



Report on the Effectiveness of Advertising Mail vs. Standard Mail

Introduction

On January 1, 2004, the Polish Post introduced a new classification, advertising mail, (Przesyłka Reklamowa), that actually **lowered** the price of mailing for the first time in the history of direct marketing in Poland. While the prices in this classification are substantially lower, the Polish Post has greatly extended the guaranteed delivery time of advertising mail to 14 working days, counted from the day after they receive the correspondence. In theory, advertising mail delivered to the Polish Post on April 30, 2004, could reach the recipient as late as May 21, 2004, owing to weekends and the May 1st and 3rd public holidays.

In partnership with Poland's leading companies, Prografix conducted research concerning the actual delivery time of advertising mail vs. standard mail (Przesyłka Ekonomiczna) during the long May holiday weekend. The results of this joint research are contained within this report.

Background

A survey of postal tariffs since 1997 reveals that, in addition to annual price rises, the Polish Post has created and eliminated various postal classifications and has modified weight levels. These actions have considerably influenced the prices for postal services.

Selected examples include:

- While the Polish Post did not raise prices for standard mail in 1999 for the 20-50 gram level, and raised the all important under 20 gram level "only" by 7%, the Post eliminated the "standard local mail" (Zwykły Miejskowy) classification.

This had a large impact upon energy providers, telecommunication companies, financial institutions and other firms that issue a large amount of local invoices, statements and related correspondence that could not be classified as printed material (Druk). The real price increase for these companies was 17% for 20-50 grams and 21% for fewer than 20 gram mailings.

- In 2001 the Polish Post did not raise the tariff for standard mail. However, the elimination of the printed material classification, generally applied in a majority of direct marketing campaigns, resulted in a real price hike of 30% for the weight level of up to 20 grams and 9% for 20 to 50 gram mailings. From January 1, 2001 to January 1, 2004, there were no cheaper postal rates than that of standard mail.
- Also in January of 2001 the Post phased out the less expensive tariff for postcards, making this once economical option for mass mailings the same price as 20 gram letters. While postcards cost the same as a letter, (both standard and advertising mail), the Post has retained the now archaic maximum size for a postcard of 235x120 mm as opposed to the maximum size of letters of 600x300 mm.
- The creation of the advertising mail classification in January 2004, with the first weight level of up to 50 grams, reduces the previous year's price for an up to 20 gram mailing by an impressive 20% and an up to 50 gram mailing by an astounding 30%. This translates into real savings. For example, a direct mail campaign of 100,000 pieces at 49 grams using the classification of standard mail would cost a sender 135,000 PLN in postage. Exploiting the new advertising mail classification, the same mailing would incur postal charges of 100,000 PLN, a savings of 35,000 PLN.
- In 2004 the Polish Post also simplified the different weight levels. The revised weight levels can be very beneficial, especially for heavier offers.

Previous Weight Levels	Revised Weight Levels 2004 (Standard and Priority Mail)	Weight Levels Advertising Mail
to 20 g	to 20 g	to 50 g
20 g to 50 g	20 g to 50 g	50 g to 350 g
50 g to 100 g	50 g to 100 g	350 g to 500 g
100 g to 250 g	100 g to 350 g	500 g to 1 000 g
250 g to 500 g	350 g to 500 g	1 000 g to 2 000 g
500 g to 1000 g	500 g to 1 000 g	
1000 g to 1500 g	1 000 g to 2 000 g	
1500 g to 2000 g		

