct mail contributor observed in this study during this period—Retail corporations (41%, Table 1). Retail corporations include major corporations dealing with clothing, home maintenance, wireless phones, vehicle dealerships, car rentals, etc. and were the single most important business category accounting for nearly one-third of all direct mail for this period. These include major corporations like Walmart, Target, Macy's, J.C. Penney, Sears, Kohl's, and Nordstrom among the most notable. With increased income in many American families with the improving U.S. economy, the latter have increased their expenditure on direct mail in an attempt to reach more U.S. consumers. This greater income in the consumer population is likely the main reason fueling efforts by big nationwide to reach consumers with incentives like "same as cash" coupons, credit options, limited duration no-interest credit. Miscellaneous local businesses were the second leading in the number of direct mail observed in this period. These include franchised and non-franchised businesses dealing with regional and local newspapers, business coupons, food ads, campaign ads, local auto repairs, lawn care, legal services, tax preparation, housing and rental properties, and many others. In an effort to promote local businesses, residents receive lots of mail in form of fliers, cards, promotion letters, property sale promotions, vehicle dealership promotions, insurance quotes, food coupons from restaurants and fast food places, grocery coupons, etc. This trend is consistent with vibrant local growth stimulated by the continued recovery of the U.S. economy increasing consumer incomes at levels. With a relatively small but significant contribution to direct mail, is the fact that part of the study's period (fall 2016) also happened to be the political campaign season for U.S. local and national elections. This meant lots of direct mailings in form of campaign ad solicitations from all levels: city, county, state and national levels all soliciting goodwill and votes from the general populace.

Credit card financial institutions understandably follow consumer market trends very closely. These include the four credit card networks Visa, MasterCard, American Express and Discover offered by major national banks like Citigroup, Chase, Capital One, Bank of America and Wells Fargo. Visa and MasterCard own about 80% of the market share in this segment (Consumer Finance Protection Bureau, 2017). With the collapse of the financial markets in 2008 and continued recovery in the last eight years, financial institutions have taken dramatic steps in extension of credit to consumers.

Credit card institutions assume that customers will meet their debt obligations, and that judgment about the character and integrity of their customers is accurate. The apparent relative decline of direct mail from credit card financial institutions reported in this study in the last five years 41% (2011) to 11% (2016) could be the result of three factors. 1) Data from 2011 reported by Wambuguh came from analysis at only one home located in "a credit card prime targeted" middle class neighborhood, while the current study encompasses a much bigger region in the Bay Area with a mix of many lower income, fewer middle, and even fewer high income neighborhoods; 2) Greater caution exhibited by credit card institutions; 3) More cautious spending on the part of consumers in targeted neighborhoods which gradually reduces the level of direct mail solicitations from credit card institutions.

Following the same reduced direct mail trends, are the four major contributors of the remaining 44% of direct mail observed in this study: insurance agencies (6%), magazine publishers (6%), utilities (6%), and retail banks (6%) (Table 1). Again, the prevailing economic trends and need for greater scrutiny in consumer extended credit built on institutional proprietary formulas and other internal policies, coupled with the "credit shy" behavior of individual consumers likely resulted in the trends observed in four businesses in this sector.

Several governmental and non-governmental websites also offer strategies for reducing junk mail. Government sites like the U.S. Government (2017) and Federal Trade Commission (2017) provide consumers with several tips including contacting the Direct Mail Association (DMA, 2017); registering with Consumer Credit Reporting Industry's Opt-Out Program (Opt Out Services, 2017); and contacting the local postal service and completing an opt-out form (USPS, 2017d). Non-governmental organizations with tips include "stopthejunk" (2017); "optoutscreen" (Opt Out Services, 2017); *DirectMail* (2017) and *CatalogChoice* (2017). Wambuguh (2011) also presented similar strategies which consumers can use to reduce junk mail entering their mailboxes. Most of the strategies discussed include refusing prize draws and raffle enticements in malls, carnivals; going paperless and "green" by opting out of paper mail; becoming knowledgeable with the way companies ensure consumer protection and company data sharing habits; signing with online sites to opt out of junk mail and pre-screened credit card offers (Federal Trade Commission, 2017); and shredding junk mail with personal information. However, the government (U.S. Government, 2017) warns that consumers must remember that local businesses, religious and non-profit/charitable organizations, professional and alumni associations, local politicians, and nationwide companies with which one does business with may still send direct mail.

Conclusion

With the increased use of electronic media today as advertising outlets for many businesses, there may be great optimism that direct mailing may be declining in the years to come. However, there are several challenges to this presumed optimism. 1) A number of benefits accrue to companies using direct-mail interactive advertising to target potential consumers; 2) Direct mail provides substantial revenue to keep agencies like the USPS in operation; 3) With declining first-class mail (a major revenue earner for the post office), the

USPS is even more focused in promoting innovative ways to keep businesses sending direct mail; 4) Consumer organizations like the DMA are committed to keeping businesses sending mail and opposing introduced legislation that may put this in jeopardy; 5) As USPS notes, as many as 55 percent of people are eager to read their mail, and addressing them by name will only enhance the experience and, ultimately, prompt some to buy a company's products; 6) Not all consumers are proactive in registering for junk mail opt-out services, and not all consumers consider direct mail *junk*.

Limitations of the Study

Although the study's sample size was relatively large at nearly 40,000 direct mail items, the distribution of the 199 students who collected the mail throughout the nine Bay Area counties was not random. Counties close to the university (for instance Alameda County where the university is located), may have been over-represented. However, this may not necessarily skew the analysis because the nine counties have very comparable demographic and economic characteristics.

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