

## **Direct Mail by Small and Medium Enterprises (SME's) – a view from the South African Post Office**

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## **AGENDA**

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- Industry information: Advertising Spend in South Africa
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  - DM Industry Challenges
- SME Information: SMME Legal Definition - National Small Business Act
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## Direct Mail Centre

### Primary role of the DMC

- To influence the growth of mail volumes by encouraging companies to increasingly use direct mail as part of their advertising and communication activities
  - Educating the market about benefits of going direct by providing training and workshops on direct mail
- Providing database management support to customers for the effective execution of direct mail campaigns
  - Serving as a one stop shop for all direct mail solutions
- Providing direct marketing support to SAPO's main business units – assisting them to launching effective direct mail campaigns

## Advertising Spend in South Africa

Media Type	2007	2008	Expenditure : YOY Diff R's	Expenditure : YOY Diff. %
Cinema	359,538,399	361,036,089	1,497,690	0.42%
Direct Mail	139,900,248	150,501,248	10,601,000	7.58%
Internet	271,998,085	375,932,384	103,934,299	38.21%
Outdoor	1,161,062,950	1,079,927,638	-81,135,312	-6.99%
Print	9,121,584,095	9,273,945,317	152,361,222	1.67%
Radio	2,964,814,070	3,345,249,141	380,435,071	12.83%
Television	9,379,446,058	9,961,572,168	582,126,110	6.21%
<b>Grand Total</b>	<b>23,398,343,905</b>	<b>24,548,163,985</b>	<b>1,149,820,080</b>	<b>4.91%</b>

Reference: AC Nielsen

## Top Advertisers in South Africa

Company	Grand Total Expenditure (R)
1. ABSA	303'640'908
2. First Rand Bank Ltd	294'421'519
3. Government National	388'153'136
4. Mobile Telephone Network	515'396'024
5. Pick & Pay	411'244'034
6. SAB Miller	260'257'773
7. Shoprite Holdings LTD	465'614'096
8. Standard Bank	319'118'174
9. Uniliver SA	608'873'851
10. Vodacom Communications	482'281'809
<b>Total</b>	<b>R4'049'001'324</b>

## DM Industry Challenges

- DM is often been equated to junk mail
- Accuracy of address databases (in SA 40% of households change addresses every year)
- Privacy Policy Issues
- Expensive medium – postage 40–50% of cost
- Media commission structures on placements – 16.5%
- Research - lack of quality information – industry benchmarks on direct mail / results

## SMME Legal Definition

**Table 1: Definitions of SMMEs given in the National Small Business Act**

Enterprise Size	Number of employees	Annual turnover	Gross assets, excluding fixed property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million, depending upon industry	Less than R2 million to R18 million, depending on industry
Small	Fewer than 50	Less than R2 million to R25 million, depending on industry	Less than R2 million to R4,5 million, depending on industry
Very small	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than R150 000 to R500 000, depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

## SAPO Customer Segmentation

**Key Accounts :** blue chip companies who spend R10m and above per annum on bulk mail, and they drive the formal sector of S.A.'s economy with extensive operations nationally and internationally. These customers do a lot of high volume repeatable mailings in the mail and logistics business area. These are defined by their business operation sectors.

**Major Accounts:** business operations only concentrate in one particular area across all regions in SA - they are mostly defined by their areas of business and spend between R9,9m and R1m per annum on bulk mail. They do medium to high volume repeatable mailings in the mail and logistics business area.

**Government Accounts:** includes National Government Department and Agencies, Provincial Departments, Local Government, Municipalities and Parastatals. We have partnered with this segment to jointly deliver services to citizens in addition to serving them as SAPO customers. They do medium to high volume repeatable mailings in the mail and logistics business area.

## Challenges faced by SME's

- Access to finance
- Marketing and business development
- Access to information such as research work, technology
- Barriers to market
- Lack of recognition by big companies
- Capacity – expertise, resources
- Closing the “income gap”
- Redistribution of business wealth

## SAPO Product offering to SME's

**Info Mail** - distribution of unaddressed mail of a promotional nature, e.g. pamphlets, brochures, area newspapers, trade samples, etc. subject to certain specifications.

