

Digital Direct Mail™

Defining A New Paradigm

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Background:

Direct Mail advertising has arguably been one of the most robust sectors of the advertising industry. Many industry analysts believed that with the advent of the Internet, the impressive and steady growth within the direct mail industry would slow significantly as the Internet grew. Much to the surprise and chagrin of the many Internet based advertising models, the off-line direct mail sector has continued to demonstrate strong growth. Direct Mail industry revenue is currently estimated at approximately \$60 billion annually in the U.S., and is projected to continue growing at the rate of 5-7% per year for the next several years, according to most industry analysts. Helping to drive this trend is the fact that coupons are now being used by 72% of consumers who earn more than \$125,000/yr and more, according to a recent study conducted for VISA. This off-line channel via consumer mailboxes is arguably the most potent method for advertisers to reach consumers via their homes; if you send it, they will receive it, thanks to the U.S. Mail.

On the other hand, advertisers with e-commerce Web portals are forced to advertise on-line and/or off-line, to try to gain the consumer's attention amidst the circus of clutter on the Internet. Hopefully, once consumers are enticed on-line through the purchase of off-line ads, advertisers must then use on-line ads and keywords to direct them through the world's most incredible maze to a specific Web portal among the nearly 50 million Web-sites on-line worldwide, and sadly, 12% of them are porn related.

When comparing and contrasting on-line advertising to the off-line consumer channels and print media, even though the newspaper industry is contracting, newspapers are still able to sell a considerable amount of relatively expensive advertising serving the off-line consumer channel at their homes using a printed paper paradigm, even in light of Web based free ad paradigms such as Craig's List. This clearly demonstrates that several important and powerful factors are in play.

First, the marketplace still places significant value and faith in off-line advertising methods as a function of the fact that both the buyers and sellers needs are being served, albeit not nearly as well as in the past.

Secondly, advertisers' Internet based e-commerce Web sites and ads are suffering from being lost in the intense Internet clutter that is growing at an exponential rate. For consumers, the Internet has grown into an unending maze, riddled with risk, making it a

toxic place for consumers who are not properly armed with firewalls and expensive safety-ware and the knowledge to properly install and manage those applications.

And thirdly, these first two combined with an ever-increasing multitude of covert and malicious threats such as; viruses, spam, spyware, phishing, porn, stalkers, and other Internet based issues, have caused the recent weakness seen in Internet based advertising. As an example of just one result, on-line banking activity has recently slumped. By and large, Internet based coupon-advertising companies are barely able to maintain any market-share and are still changing their business models in an ongoing effort to hang-on, while many have failed. This is a factor of the aforementioned issues and the additional fact that, Internet-based down-loaded coupons are easily manipulated and therefore increase coupon fraud risks for advertisers over those seen in paper-based coupon books or newspapers, causing many advertisers to discontinue their Internet coupon programs.

The printed paper advertising paradigms are now also facing many new challenges. According to the Lehman Brothers, youthful newspaper readership (ages 18-34) has declined steadily over the past 35 years, and is down nearly 40% today. The rapidly increasing costs of raw materials, combined with accelerating costs of production and distribution as a function of energy costs are drastically affecting publishing cost of goods sold (COGS), and have significantly reduced profits for all paper based ad platforms. Further erosion of paper ad-platform profitability is occurring as a function of low return on investment (ROI) by advertisers, who are no longer enjoying the coupon redemption rates that were seen 10 to 15 years ago, which is a function of several factors including mailbox clutter and loss of readership. This downward trend has resulted in a coupon redemption rate that ranges from one-tenth of one-percent for some products and services, up to a high of one-percent for things like pizza. This means that on a good day, for every one-thousand coupon/ads that are printed and sent, only 10 are redeemed, with another 900+ paper coupon/ads ending up in a landfill. This is not a sustainable model. We are in fact running out of trees fast, and in our pragmatic world, people sometimes fail to remember that among other things, trees stabilize our soil, consume carbon-dioxide, and produce oxygen.

