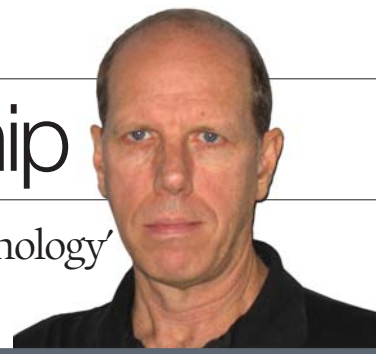


Todd Butler

Mail and discs: a perfect partnership

From his experiences with Multimedia Mail, Todd Butler says that 'old technology' delivery services – post and discs – are perfect partners and far from dead



MUSIC CD SHIPMENTS WERE DOWN

12.8% in 2006, spending on DVD rentals declined 7%, consumer purchases of DVDs dropped 5%. Online downloads are increasing in both dollars and volume. The future for Netflix and movies, according to some, is for content distribution over the Internet. As download speeds increase, demand for the production of physical media decreases. The conventional wisdom holds that the Internet, by providing direct digital connections between content owners and consumers, is feasting on our carcasses.

I say 'our' carcasses and yet I am not from the optical media industry, my roots are in the direct mail industry. You've heard of direct mail, we're the junk/snail mail industry made obsolete by the Internet years ago.

The Internet has disrupted both industries. It has not, and will not, destroy them. In the direct mail industry our products and services are low margin commodities. Soon, your products and services will also be low margin commodities. Under-utilisation of production capacity dictates a reduction in price, until a new equilibrium is established between supply and demand. This equilibrium can be achieved by either reducing industry-wide capacity, or increasing the demand for optical discs.

So where can the disc industry look to increase demand? There are (approximately) 137 million residential and business addresses in the US alone. The US Postal Service delivers 100 billion pieces of advertising mail per year to those addresses. Almost none of those advertising pieces contain optical discs. And no industry, printing, mail service providers or the optical disc industry, is working to turn the users of advertising mail into purchasers of optical discs.

Why should the disc industry look to an antiquated delivery system to increase demand for their antiquated products? The future of all advertising is interactive multimedia. Online advertisers, such as Google, Yahoo and MSN are telling marketers that the Internet is the only medium that can deliver interactive multimedia to consumers. Broadcast TV is losing advertisers because it is not interactive; cable and satellite TV have been struggling with interactivity for years and still cannot deliver consumers. All can deliver video for marketers but remain unable to provide the 'one-click access' and 'buy now' opportunity marketers are demanding.

Interactive multimedia is digital programming. The same programming that is delivered over the Internet can be put on an optical disc and delivered by a postal service. Postal delivery of interactive multimedia (such as our Multimedia Mail) has the same functionality as on-line advertising, including one-click access to predetermined landing pages. But by its very nature, multimedia mailings can segment consumers demographically, psychographically or geographically.

Being able to send an email to specific people based on past purchase activities has



been described by on-line pundits as "searching for the holy grail". Direct mail has been delivering this type of customer since the inception of the Sears Catalogue in the 1800s.

I agree that online advertising has a speed advantage when it comes to delivering marketing messages, but with 80% of all emails being blocked or tagged as spam (Direct 3/10/06) it is of little comfort to marketers to say that the Internet delivers 20% of their marketing messages nearly instantaneously while 80% will never be delivered, let alone read.

The Internet is a passive medium. Consumers must seek out marketers and initiate a dialogue. The best description for online advertising is 'suck your thumb until they com' marketing. Marketers need a proactive medium through which they can sell their goods and services. Sending interactive multimedia on disc by a postal service is the only proactive Internet advertising available to marketers. Multimedia Mail delivers advertising to where consumers live and work.

But who reads 'junk mail'? Wynn Casinos in June of 2006 mailed over 200,000 optical discs carrying interactive multimedia programming to a targeted US audience. By the middle of July, Wynn had registered 164,000 unique IP addresses playing the disc. When you do the math, Wynn had an 80% play rate. This was not an 80% 'inadvertent click rate' but an 80% take it out of the mail box, take the disc out of the package, put the disc into a computer and play it rate! For the client there is no other marketing piece that registers this kind of interaction with consumers.

There is a convincing case that multimedia disc mailing delivers the same interactive multimedia as on-line, but the Postal Service delivers much more

But the cost?

From our experience the in-mail-costs for multimedia mail are less than on-line advertising's click cost. Advertising Age produced what they called their Search Marketing Fact Pack (11/06). In it they said the average click cost for the top-tier search engines was \$1.83. So the question is, how much can a marketer spend on multimedia mail to achieve the same click cost.

A click online is when someone opens an ad for more information, therefore a click in direct mail must be when someone opens an ad for more information. A US postal service study shows that 84% of recipients of mail read, partially read or scan their mail. Certainly reading, partially reading or scanning a direct mail piece is more valuable to an advertiser than an inadvertent click online, but for this comparison we assume them to be functional equivalents.

Using an average click cost of \$1.83 (US) for online advertising and a click rate of 84% for direct mail, it is easy to calculate that spending \$1.54 per piece on direct mail is the cost equivalent of paying \$1.83 online in click costs. Audi in 2004 mailed 250,000 interactive discs to a targeted audience for a total in-mail-cost of less than a dollar each. Using an 84% click rate (read, partially read, scan) the calculated click cost was \$1.20. Audi's goal was to get people to register for a test drive, 18% did. Audi's registration rate was higher than Search Engine Marketing's average click rate and it was achieved at a lower cost per click!

DoubleClick (11/04) published research stating that the average click rate for all online advertising was 0.62%. That same year, credit card companies had a direct mail purchase rate of 0.6% utilising a non interactive package. In fact the best advertising online, search engine marketing, only receives a 2-4% click rate.

Obviously Wynn and Audi, using interactive multimedia, did much better.

There is a convincing case that multimedia disc mailing delivers the same interactive multimedia as online, but the Postal Service delivers much more. It delivers a marketing package that consumers can see, hear, feel and with a scratch and sniff smell. Add a stick of gum or similar flavour treat to the package and multimedia mail can deliver taste. No other medium delivers tactile interaction with all five senses of a targeted consumer and one click access to the Internet in a single package!

Why should the disc industry care about an antiquated delivery system... I see it as 100 billion opportunities!

Todd Butler's Butler Business Services, Inc has been providing traditional letter shop services for over 20 years. The company has leveraged its knowledge and experience as a traditional letter shop to develop advanced technologies for postal delivery of optical disks.

www.ekeymailer.com