

Wait A Minute, Mr. Postman: A Primer In Direct-Mail Marketing

***In this age of Tweets and texting,
there is still a place for snail-mail-based outreach.***

By Brian King

Over the past few years, financial services institutions, including mortgage banks, have significantly curtailed direct-mail marketing as a means for seeking new borrowers. In this age of instant on-line communications, direct mail is seen by many as a quaint reminder of a by-gone era. After all, who wants to put a piece of marketing collateral in the mail when you can send e-mails and Tweets or set up Facebook pages and blogs full of videos for real-time viewing?



But while there have been declines in the overall level of direct-marketing spending, the financial services industry remains the number-one industry utilizing this messaging strategy. In 2008, the industry spent over \$13 billion on direct marketing, with direct mail as the primary channel. A recent Direct Marketing Association (DMA) study found that banks and other financial services companies leverage direct mail (41.8%) as the preferred direct-marketing channel.

At a time when the mortgage banking environment is still being redefined, direct-mail marketing can offer a strategy in reaching new customers and introducing new products and services. As with any marketing strategy, it should not be seen on its terms

as a panacea for building the bottom line. However, as part of a wider marketing approach, it can prove to be a surprisingly versatile tool.

For starters, let's immediately dispel the notion that e-mail is better than direct mail - or, for that matter, a vice-versa scenario. These are two very different communications approaches, and each has its own pros and cons.

Both direct-mail and e-mail communication methods should be used as appropriate depending on the product offering and the associated targeting of potential borrowers. Yes, e-mail offers speed and convenience - it can be accessed from any location at any time. Direct mail, of course, turns up once a day in a specific location (i.e., the mailbox), and never on Sundays or federal holidays.

At the same time, e-mail's convenience has come with a serious downside: the extraordinary rise of Web-based scams, frauds and hoaxes designed to separate the e-mail recipient from his or her money. The situation has become such a prevalent force in digital communications that it even inspired a "Saturday Night Live" sketch involving the Web's best fraudsters being honored in an event called the Spammy Awards.

Generally, postal mail is perceived as a much more credible delivery ve-

hicle for a promotional offer. After all, it takes time, energy and money to create, print and send a direct-mail marketing campaign. Clearly, this can offer more legitimacy for the brand behind the campaign.

And while it is true that the delivery of direct mail is limited to the postal carrier's single visit to your mailbox, there is no censorship within the U.S. Postal Service on what can or cannot be received. A great deal of e-mail is blocked on a daily basis by Internet service providers that believe the communications is spam or contains attachments that could harm a computer. However, there is no such thing as a 100% foolproof spam filter, and it is not unusual to fish out legitimate e-mails that were erroneously blocked from proper delivery.

But if an anecdotal observation is any indication, it is safe to believe that postal mail open rates can hold their own - if only because so many companies have moved away from this strategy that it is possible for those still sending out direct-mail marketing pieces to literally have the mailboxes all to themselves.

What can be determined are the recipients of postal mail. Today's data vendors have a more robust set of targeting attributes - including demographics, credit bureau reports, mortgage attributes and property valuation - with a physical address in a specific neighborhood. Try getting that with only an e-mail address.

However, this is not a green light to run to the post office with boxes full of direct-mail marketing pieces. This school of marketing has clearly defined federal regulations governing procedures and what are considered to be deceptive practices. The Federal Trade Commission does not take reckless direct-mail marketing lightly, and guidelines spelled out in Regulation Z, the Fair Credit Reporting Act and other federal mandates are aimed at financial services institutions.

Furthermore, the DMA maintains a mail preference service that allows consumers to opt out of most direct-mail offers by having their name and address added to a "do not mail" file; this is the postal equivalent of the Do Not Call registry that helps to keep telemarketers from ringing your telephone. DMA member companies must update their mailing list quarterly to reflect the opt-out requests they receive, and these lists are also available to non-DMA members.

