THE LETTERBOX CONSULTANCY

UK DOOR DROP VOLUME REVIEW

2015-2019

Published: 7th February 2020

<u>INTRODUCTION</u>

Welcome to our 5-year door drop review, looking at annual volumes, overall market share, market share by sector and market share by supplier.

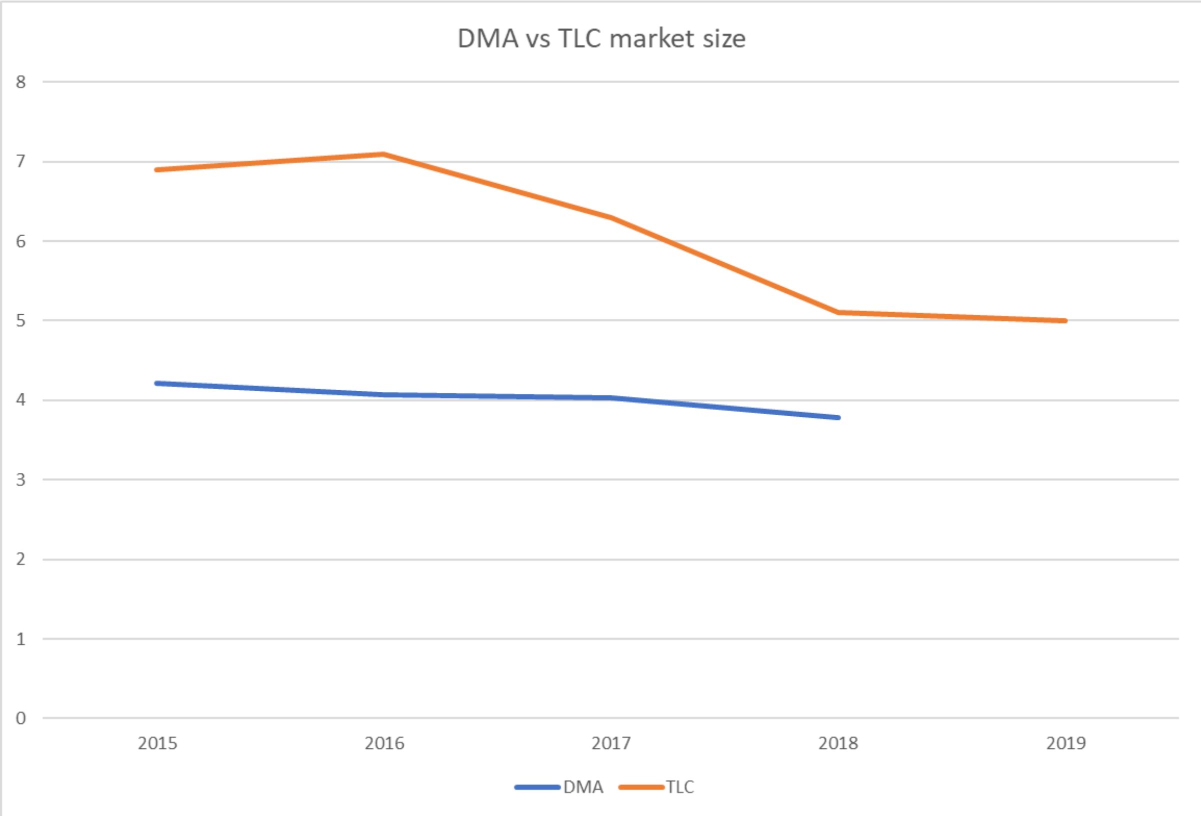
The review references published DMA Door Drop statistics for the years 2015 – 2018, because 2019 data will not be published until later in 2020.

TLC tracking studies in Cheshunt are however for the 2015 -2019 period.

DMA statistics are based upon input by door drop members and modelled against previous years' data. These statistics are the most reliable in the marketplace, but can only reflect the member input, which is limited in number when considering the number of service providers there are across the UK.

Equally, TLC's tracking studies are limited in size, but the comparisons drawn, and opinions expressed, are also based upon our detailed knowledge of the marketplace.

Annual Volumes



Since TLC began its local tracking studies in 2015, our annual volumes have always been far higher than the DMA statistics.

The DMA weekly volume in 2014 was 4.45 items per household, per week which fell to 4.22 in 2015.

Overall the graph confirms a gradual, slow decline in volume to 3.78 in 2018.

