The use of the Internet and smartphones has catalyzed digital advertising’s growth and disrupted the entire marketing industry. Advertisers have shifted significant dollars to digital channels to reach consumers anywhere, anytime. This phenomenon is manifested in the rapid rise of digital advertising, whose share of total advertising spend jumped from zero percent to 30 percent in just 20 years.

In the midst of this industry upheaval, advertising mail has, remarkably, fared better than other traditional media channels, maintaining a consistent 10 to 12 percent share. However, this steady performance may not hold — as the digital revolution continues, advertising mail remains susceptible to digital diversion. Advertising budgets are still tight, and digital channels continue to attract advertisers at a faster rate than any other traditional channel by offering less expensive and simpler options.

To maintain relevancy in this increasingly digital world, this paper identifies two opportunities for continued innovation for advertising mail. First, the Postal Service should continue building the bridge between consumers’ physical and digital lives. Digital integration fuses digital technologies with advertising mail to strengthen its relevancy for recipients through an immersive experience. The Postal Service already promotes this integration, but it has an opportunity to attract more advertisers by working with its partners to update its offerings in response to a rapidly changing environment and unfolding technological opportunities. The digital integration innovations featured in the paper focus on reactive mail, mobile coupons, and virtual reality.

Second, the Postal Service could make mail easier to use for small businesses by providing platforms for simple mailing tools to help with design, measurement, and purchasing. Small businesses could benefit from advertising mail’s superior response rate, but the barriers to entry to the postal system are often significant for this market segment. Until it is easy and cost effective for small companies to create, send, and monitor advertising mail campaigns, the Postal Service may continue to miss these potential customers.

The suggestions in this paper are not exhaustive, but build on previous work to provide illustrative examples of the types of innovation the Postal Service should continue exploring. The Postal Service and its partners must continuously work together to develop products and tools that leverage technology to complement and embrace the innovations afforded by today’s digital advertising environment.
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Introduction

Over the past 20 years, digital advertising grew from having virtually no advertising spending to making up about 30 percent of advertising spending in 2015. Advertisers embraced this new channel because it was less expensive than traditional advertising, it was novel, and it reached consumers online, where they were spending an increasing amount of time. Although advertising mail’s share of total spending remained steady at 10 to 12 percent during the same period, no advertising media is immune to the continued rise of digital advertising.

Emerging generations of digital-first consumers, the rise of smartphones, and the rapid pace of technological development are further exacerbating this advertising paradigm shift — posing a threat to traditional advertising channels like mail. Moreover, long-time mail advocates within companies are retiring and being replaced with fresh-faced marketing staff that do not have experience with advertising mail. In order to protect and grow a strategically important business, the U.S. Postal Service must continue to innovate its product offerings to keep pace with and address changing consumer expectations and industry trends.

With this as context, the U.S. Postal Service Office of Inspector General (OIG) researched advertising mail modernization opportunities by interviewing industry and technology experts, attending and hosting events to monitor trends and learn from industry stakeholders, and exploring related technological innovation. The OIG’s research revealed two categories of innovation strategies that the Postal Service and its partners could employ: (1) digital integration and (2) small business solutions.

First, this paper explores three opportunities to fuse digital technologies and capabilities with advertising mail: enabling data-driven mailing through reactive mail, developing a postal platform for mobile couponing, and fostering virtual reality (VR) applications. While the Postal Service has started work in these areas, this paper offers potential next steps. Second, this paper outlines three platforms that could simplify the mailing process for small business advertisers, whose dissatisfaction with advertising mail may be driving them to digital alternatives. These platforms include: creating a mailpiece design gateway, providing a measurability dashboard, and offering a one-stop shop buying experience to meet different needs and budgets. By employing these two avenues of innovation — digital integration and small business solutions — the Postal Service and its partners could enhance the value of the entire mail chain by increasing advertising mail’s relevancy to recipients and attracting new mailers, like small businesses and digital-first advertisers.

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Digital Integration

The OIG’s past work on mail innovations illustrated that fusing the capabilities of digital platforms and devices with mail can provide increased customer engagement and better results for advertisers. This connection can link consumers’ purchase behaviors and brand engagement across their physical and digital lives — a capability that is highly sought out by marketers — to provide the right message at the right time. The Postal Service recognized the value that both senders and recipients receive from increased digital integration and created a marketing campaign called “Irresistible.” It included a catalog of mail innovations and a website, *Irresistible Mail*, highlighting techniques mailers could use to enhance their campaigns and further engage recipients. To incentivize the use of featured digitally integrated mail innovations, the Postal Service also offers periodic postage discounts to mailers who use the innovations. This section explores three types of digital integration, two of which the Postal Service plans to promote in 2017, as well as ways the Postal Service could further help mailers leverage these innovations to create successful mail campaigns. The three types of integration are data-driven mailing, mobile couponing, and VR.

Data-Driven Mailing: Reactive Mail

For advertising to be truly effective in today’s competitive and fragmented marketplace, it needs to reach key consumers with customized messages at the right moment in the purchase process. Traditionally, retailers used customer relationship management (CRM) systems to track customers’ past in-store purchases to target future mailings. Digital platforms are able to capture more information about consumers because they can track online browsing history, rather than just purchase data. Because of this, digital platforms have been able to reach consumers with the right advertisement at the right moment in the customer journey.