With the ever-increasing push for environmentally sensitive ad methods, paper is no longer the first choice, and consumers are frowning more and more upon advertisers that are using paper in extravagant fashion, while the forests of the world are being laid bare. Recycling is a stopgap measure in the USA given the fact the approximately 80-percent of virgin paper ends up in solid-waste landfills. And the secondary process of recycling of paper is a very energy intensive process that contributes to water and air pollution at a rate that is even higher than the primary process.

These facts are making printed-paper ads and coupons less desirable for both advertisers and consumers more than ever before, and now for the first time in history, paper

advertising is on the verge of becoming subordinate to all electronic forms of informational systems and services.

Digital Direct Mail™ (a compelling new off-line ad channel):

After seven years of research studying the changes in the advertising marketplace and consumer behavior, the concept of Digital Direct Mail™ was invented by William E. Simpson II in late 2003, followed by the filing of his first comprehensive U.S. Patent in 2004. Then in 2005, Mr. Simpson founded SaverCD, LLC to further the development, testing and commercialization of the paradigm through the branded product \$averCD®.

CDs and DVDs are not new. Platforming the encyclopedia, or games, or software, or documents, or Internet browsers on CD or DVD are not new either. However, the creation of a paradigm and software, which allows a company to collect, condense, and then host a vast multitude of consumer-friendly printable offers and multimedia assets on optical disc is new. The multitude of media and assets that are contained on a \$averCD CD-ROM are quickly managed and used securely by consumers via onboard software. The assets on \$averCD include everything that an average consumer might receive via the mailbox during several months and more, including; secure consumer printable coupons (that may be printed by the consumer when a buying decision is made), ads, offers and certificates, all types of forms and applications, full and trial version games, recipes, health, fitness, gardening, beauty, fashion and golfing tips, and secure on-line offers, all conveniently loaded onto one CD-ROM. The resulting product is providing a truly new and revolutionary service to both consumers and advertisers. Digital Direct Mail is embodied in the advertising service product known as “\$averCD”, which is sent to consumer households free via U.S. Mail.

By leveraging the reliable and well-known compact optical disc technology, Digital Direct Mail™ is able to host a myriad of traditional assets from many other platforms. And for the first time in history, the \$averCD clearly and uniquely bridges and fills the channel gap between the on-line and off-line consumer acquisition channels, thereby handily serving the advertising and CRM service industry’s needs, cost effectively and in an environmentally sensitive manner.

As with anything new, new terms and definitions are required to assist in describing, understanding and managing the paradigm.

Definitions:

Digital Direct Mail™: Defines a totally new form of direct-mail where; all types of traditional printed mail is replaced by digitized assets (coupons, ads, forms, etc.) that are platformed (condensed) onto an *optical disc* (CD or DVD). Added to this are other heavy media assets which cannot be platformed on paper, such as games, Web-sites available

off-line, catalogs, high quality graphics, broadcast quality video, software applications (trial and full versions), audio and e-books, and more. *Digital Direct Mail* is also enhanced by the Internet; it is able to easily and securely bridge the on-line to off-line channel gap.

This “Disc-to-Net” enhancement is important; because the \$averCD optical disc handles the heavy media (I.E. games, TV commercials, edutainment, software) onboard the disc, the amount of available bandwidth is increased, thereby providing a more robust interaction through any low-band Internet connection. Approximately 40% of consumer households today have dial-up accounts, and by securely bridging the bandwidth limitations of these consumer dial-up Internet accounts, advertisers and consumers both benefit. And with the advent of \$averDVD, the same benefits exist for all bandwidths.

The software on \$averCD allows for secure consumer on-line Internet sessions to advertisers’ Web-sites that are part of the co-op of advertisers on \$averCD. Furthermore, where there is no Internet, *Digital Direct Mail* is its substitute, such as in Mexico, by providing an approximate experience. Added to all of this, *Digital Direct Mail* can instantly toggle all of its onboard assets into most languages with a simple mouse click; \$averCD is multi-lingual. *Digital Direct Mail* is embodied in the revolutionary patent-pending product known as \$averCD®.