TLC's prediction would be that this trend will have continued when the 2019 statistics are available, and the result may be a volume of c. 3.5.

TLC believes these statistics are an accurate reflection of the "national" business marketplace, but don't reflect the true amount of local business.

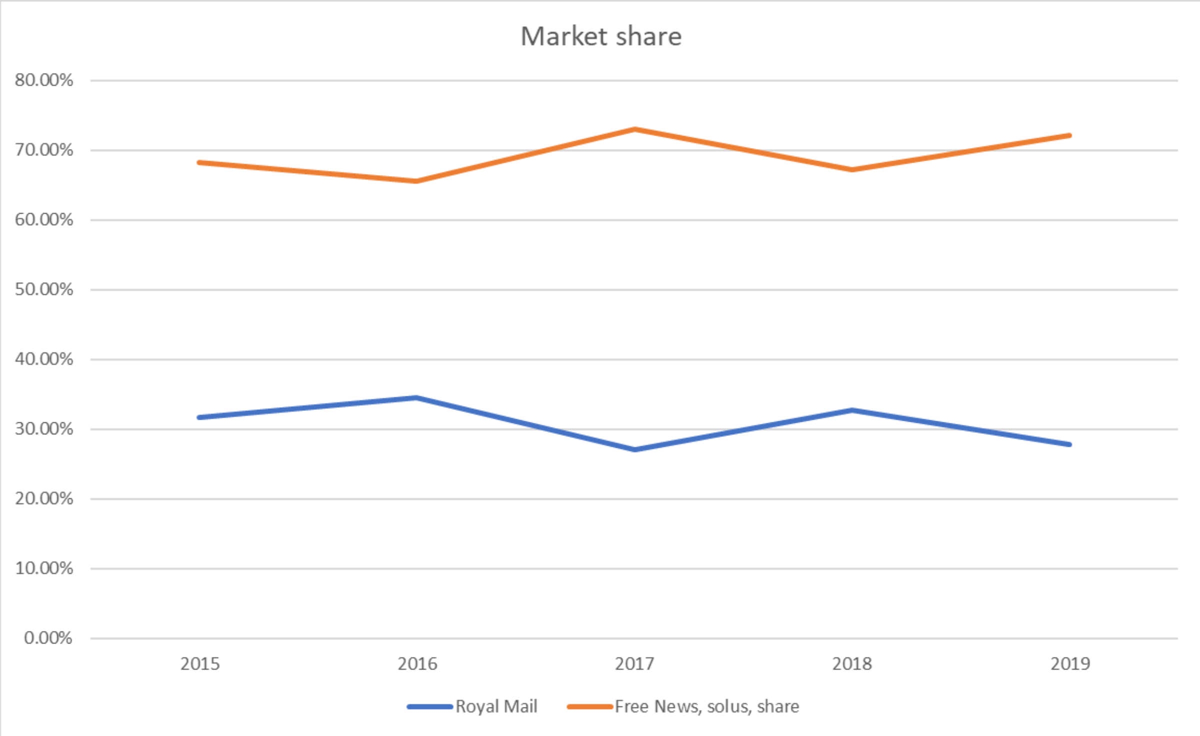
Over the same period of time, the Cheshunt experience was a higher start point at 6.9 per week in 2015, a small increase to 7.1 in 2016, but a marked decline in 2017/18 to 5.1 items per week, which then pretty much flatlined to 5 in 2019. Still significantly higher than the DMA statistics.

One key contributory factor to the decline in 2017 would have been the initial reduction in household coverage by the remaining local free newspaper, followed by its subsequent conversion to pick up only, which does not offer an insert option.

Free newspapers offered local advertisers, a really cost-effective customer engagement option, where household coverage cost 1-2p, though it was equally a service accessed by regional and national advertisers.

TLC would predict that the local business level will remain relatively static in 2020.

Market Share



It's important to understand from the outset that this graph shows market share based only upon our Cheshunt tracking results and does not reflect what the general marketplace or TLC would believe to be market share on larger, regional or national door drop activity.

But there is no doubt that over the 5-year period of the study, Royal Mail's market share in Cheshunt has hovered around the 30% level

And would Cheshunt be any different to any other town or city in the UK?

The majority of items received on a solus or shared basis or via free newspapers, are for relatively small, local companies; eateries/takeaways, mini cabs, tradesmen, retailers etc., where the "barriers" to using Royal Mail may well vary.