The rise of programmatic advertising allows for hyper-targeting, where every Internet banner or display advertisement could be related to past searches or current geographic location. The ability to offer real-time, personalized digital advertisements is extremely appealing to companies trying to reach consumers, who are over-saturated with advertising messages. Until recently, such capabilities were not available with advertising mail. However, emerging “reactive mail” companies can now harness digitally collected insights to create thoughtful, targeted mailings. Reactive mailing campaigns provide targeted advertisements, through either a mailpiece or digital advertisement, which respond to a consumer’s interest in a product or brand. Using digital data to link a consumer’s physical and digital life could heighten the relevancy of mail messages, optimize delivery timing in the consumer purchase journey and, in turn, drive a campaign’s return on investment (ROI) — a key to attracting future advertisers to mail. Figure 1 describes two models reactive mail companies use to harness digital information to better target customers.

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10 Programmatic advertising uses software to analyze a computer’s location and past browsing history. Armed with this information, the software places bids for its advertisement to be shown, bidding more if the computer fits the profile of the targeted user.
11 Reactive campaigns are also known as “programmatic direct mail,” a phrase that was recently trademarked by PebblePost.
The first model, employed by company PebblePost, uses consumers’ real-time online activity to send them a personalized mailpiece. When a consumer visits a website online, the brand can engage that potential customer with a First Class mailpiece that’s delivered into postal hubs within 12-24 hours. PebblePost reports an average response rate of over 20 percent for mailings that follow an online website visit, which is 200 times more effective than the average response for display advertising alone.

The second model, employed by company DirectMail2.0, uses a mailpiece to direct consumers online, to the advertising company’s website. Once there, the reactive mail software collects the computer’s address and sends digital advertisements to follow the consumer as he or she browses the Internet. This digital reminder leads consumers back to the advertiser’s website more often than a mailpiece or a digital advertisement alone. DirectMail2.0 has seen clients generate approximately twice the amount of sales from a prospecting mailing campaign after applying their reactive model.

The initial results from both models are promising. Reactive mailing campaigns can link sophisticated digital data analytics with mail’s inherent higher response rate. Moreover, reactive mail campaigns also allow for better tracking and provide insights into how their customers’ journeys evolve from digital channels to mail and vice versa. Being able to understand which mailpieces drive consumers online can help companies create more effective mailpieces for future campaigns and increase the relevancy of advertising mail to individuals. Lastly, reactive mail campaigns allow for attribution to the mailing that spurs the online purchase—a key metric of success. Overall, reactive mail could be a pivotal innovation that begins an advertising mail renaissance by illustrating the power of physical-digital integration.

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14 DirectMail2.0, “How it Works,” http://directmail2point0.com/how-it-works. Through its system, DirectMail2.0 can count the number of times a prospective customer sees the online advertisement, how often they visit the advertiser’s website, and whether conversion occurs, allowing advertisers to understand consumers’ responses to its mail campaigns.
15 The computer’s address is an Internet Protocol (IP) address, which is a unique number that is attached to all the online activity happening on one device. WhatIsMyIPAddress.com, “IP 101: The Basics of IP Addresses,” http://whatsmyipaddress.com/ip-basics.
16 Marketing Results Case Study provided to the OIG by DirectMail2.0.
Reactive Mail Opportunities for the Postal Service

There are two ways the Postal Service can encourage the use of reactive mail: (1) expand promotions to further encourage reactive mail’s use, and (2) enhance the Informed Delivery pilot program with reactive capabilities.

1. Expand promotions to further encourage reactive mail’s use. For its 2017 promotions, the Postal Service is expanding its Emerging and Advanced Technology Promotion to include reactive mail. However, the details of this promotion have not yet been released. Nevertheless, the Postal Service could consider offering promotional discounts that encourage the use of different mail types in reactive campaigns. Reactive mailers generally send postcards to reach customers. However, promotions could incentivize them to send higher value pieces, such as samples or catalogs, in response to online browsing behavior.

Postal Service might also consider encouraging A/B testing for reactive mail campaigns to foster optimal mailpiece creation. A/B testing is when two versions of an advertisement are created to determine which one performs better. By creating two similar, but unique campaigns, an advertiser can track both mailings to test different campaign elements, such as design, call to action, or offer. Understanding which mailing is more effective would lead to a better use of advertising dollars in future mail campaigns. This information would also help the Postal Service educate mailers, or potential mailers, about the effectiveness of reactive mailing campaigns. While the Postal Service offered an A/B testing option for promotions in 2016, it will not offer A/B testing in its 2017 promotions.

