

Unpacked

The marketer's guide to
programmatic direct mail

 **ModernRetail** | **PEBBLEPOST**



Who's in this guide

Lori Mason, general counsel and Chief Privacy Officer, PebblePost

Jacob Ross, Chief Executive Officer, PebblePost

Nick Dujnic, vice president of marketing, PebblePost

While direct mail has been around for centuries, the first instance marketers often point to dates back to the 1880s with the Sears catalog. On any timeline, however, it's safe to say that marketing through the physical mailbox has persisted as an effective approach to meaningful customer experiences. Even as digital marketing emerged, direct mail has proven to be on par with digital and exceed its digital twin in several ways depending on circumstances and campaign goals.

For example, while email response rates tend to average 0.6%, rates for direct mail [range between 2.7% and 4.4%](#). Furthermore, [73% of American consumers](#) prefer when brands contact them via direct mail, which means they can engage at their convenience and on their terms. Direct mail is also rooted in offline IDs, an essential tool for marketers as third-party online identifiers disappear and challenges such as Apple's iOS updates cause marketers to move budgets toward channels that aren't significantly reliant on digital identifiers.

In addition to seeking solutions for the loss of addressable audiences and channels that make targeting, optimizing and measuring campaigns more difficult, marketers are increasingly seeking channels that reach consumers in ways that circumvent the [digital fatigue leftover from the 2020–2021 digital advertising boom](#).

Advertisers need addressable marketing channels outside of digital that can deliver both performance and scale. One such strategy is programmatic direct mail (PDM), an innovation that emerged from the early popularity of programmatic technology and is rising again on marketers' radar.

Digiday and PebblePost dive into programmatic direct mail and how it has reframed direct mail, connecting it to the online world while offering marketers a performance-driven tactic. This guide will explore how machine learning, automation and real-time intent data in PDM campaigns solve challenges for marketers without relying on cookies or online identifiers to prove itself a privacy-forward performance marketing channel.

What's in this guide?

- [The difference between PDM and traditional direct mail](#)
- [Comparing PDM to digital marketing campaigns](#)
- [Measuring success and optimizing PDM campaigns](#)
- [Tips for creating standout pieces of mail](#)
- [Identifying the right PDM partner](#)

What is programmatic direct mail, and how does it differ from traditional direct mail?

While traditional direct mail campaigns rely primarily on offline data, such as demographics, to decide who to send mail to, they typically don't have real-time behavioral data — or the agility to alter a physical mailing in real-time.

Programmatic direct mail takes the age-old practice of matching established consumer sentiment to advertising messages and changes it by adding real-time behavioral data from online sources to identify and mail relevant content to consumers. PDM is powered by machine learning algorithms to automatically and continuously select the

best candidates for any marketer objective. In addition, it's nimble and agile due to workflow automation.

With these efficiencies, marketing teams can shift from a volume-driven model to a value-driven one and focus on precision, responsiveness and performance rather than the cheapest possible cost per piece, a traditional direct mail approach.

OK, and how does programmatic tech work with direct mail?

PDM is to direct mail what CTV is to linear TV. It uses online data and analytics to make direct mail more relevant to consumers at home and connect brands and consumers more effectively.

A PDM algorithm uses massive amounts of online and offline data, including a person's online browsing and buying behaviors, to determine if it's worth

showing that consumer a physical piece of media. Within 12–24 hours, a piece of mail is heading their way. So, while they still have active purchase intent, they receive a relevant offer at home that they can put on their refrigerator or dining room table, and it's based on genuine interest.



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So, it starts on my brand's site, for example, and then closes the loop at their doorstep?

Exactly — but even if a consumer doesn't visit a brand's site, they can still be targeted via PDM.