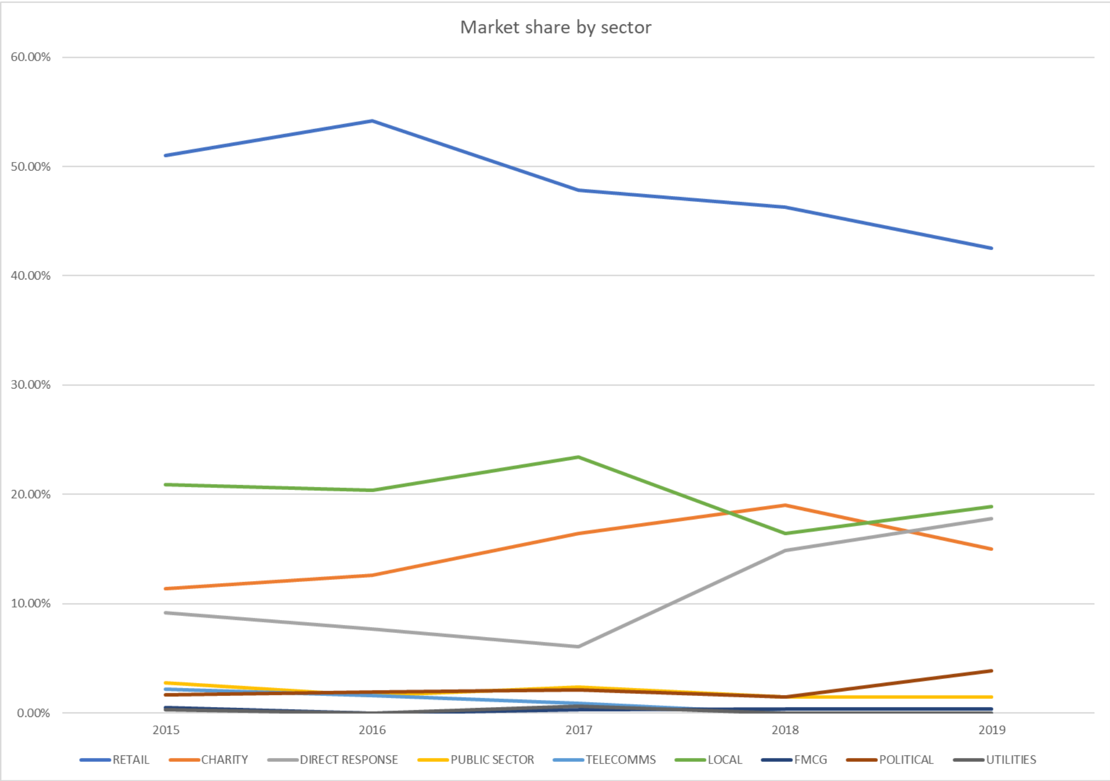
Minimum order values, general charges, lead times, stock delivery requirements may all conspire to make Royal Mail unattractive to the smaller user, whether for ad hoc or regular activity.

TLC's opinion of larger, regional or national door drop activity is however the direct opposite.

Royal Mail without any doubt are the preferred major final mile provider. Again, there will be a myriad of reasons for this that undoubtedly include the capacity to deliver high volumes in a single week, as well as greater coverage across rural areas and flats.

TLC's own client base strongly reflects this suggestion and a more detailed review of the actual items received through Royal Mail over this 5-year period again confirms this, showing less than a handful of small, local clients who choose to use Royal Mail.

Market share by sector



Retail, charities, direct response and local companies are the four primary business areas we will review, contributing c. 90% of all items received in each of the last 5 years.

Those four main sectors have approximate shares of retail 48%, charities 15%, direct response 11% and local companies 26%.

As the chart shows, the other 10% have remained quite constant over the 5 years, with the slight exception of political items. Unsurprisingly in 2019, receipt doubled with all the issues on the table last year, so 2020 may well be quieter again!

Other areas, such as the public sector, are wholly driven by the frequency of regional and local councils' activity and unless they reduce the frequency of their residents' publications and/or cease publication totally, these are often unlikely to change.

However, we do also know from our public sector contracts, some councils are more active than others, using door drop for other forms of communication with residents, i.e. consultations, refuse collection date changes, leisure centre events etc.

After a spike in 2016, **retail volumes** have slowly dropped over the last 3 years, perhaps reflecting the travails the sector faces generally on the High Street. In Cheshunt, major takeaway/delivery clients have reduced their volumes, but is that a strategic marketing decision taken centrally, or just a local franchise deciding to opt out of effectively weekly distributions?

