

# Education, Tools Remain Key

By Erik Cagle  
SENIOR EDITOR



**G**OOD NEWS was difficult to find in 2010 for the printers of direct mail, not to mention the direct marketing community. Even the United States Postal Service (USPS) struggled in its continuing efforts to offset dwindling volume and out-of-control costs, having seen its request for an exigent price increase denied in late September by the Postal Regulatory Commission.

Failure to reap an increase in excess of the rate of inflation—which the USPS claims would have generated \$2.3 billion in much-needed revenue—is something of a blessing for the mailing community (the USPS is appealing). The Postal Service is exploring other avenues and using other tools to bridge the gap to its fiscal obligations, which for the time being still include a \$5.5 billion payment to pre-fund its retiree health benefits.

**WE EXPANDED OUR DIGITAL PRINTING CAPABILITIES AND BROUGHT NEW SOLUTIONS TO EMERGING DIRECT MAIL MARKETS TO GENERATE NEW REVENUE STREAMS.**

—Jim Andersen



The USPS remains in a state of flux. It's shed 100,000 jobs the last three years alone, reaping cost savings of more than \$10 billion. But it lost \$8.5 billion in its latest fiscal year ending Sept. 30, and has incurred net losses in 14 of the last 16 fiscal quarters. There were 700 million fewer pieces in the mail stream during Q3 compared to the previous year, and overall volume is down a whopping 20 percent since 2007.

Legislation has been proposed to help the USPS, and a healthy, sustainable Mr. ZIP is in the best interests of the mailing community. But, truth be told, the mailing community has its own challenges, independent of mailing rates, and those companies that specialize in

printing direct mail pieces have an even greater onus in their quest to deliver products and services that enable clients to best optimize their marketing initiatives.

Suffice to say, it ain't easy.

Depressed pricing was a significant challenge during the course of 2010 as weaker companies struggled to stay afloat in the slowly recovering market environment, notes Jim Andersen, president and CEO of Chanhassen, MN-based IWCO Direct. Schedule volatility was a factor as customers adjusted their plans according to market changes and opportunities.

## Staying in Tune

"We expanded our digital printing capabilities and brought new solutions to emerging direct mail markets to generate new revenue streams," he reveals. "In addition, the acquisition of Transcontinental Direct's U.S. assets included Mail-Gard, a critical communications recovery company whose client base includes leading direct marketers."

IWCO Direct has long been known for taking aggressive steps to ensure it is in tune with the needs of customers. Earlier in the year, the company hired a third-party firm to conduct a comprehensive customer satisfaction and needs assessment survey with its top 40 clients. Performance evaluation aside, Andersen feels it is critical and equally important to confirm the variables that add value to the customer—and to channel resources and energy to that end.

IWCO Direct also relies on its Customer Spotlight program, which pairs employees and clients in hour-long question-and-answer sessions. The program provides updates on clients and their businesses, gives insight to the printer's performance and looks at the competition, as well.

Customer education also continues to be a key relationship builder, according to Andersen. "Clients are

onsite for two days, learning every aspect of printing, personalization and mailing, including why direct mail marketing continues to work. We've expanded our curriculum to include digital printing, read/write technology and product development. We also take our training on the road, and replace the hands-on site visit with video demonstrations of equipment and technology."

A successful 2011 will entail IWCO Direct being nimble, lean and customer-focused. Andersen promises to deliver a new approach to comingling in early 2011 that he believes will be "game changing."

It seems no companies were immune from the challenging business conditions. North America's largest printer, RR Donnelley, of Chicago, reported that postal costs and new format regulations depressed volumes, particularly in the flat size and non-profit categories. According to Dan Thornton, president of RR Donnelley's Response Marketing Services, many sectors cut back their volumes based on lower consumer response and revenues. Volumes also dwindled as fewer consumer names were available.

Thornton notes that, due to tighter budgets, many mailers had to reduce their normal testing variety and frequency, both in terms of lists and formats. All considered, it created an environment where budgets were cut, and there was pricing pressure as suppliers pursued a smaller piece of the pie.

"RR Donnelley focused our clients on utilizing increased customization and feature-rich presentations in their campaigns for an improved ROI," he says. "Additionally, our comprehensive production platform was able to flex toward smaller run counts with efficiency. Lastly, we have pursued enhanced color imaging using our ProteusJet proprietary inkjet technology, which delivers the variable process color that our clients and their responders find appealing. It gives a noticeable lift in response and reduces production costs, as well."

RR Donnelley has enabled clients to expand upon their traditional campaign facets via multichannel offerings such as personalized URL (PURL) marketing, CustomPoint Web-to-print portals and IMb-triggered e-mail marketing. During 2010, RR Donnelley continued

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—Steve Jaeger



its DM201 educational seminars to "socialize our creative techniques among new and experienced marketers alike," Thornton adds.