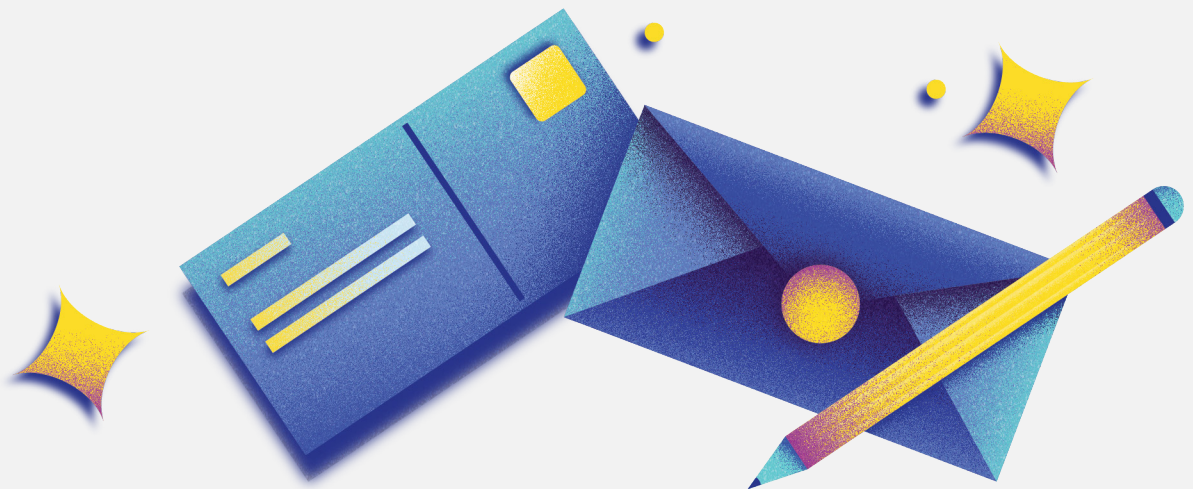
To connect the person's online behaviors to household data, pixels or JavaScript tags are placed on brands' websites. These allow the PDM technology to see which customers come to the site. From there, they can detect if that interested party has shopped the brand before, what they purchased or if they abandoned their cart. PDM platforms also have a UI for performance measurement and optimization and use all the characteristics familiar to those engaging with digital marketing tactics.

Online behavior data trains the machine learning algorithms to separate the signal from the static when it comes to intent. It then uses those learnings to optimize audiences of prospects and customers, as well.

"With a combination of those data points as well as our identity graph, we're able to find consumers at home and bring them pieces of mail relevant to what they're interested in or things that look like something they could be interested in," said Lori Mason, general counsel, and Chief Privacy Officer at PebblePost.

Because PDM allows marketers to take a performance-driven approach to all stages of the customer lifecycle, it's a successful tactic for prospecting lookalike audiences, nurturing existing customers or reactivating lapsed ones.

With the added precision, speed and relevance of physical mail, PDM connects a user's online activity and physical address to deliver relevant messaging right to a consumer's mailbox.



I see how it works, but are PDM campaigns really more effective than digital marketing?

Direct mail, in general, has a very high response rate. No matter the demographic, people regularly check their physical mail. Adding online intent to the mix means performance scores are even higher.

For example, PebblePost ran a study of 500,000 households with a national retargeting platform to gauge how PDM and digital display retargeting worked together. The study found that households served only digital retargeting ads had a 45% conversion rate lift compared to those receiving no ads. Households that only received a piece of

PDM retargeting mail had a 152% conversion rate lift — three times as high as digital in this study. The households that saw both had a 290% conversion rate lift.

“The benefit of reaching someone online and at home via programmatic direct mail is one plus one equals three,” said Jacob Ross, Chief Executive Officer at PebblePost. “It’s two strategies that together work even better than the sum of the parts. So, we’ve seen that there’s an enormous benefit.”

Once programs are underway, how are marketers measuring PDM success?

First, measuring success starts with a note about media lifecycles because the lifespan of direct mail is much longer than that of emails — [17 days for addressed mail versus 17 seconds for emails](#).

From there, about 90% of physical mail is opened compared to just 20%–30% of marketing emails. Brand recall is much higher with physical mail as well; it outperforms email by 170%.

However, with a longer campaign lifespan, the attribution window teams typically utilize for digital marketing campaigns is only sometimes relevant to PDM campaigns. For instance, if a recipient finds the piece of mail helpful or relevant, they may leave it on their fridge or counter for days, weeks or months to remind them of their intent to purchase.

