



# **Research for Expansion Strategy of Postal Direct Mail in Anhui Province, China**

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<p>Abstract</p> <p>DM is “direct mail “, which is generally translated from English, abbreviated as DM. It means the multiform advertisements with the given information that are delivered to the target groups (potential customer, individuals and enterprises) directly by mailing service.</p> <p>DM is ranked a third media abroad following TV network and newspaper. It accounts for 15 - 20 % market share of the advertising market. However, in China, DM only accounts for less than 3 % market share at present, therefore, DM has quite large space to develop. There are opportunities, and also some problems to be solved.</p> <p>The definition of research problem is research for expansion strategy of Postal Direct Mail in Anhui Province, China.</p> <p>In chapter 1, there are some introductions about DM. In chapter 2, the thesis introduces the general concept and characteristics of DM, analyzes the status quo of DM in China and abroad. Chapter 3 is to analyze the problem of Chinese DM through brand image, media promotion, product quality, price and service. In chapter 4, an analysis of marketing environment is done, it consists of macro environment analysis, and advertising formats analysis, postal internal business environment analysis and SWOT analysis. In chapter 5, the thesis focuses on the expansion strategies of DM media market, and presents the strategies about brand, target marketing, product and service. In chapter 6, the thesis puts forward some suggestions about the development of DM in AnHui province post. Chapter 7 is conclusions.</p> <p>The qualitative analysis was used in the thesis as main research approach, the quantitative is accessorial method.</p>			
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## 1 INTRODUCTION

The postal business mail, also known as “direct mail”, which is literally translated from English, abbreviated as DM. The postal business mail (postal DM) which is studied in this paper refers to the business mails between enterprises (units or a variety of organizations, groups) or between enterprises and individuals, which is distinguished from the mails for the emotional exchanges between individuals and the postal bulk business information services of various types of users.

In Europe and the United States and other developed countries, direct mail is the third largest advertising medium after television and newspapers, accounting for 15 - 20 % of the entire advertising market share and 50 - 70 % of the postal business income annually. While in China, these two rates are respectively less than about 3 % and 10 %. The gap contains the market. As the new advertising media, the DM has great development prospects. (Hong Zhang 20 Jan 2010)

Post is a public enterprise, committed to universal service obligations. Mails are fundamental and symbolic business of post. No mails, no postal. The per capita mail is an important symbol to measure the level of development of a national post and a main indicator to evaluate the information society. With the development of modern communication technology and the popularity of phones and the internet, the traditional mail market is strongly impacted by various types of business mails which become the main body of the postal mail service. Therefore, we must start to develop the DM vigorously to raise the per capita mail and to expand the size of the main postal business.

Since The China Post operated independently in 1998, it has been committed to the restructuring of business. It regarded the business mails as a new economic growth point of the post and issued relevant policies and specific measures.

In 2002, the Chinese postal business mails accounted for more than 50 % of the entire mail business, which indicated the initial success of the structural adjustment. (Hong Zhang 20 Jan 2010) How to speed up the development of business mails and to make it as the backbone of postal business and one of the mainstream media is still the main direction of China Post.

In my thesis, I will put forward the countermeasures and suggestions about how to develop the direct mail business of Anhui Postal Bureau base on my analysis of direct mail business.

## **2 THE DEVELOPMENT STATUS OF THE POSTAL BUSINESS MAIL (DIRECT MAIL MEDIA)**

This chapter will focus on the definition, types and basic characteristics of the postal Direct Mail media and the development status of DM media at home and abroad.

### **2.1 The definition of Direct Mail**

DM, the Direct Mail in English, is literally translated as "direct mail", "advertising mail", "direct postal mail", etc. It refers to all terms of advertising through mail delivery service to convey specific information directly to the target audience (potential customers, individuals or enterprises).

U.S. Direct Mail and Direct Marketing Association defined the DM as follows: "DM is a mail to convey the information printed on the print for the advertisers to the selected objects." (DM / MA 2000)

To make it easy to understand, DM advertising is a means of advertising, which is conveying some information products (mainly most types of print) that are about the enterprise's own finished, personalized products, services, and image in a planned, purposeful and step-by-step way through forms of delivery, sending or distribution to the target consumers of the enterprise (target user) to guide and stimulate the consumption desire of the target consumer to bring about a direct sales growth of the company's products. An even easier understanding is that the DM is the advertising mails mailed to the target audience to sell products and services.

