

Snail Mail Strikes Back

THE SHIFT to fancy technologies and the growth in e-mail has had a major impact on the communications medium now known as snail mail. But snail mail is fighting back. It may be slow, goes the refrain, but it can deliver effective marketing results.

This fight back, in which the Universal Postal Union (UPU), a branch of the United Nations, is playing a major role, will yield major benefits for the travel and tourism industry.

Effectively, the world's postal services realise that unless they become more reliable, affordable and customer-oriented, improve service quality, adapt to new technologies and deliver letters and parcels punctually and at value-for-money prices, they will die at the hands of e-mail and courier companies. This will affect thousands of postal jobs and government revenues worldwide.

At its annual convention in Beijing in 1999, the UPU adopted a fight back strategy to convert postal services from protected government agencies into competitive customer-oriented businesses. Since then, it has been in search of customers who need to use postal services on a regular basis. One obvious choice: Direct marketers who are almost 100 percent reliant on post and whose livelihoods are also threatened by advancing technologies and delivery services.

Travel and tourism companies are reported to be the third largest users of direct marketing, after charities and financial services (insurance, banking, credit card companies), according to the marketing group Euro RSCG, a unit of the global communications giant Havas. Associations, airlines, hotel groups and many other industry players rely on direct marketing and postal services to deliver everything from newsletters and frequent flyer updates to tour brochures and tactical promotional leaflets.

Hence, direct marketers are marketing themselves to the travel and tourism industry, and are also working with postal services to improve the quality of their products and services. They also sense that techno-fatigue is setting in as consumers are blasted by marketing messages over their mobile phones and via e-mail. Viruses and spam are worsening this problem which is also raising serious questions about privacy issues.

So, it's back to snail mail.

Researchers claim that letters deliver far more accurate results. There is a certain charm about receiving personable, well-written and superbly designed letters with exquisite photographs. It is claimed that people still respond best to personalised letters containing the right message about the right product delivered to the right person at the right time.

Postal services search, as do direct marketers and the travel and tourism industry, for more cost-effective revenue streams – each from their own different perspective. Any medium that can deliver a better bang for the buck is a potential win-win situation.

Changes in the World of Direct Mail

Direct mail is competing against a broad variety of message-delivery mechanisms. These include fax, e-mail, SMS, telemarketing, Web sites, newsletters, sales calls, video-conference, voice mail, PDA, etc.

According to the Direct Marketing Association of Singapore, direct mail began as a mass-delivery medium that later began focusing on loyalty as critical to success. Today, direct marketers say, it's all about knowing the customers better than anyone else.

Direct marketing gurus note that 20 percent of customers generate 80 percent of the business for most companies. Over 70 percent of a company's business is repeat business. Moreover, increasing customer retention by as little as 5 percent can result in an increase in profitability of 25-100 percent.

Gurus also note that people pay more attention to those who entertain relationships with them – the closer the relationship, the closer the attention. To build a relationship, the seller has to know how to find that person, and know something about that person.

Hence, the drive among direct marketers is to convert data into knowledge through what is known as 'data hygiene' (cleaning up of databases), customer segmentation and profiling to help clients acquire/retain customers as well as up-sell and cross-sell.

However, direct marketers say they face several challenges. These include:

- Lack of awareness about direct mail benefits
- Limited financial incentives for advertising agencies to use direct mail
- Little information on consumer preferences

- Inconvenient order processing operations
- Understanding customs, tariff, regulations
- Security of contents
- Late deliveries, damaged merchandise
- Consumer reluctance to purchase by mail order
- Lack of address lists and support systems
- Increased privacy laws
- Inefficient fulfilment operations
- Unreliable postal delivery systems.

At least some of these challenges involve upgrading the quality of postal services. That, too, is happening.

The Worldwide Postal Network

Postal services worldwide know they are sitting on a unique set of assets – universal coverage with more than 700,000 postal offices, full service capacity, a trained workforce and prime locations. According to the Universal Postal Union, this distribution and delivery mechanism only needs to be fine-tuned in line with market trends and the requirements of customers.

In addition to just letters, for example, the growth in transactions via the Internet is providing new business for postal services; products ordered over the Internet can be delivered via the post. More and more posts are also providing Internet services through their own outlets by setting up Internet cafés or kiosks in post office lobbies.

The growing digital divide between developed and developing countries, between rich and poor, means that the physical mail network remains indispensable to a very large part of the world's population who have access to postal services, but to whom electronic communication is still very limited or not available at all. According to UPU postal statistics for 2001:

- More than 1.2 billion letters are posted each day for delivery inside national borders. This means 437 billion domestic letters per year. The US accounts for the largest domestic letter-post traffic, about 200 billion items per year. The country with the smallest domestic letter post traffic is Nauru with 350 items per year.
- Each day, close to 20 million letters are sent beyond national borders, or about 7.4 billion international items annually.
- In 2001, people worldwide sent an average of 73 letter-post items per person. In developed countries, the number of letters per person per year exceeds 400 while the average in developing countries is only 16. Americans and Swiss sent the most letters per person in 2001 (about 700), followed by the Norwegians and Germans with an average of 500 letters. In Albania, Cuba and Kazakhstan, people send an average of only one letter per year.
- More than 4.8 billion parcels were sent by post in 2001, representing some 13 million parcels per day.
- In 2001, postal services employed more than five million people, making the post one of the largest employers in the world. The US has the largest postal workforce with

891,000 employees, followed by India with nearly 600,000. The postal administration of Norfolk Island has only six employees to serve its 3,000 inhabitants.