“What is an appropriate measurement window for direct mail?” Ross said. “We let the data make the call. Our data scientists look at how long it takes for an exposed group of audiences’ behavior to converge to what the control group of audiences’ behavior would be. As it turns out, it’s

between 45 and 90 days, consistent with how direct mail attribution works. Essentially, we measure the impact of somebody seeing an ad, and when that impact goes away over time, we know that the attribution window is over.”

Regarding specific metrics that marketers track within PDM campaigns, “We lean heavily on that lift metric,” said Nick Dujnic, vice president of marketing at PebblePost. “We look at conversion rate lift and really think about where we’re driving impact and illustrating that impact for our brands.

“In terms of everything else, you see a lot of metrics you’d be familiar with from digital,” Dujnic continued. “So, cost-per-acquisition, cost-per-action, ROAS and average order value are some things that are tracked. Some partners are going to have the horsepower to go deeper and really work with a brand to help them understand where they’re driving incremental value from a technology standpoint as well as incremental value compared to other channels that you’re working with.”



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Campaign optimization is a significant consideration for all marketing teams; how are teams optimizing PDM campaigns?

Because PDM is an always-on strategy driven by machine learning and algorithms, it uses consumer intent signals to optimize online-offline connections.

Anytime a consumer makes a purchase, and the brand can record that conversion and attribute it back to a specific consumer, PDM platforms can match that transaction with the mail sent. In this way, PDM offers information its traditional counterpart doesn't.

To maximize a brand's first-party data, for example, they can connect it to a large set of customer profiles — an identity graph, for example. This shared resource benefits all parties contributing to it and allows for identity resolution optimization, targeting and measurement in a privacy-compliant, hyper-accurate way, reaching the most relevant consumers.

"Optimization with PDM is performance-based, meaning it uses a marketer's budget and performance goals, such as CPA or ROAS, when identifying and engaging audiences," Dujnic said. "PDM relies on machine learning algorithms to separate intent signals from the static when optimizing PDM programs, so marketers can better optimize these campaigns by leveraging first-party data, having an always-on mentality and going wide with their targeting criteria."

The more data marketers can provide that teaches the algorithm what good data looks like, the better. This can include CRM, website and transactional data, which can also help improve identity resolution to increase reach.

And because machine-learning algorithms are constantly learning and improving based on what's working, every time marketers run a campaign, it gets smarter. So, by continually running campaigns and generating browsing and buying signals, the team inherently optimizes their PDM programs.

This is helpful as teams refine who they do and do not want to target. Because PDM operates via household addresses, marketers can cleanly suppress anyone they don't wish to receive their campaign marketing messages.

However, one note regarding audience optimization and segmentation is to avoid deep segmentation.

"Again, the more data, the more signals, the better," said Dujnic. "If you limit the scale of the audience, you limit the signal and are removing one of the key benefits of machine learning, which is that it can find audiences you might not have known were in-market for your product or service thanks to its ability to identify patterns the human brain by itself can't."

The approach could cut through some marketing noise, but what if I've never run a direct mail campaign before?

This question is very common. However, most PDM marketing teams haven't used traditional direct mail before. The good news is that because PDM is a channel that operates much in the same way as other digital marketing channels, the learning curve has been manageable for most

advertisers. Also, PDM partners help often-stretched marketing teams succeed by providing expertise and guidance — and often do the heavy lifting.

What's the cost difference between programmatic direct mail and digital campaigns?

The most significant difference in the costs and margins associated with PDM compared to digital are those associated with printing and mailing the physical media to homes.

So, while the costs of physical mailpieces are a bit more, the returns on investment are higher than some digital marketing campaigns. The average ROI for every \$1.27 spent on direct mail is about \$4.09, while pay-per-click campaigns, for example, generally average \$2 for every \$1 spent.

Furthermore, the cost of physical mail is less volatile as postage is regulated by the

government and not subject to auction dynamics that can change prices with swings in supply and demand for digital campaigns.

Also postage-rate changes are disclosed in advance, generally follow inflation and are reasonably predictable. Because of this stability and transparency, marketers can plan PDM campaigns with cost in mind. In contrast, digital marketing channels are seldom characterized by the same kind of regulation, security or oversights that create more stable and transparent pricing for paper mail.