creative



offset printing



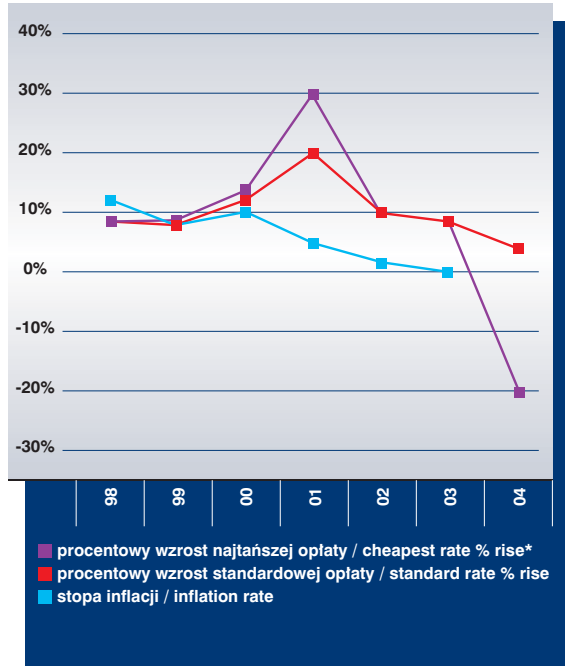
direct marketing



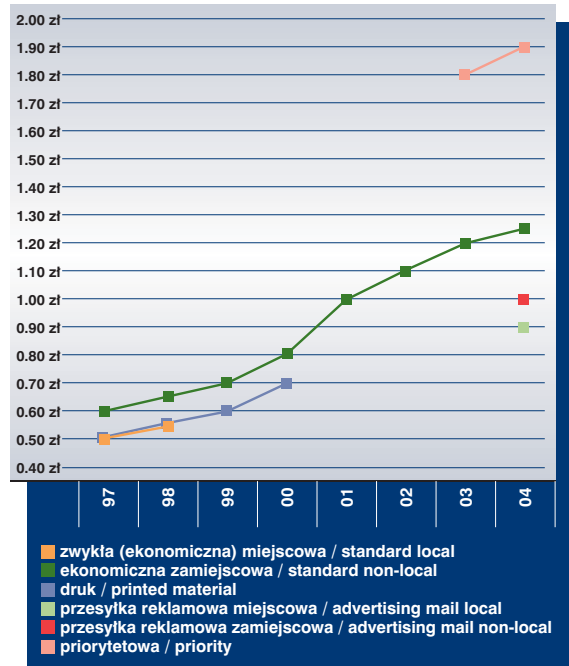
integrated solutions



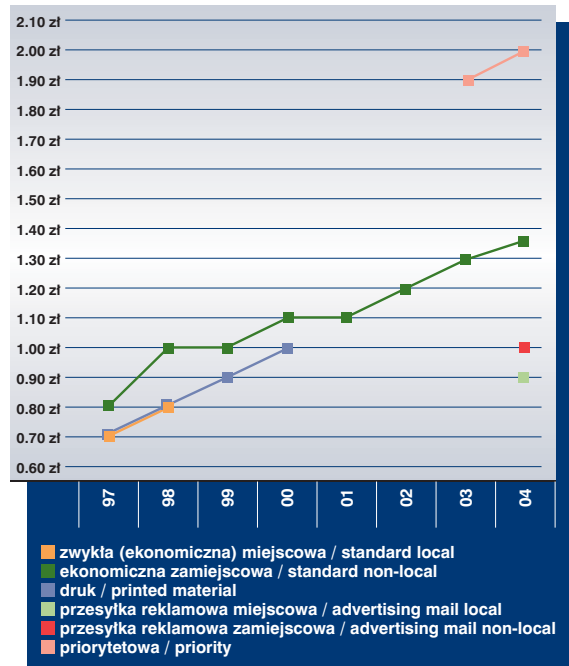
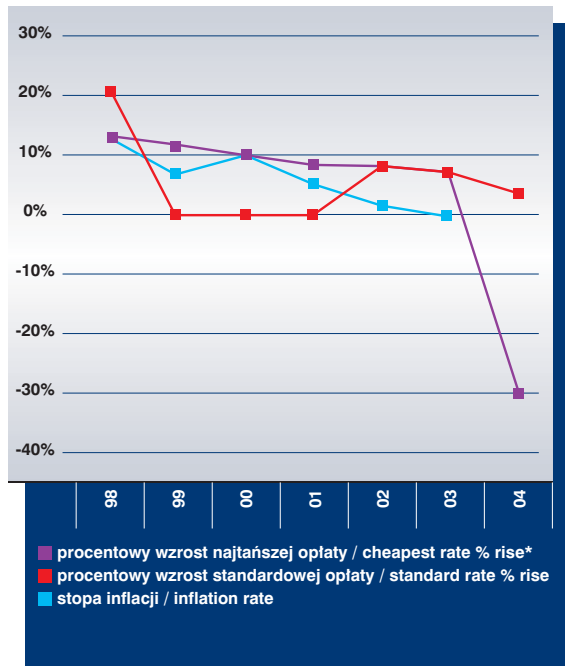
**Percentage Price Adjustments
Cheapest and Standard Tariffs
to 20 g**