The Direct Mail Advisory Board

To stimulate growth of direct mail, the UPU recently set up a Direct Mail Advisory Board (DMAB). Comprised of direct marketing associations, industry leaders and postal executives worldwide, the DMAB provides a forum for sharing creative marketing ideas, problem resolution, technical advice, experience and information.

It has a strong educational focus and offers expertise to improve address management, quality of direct mail services and development of products and pricing strategies. This is done by working with specific postal administrations as well as by organising regional direct mail workshops. The DMAB also helps the postal services of developing countries to improve their infrastructure for direct mail marketing.

The DMAB recently did its own global research study about the reach and advantages of direct mail. It examined over 100 variables of direct mail market data in 209 countries and territories, focusing on such key areas as each nation's economy, infrastructure, demographics and culture, total advertising expenditures and trends in direct mail development.

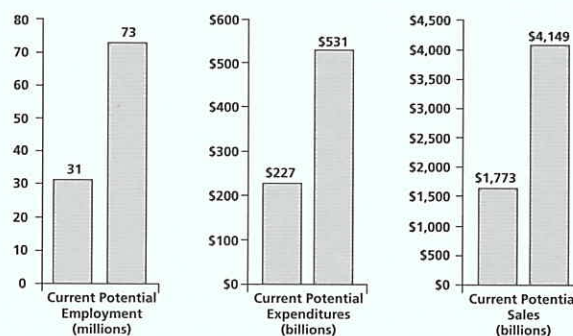
The study claimed that heightened direct marketing expenditures would substantially increase employment and sales (Charts 1 and 2).

Chart 1: Potential Direct Marketing Estimates by Region 2005

Region	Employment (Millions)	Expenditures (Billions)	Sales (Billions)
North America	22.0	\$161.5	\$1,261.0
Western Europe	21.6	\$158.1	\$1,234.4
Pacific Rim	19.0	\$138.8	\$1,084.2
Middle East & Asian Subcontinent	3.8	\$27.5	\$215.0
South America	2.9	\$21.1	\$165.2
E. Europe/Central Asia	2.4	\$17.8	\$139.4
Sub-Sahara	0.9	\$6.4	\$50.1
Total	72.6	\$531.2	\$4,149.3

Source: Study done for the UPU by Arthur D Little

Chart 2: Potential Direct Marketing Estimates Worldwide 2005



Source: Study done for the UPU by Arthur D Little

The study showed that in regions like Asia Pacific and the Middle East, direct mail is in the early stages of development (Chart 3), indicating potential for explosive growth.

Chart 3: Current State of Direct Mail Development



Source: Study done for the UPU by Arthur D Little

World Guide to Direct Mail Marketing

Another DMAB activity was the publication of a World Guide to Direct Mail Marketing. Its Web site www.dmwg.upu.int has country-by-country information to help businesses assess domestic markets, thus facilitating the planning and implementation of tailored direct mail campaigns. A wealth of information is freely available.

How Postal Services are Changing

Here are some examples of how postal services are re-orienting themselves to meet market demand and facilitate business solutions. Small- and medium-sized enterprises in the travel and tourism industry will find them worth checking out.

Hongkong Post

www.hongkongpost.com/eng/postalplus_sme/index.htm

Hongkong Post played a major role in supporting the comeback campaign launched by the Hong Kong tourism industry after the SARS crisis. Free postage-prepaid postcards were given out to the public for inviting their friends and relatives overseas to visit Hong Kong. The postcards bore a postage-prepaid indicator valid for free posting to overseas destinations during the period of June 28, 2003 to December 31, 2003.

The "Hello from Hong Kong" postcard was distributed free of charge to the public at all post offices from June 28, 2003. A quota of five postcards per queuing customer was applied, given out on a first-come-first-served basis until stocks lasted.

Hongkong Post also distributed "Hello from Hong Kong" stickers to the public for affixing on mail items. A postal slogan was also coined, "Hong Kong Looking Ahead" and applied on letters processed by the Air Mail Centre.

New Zealand Post

www.nzpost.co.nz/nzpost/control/marketing/marketing

The New Zealand postal service offers clients advice on everything

from envelope design guidelines, saving money on large volume mailings, to tips on finding and keeping customers. Services available include helping to reach and stay in touch with customers, and helping them pay on time. Its Addressing Services can help business find new customers, maintain contact with existing ones and relocate lost customers.

In order to grow as an advertising channel, New Zealand Post produced a booklet called "Find 'Em Keep 'Em Toolkit" to meet the need for a practical 'no theory – just results' direct marketing guide.