The Postal Service could also develop promotions encouraging digital-first advertisers, that do not mail, to apply the concepts heralded by reactive mail firms. For example, the Postal Service could work to attract new mobile “moment marketing” companies, like Kiip, by offering a physical touchpoint with consumers. Kiip is a reactive, mobile platform that integrates into third-party mobile apps. Kiip targets in-app moments of achievement to surprise and delight users with a variety of rewards, ranging from coupons to virtual currency. For example, logging a workout on a running app could spur a coupon for a free sports drink. The Postal Service could offer promotions to attract companies like this to use mail, rather than just mobile advertising. Instead of a prize delivered via mobile, these activities could also be rewarded with a personalized coupon in the mail. Combining data from multiple digital touchpoints could further bridge the gap between consumers’ online and offline lives, leading to mail that not only delights consumers in new ways, but also provides business intelligence to advertisers.

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19 The OIG recently conducted an audit of the Postal Service’s samples offering and noted that a trend for the current samples market is the sending of targeted samples. OIG, Mailed Samples Market, Report No. MS-AR-16-004, June 1, 2016, https://www.uspsogov/sites/default/files/document-library-files/2016/MS-AR-16-004.pdf, p. 6. Developing a reactive campaign to send targeted samples in response to online browsing behavior would align with this current trend.
2. **Enhance Informed Delivery with reactive mail capabilities.** Through its Informed Delivery pilot program, the Postal Service provides a way to foster a digital and physical connection between consumers and their mailboxes.\(^23\) The program, which is currently available in Northern Virginia and the New York Metro Area, sends a daily digest email to subscribers with pictures of the outside of the mailpieces that will be delivered that day.\(^24\) The daily emails have high open rates of between 70 and 77 percent, and they allow advertising mail to reach household members that do not sort the mail, who might otherwise not get to see discarded items.\(^25\)

The Postal Service could further enhance the Informed Delivery pilot program, set to launch nationwide by 2017.\(^26\) The Postal Service announced at the 2016 National Postal Forum that it is planning to investigate ways to use Informed Delivery as a launch pad into other channels and give mailers more control over the presentation of their mailpieces.\(^27\) The Postal Service also plans to enable advertisers to further engage with consumers who opened and expressed interest in their advertisements by converting the scanned mail images from static pictures to clickable links.\(^28\)

Enhancing the Informed Delivery program presents an opportunity for the Postal Service to further explore partnerships with reactive companies, as well. Instead of just providing a clickable link related to a mailpiece, reactive mail companies could provide deeper integration. For example, reactive mailers could create digital advertisements that would begin targeting a customer once he or she opened the daily digest and saw a mailpiece from a specific company. Allowing the integration of reactive mail capabilities into Informed Delivery could provide greater program functionality for recipients and even higher ROI for mailers, since recipients would see the call to action multiple times. Equally important, reactive mail capabilities could improve the ability to attribute the digital activity to the mailpiece by clearly linking the two.

### Mobile Couponing

Instead of clipping coupons, many people are searching for them online, at home, or from their smartphones in the store. The move to digital coupons is more than a passing fad — it is estimated that 59 percent of Internet users will redeem digital coupons at least once in 2016.\(^29\) Even with this trend, billions of coupons are still sent through the mail each year, and it is important that the Postal Service foster this business while customers from various age segments still value mailed coupons.\(^30\) Half of all respondents in a recent coupon trend study reported that they look through a printed circular before grocery shopping, and 46 percent of consumers reported a preference for print coupons.\(^31\) That said, the convenience of digital coupons could chip away at mailed coupons’ dominant position, especially as younger, more digitally-connected generations gain buying power. One way the Postal Service could uphold the value of mailed coupons to senders and recipients is through a digital redemption platform for physical coupons.

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24 Ibid.
28 Al Urbanski, “USPS’s Digital Mail Program Will Go Nationwide in 2017.”
The Postal Service — with its trusted brand, industry connections, and large consumer base — is well positioned to offer a platform via its USPS Mobile app to convert mailed coupons into digitally redeemable coupons. The mobile coupon platform would leverage the higher response rates associated with mailed advertisements and also engage consumers who want to redeem coupons digitally. Using a mobile platform could provide added value for coupon users. For example, the USPS Mobile app could notify users when they are near a store for which they have a coupon or notify them when a coupon is approaching its expiration date. To develop the platform, the Postal Service could create its own solution or collaborate with a company that has already developed this technology, such as SnipSnap, whose platform is profiled below. Both options are worthwhile explorations for the Postal Service.

Figure 3: SnipSnap’s Mobile Coupon Scanning App

While the digital coupon market is mature, the market to convert hard-copy coupons to digital coupons is not as developed. Manufacturer coupons — which come directly from the company producing the good (for example, General Mills), rather than the store selling the good (for example, a grocery store) — are oftentimes left out of coupon apps that generally rely on store partnerships. As a result, apps that convert digital coupons work for select stores, but do not include manufacturer coupons. The Postal Service, as a neutral third party with a vested interest in prolonging the viability of mailed coupons, could help close this gap with a coupon platform.