Postal Rates in PLN



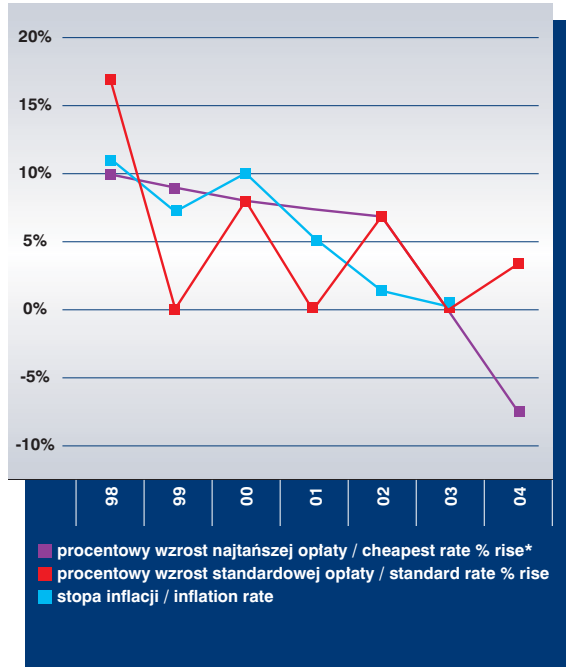
20 - 50 g



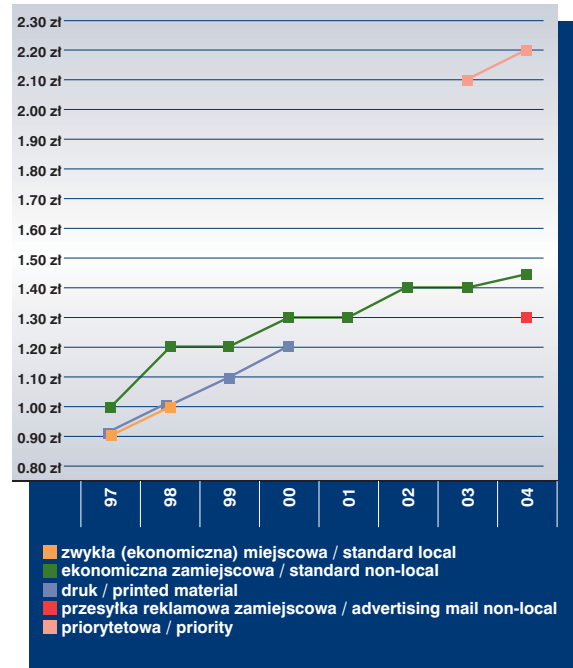
Key to Postal Definitions

Standard Mail / Local (Zwykłe Miejscowy)	Classification eliminated in 1999. For standard mail delivered in the in the same city or gmina (local administrative district) as where it was injected into the mail stream.
Standard Mail / Non-Local (List Zwykły and Przesyłki Ekonomiczne)	Standard mail, In 2003 the Polish changed the name of the classification from List Zwykły to Przesyłki Ekonomiczne (economical mail) as to distinguish it from the new Priority classification. Both classifications are essentially the same. For clarity, the term standard mail is used in this report.
Printed Matter (Druk)	Classification eliminated in 2001. As the name implies, for "printed material". In stark contrast to advertising mail no formal postal contract was required. Category encompassed many more type of mailings than the highly restrictive advertising mail classification, including very personalized pieces and, importantly, magazine subscriptions.
Advertising Mail / Local (Przesyłka Reklamowa Miejskowa)	Introduced in 2004, concerns advertising mail delivered to addressees in the same city or gmina (local administrative district) where the mail was given to the Polish Post. This additional discount of 10% applies only for the up to 50 gram weight level.
Advertising Mail / Non-Local (Przesyłka Reklamowa Zamiejscowa)	Introduced in 2004. This is for mail delivered to addressees in other cities or gminas (local administrative districts) where the mail was given to the Polish Post. All advertising mail over 50 grams falls into this category.
Priority	Introduced in 2003. Express mail with a 1 working day delivery counted from the day after the Post receives the letter. Generally not used for direct marketing offers.
*	Cheapest rate is the lowest price to mail a piece in the weight category, including druk from 1997-2000, advertising mail (non-local) in 2004. Standard rate is the price for non-local standard mail. In 2001-2003, the standard rate was the cheapest rate.
**	The Polish Post modified this weight level in 2004 to 100 g to 350 g.
***	The Polish Post modified this weight level in 2004 to 350 g to 500 g.
****	The Polish Post modified this weight level in 2004 to 1000 g to 2000 g.

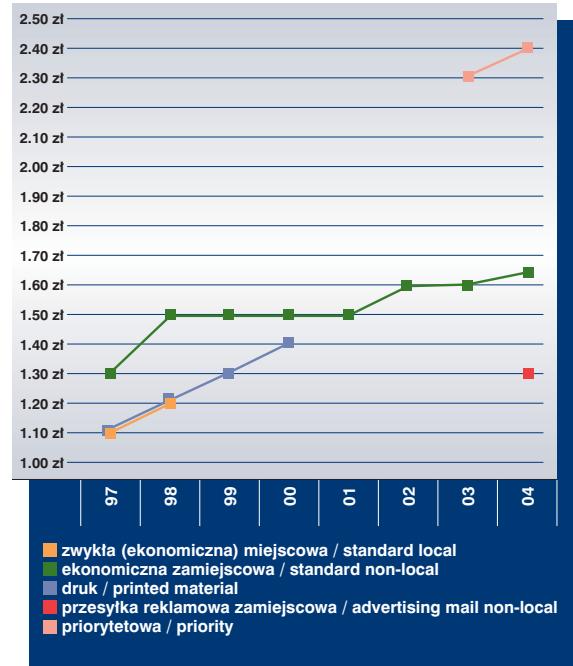
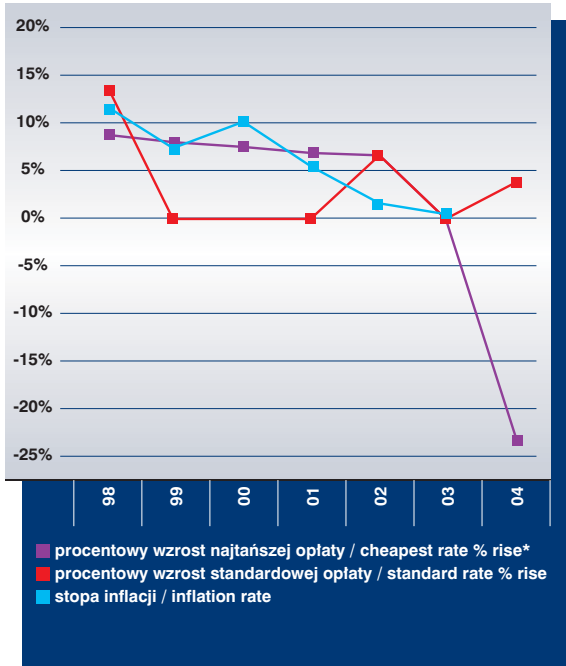
**Percentage Price Adjustments
Cheapest and Standard Tariffs
50 - 100 g**



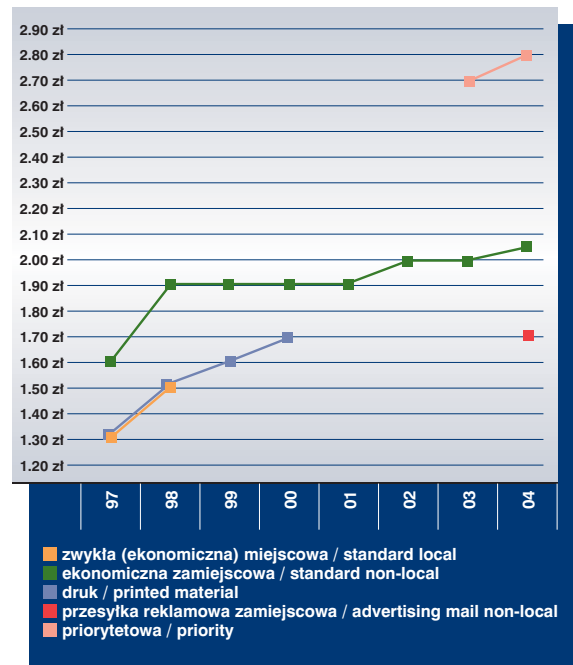
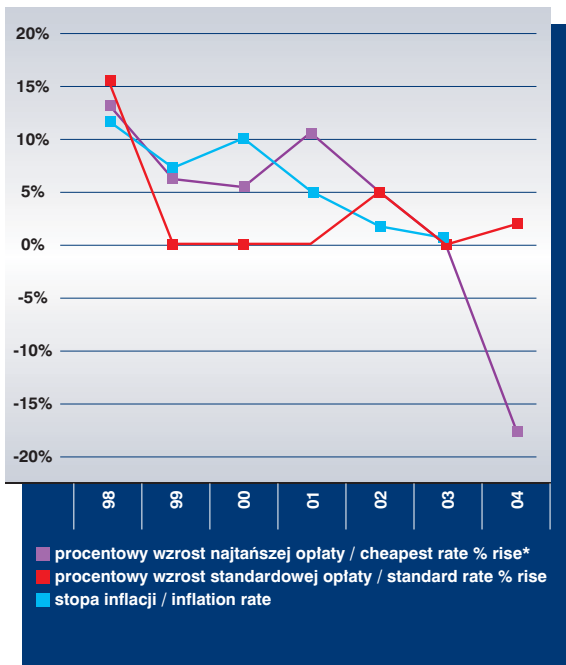
Postal Rates in PLN