**Ad Mail** - All addressed mail including a SAPO approved response device, in a minimum consignment of 1000 articles per size or mass category, of which the content is solely of an advertising or promotional nature. It must not however include any other additional items relating to previous business with the client, e.g. invoices, monthly statements or reference to outstanding payments

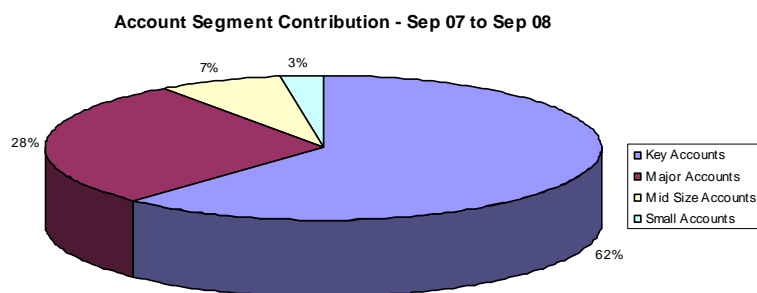
**Promo Mail** - This is addressed mail (including teaser/advance mailings - advising a customer of the impending arrival of a promotional item) in a minimum consignment of 1000 articles per size, of which the content is solely of an advertising or promotional nature

**Mag Mail** - addressed mail in a minimum consignment of 1000 articles per size and mass category. The service is specifically intended for the newspaper and magazine industry

## SAPO SME's Sectors

- Financial Services
- Retail and Consumer Goods
- Communication
- Mail Order
- Education
- Publishing
- Travel and Tourism
- Medical and Automobile

## Account Segment Contribution to Total DM Revenue



- Major Accounts contributed 28% (R130 million) to total revenue of R461million.
- Key Accounts contributed 62% (R285 million) to total revenue.

## Accounts contribution challenges

- Key Accounts contribute over 60% to our total revenue.
- With the economic slow down, customers are looking for different ways of reducing expenditure.
- Losing a number of key accounts will have a huge impact on the SAPO bottom line.
- A number of key accounts are driving promotion of products and services using electronic media. They are also driving conversion of consumers from mail to email statements.

**SAPO's Strategic Focus: to convert major accounts into key accounts!**

## Strategies for Small and Major Accounts

### Marketing campaigns to SMEs

- DMC launched various campaigns to position direct mail as a tool that opens up many exciting new possibilities in marketing, increased sales and creative expression.
- The theme of the overall campaign was:

**The New REALITY Media – that can appeal to all the human senses like no other media!**

**You can touch, smell, feel, see and even taste direct mail!**

## Strategies for Small and Major Accounts

**Post Office**  
We deliver, whatever it takes.

Step 1: teaser mailing



Step 2: Follow up mailer



DM Brochure



## Strategies for Small and Major Accounts

**Post Office**  
We deliver, whatever it takes.

### Print Advertising to Newspapers & Business Publications



## Strategies for Small and Major Accounts



### Customer & account Management

- SAPO services both Key & Major Accounts through Key Account, Account Managers and Sales Reps
- Our approach: to advise and assist customers with management of DM campaign in an effort to deliver on all elements of the DM value chain

### Our offering includes:

- Database Management Services - B2B and B2C
- Training session on DM - both theory and practical sessions included
- Free Consultations and DM Advisory services

## Case studies: Arcadia – Mail Order



### Arcadia Home Shopping

- This is a mail order company that sells their products through direct marketing – e.g. Kitchenware, Linen, Appliances, Household items and jewellery, Swiss health supplements, etc

**Campaign objective:** Reactivation of dormant customers and acquisition of new customers

### Target Market:

- 250 000 customers on their customer database.
- 195 000 individuals from a purchased list.

### Response

7-8% on the 250 000 mailing which resulted in 20 000 parcels of sales.  
6-7% on the 195 000 mailing which resulted in 14 000 parcels of sales.



## Case Study 2: Jacklin Enterprises



- This is one of our major DM customers as well and they regularly send out direct mail shots (i.e. Megalogs - order book for all their publications) to their customer base
- SAPO has continuously supported this business with regard to:
  - management of the account and DM campaign management
  - a discounted test mailing rate allowing them to send 1.5 million megalogs at R2.25 an item and that generates around 5% of the orders for their publications
- Jacklin Enterprise contributed an estimated R7.8m last year and because of the special mailings and allowing them to send out more advertising mail, they are now moving to over R10 million per annum by the end of March 2009
- They use other advertising means like magazines, but postal advertising is the highest within their total advertising spend.

## Other services include...



### **SMS & E-mail marketing**

- Re-launch of SMS and email marketing offering – as a value added service to customers
- Interactive website with a range of templates which customers can use for online direct mail campaigns
- Maximise opportunities presented by our Hybrid Mail unit – this will further assist us to best deliver on our DM offering

### **Launch 3D mailing product**

- Restrictive postal regulations have caused marketers to graduate towards other communication and distribution channels
- 3D mail aims to offer advertisers an alternative medium allowing marketers freedom of promotional design creativity
- 3D mail pieces of any shape or design will be sent directly to the marketer's target market through the postal distribution channel

**Thank you!**