In addition to mailing, DM can also do with the help of other media such as fax, magazines, e-mail and direct sales network, counter distribution, personal delivery, mailing request or sending with the packaging of goods.

The biggest difference between DM and other media is: the DM advertising can convey the advertising information to the real audience directly, while other forms of advertising media can only convey advertising information to all audiences generally, regardless of whether the audience is a really concerned about the advertising information.

## **2.2 The definition of postal DM media**

The post DM media especially refers to various types of advertising information carrier mailed or conveyed via the postal channel, of which main forms are all types of advertising letters, bills, postcards and print ads (delivered advertisement). It is called business mails within the postal sector because the form of letters dominate to pass all kinds of business information. (Hong Zhang 20 Jan 2010)

According to the carrier category, business mails are divided into four categories: business letters (including mails), advertising postcards, the ordinary postage envelopes, delivered advertisement, In which business letters including various known address or unknown advertising correspondence, bills and other business correspondence and advertising postcards including various forms of corporate advertising with postage and without postage, reply cards and commemorative postcards. (Hong Zhang 20 Jan 2010)

## **2.3 Postal DM media features**

### **Characteristics of postal DM media**

The postal DM media is defined as targeted, long duration, flexibility, obvious effect, the effect can be measured and the concealment of the spread. (Hong Zhang 20 Jan 2010)

1. Targeted: DM advertising convey the advertising message directly to the real audience, which is strongly selective and targeted, while other media can only pass the advertising information to all audiences, which is regardless of whether the audience are the target object of the advertising information.

2. Long duration: The information of a 30-second TV commercial would be gone in 30 seconds; DM advertising is significantly different. The audience can repeatedly read direct mail advertising before their final decisions and thus have a reference to understand the performance of the products in detail until making decisions to purchase or discard at last.

3. Flexibility: The advertisers of DM advertising may randomly choose the page size and determine the length of advertising information and select the printing form (full-color or monochrome) according to their specific circumstances own, which is different from magazine and newspaper advertising. Advertisers only have to consider the relevant provisions of the postal sector and the size of their own advertising budget, except from which they can create a variety of DM advertising.

4. Obvious effects: The DM advertising is sent to the individual directly by advertisers and therefore advertisers can refer to demographic factors to select the audience to ensure the advertising information would be accepted by the audience to the maximum before they put into practice. Meanwhile, unlike other media, the audience will not wait to read its contents after they receive DM advertising without outside interference. Based on these two points, DM advertising can produce better advertising effect than other media advertising.

5. The effect can be measured: The advertisers can measure the effect of advertising by the feedback of the attached reply card, coupons, etc. after the issue of DM advertising.

6. The concealment of the spread: DM advertising is an in-depth sneaky and sensational advertising, less likely to arouse the awareness and attention of competitors.



### **The scope of the postal DM advertising**

Due to the above characteristics of DM media, it is more suitable for the dissemination of advertising information in the following :( Interview 20 Jan 2010)

1. The advertiser's information is too complex. Other media cannot be effectively communicated.
2. The advertising information is extremely personal, or with the need for confidentiality.
3. The advertising information is needed to cover a particular population or region, while the division requirements of the crowd or regional are as accurate as possible.
4. The dissemination of advertising information is needed for the research in control, such as the effectiveness test of a market, the test of the price, packaging and target clients of new products.
5. It is needed to mail orders and the products will go directly to the target object, without going through the retail, distribution, or other media.

### **2.4 IKEA case study**

IKEA is a home retailer which is alternative, trendy, outspoken adorable and full of personality. It is also the world's largest home retail giant from Sweden. Since it was born in 1943 till now, it has spent 60 years to enrich and improve its business philosophy-"to create a better everyday life for the public, providing a wide range of beautiful, practical and affordable household goods ". Nowadays, IKEA has grown to be giant enterprise which has 180 chain stores located in 42 countries and more than 70,000 employees in the world. (Lei 35-38 2007)

The brand communication of IKEA has been going its own way, including its beautifully printed catalog that is full of personality. The IKEA catalog culture is inextricably linked to its founder Ingvar Kamprad. The IKEA catalog of today stemmed from the retail directory of the legend when he ran a retail business 50 years ago. The successful retail business made Ingvar Kamprad not to

forget the credit of the catalog. So the directory has been taken seriously and as their primary means of marketing from the beginning.