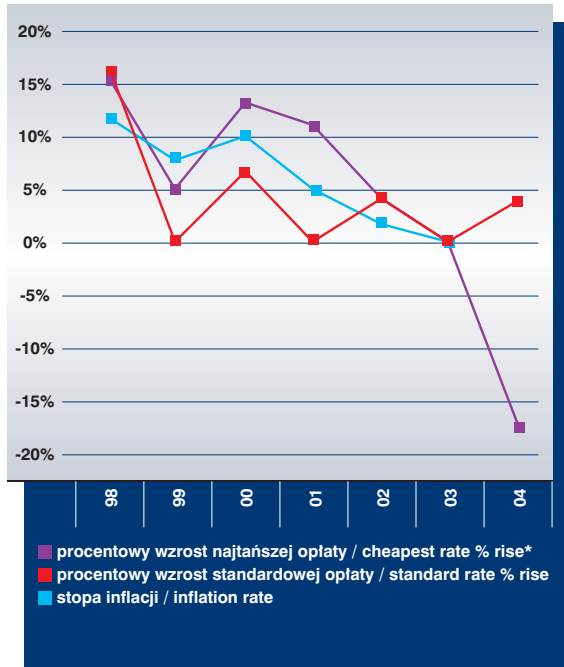
100 - 250 g **



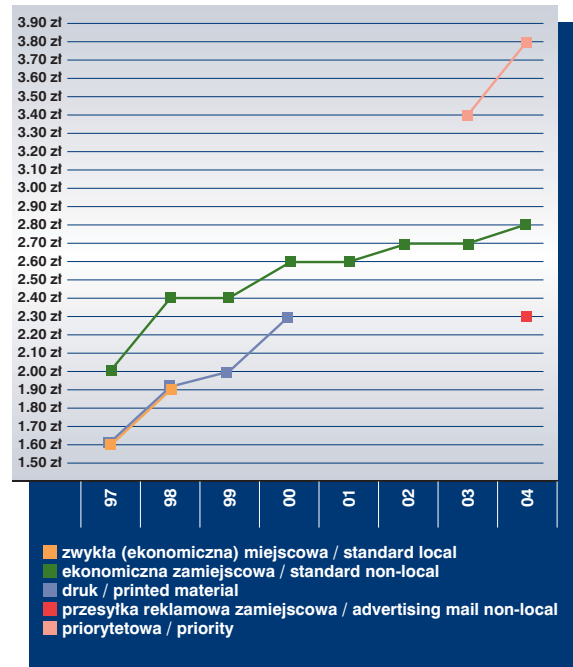
250 - 500 g ***



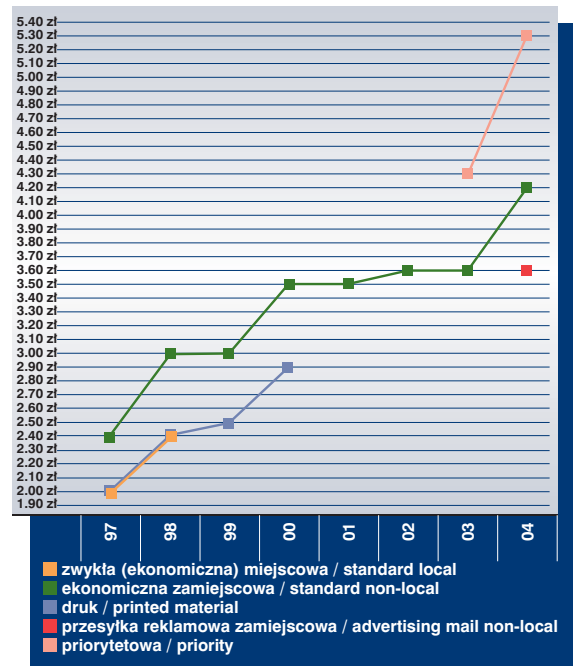
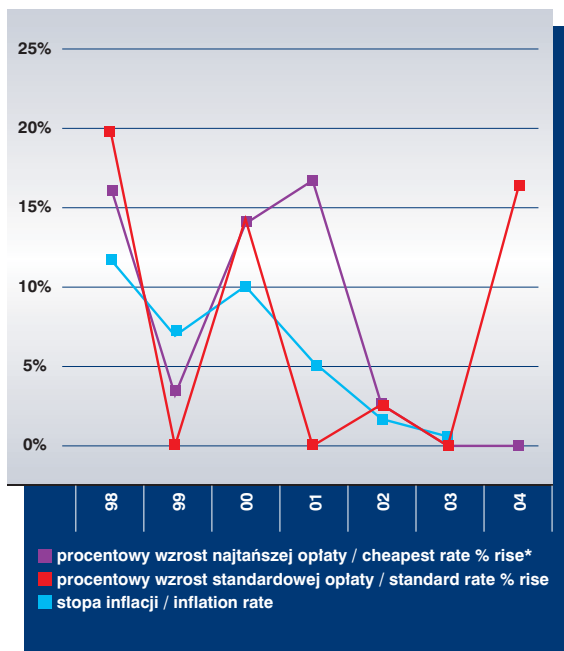
**Percentage Price Adjustments
Cheapest and Standard Tariffs
500 - 1000 g**