In the mail

In today's mortgage banking market, there are several demographics that would be logical choices to target with possible direct-mail marketing campaigns.

The most logical audience for such an outreach would be senior citizens that are being solicited to consider reverse mortgages. This product is unique to a definitive age group: those who are 62 years and older. Seniors have traditionally been among the least active users of the Internet - a 2009 Pew Research Center study found that only 45% of respondents between the ages of 70 and 75 were active on the Internet. Although that percentage is up from 26% in a similar survey conducted in 2005, it is still fairly low when compared to other age groups.

Furthermore, reverse mortgages are very different from traditional home-loan products, and they require more than a little explaining on how they work. Direct-mail marketing can include a brochure, newsletter and/or DVD that can provide a further explanation of the product. Quite frankly, this product is not something that is easily encapsulated in an e-

mail, let alone a 140-character Tweet, nor is it something that the average Web-surfing senior citizen is going to search out on YouTube or Facebook.

Although reverse mortgages have been around for decades, their resonance with the general public is relatively recent - the graying of America, coupled with a pair of recessions from the past decade, has helped to give the product new credibility. Thus, a direct-mail marketing message that is short and simple, with a strong call to personal action, accompanied by clearly stated benefits, can help push the sale forward.



Another demographic that would respond to direct-mail marketing is the nation's immigrant population, particularly the Spanish-speaking communities. As noted in the March edition of *Secondary Marketing Executive*, a new report from the Urban Land Institute found that the immigrant population is among the key driving forces in rebuilding the housing market for the coming decade.

As stated earlier, data vendors have access to invaluable information that helps to target areas that have traditionally been home to immigrant communities. This type of information cannot be duplicated via e-mail marketing.

However, this aspect of direct-mail marketing can backfire if the campaign organizer is not cognizant of the unique characteristics of the target audiences. This type of marketing involves much more than merely

translating English-language marketing collateral into another language.

If a financial institution is going to target an immigrant community for home-loan products, it would be highly recommended to work with agencies that are experts in coordinating marketing outreach to these communities. Cultural differences may not seem obvious to the uninitiated, but clumsy translation or the inappropriate use of certain colors and graphics in your direct-mail pieces can inadvertently have the opposite effect of what you're seeking. Indeed, there are still many people who mistakenly believe that the populations from Latin America, Africa, China or India are homogenous - not recognizing the wide variety of ethnic, language and cultural differences within each of these populations.

Another key area to explore involves borrowers who have experienced the harsher effects of the recession. For homeowners looking to refinance in the current market, there are many criteria to consider. And for those who are afraid or ashamed of admitting they are having problems (and, yes, there are still plenty of those people), a proactive outreach can help them stay in their homes.

Contacting borrowers through direct mail in order to alert them to possible solutions to their financial problems can work to head off any serious concern before it metastasizes beyond hope. Even if the direct-mail piece is to alert homeowners that your offices are there to work with them in the event of problems, then there is a reassurance that the lender and the borrower are not in an us-versus-them relationship, but are actually on the same side.

On a related note, remember that direct-mail marketing does not necessarily have to be sales-exclusive. Newsletters that provide customers with updates on your institution's activities can easily keep borrowers up to date on your activities. After all, with a record number of banks going out of business, it doesn't hurt to remind people that you're still in good financial health.

Ultimately, it is important for any direct-mail marketing campaign to

open the door to further customer contact. The branch network or sales offices, a telephone call center and even the Internet can support a response path for a customer from the direct-mail piece. It is possible to track customer behavior by channel and to integrate multiple channels, along with employing segmentation efforts, allowing for the optimal direct-mail perfor-

mance to be recorded and reviewed.

Yes, direct mail has faced some challenges in recent years as new customer communication channels have come forward. However, as long as there remains a strong value proposition and significant return on investment, direct-mail marketing can remain an important tool in the overall marketing strategy that mortgage bankers and lenders use to originate new

loans and to ensure existing borrowers remain in a state of stability. **SME**

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