36 SnipSnap, “About Us,” http://www.snipsnap.it/about-us./
The Postal Service could partner with a digital provider that understands the technology and marketplace of digital coupons. The digital provider would benefit from the partnership because of the Postal Service’s connections to companies that mail manufacturer coupons. For consumers, this could provide a single, one-stop app to collect all their physical coupons, rather than one-off options provided by company-specific apps. Integration of an existing coupon app’s technology into the USPS Mobile app could grow the overall market for coupon users by providing the service to a larger user base. For example, SnipSnap has been downloaded by over 5 million users, while the Postal Service’s app has been downloaded by more than 7 million users.\(^{37}\)

Alternatively, the Postal Service could host a physical-to-digital coupon scanning platform itself. The Postal Service could address digital cannibalization concerns by providing access to only physical, mailed coupons and digital coupons relating to postal offerings on its platform. The Postal Service could enhance the platform by offering coupons for goods sold at post offices or on usps.com, such as shipping and mailing supplies.\(^{38}\) For example, the Postal Service could offer a 15 percent off coupon for ReadyPost shipping and mailing supplies to customers who download the USPS Mobile app. Offering coupons for such items could attract new customers to the Postal Service’s app, increase foot traffic in Post Offices, and create a way to introduce new postal products to customers.

The Postal Service could also offer access to its platform for postage-related, digital coupons through partnerships with retailers. For example, a retailer could reward loyalty customers by offering digital coupons for free next day shipping or free returns shipping on the USPS Mobile app. In this instance, the retailer would still pay for the item’s shipping through the Postal Service, but the customer would receive a better, less expensive shipping experience using USPS. Partnering with retailers to offer digital coupons on the platform could give them a reason to choose the Postal Service for their future shipping needs, and it could also entice customers who received the coupons to use the Postal Service in the future.

Incorporating a mobile coupon platform into the USPS Mobile app, either through a partnership or on its own, would help ensure that the Postal Service’s app continues to meet the needs and expectations of its increasingly mobile customers. As mobile coupon redemption is expected to continue growing, developing a mobile coupon platform would help bridge the gap between consumers’ physical and digital lives, thereby encouraging advertisers to take advantage of the higher response rate of mail coupons and the convenience of digital organization and redemption, prompting higher recipient engagement.\(^{39}\)

**Virtual Reality**

The third way mail could be enhanced through digital integration is VR, which the Postal Service is including in an upcoming promotion.\(^ {40}\) Many predict that the evolution of augmented, mixed, and VR technology will be the biggest digital disruption since the adoption of personal computers.\(^{41}\) These wearables leverage virtual, artificial intelligence to enable their users to experience and understand content in new ways.\(^ {42}\) While augmented reality (AR) has been accessible to anyone with a smartphone for years, VR has been largely out of reach for most Americans, as consumers mainly used VR headsets for gaming through a computer or game console. This is quickly changing, as relatively low cost VR headsets with smartphones are now available.\(^ {43}\)


\(^{38}\) Any such coupon (or the related discounted rate) must comply with applicable provisions of Title 39 and be approved by the Postal Regulatory Commission.


\(^{40}\) Postal Regulatory Commission, United States Postal Service Notice of Market-Dominant Price Adjustment, p. 7-8.

\(^{41}\) Augmented reality provides see-through displays, mixed reality devices function as fully transparent displays, and VR provides fully immersive displays. Annette Zimmerman, Tuong Huy Nguyen, and Brian Blau, “Goodbye Smartphones, Hello HMDs,” Maverick Research, September 16, 2015, p. 7.


Noting these trends, the Postal Service has included AR in its mail promotions since 2013, and is including VR in its 2017 promotion calendar.44 The Postal Service has not yet released detailed information about the promotions, such as how mailers could use VR in their immersive advertising, but this is imperative, since the technology could redefine the way advertisements are experienced and digital content consumed.45 Using this technology optimally will be important to mailers, as VR applications can be expensive and time consuming to create; mailers will want to ensure they are effective before investing in them. The OIG examined ways advertisers could integrate VR into mail campaigns.

What is Virtual Reality?

While AR and mixed reality use processors to collect data about a person’s environment and overlay pertinent digital information, VR fully immerses the user in a three-dimensional, digital world wherein the user can interact with his or her environment in a seemingly real way.46 With VR, a user can load an application in a VR headset to experience a 360-degree “real-life” environment like playing a sport or game. Figure 4 explores some of the key ways VR is changing media consumption.

This is the perfect time for advertisers to ride the next wave of digital innovation, as VR headsets are now attainable by the masses. Light mobile VR headsets, which use a smartphone to play VR applications, hit the market in 2014 and are both inexpensive and lightweight — a stepping-stone to mass customer access to and engagement with virtual content.47 See Figure 5 for further details. Google revolutionized this space with its introduction of Google Cardboard, which costs 10 to 70 times less than other types of VR headsets.48 Google provided manufacturers with exact specifications to create their own headsets to increase the public’s access to VR.49

Opportunities for the Postal Service with Virtual Reality

The Postal Service can leverage two types of VR opportunities: (1) shipping of VR headsets to users, and (2) inclusion within digitally integrated campaigns.

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The Postal Service has an opportunity to motivate advertisers and technology firms, through the use of negotiated service agreements, for example, to use the Postal Service as their shipping provider for VR headsets, especially light mobile VR, which can be folded and sent in an envelope. Quad/Graphics recently created and sent light mobile VR headsets made with flexible, rather than corrugated, cardboard. According to Tim Fox, the company’s director of customer products, the flexible viewer was created with the Postal Service’s sorting machines in mind. Shipping a light mobile VR headset could generate revenue for the Postal Service while encouraging recipients to try an exciting immersive experience through the mail.