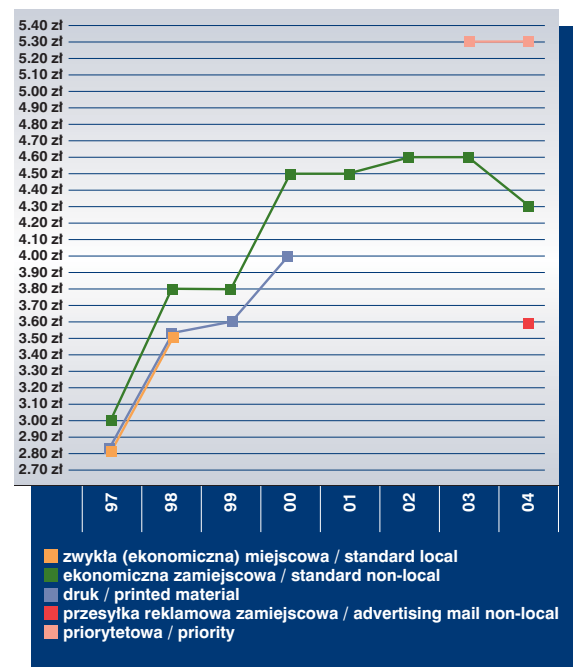
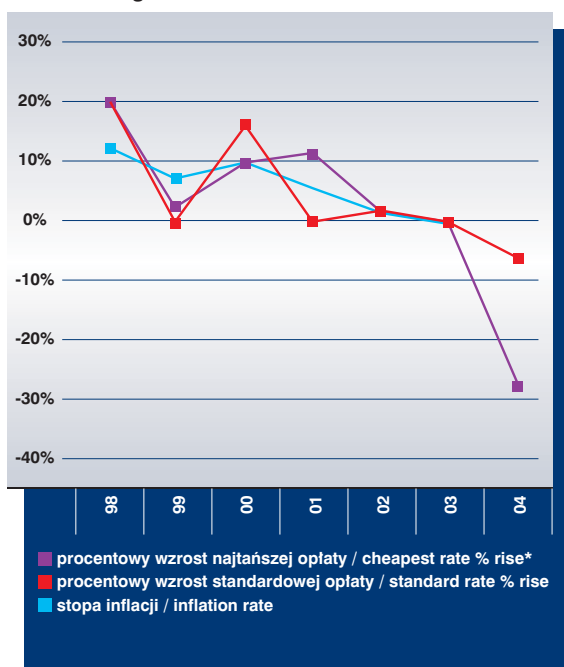
Postal Rates in PLN



1000 - 1500 g ****



1500 - 2000 g ****

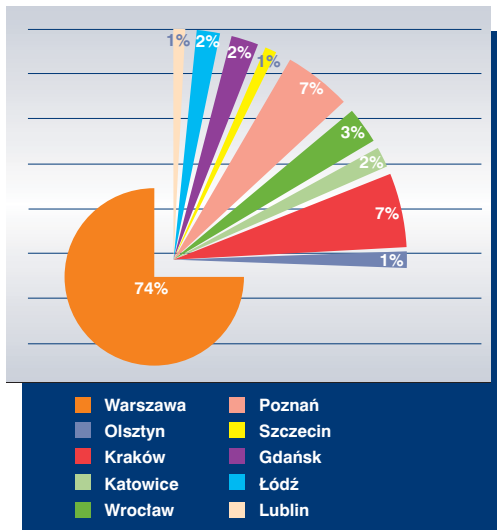


Research Method

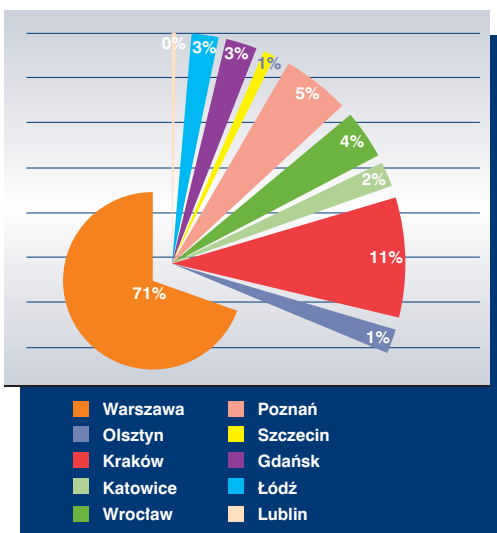
Prografix prepared a database of 998 contact persons working in 646 companies. Prografix then divided the database into two equal parts, i.e. 1) advertising mail 2) standard mail, and assigned a personalized code for each record. In the event that there would be multiple recipients a single company, Prografix took care to send both advertising and standard mail for comparison purposes.

The Polish Post is divided into 10 districts. Since the survey was a business to business mailing, the Warsaw district dominated, indeed 74% of all mailings were sent to the capital with smaller numbers to the other 9 postal hubs. The predominance of Warsaw directed correspondence may distort the “Speed of Delivery According to Postal Regions” and “Regional Response Rates” information contained in this report.

