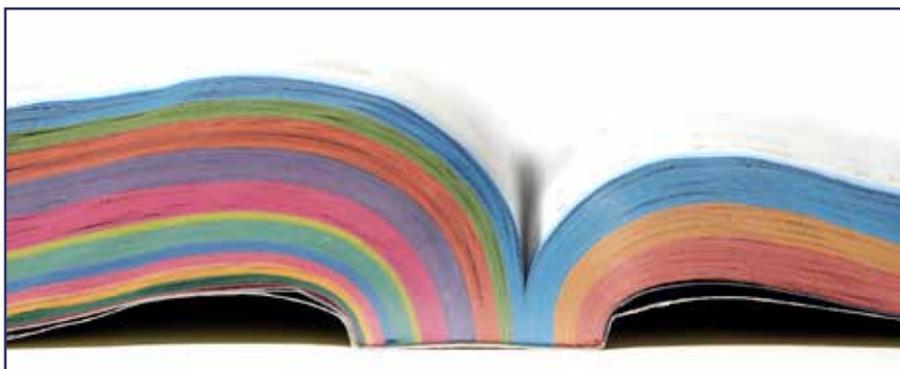


EUROPEAN POSTS LOOK TO CROSS-BORDER DIRECT MAIL FOR GROWTH

Michael Herson, Managing Director, The Strategy Works, examines the importance of cross-border direct mail for the European posts

International cross-border mail markets in Europe are generally more competitive than domestic markets.

For example, in the UK, Swiss Post, La Poste, Belgian Post and Direct Link (Sweden Post) do not compete with Royal Mail domestically but have done so for 12 years internationally. Swiss Post alone has a £40m international mail turnover in the UK. The main exception is TNT, which is not only a leading downstream access domestic competitor to Royal Mail, but is also the majority partner in Spring Global Mail (in which Royal Mail has a 24.5% minority shareholding).



All the players recognise that traditional cross border traffic is at best static if not reducing. Gary Simpson, Managing Director International, Royal Mail, states clearly *"Traditional cross-border mail is in decline"* Mark Eldridge, Director Strategy & Marketing, Spring, agrees - *"Transactional mail is a very steeply declining market; we see the volumes for invoices and statements moving on line and in certain countries it's really plummeting."*

Closing the loop

That said, new types of cross-border international shippers are seeking new and effective ways to market to their (e-commerce) customers.



Mark Eldridge

Operators such as Spring see an opportunity to offer a much broader range of added value services.

"You can combine returns with forward fulfilment distribution plus a catalogue, invoices and statements solution; and then you really start to bring the whole thing together and it's a complete solution for a customer - we call that a 'closed loop solution'" comments Eldridge.

Frederic Petton, Managing Director La Poste UK, agrees *"The biggest customers want some sort of project management ... BTB (recently acquired in the UK) adds*

consolidated mail, alternative delivery / direct entry; fulfilment and storage."

This concept of adding value also extends to fulfilment according to Simpson - *"From an international perspective, the fulfilment area of the business is the real challenge for us as we move forward."*

Direct Mail stimulated by e-commerce

All the mail operators interviewed see e-commerce driving up volumes of cross-border B2B and B2C traffic, but it is how they can stimulate related demand for direct mail that creates a further opportunity.

Eldridge - *"I think the postal industry should wake up to this and understand the role direct mail and catalogues have in complementing the online environment, they must work hand-in-hand. It's taking the 4PL concept that we've developed in the distribution environment, one step further."*

B2B: Viking Direct/ Office Depot

Eldridge cites two of Spring's major European cross-border clients *"We manage all of the catalogue volumes for Viking Direct across 10 countries, and in revenue terms, that's around £65m every year. With Vodafone, we've just signed a contract for their transactional mail, Direct Mail and Marketing POS material that will see us act as their 4PL supplier over the next five years - this means the management of up to 440m items a year across a potential 17 countries."*

Rene Crins, Director of European Projects for Viking / Office Depot, which mails 170m items annually, finds a standard invoicing structure across Europe, from a single postal operator, an appealing concept. In consequence, Office Depot has consolidated its printing facilities from 80 down to two.

Crins positions catalogues alongside direct mail and sees them as complementary channels, with the catalogue operating as a search engine and the web as the ordering tool. *“Our model is now web-centric supported by catalogues. Previously, it was catalogue-centric supported by the web. The catalogue has a more static and longer lifetime; whereas the web enables us to make faster product changes; supported by conventional direct mail / promotions to prompt people to view the latest model change or offer.”*

Far from bemoaning the fall in transactional volumes, Spring is actively partnering with Office Depot to develop electronic mail options as an alternative to transactional mail, recognising that this trend is inevitable.

B2C: J D Williams

J D Williams has recently launched a new German website for its flagship mail order brand Simply Be. With 34% of its €663m global turnover transacted online, it clearly knows how to make the e-commerce model work. Earlier this year 400,000 catalogues were printed in Germany, dispatched by Deutsche Post.



Paul Kendrick, Group Development Director of J D Williams, is clear about the impact of one activity upon the other - *“Our view is the paper mail is driving as much of our online traffic and transactions as the online mail activity.”*

Kendrick confirms that the post is an integral part of its marketing strategy both now and in the future - *“As the online continues to build, the mail activity will more and more directionally drive people online.”*

Another area is sale activity, with direct mail used to drive customers online - *“We’re now seeing a lot more of our sale activity going online, but actually the best way to let people know there is a sale is to mail them with something.”*

Conclusions

There is growing evidence from research and customer behaviour, that e-commerce is the friend not the enemy of direct mail. In addition there is also the opportunity for direct selling, whereby US retailers, rather than opening new branches in Europe with the attendant overheads, can instead adopt a direct selling internet strategy, working with posts to stimulate business through catalogues and direct mail. Major customers want a much more integrated marketing approach and those postal operators which move closest to understanding their needs will be the long term winners in the new order of international mail.

The Strategy Works is a strategic marketing consultancy specialising in original business-to-business research and customer insight within Europe. Contact Michael Herson on +44 20 8868 0212 or mherson@thestrategyworks.com.



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