Other sources suggest that volumes may be down overall, but not as significantly as we have experienced in Cheshunt?

Some retailers also appear to have been far more reliant upon their online activity, driving online traffic rather than directing consumers into stores.

Interestingly in 2019, our retail client experience was different to the national trend with several major clients increasing frequency and volume. We believe that the range of profiling and targeting services we can supply, at individual store level rather than a general, broad brush approach will have influenced the improved results.

In contrast, **direct response** having declined in 2015 – 17, has ever since enjoyed a renaissance, but why is that?

In 2019, there were many suggestions by marketing and advertising experts that perhaps 'digital' was not the all singing answer as others had prophesised. Some clients started to question the true value of their digital spend and in some business areas there was a return to the use of print.

There is growing evidence that the "youth" market is saturated with digital messaging, and that physical mail provides a new cut-through to this market? So perhaps the growth of market sectors such as food delivery is benefiting from this?

But door drop is a flexible medium which works really well as part of an integrated campaign, whether that be broadcast media, digital and/or other print options. Its TLC's opinion that media operating in silos will never perform as well as integrated activity.

Additionally, the client realisation that door drops were exempt from GDPR because profiling is only ever completed at postcode unit level and does not access single address data, ensured that the targeting process and its subsequent implementation could remain unchanged.

And if clients' attribution models do accurately assign response, which is not always the case, perhaps the humble door drop continued to prove its value as part of the media mix.

Charities is an area split between paper items and clothes sacks.

In Cheshunt, the latter has increased in frequency. In 2019, we received 37 bags (all solus) in 52 weeks! How many of these are genuine charities is a different debate, but they are still door drop items.

In contrast, we only received two paper items, both through Royal Mail. Our perception is that the charity market is far more active than our report suggests, which if true, may be a direct reflection on the targeting processes.

A MOSAIC review of Cheshunt EN8 9 reveals that 33% of all households are assigned to just two MOSAIC types, in the 26-45 age range, singles or young families, living in semi and detached housing, not perhaps the classic charity profile?

Typically, but specifically, legacy door drop activity, as an example, is targeted at older age ranges, probably more affluent and certainly more rural.

Local companies most commonly seek local distribution solutions.

2015/16 volumes were flat followed by an increase in 2017. The decline in 2018 again highlights the demise of the local free newspaper, but like direct response, the area has shown growth in 2019 almost back to the levels of 2016.

One interesting output from the analysis is the increase in sharing items received. It's increasingly common to receive two or three items together, with parties obviously sharing the costs.

Sometimes the shares are interesting with multiple takeaway options, or takeaway options alongside a Slimming World leaflet (!), but it demonstrates that price is key, with many of these users seeking to find an alternative to the costing of free newspaper drops.

Market share by supplier

At an average of 48% of all items received, retail is the largest business sector in our 5-year analysis. peaking at 54% in 2016 but falling to its lowest level of 42.5% in 2019.