Amount of Surveys Sent by Postal District



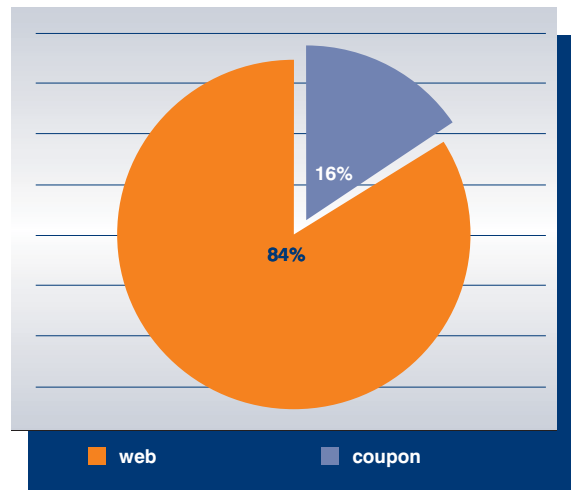
Amount of Responses Received by Postal District



To encourage participation, Prografix dispatched an e-mail to the majority of the potential participants with general information regarding the survey before the actual letter was sent.

On April 30, 2004, Prografix mailed both databases at the exact same time. Recipients of the letter that chose to participate in the survey by informing Prografix of the delivery date of the piece could respond via a personalized postpaid reply coupon or online using a dedicated web page. Prografix sent an additional follow up via e-mail on May 15, 2004, which boosted overall response by approximately 7.5%.

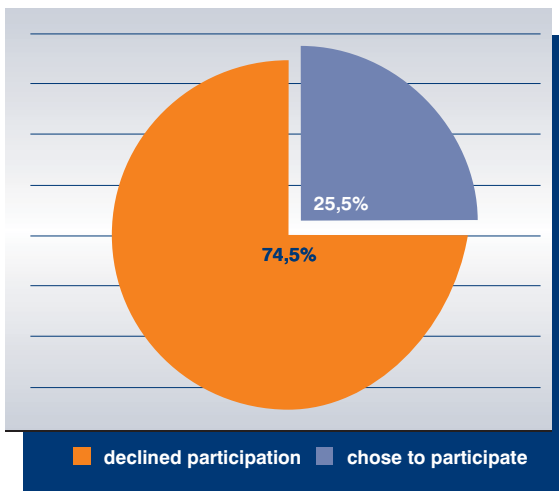
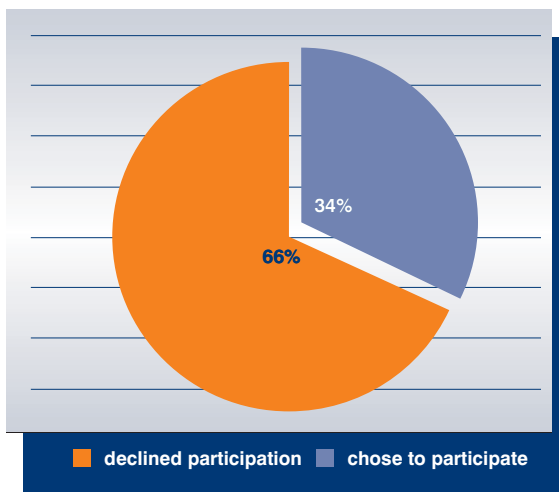
Response Method



Because of the volume of mail arriving after the initial cut off date, Prografix extended the research period from May 31, 2004 to June 24, 2004. This version supplements and expands the original report sent to the respondents electronically on June 26, 2004.

Overall Response Rate

After discounting returns, the overall response by individuals on the mailing was a impressive 25,5%. Even more surprising was the overall response rate of companies compared to that of individuals. Of the 646 companies invited to participate in the survey, 220 responded, giving a response rate of 34%. The high response rate demonstrates the level of interest in the topic and also makes the results of the survey much more valid.

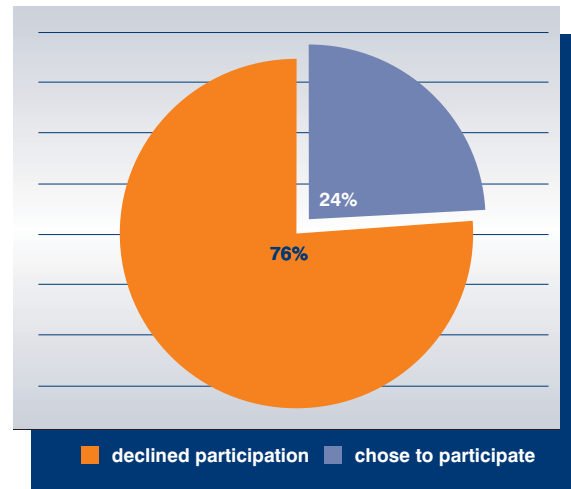
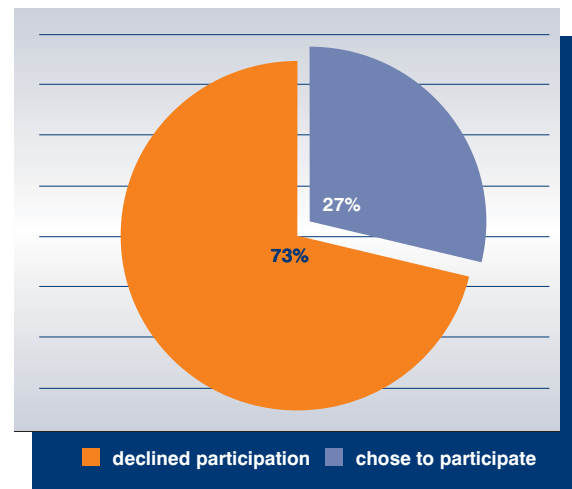
Response Rate / Individuals (960 = 100%)**Response Rate / Companies (646 = 100%)****Response Rate Comparison of Advertising Mail vs. Standard Mail**

To qualify for the cheaper advertising mail classification, the Polish Post demands that the text "Przesyłka Reklamowa" be printed and displayed prominently to the left of the address. Many marketing professionals have expressed their concern that this additional text can reduce the response rate.