The advertising potential of VR is also promising: “Advertising in VR is still in its very nascent stages, but based on the early consumer response to our ad units, it is clear that VR-based video ads work extremely well,” said Mihir Shah, CEO of Immersv, a mobile VR advertising company. The Postal Service’s inclusion of VR into its 2017 Emerging and Advanced Technology Promotion will prompt mailers to explore VR applications with advertising mail. However, the Postal Service has not yet released details, as it has done with past promotions, regarding the type of virtual integrations are eligible for the promotion. Examples of VR in advertising mail are not currently given through the Irresistible Mail website, either. To ensure that advertisers participate in and understand the promotion, particularly those new to VR, it would be beneficial for the Postal Service to provide mailers with examples of how they might integrate VR into a mail campaign.

There are a number of ways VR advertisements using mail could develop. Some specific applications could be product demonstrations, movie previews, and shopping, each of which is highlighted in Figure 6 below. As the applications in this area develop, the Postal Service has the opportunity to help advertisers see a role for mail in VR and connect them with qualified providers to generate successful campaigns from the very beginning.

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52 The Postal Service made an initial request to add VR to its promotions for 2017, which was approved by the regulator, and it has released its 2017 promotion calendar. It has not provided details on any promotion. U.S. Postal Service, “2017 Mailing Promotions Calendar,” June 24, 2016, https://ribbs.usps.gov/mailingpromotions/documents/ttech_guides2017ProposedPromotionsCalendar.pdf.

53 U.S. Postal Service, Irresistible Mail.

54 In the past, the Postal Service has provided explicit instructions on how innovative technology must be used to be eligible in promotions and has also provided examples of successful use cases through Irresistible.
Figure 6: Advertising with Virtual Reality

Figure 6: Advertising with Virtual Reality

Product Demonstrations
Advertisers are beginning to take advantage of the opportunities provided by VR. Now, consumers can experience a brand or product from the comfort of their home. Watch the video below to discover how Volvo sent out light mobile VR headsets that unlocked an immersive advertisement to promote its new vehicle.*

Click to watch the video:


VR Movie Previews
An advertiser, such as a movie production company, could send a movie theater’s top customers a mailpiece with a QR code or AR feature that would lead the recipient to a VR movie preview. A number of movies have recently released 360-degree previews that can be viewed on a light mobile headset.

Combining such an immersive type of digital advertising with a tactile mailpiece could create campaigns with unparalleled engagement and consumer recall.

Virtual Shopping
Virtual Reality could also connect users to a virtual retail store. eBay partnered with Australian retailer, Myer, to create a virtual department store, allowing users to experience products in a new way.**

Click to watch the video:

The Postal Service’s VR promotion could incentivize mailers to provide a link to a VR experience in their mailings or to include a flat, folded light mobile headset. These shopping experiences could spur a parcel delivery, as well.


Providing advertising mailers with examples to explain how, why, and when VR can provide a beneficial experience for recipients is critical to the success of the promotion and, more broadly, digital integration. This has been a challenge for the Postal Service and advertisers in the past. For example, advertisers misused QR codes, providing broken codes and codes with incomplete digital destinations, which damaged consumer acceptance of the technology. Although examples and best practices may not be available for some emerging technologies, ensuring a consumer’s first experience with a new technology is seamless, useful, and worthwhile is critical to the continued use of that innovation.

The Postal Service faced this problem in its first AR-specific promotion in 2013, and could apply the lessons learned to its VR promotion. At the onset, the promotion’s requirements were very broad, encapsulating virtually all uses of AR. The next year, the Postal Service provided more specific instructions in its promotion, stating the AR had to connect to a shopping experience. This could be because mailers did not employ


56 The Postal Service already has a process to review mailpieces to ensure they meet the promotion’s program requirements, but providing concrete and easy-to-access examples of successful uses of a new technology as quickly as possible could inspire businesses unfamiliar with the technology to use it optimally. See, for example, U.S. Postal Service, 2016 Emerging and Advanced Technology/Video in Print Promotion Program Requirements, January 14, 2016, https://ribbs.usps.gov/mailingpromotions/documents/tech_guides/2016EmergingandAdvancedTechnologyPromotion.pdf, p. 13.

57 The requirements were to “engage in an augmented reality experience that is facilitated by a mobile device or computer. The augmented reality experience must have the following characteristics: it combines real and virtual experience, it is interactive in real time, and it is in 2-D or 3-D.” These specifications are true of all AR. U.S. Postal Service, 2013 Emerging Technologies Promotion Program Requirements, June 25, 2013, https://ribbs.usps.gov/mailingpromotions/documents/tech_guides/past/EmergingTechProgramReq.pdf, p. 2.

useful applications of the technology in 2013; instead, they did the minimum amount required to get the discount. In a Postal Service webinar hosted before the 2014 promotions start date, the USPS representative emphasized AR had to have utility for the recipient to be eligible for the promotion.\textsuperscript{59} Utility should be paramount from the start, to ensure recipients are receiving quality, engaging mailpieces.

