

January 23, 2013, 6:13 p.m. ET

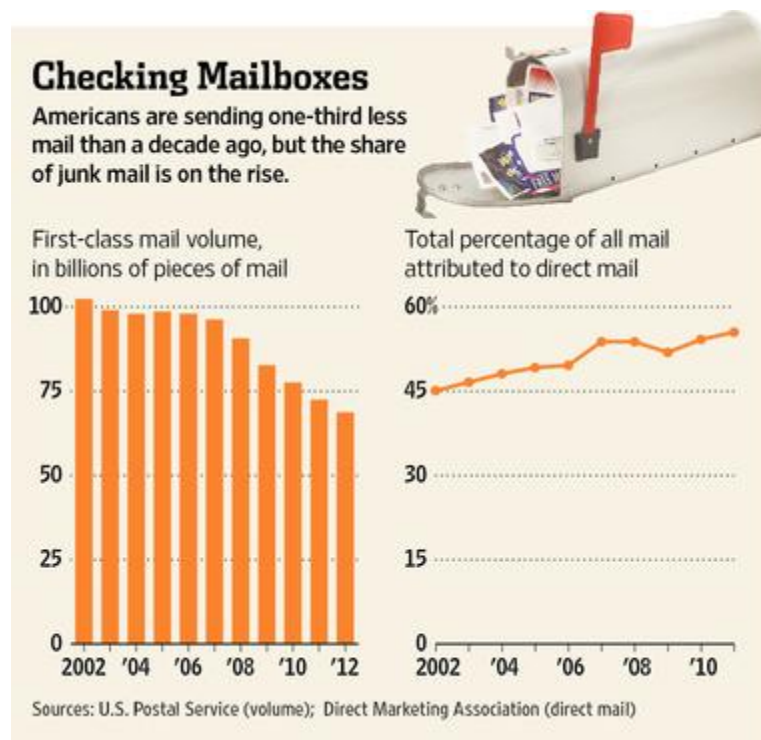
Junk Mail Gets Personal

Big Data Is Helping Direct Marketers Refine Their Pitches

By JOEL SCHECTMAN

A world of ubiquitous computers was supposed to be the death knell of dowdy industries like direct-mail marketing, but the reverse seems to be true.

While Americans are sending a third less mail than they did 10 years ago, the junk mail business is actually thriving thanks to changes in databases, computing power and available storage.



Using Big Data—a catchall phrase for a combination of analytic software and huge computer storage—direct marketers have been able to refine their pitches with a newly startling precision.

A decade ago, these companies might have had 10 pieces of information about each individual household. The new approach allows direct marketers to immediately comb through hundreds of sources of public and private data and assemble more specific demographics, such as young, upper middle class families with teenage kids who like gadgets.

"Instead of taking a month you're talking about sub seconds, in some cases" to run a query on the data, said Christian Ward, chief data officer at Infogroup Inc., which sells targeted consumer lists to retailers conducting direct-mail campaigns.

That is changing the very nature of the consumer catalog, which retailers can now tailor to customers' perceived interests. Though retailers have long been able to use publicly available information like age, housing and marital status, vastly more of those elements can now be used in combination, to more carefully target subgroups of customers.

For example, if a company wants to create a catalog of large, high-end barbecues, it can set criteria around people who have recently purchased a home, have several children and live in upper income neighborhoods.

Mr. Ward's Web-based data tool would then create a list of names and addresses, scored in terms of their likelihood to make purchases.

Using the tool, the retailer can then craft other campaigns for the same customer around other demographics slices—pushing lower-end grills to those the database indicates are in a lower income bracket for example, Mr. Ward said. "Instead of having four campaigns, there can be dozens, created dynamically for different customer groups," he said.

These analytics tools are helping keep the direct-mail business afloat. While the number of first-class mail delivered dropped 33% over the past 10 years to 69 billion pieces in 2012, according to the U.S. Postal Service, the number of offers mailed by marketers has remained stable and represents a growing majority of what mailmen carry. Direct mail represented 56% of all postal deliveries in 2011, compared with 45% a decade earlier, according to the Direct Marketing Association.

Jennifer Elwood, executive director of consumer marketing for charitable organization American Red Cross, says the melding of online personas and home addresses is the "holy grail" of direct mail because those profiles can provide clues about potential donors' concerns. That allows the organization to avoid donor fatigue by more carefully targeting them with a smaller number of requests.

Despite the organization's progress in the use of data analytics, tying data from online interactions with donors to snail mail campaigns is still "a work in progress," Ms. Elwood says, and there is sometimes duplication between paper and online promotions.

In the long run, there may be a limit to how much life these tools can give life to direct-mail campaigns, which are ultimately tied to the constraints of the physical world.

Fatemeh Khatibloo, an analyst with Forrester Research, argues that long lead times and the cost of small print runs make such micro-targeting economically unrealistic. "You just don't see the same level of sophistication from print," Ms. Khatibloo said. "Sure the data's there—but what does having real time [data] updates have to do with direct mail?" Ms. Khatibloo said. "Not that much."

For now, direct-mail marketers are tapping into the explosion of online data to help businesses target potential customers. DirectMail.com LLC, for example, allows retailers to home in on customers using specific points on a map, rather than zip codes. This lets retailers target residents who are closer to a store and accommodate for natural boundaries like mountain ranges that can add an hour to a drive.

Marketers using Directmail.com can also select among demographic clusters that describe ethnicity, age and purchasing habits, said Price Anderson, its vice president of marketing. These clusters have names like "Gospel and Grits" (low-income African Americans living in multigenerational homes, who like the latest fashions), "Asian Achievers," (affluent Asian couples with a taste for luxury brands), and "Diapers and Debit Cards" (working class families that tend to buy home electronics.) Directmail.com gets the demographic cluster data and home addresses from Experian PLC. [EXPN.LN +0.27%](#)

Lee Tien a senior staff attorney at the online civil liberties group Electronic Frontier Foundation, says most customers have no idea how much can now be learned about their lives. "This industry has existed for a long time but it wasn't a significant privacy issue—the technology changes have made it a more significant issue."

Mr. Ward says Infogroup will delete personal data from a customer profile if he or she makes a request, but few do so as most consumers are unaware that the company is maintaining their file. And the request won't affect dozens of other companies that compile and sell consumer data. "You can tell us don't put your data out there but the data is already out there," Mr. Ward said.