The results of this research show that standard mail without this text enjoyed a 3% higher response rate than advertising mail. This is a clear indication that the text "Przesyłka Reklamowa" can lower the overall response rate.

Prografix followed to the letter the official postal regulation that requires the text "Przesyłka Reklamowa" be clearly visible to the left of the address. Many companies are attempting to lessen

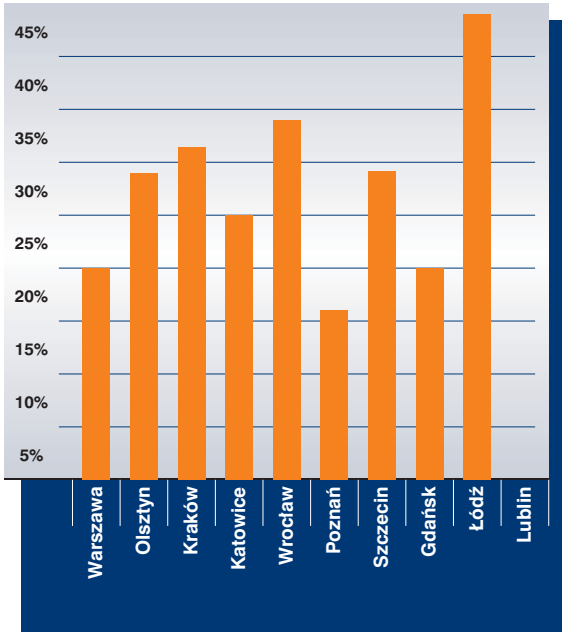
the impact of this text by placing it in a less conspicuous part of the envelope and by using a smaller font. While the Polish Post has demonstrated its flexibility by applying a liberal interpretation of the official regulations, caution is recommended as failure to conform to the rules can result in substantial higher postal costs.

Response Rate / Advertising Mail**Response Rate / Standard Mail****Regional Response Rates**

The response rate varied widely according to region. The smaller amount of mailings sent outside of Warsaw and database issues distort the regional response rates demonstrated in the chart. For example, only 1% of the mailings were sent to the Lublin postal district, which may explain the region's lack of participation in the survey.

While the structure of the mailing may distort the data, it is still obvious that mailing outside of Warsaw is worthwhile.

Regional Response Rate

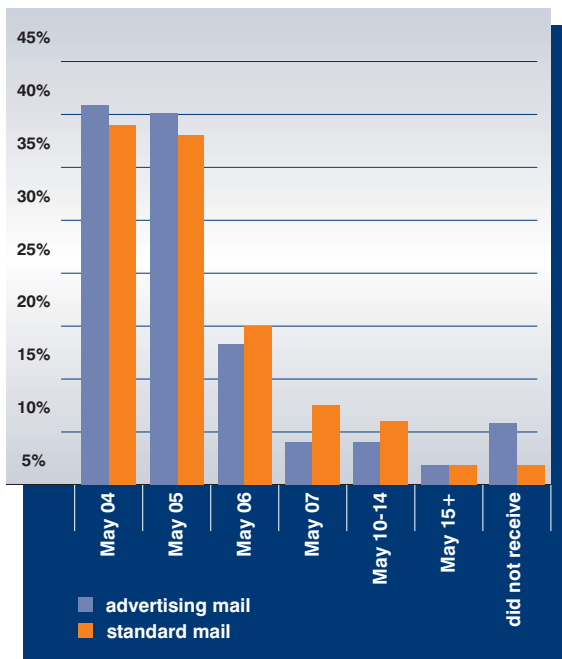


Speed of Delivery

Because of the long May holiday weekend, the absolute earliest the mail could reach the addressee was on May 4.

Surprisingly, according to the responses received, advertising mail actually reached the recipients faster than higher priced standard mail. Indeed, 84% of advertising mail reached the participants by May 6, as opposed to 82% for standard mail.

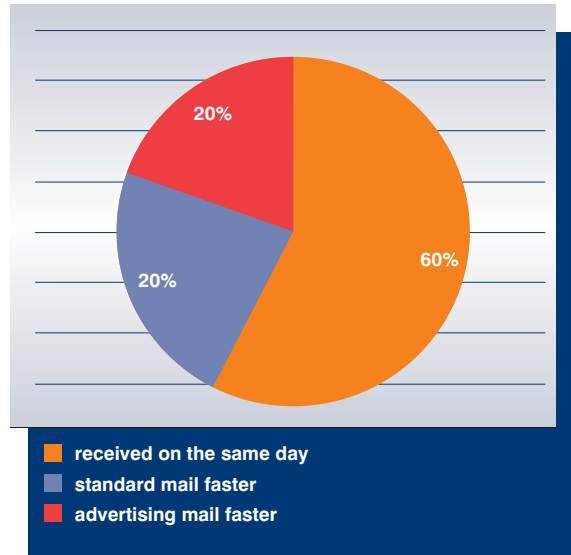
Comparison Between Advertising Mail vs. Standard Mail as to the Date Received (May 4 earliest possible date)



Mailed to the Same Company

Prografix mailed to 646 companies more than one letter, with a 50% split between advertising mail and standard mail. According to the response received, 60% of the companies reported that both the advertising mail and the standard mail arrived on the exact same day.