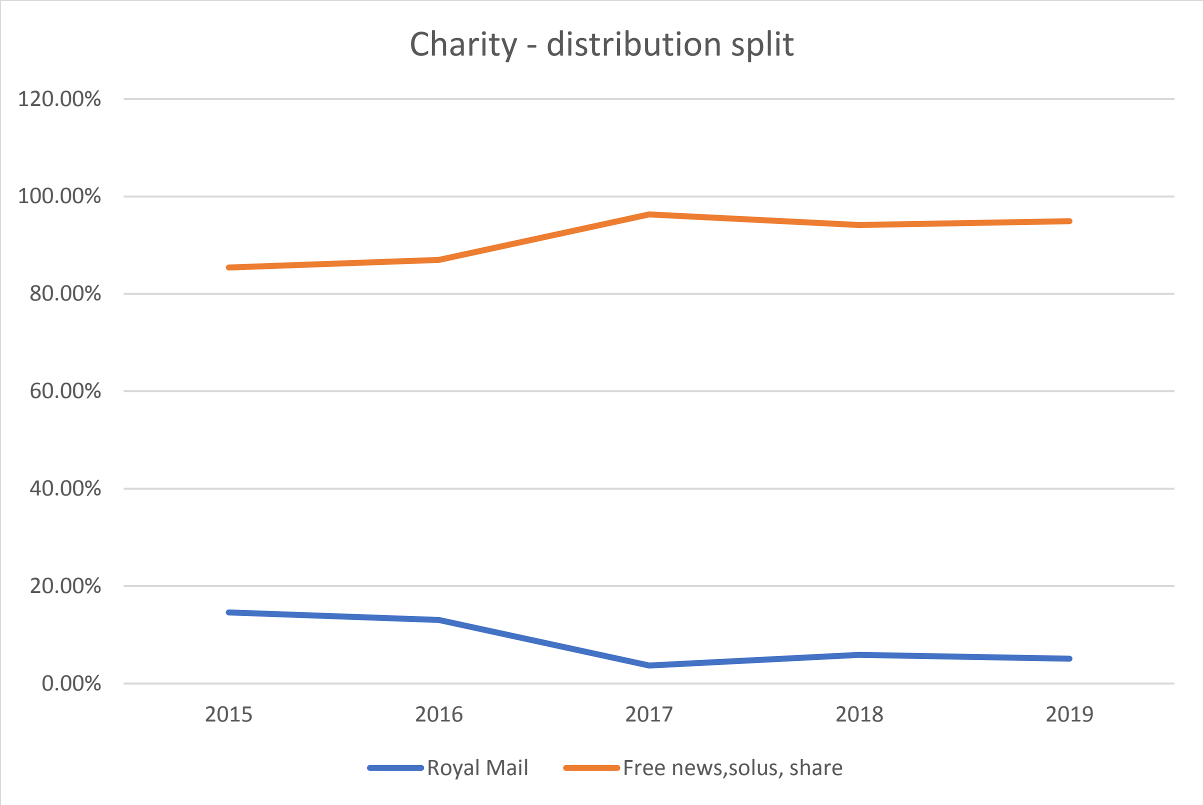
As the graph shows, Royal Mail's share of the retail business has been in decline since 2016 when it accounted for 41% of items received, falling massively to just 22% in 2019.

We believe this to be a direct reflection of the High Street issues referred to earlier in the report.

In contrast, local distribution options after a dip in 2016 have consistently grown year on year and delivered 78% of the items received in 2019.

Moving forward, TLC would predict retail to remain the largest sector user of door drops. Whether national/regional/local users increase their volumes remains to be seen, though as mentioned previously, with the right planning and implementation, the medium can still work well.

TLC sees no reason why local advertisers would reduce their use of the medium, as it clearly must be working for them as well.



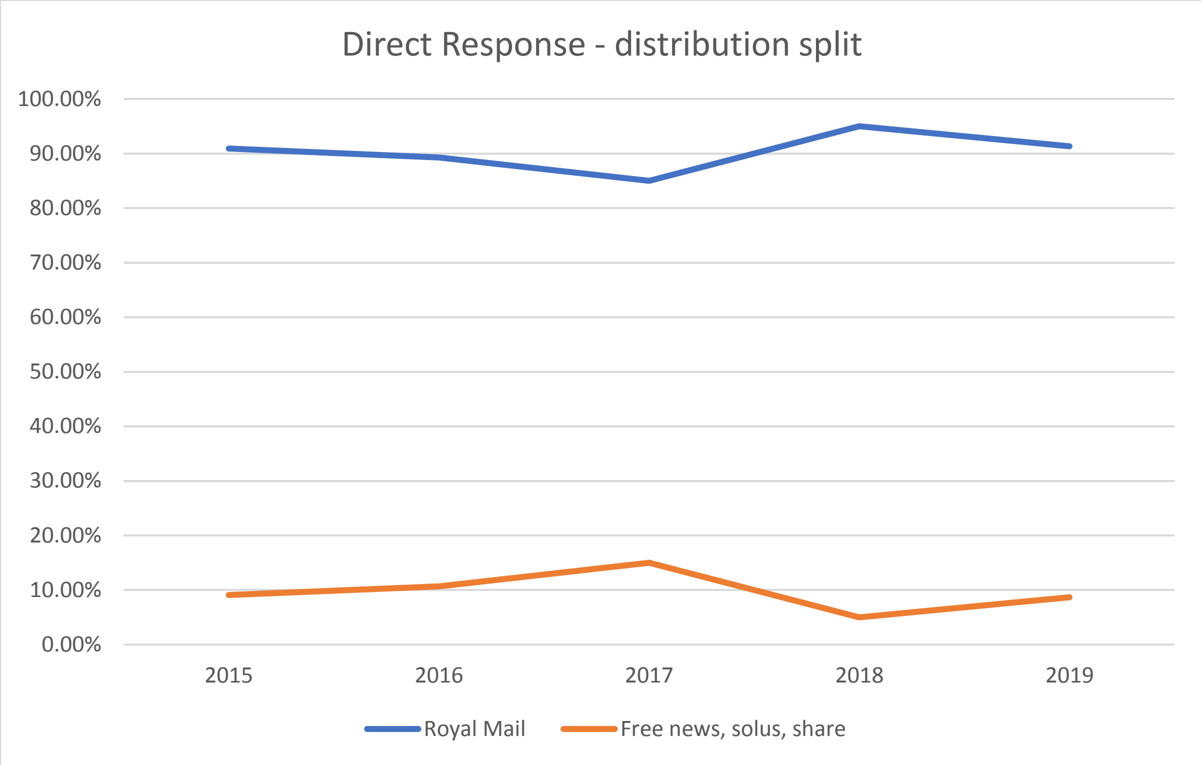
Charity items represented 15% market share in Cheshunt in 2019 and were totally dominated by the number of clothes bags received, all on a solus basis, throughout the year.