Threshold Utility: Defines the level or amount of instantly perceivable value required of any single-piece of direct mail, which would prevent the consumer from immediately discarding the item before a more detailed review is made. *Threshold Utility* drives the initial open rate of direct mail, but not necessarily the retention rate. The consumer's decision to retain and then review any piece of direct mail is usually made well within a minute of the initial receipt/retrieval of the direct mail piece. In most cases, any direct mail piece that fails to meet the *Threshold Utility* will be quickly discarded, without any further detailed review.

Retention Utility: Defines the level of consumer-assessed value of any direct mail piece after it has been opened and/or reviewed. Collections of assets on any ad platform tend to have higher *Retention Utility* over single one-off stand-alone pieces. If the *Retention Utility* is adequate, the single-offer piece or collection will be retained over a period of time that is function of a *Total Scoring Value* of the collection or offer, and this affects the *Retention Period*.

Total Scoring Value: This refers to a numeric value on a scale of 1 through 10, where 1 is the lowest value and 10 being the highest value. A *Scoring Value* may be relative to subjective values of the assignor. Nevertheless, assigning these relative values to the assets on any advertising platform assists in creating a total score for the advertising piece. For instance, a trial game would have a higher score than a coupon for a buy-one get-one (“Bogo”) bag of frozen corn. In fact, many consumers would opt for a game over

10 buy-one get-one frozen corn coupons. Therefore, if a Bogo corn coupon had a value of “1”, then the game would have a value of “10”. In establishing the *Total Scoring Value* of any direct-mail advertising piece, a numeric value would be assigned to each and every asset on the platform and the sum of those would be the *Total Scoring Value* for the direct mail ad piece.

From this exercise, it's easy to see why an optical disc can significantly outscore any newspaper or coupon book in the eyes of a consumer. A single edition of \$averCD typically contains a dozen trial and full-version games (a value of 120). Each edition of \$averCD also contains a collection of recipes, health, gardening, fitness, beauty, fashion and golf tips (a value of 40). A Bogo Pizza coupon (value of 3) would most likely be worth 2 or 3 Bogo corn coupons, and even the Beta editions of \$averCD have over 100 printable food and service coupons (value of 100+). So as we see, the matrix of the coupons is also important in arriving at the highest possible *Scoring Value*, which is the objective in achieving the highest possible perceived value and *Retention Utility*. In this simple example, not considering scoring all of the assets on a \$averCD, we have already arrived at a *Total Scoring Value* of at least 260, which implies that a paper coupon book would require about 260 discount or Bogo coupons to be comparable to the assets on one Beta edition of \$averCD. It's important to note that coupon books with this number of coupons have traditionally been sold to consumers for about \$20.00. However by comparison, \$averCD is still a much better value since it is sent to consumer homes absolutely free of any charge or fee. This of course doesn't consider that as yet another unique function of the \$averCD platform, multiple coupon prints may be permitted to consumers, thereby providing even more value, as per the advertiser's instructions, and such permissions are encoded into the operating code of the Disc. With growing advertiser participation, future editions of \$averCD can potentially reach *Total Scoring Values* of 1000+!

Retention Period: The length of time that a consumer may retain an offer (coupon) or collection of offers, assets, coupons, ads, etc. This is usually a function of the *Scoring Value* and *Retention Utility*, the length of time that offers are valid (expiration dates), and the ability (if any) of the consumer to segment the collection into smaller collections or single offers during the retention period (a single retained offer is not considered representative of the original direct-mail piece as received by the consumer). It's important to note that coupons and assets on an optical disc are not segment-able, and therefore the collection remains intact.

Weakness in Paper Ad Paradigms: (coupon books and envelopes, newspapers, etc.)

In these paradigms, the paper-based “collection of savings” (the “Host”) was the attraction, at least up until the period starting about 5-8 years ago, when consumers started heeding the call of the environmentalists and conservationists. Paper is a rapidly dwindling resource and the cost for even low quality newsprint is skyrocketing. The

supply of paper from trees is not keeping up with the demand for the paper that is being used, and the demand is accelerating for all paper products. Harvesting and processing trees into paper is a very energy intensive and highly polluting process at every stage of the enterprise.