**Small Business Solutions**

The second category of innovations would make it easier for small businesses to use mail. While about two-thirds of medium and large businesses use advertising mail, only one-third of small businesses do.\textsuperscript{60} Out of the small businesses that do use advertising mail, almost half are not satisfied with the Postal Service’s offerings, and they prefer digital advertising alternatives.\textsuperscript{61} Digital platforms (for example Google Ads and Facebook for Business) have structured their platforms to make purchasing digital advertising simple and automated for small businesses, without the need for an expensive, third-party agency or intermediary.\textsuperscript{62} Also challenging is the negative perceptions small business have about advertising mail, as well as advertising mail’s higher per unit cost compared to digital advertising alternatives; both of which disproportionately affect smaller firms.\textsuperscript{63}

OIG research indicated that the Postal Service could serve small businesses better by simplifying the advertising mail process by providing mailing platforms, analogous to digital advertising offerings, which would connect mailers with service providers. The three promising platforms include: (1) a mailpiece design gateway, (2) useful measurement tools to capture delivery data, and (3) an auction platform to simplify the buying experience. Such offerings, when paired with reliable service, affordable pricing, trustworthy metrics, and mail’s higher response rate, could demonstrate a compelling value proposition for advertising mail — even in the face of digital alternatives. By creating tools that are simple, save advertisers’ time, and ensure they are getting the best value from service providers, the Postal Service could help attract small businesses to use advertising mail.

**Mailpiece Design Gateway**

Companies that use advertising mail often create their designs in-house to give to a printer for final processing and mailing, or they work with a mail service provider (MSP). However, both options can make the mail process lengthy, complex, and more expensive compared to digital alternatives and, therefore, less accessible and appealing to small businesses. To overcome these potential hurdles, a number of international posts simplify the design phase of a mail campaign by offering turnkey, online solutions. However, the Postal Service operates in a unique market with many third-party MSPs and designers, who offer mailpiece creation services. The Postal Service could work with these providers to help meet the needs that the market is not currently addressing effectively — making advertising mail accessible to a distinct market segment that is arguably underserved.\textsuperscript{64}


\textsuperscript{60} Dan Barrett, “Emerging Trends in Mail Engagement,” slide 12.

\textsuperscript{61} Ibid, slide 14.


\textsuperscript{63} Dan Barrett, “Emerging Trends in Mail Engagement,” slide 14 and OIG, Advertising Mail: Past and Present, p. 1 and 25. In addition, according to the Direct Marketing Association, advertising mail has a higher response rate, and a competitive cost per conversion rate, compared to digital channels. See IWCO Direct, DMA Response Rate Report 2015. However, the Postal Service is challenged with overcoming negative perceptions about advertising mail, and the lack of understanding about its value relative to other media, in order to convince more small businesses, and those new to mail, to use advertising mail in their omni-channel advertising campaigns.

\textsuperscript{64} The U.S. Postal Service has mailpiece design analysts (MDA), but these analysts do not create mailpieces for customers. They mainly review mailpieces that customers have already designed to provide technical assistance and evaluate for automation compatibility. U.S. Postal Service, “MDA Customer Service Help Desk,” https://ribbs.usps.gov/index.cfm?page=msasupport.
Postal Design Offering Abroad

Noting the needs of small businesses, a number of international posts now offer online mailpiece design tools through a combination of partnerships and internal teams. The following table summarizes a number of key mail design offerings.

### Table 2: Advertising Mail Design Platform Offerings, by Post

<table>
<thead>
<tr>
<th>Post</th>
<th>Product Name</th>
<th>Variety of Mailpiece Sizes</th>
<th>Mailpiece Design Tool</th>
<th>Free Templates</th>
<th>Professional Design Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>An Post</td>
<td>AdMailer</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Canada Post</td>
<td>Snap Admail</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Royal Mail</td>
<td>MailshotMaker</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Swiss Post</td>
<td>PostCard Creator</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: OIG analysis.

Royal Mail created its design tool, MailshotMaker, after its research uncovered that 69 percent of small businesses in the United Kingdom preferred handling all of their marketing internally. Providing a tool that enabled advertisers to easily design their own campaigns online helped attract new customers to mail. Similarly, An Post offered AdMailer after it realized that small and medium businesses in Ireland were relying on local press and radio advertising, rather than the mail. By creating these tools, small business have an easy entrance point to try mail. As another example, Canada Post’s Snap Admail allows customers to design their advertisement with the help of a complimentary designer from the Canada Post team by uploading their own design or choosing from hundreds of free templates. Figure 7 walks through the design capabilities available with Canada Post’s Snap Admail, which follows a path similar to the other mail design tools offered internationally.

The tools offered by the selected international posts help small businesses, especially those not familiar with mail, to create a well-designed, effective mailpiece. Such tools benefit recipients, as well as the posts, via additional volume as a response to effective campaigns. These tools provide the underpinnings of mailpiece design innovation that could be leveraged by the Postal Service and its partners within the U.S. framework.