Just two paper items received, both through Royal Mail, which TLC believes reflects how most charities, small and large, would access the medium. That's based upon our wide range of charity clients experience over this period of time, from small local hospices to well-known national charities.

EN8 9's demographic profile does also not necessarily fit a classic charity profile.

Our experience is that charities will also use team-based systems if coverage is at sub sector level, where our SMART-drop service provides the perfect solution. Commonly, charities access this additional service to reach out to sectors not included within postal sector plans because of the level of wastage, but in addition to their postal sector activity.

TLC's charity volumes have increased over this 5-year period, a direct reflection of new clients rather than increased industry volume, but as with our retail experience, successful door drops can lead to an increased number of campaigns and ultimately increased volume.



In direct conflict to our charity findings, direct response has enjoyed an increase in volumes in recent years and Royal Mail by far enjoys the majority of market share.

Royal Mail's average market share over 5 years is 90%.

2018 saw direct response market share increase to 15% of all items and a further increase to 18% in 2019.

That absolutely reflects TLC's view of the direct response sector's choice of final mile provider, but the SMART-Drop analogy made in the charity section again applies to direct response.

Items which fall into the direct response category are varied.

They will include the small national charity volume, but equally include users such as Deliveroo, Checkatrade and the Postcode Lottery. Some of these types of client are "repeat" users during the course of a year, presumably reflecting the success of previous activity.

Local Businesses

We have not produced a graph for this business sector which represented 19% of all items received in 2019, simply because they were all distributed by local teams. And that has been the case for the last 3 years.

19% is in fact a 2% decrease from 2015, probably attributable to the demise of free newspapers.

General Comment

At the beginning of this report, we made the point that TLC's tracking studies are limited in size, but the comparisons drawn, and opinions expressed, are also based upon our detailed knowledge of the marketplace.

This may particularly be true of specific areas such as charities, where TLC believes that the overall demographic profile of EN8 9 does not necessarily reflect what may be considered as the more general charity profile.

That assumption is however heavily influenced by our vast experience of the door drop market and the trends of an existing and growing client base in such business sectors.

The slow, downward spiral of official industry statistics will be the result of many factors, some perhaps just affecting some business sectors.

The industry has for decades now, faced an environmental "threat" which may have contributed to falling volumes, with charities perhaps an area where this is particularly relevant.

It is however, reasonable to suggest that over that time, print processes have accepted that challenge and improved processes have reduced the environmental impact .

But the political situation of the last few years cannot be ignored and must have had an influence on these results.

Brexit and our government have been significant issues hanging over us all in recent years, but now resolved for the foreseeable future, we wait to see what the effects of those changes are and how they may affect the door drop marketplace.

Additional Information

We will continue to publish our quarterly volume statistics, generally released as part of our client newsletter, published on our website and promoted on LinkedIn.

If you would welcome sight of these reports, please email sales@letterboxconsultancy.co.uk asking to be added to our mailing list and we will happily oblige.

If you would like to discuss this report in greater depth, please email either graham@letterboxconsultancy.co.uk, or neal@letterboxconsultancy.co.uk.

Should you wish to discuss your door drop plans, please similarly liaise with Neal or Graham by email, or call 01992 637333.