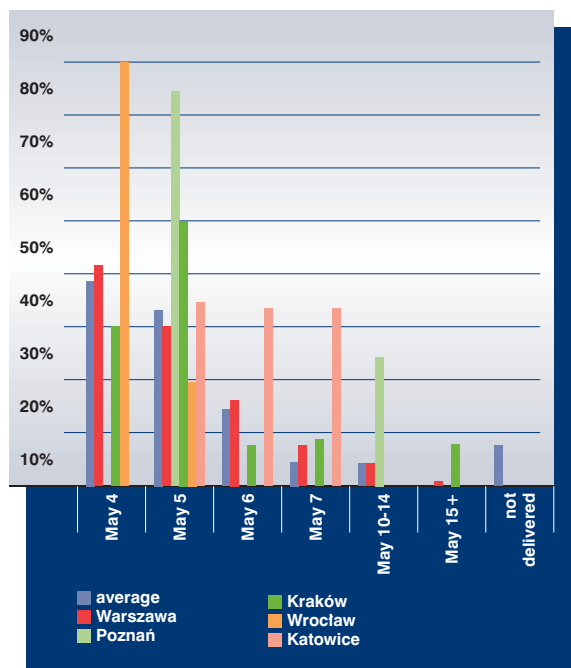
Receipt of Multiple Mail Sent to Same Company



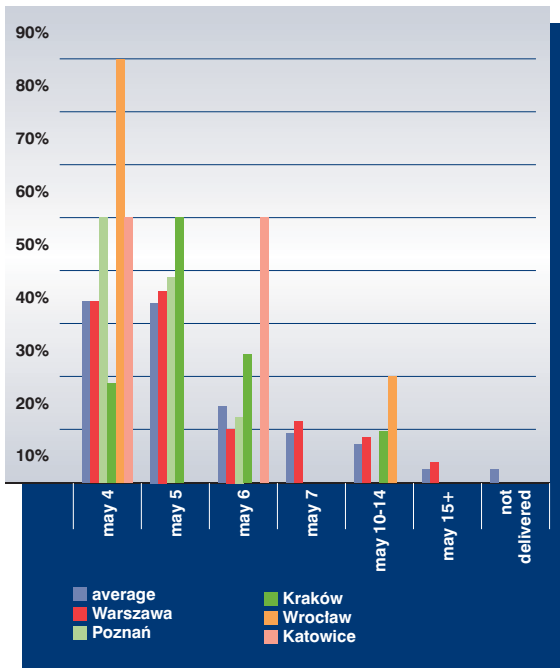
Geographic Location

According to the results, the distance from the point of dispatch plays a minor role in the actual time that the mail is received as the charts for selected postal districts indicate.

Date of Delivery According to Selected Postal District "Advertising Mail"



Date of Delivery According to Selected Postal District "Standard Mail"



Non-Delivered Mail

The most striking difference between advertising and standard mail is the amount that participants in the survey claimed did not reach them.

After the follow up e-mail of May 15th, 6% of participants that Prografix sent advertising mail claimed they did not receive the letter as opposed to 2% for standard mail. To confirm that the amount of non-delivered mail was not a database issue, Prografix sent an additional e-mail to each person who stated that they did not receive the correspondence to learn if their address was different than the one Prografix personalized on the letter.

A large percentage of the non-delivered mail may be explained by the following:

- The effects of the long holiday weekend, upon returning to work after an extended absence, many participants would have a lot of additional correspondence to read and the survey letter could have been initially ignored and then forgotten.
- Advertising mail is clearly marked as such on the envelope. Secretaries and other mail handlers could simply follow company policy and not forward advertising mail to the relevant person.
- Mail was lost internally in the participants' companies.

Even if the above reasons could explain 50% of the mail not received, it is worth noting that more than three times the amount of advertising mail is claimed to have been non-delivered

than that of standard mail.

Conclusions

Based upon the results of this survey, delivery time is not a major factor to consider in using the advertising mail classification. Even if the delivery time of advertising mail in this survey surpassed all expectations, marketers should be cautioned that the standard postal contact governing advertising mail guarantees delivery in 14 working days. The actual length of time is at the discretion of the Polish Post. An astute marketer will allow additional time for advertising mail, especially around the Christmas and Easter holiday seasons as the increased volume of standard mail may compel the Polish Post to slow down the delivery of advertising mail.

According to the results of this survey, the rate of claimed non-delivered mail clearly is higher using advertising mail while the response rate can be lower than that of standard mail. For large mailings, a test prior to launch between standard mail and advertising mail is advisable.

The survey has determined that featuring the text "Przesyłka Reklamowa" prominently on the envelope can reduce the response rate. While this can be significant, a "cost per response" analysis is recommended. It may be more cost effective to have a lower response rate at a lower postal price than a higher response rate at the standard tariff. In addition, this was a business to business mailing. The response rate of a business to consumer mailing may vary.

Advertising Mail Qualifications

Advertising mail classification has several severe restrictions including, but not limited to:

- The classification is only for the one time sending of "promotional, marketing or advertising material", such as catalogues, flyers, brochures or generic letter. Magazines, invoices and statements cannot be classified as "advertising mail".
- The contents must be exactly the same, in case of letters it has to be the exact same text. The only text that can be different is the address. The Polish Post has been flexible in allowing individual customer numbers, modifying the text to reflect gender and adding the vocative salutation. In large mailings modifying the text to reflect gender or even first names in the body text should not cause a problem as only a minimum of twenty identical pieces are required to qualify for the tariff.
- A minimum of 20 mailings.
- A contract with the Polish Post for each district is required. For example, if you wish to send out advertising mail to 50 grams and want to take advantage of the local advertising mail tariff, you will have to have an agreement with each individual postal district. If you wish to stamp the mail without using a franking machine or stamps, separate contract details for each individual postal district must be printed on the envelope.
- There may be tax issues involved in using advertising mail as opposed to standard mail.