



How we helped create a win-win situation with Letterbox Deals

As advertisers have flocked to digital, a new catalogue company – Letterbox Deals – has stepped in to fill the mass-media gap. Together with Australia Post, it is delivering exceptional deals to both consumers and advertisers and is experiencing remarkable growth.

Customer: Letterbox Deals

Website: www.letterboxdeals.com.au

Industry: Direct-mail catalogue

Product: Over 25 million catalogues delivered annually to local, regional and metro areas in Australia and New Zealand.

Challenges:

- Fill the mass-media gap left by the move to digital communications.
- Maximise ROI for catalogue advertisers.
- Leverage economies of scale to keep costs down.

Solution: Unaddressed direct mail.

Results:

- Growth, from one eight-page Sydney catalogue in 2009 to eight catalogues with 24–32 pages each, with more slated in 2013.
- Repeat advertisers make up two thirds of every catalogue and an additional quarter of advertisers are seasonal.
- Economies of scale deliver competitive CPMs (cost per mille / thousand) of \$14/\$15 for advertisers.

Background

Creative agency Tonic launched catalogue brand Letterbox Deals in 2009. The plan was simple: using the economies of scale offered by direct mail, Letterbox Deals would offer advertisers competitive rates to deliver their promotion direct to the letterboxes of Australian families. Combined with a strong online offering, the objective was to make Letterbox Deals the single best response medium in Australia and New Zealand.

Director and founder Jamie Bakewell says: “The media landscape is complex and new digital channels (online, digital radio, cable and digital TV) provide a plethora of options – some would argue too many for the results they deliver. However, in this world of fragmenting media, everyone still has a letterbox.

“It can be difficult to find advertisers who want exactly the same distribution, but our catalogues offer unparalleled reach to a relatively defined market, at an inexpensive price. Savvy advertisers know it’s a numbers game, plus the research confirms that catalogues remain an extremely popular form of advertising with consumers.”

The challenge

Moving into the direct-mail catalogue market in 2009, Letterbox Deals was acting against the flow in terms of the channels favoured by advertisers. In order to prove the value of the catalogue medium, Letterbox Deals wanted to deliver outstanding response rates to its advertisers. This meant that it needed to offer substantial audiences and to work with printers

Letterbox Deals case study – unaddressed direct mail

and a delivery service provider who would offer the best value for money. These savings could, in turn, be passed on to Letterbox Deals advertisers.

The solution

Letterbox Deals chose to deliver unaddressed direct mail with Australia Post. This means that each catalogue is delivered with the household's other mail, ensuring that it is taken into the home. The catalogues don't have any plastic wrapping, so a recipient is able to start browsing even when walking from letterbox to home. And, because Australia Post delivers Letterbox Deals with the regular mail, the catalogue isn't lost in the roll of unaddressed mail that might be delivered on the weekend.

"Any marketer familiar with direct marketing knows the value of delivery with Australia Post," says Bakewell. "It's reliable, accurate and provides exceptional cut-through, so the ROI for each advertiser in Letterbox Deals is maximised."

According to research conducted by the Australian Catalogue Association*, 87 per cent of all recipients and 94 per cent of mothers read unaddressed advertising material. With 83 per cent of household expenditure controlled by mothers, this puts the Letterbox Deals catalogue directly into the hands of the decision maker in the household.

"As a response to consumer testing, we only have one advertiser per page," says Bakewell. "While we could have put two or more advertisers on a page to maximise our profits, advertiser ROIs wouldn't be as high. We're totally focused on response rates, and this is one of the tough decisions we've made in order to deliver maximum response to our advertisers."

Advertisers are also given category exclusivity in the catalogue, so their promotional offer can't be undercut by a competitor.

The results

The success of the Letterbox Deals offering is demonstrated, in part, by the remarkable number of repeat advertisers. Bakewell estimates that two thirds of every catalogue comprises repeat

advertisers (with different offers) and an additional quarter comprises seasonal advertisers, like pools and spas, or pest-control companies. "We've built up a lot of trust," he says.

"While our advertisers' ROIs are confidential, one IT&T company told us that Letterbox Deals is still their best lead generator and regularly generates over 150 per cent of target. A large QSR brand has reported an average 11:1 sales to expense ratio; another reported a total redemption response of 3 per cent; and even smaller operators regularly report a five to 10 times net ROI.

"We believe that Letterbox Deals is performing an essential service for many businesses in tough economic circumstances, by keeping the phones ringing and websites being hit."

As a consequence of a reliable delivery relationship with Australia Post and putting their advertisers' needs first, Letterbox Deals has experienced phenomenal growth, from one eight-page Sydney catalogue in 2009 to six catalogues with 24–32 pages each, including one in New Zealand. That's 162 pages of ads every two months.

Two new local area catalogues – Melbourne East and Sydney North – launched in 2012, with more slated in 2013. The first regional catalogue is being planned for late 2012. Again, all these new products will be delivered by Australia Post.

"While we've always attracted a wide variety of businesses, the new local products are proving wildly popular with tradies and other businesses that service smaller geographical areas," says Bakewell. "Delivering local and regional products is a huge growth opportunity for us, as is our fledgling online leads-generation business."

"Any marketer familiar with direct marketing knows the value of delivery with Australia Post."



This campaign was delivered using Australia Post's Unaddressed Mail service.

For more information, visit auspost.com.au, call 13 11 18 or speak to your client sales executive.

This customer story is based on information provided by Letterbox Deals and illustrates how one organisation has used Australia Post's Unaddressed Mail service. Many factors contributed to the results and benefits described. Australia Post does not guarantee comparable results elsewhere.

* Australian Catalogue Association: *Unaddressed Advertising Material Research*, July 2009