## Virtual Toolbox

RR Donnelley is relying on a variety of tools to enable its client base to push forward in a positive direction during 2011. "We continue to deliver new technology solutions such as ProteusJet color imaging, QR code imaging, e-mail applications, PURLs and a steady diet of CRM tools for our clients," according to Thornton. "With these features in their tool set, customers are able to pursue better response rates, more clients, better margins and higher revenues. In the end, the only scorecard they look at is dollars in the bank."

Education has been a common theme among the major direct mail printers, not the least of which is Houston-based Consolidated Graphics (CGX). The company launched an educational event called emerge, which attracted almost 1,000 key customers, industry vendors and CGX personnel from across the country this past April. With keynote presentations and more than 50 breakout sessions, emerge was such a rousing success that CGX has launched a bimonthly magazine to supplement connectivity between the annual conferences.

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“The magazine is designed to maintain a constant touch point with clients, with content intended to inspire and motivate optimized business performance,” notes Aaron Grohs, executive vice president of sales and marketing for CGX. “The feedback has been astounding, and the information exchange with customers has exceeded our expectations.”

With clients experiencing cost pressures related to production and distribution, many of the companies that comprise CGX have focused much of their efforts on optimizing the value of existing marketing campaigns. “For instance, if a customer enjoyed success using postcards, we work with them to determine what additional value we may be able to bring to the design—be it variable tag lines, call outs or barcode tracking features,” notes James Hill, president of St. Louis-based Nies/Artcraft, a CGX company. “Rather than overhauling their entire direct marketing program, we focus on enhancing the channels and methods that work, and testing new avenues to determine the most cost-effective acquisition or growth strategies.”

Understanding that postage represents up to 60 percent or more of a direct mail program, CGX also enhanced its mail service offerings and broadened its approach to find the best overall combination of mailing methods for customer projects.

Among the other strategies CGX has taken in order to bolster its po-

sition with clients and enable them to reap full value from their programs:

- Promoting the use of variable printed messages on envelope windows and closed-face carriers using client-specific data. Coated envelopes have performed well in this regard.
- Technology investments aimed at integrating and streamlining mail processes. For example, inserting and inkjetting in-line, and using camera systems for read and print projects involving closed-face packages to achieve better response rates.
- Introduced the CGX Flex Mailer, a USPS-approved solution that features a flexible outer skin coupled with a unique inner-tray design. The outer skin is tight enough to allow flexibility on both the vertical and horizontal axis, while maintaining sufficient surface tension variations less than ¼". This allows the mailer to be classified as an automated machinable flat, which realizes significant cost savings with the USPS.
- The Consolidated Mail Optimization Plan creates an in-depth mailing strategy for customers using different mailing channels for various segments of a single mailing. The process takes the best of different USPS entry avenues, from direct shipments to co-palletization and commingling along with local entry to build a mail plan for clients.

## TOP 5 Direct Mail Printers\*

Rank	Company	Segment Sales (millions)	Total Sales (millions)
1	<b>IWCO Direct</b> Chanhausen, MN	\$362	\$362
2	<b>Quad/Graphics</b> Sussex, WI	\$287	\$4,775
3	<b>Consolidated Graphics</b> Houston	\$149	\$990
4	<b>Segerdahl Group</b> Wheeling, IL	\$131	\$145
5	<b>Freedom Graphic Systems</b> Milton, WI	\$108	\$120

*\*Sales figures are based on above printers' self-reported total and market segment breakdowns. RR Donnelley would have appeared on this list, but does not provide a breakdown of its segment sales.*

As for what 2011 holds, Hill says that CGX is preparing customers for the most challenging of scenarios. “With postage increases looming and the potential for a five-day mail delivery schedule very realistic, we have already been working to determine what, if any, impact this may have on their marketing and devising alternative strategies to mitigate any changes,” he says.

“Our investment in both print and mailing technology and tools will allow us to offer unique services that use the best combinations of digital and traditional print methods in concert with newer marketing channels. Higher throughput with more automation will afford clients cost-effective production methods and some of the best time-to-market in the industry.”

QuadDirect, the direct mail divi-

sion of Quad/Graphics, Sussex, WI, became a force in the direct mail theater after the acquisition of Worldcolor earlier this year. But Steve Jaeger, president of QuadDirect, stresses that his company endured the same challenges facing other mailers, and that Quad found itself providing more support and more options to keep its client base satisfied.

While the economy may not be providing optimal conditions for printers or their mailer clients, QuadDirect relied upon the usual approach of helping clients save money and increase

ROI. “We have in-house experts to help clients develop new formats and to leverage our multichannel marketing platforms,” Jaeger says.

“In fact, ‘More Channels, More Solutions’ was part of our 2010 DMA campaign in San Francisco. QuadDirect is a leading direct mail marketer that leverages the print volume of our parent company, Quad/Graphics, to offer the most efficient mailing platform in the industry,” he contends.

“To reinforce our existing client relationships, we listen to them. We are an extension of our customers’ marketing departments. We don’t pretend to know more about their business than they do.” **PI**