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Many international posts offer design tools that allow advertisers to send simple direct mailpieces.

These easy-to-use tools can help companies lacking the resources to hire a designer to create effective advertisements.

Canada Post’s tool, Snap Admail™, has a four-step process, as well as design consultants, to help companies create an effective mailpiece.

Snap Admail™ is a trademark of Canada Post Corporation.

Source: OIG, with permission from Canada Post.
Opportunity for the Postal Service to Foster Small Business Mailpiece Design

In the United States, many third-party designers are available to advertisers wanting to design mail campaigns. In order to make these design options more accessible to new and small businesses, the Postal Service could create a mailpiece design platform to connect advertisers with designers who specialize in the type of mailing they want to send. For example, small businesses who want to send a full color, oversized postcard could look at designers who have worked on similar projects in the past. Advertisers interested in mailing, but with no sense of where to begin, could see all the potential options in one, easy to locate place, which would include the contact information of designers who register with the Postal Service.

Over time, designers and MSPs could add more functionality to their page on the platform. They could provide a portfolio of past work, offer template options, allow advertisers to submit their existing artwork and copy for review and suggested improvement, illustrate their ability to offer digital integration (e.g. those featured in Irresistible), or they could even offer design tools, for a fee, to help advertisers design pieces themselves. These options could allow the platform to function as a one-stop shop to save advertisers search costs, as well as offer a choice of basic services to attract small businesses on tight budgets to mail.

Useful Measurement Tools

While advertising design and reaching the right audience are important aspects of the advertising mail campaign process, measuring mailpiece delivery is essential to analyzing campaign success, planning future communication, and developing omni-channel advertising campaign coordination. The Postal Service allows mailers, via Intelligent Mail barcode (IMb) data, to monitor their mailpieces through the postal processing network. However, some small businesses and those new to mail do not use the IMb because of implementation costs and complexity. To incentivize these segments to use advertising mail, the Postal Service could develop a dashboard highlighting third-party tools to measure the delivery performance of mail.

Measurement Tools for Small Business Advertising Mailers

In order to attract small businesses to use barcodes on their advertising mailpieces, the Postal Service offers, free of charge, an Intelligent Mail Small Business tool that helps mailers generate the required barcodes, and an IMb Tracing tool that collects data as the mailpieces are processed on the Postal Service’s equipment. These efforts help small businesses to start using IMb and provide raw mail processing data, which can be used to estimate the delivery date of mailpieces. However, OIG conversations with mailers and postal stakeholders indicated that analyzing raw IMb data is difficult for small businesses, which lack the expertise necessary to manipulate the raw data files included in the IMb Tracing tool. Accordingly, small business IMb users would need to hire an MSP to analyze the IMb tracking data and present the data in an easy-to-understand dashboard. Yet, obtaining these capabilities makes advertising mail more costly and complex compared to its digital counterparts; small businesses using Google Analytics and Facebook’s business tools are provided a measurability

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68 The Postal Service previously tested an online advertising mail tool for small businesses by partnering with third-party providers to offer access to design templates and other services. However, the mailing community did not receive this initiative favorably because it appeared to promote some providers over others. The mailpiece design platform proposed in this paper should not have similar concerns, as many third-party providers would be available to advertise on the platform. See “USPS Testing ‘Direct Mail Hub’ for Small Businesses in Raleigh, Austin,” Postal News, July 12, 2011, http://postalnews.com/postalnewsblog/2011/07/12/usps-testing-direct-mail-hub-for-small-businesses-in-raleigh-austin/, See also “USPS Risks Print Industry ‘Distrust’ With Direct Mail Trial,” Post & Parcel, October 25, 2011, http://postandparcel.info/43147/news/usps-breeds-print-industry-distrust-with-direct-mail-trial/.


dashboard within the platforms. Small businesses, who are accustomed to having digestible measurability analysis provided to them by digital platforms at no extra cost, may not consider using advertising mail at all if they cannot receive usable data.

To address this market need, the Postal Service could explore partnerships with existing mail analysis providers to offer a dashboard that is easy to implement and inexpensive for small business mailers to use. A dashboard would allow small businesses to estimate the delivery date for their mail campaigns, identify undeliverable addresses, time follow-up mailings, and inform future campaign decisions — just as they can in the digital realm. Such intelligence could enable small businesses to develop omni-channel campaigns, which utilize the interplay of different media to reach customers along different channels. To make this type of campaign successful, an advertiser needs to know exactly when mail would reach a household in order to time the other elements accordingly. A simple, cost effective dashboard, provided by any group in the advertising or mailing industry, could incentivize small businesses to try advertising mail and improve their experience with the channel.

The Postal Service recently took steps to offer this type of dashboard for political mailers, called the Deliver the Win Dashboard, in advance of the 2016 election. Its aim is to help political mailers track when their mail is delivered and inform decisions about when to conduct follow-up mailings. The mailing community has expressed concern about the competitive nature of such a tool, noting they have long provided this service to advertisers. If the Postal Service, in its future efforts, partnered with providers who have developed measurability tools, the tools could be made more accessible to small businesses that do not have the internal capability of analyzing their mail. This partnership could benefit the Postal Service, the mailing community, and advertisers.