Speaking of regulations, how does privacy factor into PDM campaigns?

As lauded as third-party cookies have been, in many ways, they were never ideal. They don't last very long within the context of a campaign — anywhere from 24 hours to about two weeks until most browsers would get rid of them — and they're fragile: consumers can delete them on their own at any time.

Programmatic direct mail relies on household identifiers instead of third-party cookies, and household identifiers

are relatively persistent (most people move around 10–12 times in their lifetime) and hard, if not impossible, to delete. These identifiers can still be connected to consumers' online shopping behaviors via brands' first-party data, so marketers can then communicate with them offline at the household level without the need for third-party cookies in the first place.

What about the demands of design? How does my team create a compelling paper mail asset if we've never made one before?

To ensure a marketing team's mailpiece delivers robust results, the first step is keeping the copy simple, direct and straightforward. Placing branding on both sides of the mailpiece is also essential, so no matter which side a consumer picks up, they know who it's from. Even though PDM is primarily a performance-driven medium, there is always a brand awareness aspect.

Additionally, successful PDM assets feature big and bold product or lifestyle imagery that will capture people's attention and evoke an emotional response.

In addition to these mailpieces functioning as brand awareness to ensure they are well set up for capturing performance, there are a few other things to keep in mind.

"We recommend using promo codes but with a caveat," said Dujnic. "They can be very effective in creating urgency, but you don't want to use those as a primary indicator of performance or as your only means of attribution. And then, because we're making the connection from the digital to the physical with PDM, to take that physical media and turn it back into digital action, the easiest way to do that is through QR codes. It's the smoothest transition, and you can think of it as a click on a postcard."



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How do we choose the programmatic direct mail partner to help us get started?

The right PDM partner not only provides insights into the best practices and strategies for adding this channel into the team's marketing mix, but they can also help teams understand its overall impact and performance.

But before diving into the hunt for a PDM partner, Dujnic recommends marketers do research ahead of time to understand the direct mail space and what they're getting into. Since there are a wide variety of vendors, it's essential to brush up on industry knowledge and ask prospective partners the following questions.

- Does the vendor offer more than just automation?
- Does the vendor use real-time online intent data?
- How much support does the marketing team need?
- How will the vendor help the marketing team gain confidence that the investment it's about to make will work (i.e., does it offer strong performance measurement and attribution)?
- How will the vendor help align PDM campaigns with existing marketing channels?
- What is the vendor's post-cookie strategy for success?

To ensure that a prospective partner is trustworthy and privacy-safe, marketers should ask how the partner intends to use the data, how long they'll keep it and in what form it will exist.

"A lot of brands want to say, 'I want you to use the data for my campaign but never again afterward,'" said Mason. "Unfortunately, that's not a reality when you contribute to a data asset that enables a marketing partner to provide services to you. It's a give-to-get model. Ask, what does that data look like when it's in your graph? Is it aggregated, or is it anonymized? What are your security and privacy credentials, and what are your deletion practices and so forth?"

Regardless of whether marketers have engaged with direct mail before, PDM operates similarly to many other digital marketing channels, making it familiar to most teams. As online identifiers and cookies continue to disappear, more and more marketers are turning to PDM to run performance-driven campaigns that deliver relevant messaging to consumers in a privacy-forward manner and in a way that respects their time.

About PebblePost

PebblePost is the industry leader in next-generation addressable marketing, enabling brands to engage decision-ready consumers across the online and offline moments that matter via Programmatic Direct Mail.

Fueled by billions of shared 1st-party identity, intent, and transaction signals, PebblePost's platform enables brands to quickly and easily engage addressable audiences with active purchase intent and measure performance across all points of sale with address-level accuracy. With these powerful audiences and analytics on their side, brands can build a sustainable marketing engine, creating impactful ways to engage consumers and fostering profitable growth with full-funnel solutions tuned to their data and goals.

Hundreds of leading brands trust PebblePost to help them grow profitably through performance-driven marketing strategies built around their first-party data and goals. PebblePost is based in New York, New York with offices across the United States.

Learn more at www.pebblepost.com or click [here](#) for a quick overview.

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