

# Acquisition Spending, Direct Mail on the Rise: Winterberry Report

***Quotation: "Direct mail is not cool. But it works."***

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Whether the check is in the mail is debatable, but marketers are increasingly writing checks for direct mail according to Bruce Biegel, managing director of Winterberry Group.

***Winterberry's Outlook 2011: What To Expect In Digital & Direct Marketing reports that mail as an ad medium has seen a resurgence of late, and will continue to do so.***

First, a quick baseline. Marketers spent \$114.6 billion on traditional media during 2010, compared with \$154.4 billion for direct and digital advertising. Traditional ad spending is seen as dropping to \$112.6 billion in 2011. But direct and digital expenditures will rise to \$163.9 billion, Biegel says.

## **Acquisition Spending Shift**

During normal years, organizations allocate 75% of their resources to prospecting, according to Biegel. But as marketers played it cautious during the recent economic downturn, the split has been even. Only within the last year has it begun to move back to traditional levels: Prospecting accounted for 60% of marketing spend in 2010.

Economic uncertainty doubtless played a role in damping acquisition campaigns. "If you don't know what is going to happen, you just test, test, test," Biegel says. "You don't roll out [a full effort] because you don't have confidence."

How did specific channels fare? Within the U.S., many traditional mediums such as radio, magazines, outdoor advertising and newspapers declined. True, television spending rose by a healthy 17.5%, to more than \$56 billion, but that's to be expected in a year which featured both an Olympics and a midterm congressional election. Additionally, teleservices spending ticked up by 0.1%, to \$39.5 billion.

**But digital spending realized the biggest jump—8.5%—winding up at \$27.7 billion.**

**Here's an eyebrow-raiser: In 2010, marketers bumped up their direct mail spending, which increased by 3.1%, to \$45.2 billion.**

"This started in July and August," Biegel says. "October and November rocked—and we haven't seen numbers for December yet. **[Direct mail] is not cool, but it works, which is why it came back.**" Granted, at least some of that bump was from the political season.

This year should see some growth in total advertising spending, reflecting anticipate growth in the Gross Domestic Product of 3%-4%. But unemployment may not have peaked, and with 10% official levels looming (without counting those who have stopped looking for work), consumers will likely remain

cautious in their spending. Television spending is seen as slipping to \$55.4 billion, along with further, albeit slower, declines in radio, magazines and newspapers.

### **Channel Changes**

Biegel sees direct and digital channels as making gains, with overall spending on these channels expected to rise by 6.2%, racking up \$163.9 billion in expenditures.

Direct mail will grow by a healthy 5.8%, to \$47.8 billion, in part due to financial services, retail and automotive marketers returning to the fray, and the lack of an emergency postage rate increase, according to Biegel.

Among other channels, direct response broadcast is anticipated as jumping by 7.6%, to \$25.4 billion, and digital spending will show the largest growth – 14%, to \$31.6 billion.

When marketing budgets expand, however, digital mediums are claiming most of the increases. Email, search and mobile marketing led the pack when Winterberry asked marketers which channels were capturing new spending.

Email has staked a claim as the hub of integrated marketing efforts, Biegel says. During 2011, spending on this channel will jump 18.1% to \$1.6 billion. As a retention vehicle, e-mail remains marketers' most cost effective medium. Look for this channel to increasingly be integrated with shopping cart abandonment: A prospect who has indicated interest in a site's offerings is ever-more likely to receive a wait-wait message from marketers if the purchase isn't consummated, Biegel adds.

Search offers the most predictable ROI—revenue generated from it is most closely related to expenditures, and local search options are drawing small- and medium-sized businesses' budgets. As such, search spending will increase by 13%, to \$17.6 billion.

Spending on social media, still a nascent channel, will jump 35.4% to \$1.6 billion. The year will also see leaps in analytic capabilities, which will enable marketers to better measure social efforts' impact on engagement and conversion. Mobile advertising will realize a similar increase, pulling in \$1.2 billion a 30.8% rise from 2010's level. Mobile's advances will be fueled by widespread coupon use, as well as improvement in location-based targeting.

"Privacy is a big issue," Biegel cautions, when discussing location-based marketing.