**Auction Platform for Mail Services**

To tie all of the tools that would make mail easier to use and more impactful together, the Postal Service could provide a platform to make the purchase of advertising mail as simple as digital advertising. Just as in the digital realm, mailers could decide how many people they want to target, what they want to send, and how much they want to spend. Currently, even if an advertiser does their own design work, they will likely still need to contract with an MSP for printing, list provision, and tracking. This search can add significant time and cost to mail campaigns, which could dissuade potential small business customers or those new to mail from the channel entirely.

In the digital realm, the advertiser gives the targeting and budgetary criteria to the advertising platform, which handles the dissemination of the advertisements. Deciding exactly where and when to advertise is largely completed through lightning-quick auctions on “ad exchanges” that occur all while a consumer’s webpage loads. This programmatic advertising is enabled through sophisticated computer programs that analyze consumer data and then place bids for the company’s advertisement to be shown. The amount bid for a specific website depends on the perceived likelihood that the advertisement will be effective. Although the software’s interactions with ad exchanges can be complicated, the entire buying process is automated and easy for the advertiser.

Similarly, the Postal Service could provide a comparable platform for advertising mailers. This platform could lead mailers through all the steps of a campaign and allow an advertiser to target a specific region, specify the type of mail (a letter versus a postcard), and select whether a printer, list provider, or designer was needed. The Postal Service would serve as a connection point between

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advertisers and all types of MSPs: printers, design firms, list providers, and mail houses. The MSPs could bid to complete either the full project or part of the project for which their expertise best aligns, as well as provide a price and timeline. The advertiser would then be able to choose the provider(s) that most closely met its needs. The Postal Service would open this platform to all service providers, but could provide additional value by streamlining the search process and establishing a verification process to ensure the provider’s legitimacy and capabilities for an advertiser. Such a system would create a one-stop shop that easily connects advertisers with the companies that serve the mailing industry.

Promoting Advertising Mail Innovation through the Platform

This platform could further incentivize the use of the Postal Service’s promotions featured in its marketing campaign, *Irresistible*, as well as its annual promotions. An auction platform could build awareness of mail innovations, but, more importantly, it could enhance participation in promotions and the use of innovation by directly connecting mailers with companies who create and integrate these design elements. The platform could also help customers understand their digital integration options and could be a stepping-stone for the use of new, innovative mail services. Currently, the Postal Service’s promotions and *Irresistible* campaign show examples of technologies, but do not give detailed implementation data. Many mailers are unaware of the promotions and available technologies, but the platform would allow them to research and communicate with service providers in an efficient way. For example, mailers could discover how to connect online activity with follow-up mailpieces through reactive mail campaigns, without having to know about or explicitly seek out this service on their own. Education about the tools available to strengthen a mail campaign is critical, but the tools must be easy to find and use to be practical.

Removing any barriers to finding innovative providers, presenting the digital integration options available, and explaining how to implement new tools could entice existing mailers, and even small advertisers, to try incorporating innovations to create higher quality advertisements. Incentivizing higher quality mailings would likely spur better engagement with mail recipients and, in turn, could lead to an increase in ROI for companies sending mail. Accordingly, an auction platform would enhance the value of the entire mail chain, while also providing more volume to the Postal Service. The platform could also provide the Postal Service with data about the type of mail campaigns companies are most interested in, which is information commonly known by mail houses but known to a lesser extent by the Postal Service. This would allow the Postal Service to better serve the wants and needs of small businesses, as well as businesses that work through a mail house. This system would benefit MSPs because they would be able to reach new advertisers who wish to begin mailing campaigns. All the while, recipients would be receiving better designed, targeted, and more innovative mailpieces.

Conclusion

Digital innovation has transformed the way consumers find, digest, and store information, and advertisers are continually adjusting their approach to ensure they are delivering precisely the right message at the right moment in the customer journey. The Postal Service, to its credit, has begun to modernize its advertising offerings in the face of changing consumer preferences through its promotions and campaigns supporting innovative technologies. However, it is critical that the Postal Service continues to encourage digital integration to improve relevancy of the mail channel. This paper explored three such innovations, and ways the Postal Service could further promote their use: reactive mailing, mobile couponing, and VR.

The Digital Age also changed advertiser expectations because digital platforms provide tools to make advertising campaign creation simple and inexpensive. As such, only a third of small businesses, with less resources at their disposal, currently send...
advertising mail. The Postal Service has the opportunity to continue engaging this group, as well as digital-first advertisers, by providing platforms for tools that make mail campaigns as easy to plan and run as digital campaigns. This paper explored three small business solutions that could attract this underserved segment: a design gateway, a measurability dashboard, and an auction platform to link advertisers and service providers.

Past work by the OIG has demonstrated that bridging the gap between advertising mail and the digital storefront leads to higher engagement, interest, and sales. By continually monitoring innovation trends and listening to advertising mail customers, companies that do not use mail, and recipients, the Postal Service can continue to provide new tools and incentives that make mail easy to use for advertisers and relevant to recipients.

80 OIG, Mail Innovations.
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