Another Web site, www.REDirect.co.nz, features a regular e-mail communication featuring useful direct mail tips, tricks and insights, plus the latest updates from New Zealand Post.

REDcurrent, a quarterly newsletter, features offers and updates from New Zealand Post to help grow a business. To receive a copy, e-mail csc.help@nzpost.co.nz. Free copies of earlier issues can be found at www.reddirect.co.nz/previous/.

Japan

www.post.japanpost.jp/english/service/discount/index.html

Japan Post has a special mail service for business use. Mail in this category includes product advertisement printed matter, service ads and ads related to business activities. Items must contain the identical contents and be posted together in large quantities. Full details about various rules and regulations are available on the Web site.

United Arab Emirates

www.emiratespost.ae

Ad by Post provides companies with direct access to all urban household and business post boxes in the UAE. Designed to be a cost-effective and flexible mass advertising medium, the service targets specific geographic and demographic areas and allows monitoring of response rates, providing the advertising company with data that can be incorporated into sales projection calculations or used to develop a clearer picture of customer behaviour patterns. It includes delivery of catalogues, cards, brochures, tabloids, samples, community newspapers, appeal envelopes and directories.

Using a Business Reply Service (BRS), a company can offer its customers the opportunity to reply to its correspondence, free of charge; respondents simply place their letters in the pre-paid envelope provided and drop it in the nearest post box. This service is available locally and internationally to over 90 countries.

Germany

www.deutschepost.de

The German postal service Deutsche Post is moving well beyond offering just postal services. It is pursuing a target of becoming a major global provider of logistics services. This includes link-ups with courier companies like DHL, expansion into financial services and investment in other postal services abroad. It has already made

strategic investments in European postal services and is targeting the logistics market in the US.

Asia – and especially China PRC – is considered one of the most attractive markets. The whole of Asia will in the future be served by a US\$100 million logistics hub being developed at Hong Kong International Airport. The first of three stages of construction should be completed in the coming year.

The Web site contains a huge swathe of information. The specific link to the English-language page containing information on its direct marketing solutions is:

www.deutschepost.de/dpag?lang=de_EN&xmlFile=991.

China (PRC)

www.chinapost.com.cn/English

China Post is building up its nationwide postal network. New postal offices and branches and postal savings outlets have been established. The number of letter items per person per year is six, up from 3.2 in 1979.

Postal departments have established service standards and launched activities to promote a "New Enterprise Culture." The comprehensive on-time delivery is reported to have reached 99.84%. In provincial capitals, early delivery has been achieved for daily newspapers.

Australia

www.auspost.com.au

Australia Post has set up Geospend Direct, a division which offers a list-rental service to make identifying prospects easier and more effective by using responses from the nationally distributed Australian Lifestyle Survey.

Over two million Australians have completed the Lifestyle Survey, answering up to 200 questions about themselves, their lifestyles, demographics and purchase intentions. These consumers have supplied their details voluntarily so they can receive offers of relevance to them via direct mail, telephone or e-mail campaigns.

Another direct marketing tool is Geospend Direct's SelectaMAX that applies statistical models and database technology to help businesses understand their customers and target best prospects.

Geospend Direct's Selecta Sponsorship also enables clients to build an exclusive prospect database by asking a question in the next Australian Lifestyle Survey. By doing this, clients can gain access to the respondents for 12 months so they can target prospective customers again and again. Clients can test responses against different offers, communications channels, formats and creative executions.

The International Post Corporation

www.ipc.be

The International Post Corporation (IPC) is a cooperative association of 23 national postal operators from North America,

Europe and the Pacific. It has set up a Market Intelligence System (IPCMIS) to supply members with data, news and intelligence about their international and domestic markets.

Supplied via PCs and the Internet, it is a unique information source for the marketing departments of postal services – it delivers analysis and data results in a range of software products or written reports. IPCMIS is fed by quarterly surveys of customers in the international postal marketplace – every year, it asks 40,000 business customers for their experience of international services provided by postal operators and their competitors.

Conclusion

The changes in postal services are to be welcomed by the travel and tourism industry – but also watched carefully. There are fears they could create large monopolies that may give rise to serious competitive conduct issues. For example, Deutsche Post is already facing allegations regarding funding of international expansion from monopoly revenues, predatory pricing of parcels and abuse of monopoly power in relation to letters.

While market forces will eventually decide which medium is used by the travel and tourism industry, the industry – as a major user of direct mail – clearly needs to keep an eye on developments to ensure that direct mail and postal services continue to deliver the message effectively and affordably.

EDITOR'S NOTE: The Web site www.dmwg.upu.int/dmab8.htm offers links to several Web sites of global postal services and companies specialising in direct marketing products and services.

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The editor and PATA's Strategic Intelligence Centre welcome your comments and feedback. Please contact Mr. John Koldowski via e-mail at johnk@pata.th.com or Mr. Imtiaz Muqbil at imtiaz@loxinfo.co.th.



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Mr. John Koldowski

Mr. Imtiaz Muqbil
Keen Publishing

**Editor and Managing Director-
Strategic Intelligence Centre
Writer and Researcher
Design and Production**

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