Added to this, consumers are no longer willing to inventory paper materials in their homes and offices. This is a function of their busy lifestyles and the sheer paper overload into consumer homes today. As a result, consumer behavior has changed and is continuing to change, and so has the way consumers sort paper coupons and ads on all paper platforms. The new trend is; whenever possible, consumers quickly evaluate and harvest (clip or pull) coupons and ads from their paper hosts (from the coupon-book, envelope or newspaper), saving the clipped coupon(s) and then discarding all the remaining ads and coupons still onboard the Host. And when the consumer discards the Host, the vast majority of advertisers who purchased ads remaining therein loose out; no more brand impressions, no more chances for a sale when a buying decision is made.

Therefore, in the case of *preprinted collections of coupons and ads (*optical disc coupons are printed as needed individually when a buying decision is made), such as coupon books and envelopes and newspapers, consumers can quite easily separate the immediately usable or timely coupons or assets and then simply discard the Host and thereby the larger totality of the collection. Thus, the benefit of co-branding with highly used and sought-after coupons/offers on these platforms no longer offers the same value to the lesser-used offers, which require longer in-home shelf-life for use and branding opportunities. Things like pizza coupons get used nearly daily, whereas a coupon or ad for a discount on rain-gutters, furniture, windshields, tires or other such merchandise may require months or even years in-market for potential client acquisition. Nevertheless, brand recognition and top of mind may be established by longer in-home brand impressions, if such ads could be permanently associated with coupons that are retained longer, and/or that are sought after by consumers.

Traditionally, one of the key advantages to advertising in any co-op paper ad platform was that an advertiser's ad or coupon could potentially hang-around in the home longer as a function of being in a collection, where some coupons are used more frequently (food, pizza, etc.), and thereby, an ad for furniture, a car or other slower selling products and services would get added brand exposure and impressions, even if they weren't used immediately.

Today, that's no longer the case with paper-based advertising, and the resulting ROI for these advertisers is dropping fast, driving their client acquisition and retention costs up. Added to this is the paper price squeeze, where paper publishers must now charge higher and higher prices for ad space as a result of the rapidly increasing costs of raw materials to publish a non-scaleable platform, where more advertisers mean more pages and more ink, but not more margin.

These ever-increasing inefficiencies and costs of advertising are escalating rapidly across all traditional paradigms, especially in the direct mail off-line channel; forcing advertisers to look at targeting just the low hanging fruit to achieve a higher ROI (as opposed to speaking to a broader market).

Television advertisers have long understood that it is usually less expensive to purchase a national buy, than target individual markets. This poses the question for direct marketers: “Wouldn’t it be better if, *for the same cost as a targeted campaign*, advertisers could reach a much larger audience and potentially acquire and retain both the low-hanging fruit *and* the harder to reach consumer, using a much broader and compelling campaign and resulting in higher market-share?”

This can now be accomplished with \$averCD Digital Direct Mail.

In contrast to print advertising, \$averCD and \$averDVD can easily platform more advertising and content without printing more pages, by using a digital collection of coupons and assets on optical disc, providing just-in-time-savings. This model is unique in that the raw materials and distribution costs are fixed and therefore it scales wonderfully as more advertisers participate, keeping their costs for participation very low, yielding lower client acquisition and retention costs. Added to this, optical discs are made of polycarbonate, which is eminently recyclable. Recycled polycarbonate is used for many things, including car parts, CDs and DVDs, toys and medical supplies. And unlike paper, polycarbonate is very profitable to recycle, thus ensuring that effort and a recycling process that uses less energy and produces less pollution than the tree-to-paper or recycled paper processes.

Digital Direct Mail and \$averCD is truly the way of the future for direct-mail advertisers.

To learn more about \$averCD visit: www.savercd.com

To learn more about the author visit: www.digitaldirectmail.com

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