IKEA distributes the beautifully printed catalogs which are free of charge to customer in a large number in various places every year. The distribution is as many as 2 million a year in China which is astonishing. The number of its release is even more than many famous business magazines. Compared to ads, the cost of doing so is enormous, but its deep brand penetration effect is unparalleled by any other means. As a high-end DM advertising, the IKEA catalog can be described as similar to some free magazines like "refined version of building introduction "and" automobile market review". It can ensure 100 % effective market arrival rate, no one would turn a blind eye to this beautiful art book.

IKEA does not stop there. Through recent consumer survey, IKEA found that there a lot of Chinese consumers who know IKEA but few of them really understand the personality of IKEA brand. Wu MacDiarmid, the IKEA marketing manager in China, said: "The value of a product can really be felt only in the actual use of the consumers. What advertising needs to convey is not only the value and performance of the product, more importantly, is to arouse the needs of the consumers before that." The subtlety of the IKEA catalog culture lies in that. Each person who holding an IKEA catalog, may not have been deeply moved but at least impressed with the exquisite beauty in their soul. It describes and shows IKEA products to the customers and names each product beautifully to facilitate memorizing and inquiring. Almost everyone has an IKEA catalog in many families involved in decoration. On one hand, it is for buying furniture and it is more important to find the home design inspiration. Many customers will be walking back and forth with a catalog in the hall, constantly communicating with the inner to ask themselves what they are really fond of.

"I receive the IKEA catalog regularly. Even I do not buy anything, but after reading it, I feel it pleasures in which there are details, especially some home tips. Personally, these details are great selling points." We can estimate the effective exposure frequency of the IKEA catalog is nearly 100 % to get such

praise from the customer. It is not selling a product, but selling an idea. This indirect roundabout "Psychological Warfare" is more likely to impress the customers in the communication with the customers. Although the one-time expenditure of cost is great, it is more economical compared to television advertising and other traditional media in the long run. "In the TV ads, only half of your advertising spending play a role, but you never know which half." Due to the uncertainty of effective arrival rate and effective exposure frequency, advertisers gradually began to look to other media besides television advertising. Then the DM advertising began to stand out. Advertisers have no reason not to treat it especially for its refined version of the DM, 100 % effective arrival rate, 100 % effective exposure frequency. Due to the limitedness of the IKEA target customer, it is of course willing to pay high communication costs for DM advertising. (Lei 2007 35 - 38)

## **2.5 Overview of the DM media development in some countries**

DM advertising takes a considerable share of the advertising market in the developed countries. The per capita daily receives 2-3 advertising letter and DM advertising is the third largest media after newspaper and television. I will explain this part by several typical countries.

### **The United States**

The United States has developed and efficient DM industry. It has the following characteristics.

1. Developed computer equipment: U.S. post office has the computer letter sorting to replace the manual sorting. All the letters are printed with bar code in the address and then using fast sorting with high-speed photo reading machine. All the letters are categorized and packaged according to the route delivery which is time-saving.

2. The high-tech, high-speed mail processing equipment: from desktop to floor type, up to hundreds of functional equipment can improve work efficiency.

3. The agent system: thousands of professional mail advertising companies in the U.S. shares the work of the post office, dealing with more than 1 billion advertising letters for the post office every day, which results in the United States Post Office to become the largest agency of the federal government establishment. The post office staff is extremely busy for just the recipient and mailing.

4. The complete mailing list: the mailing list in the U.S. is developed, which is constructive to the mail advertising. Its classification and analysis of the national commercial name list makes every enterprise can accurately find its object, its housing list and can even analyze the age of the owner, housing size and purchasing power. And then they can accurately locate the mail object according to customer demand. (Hong Zhang 20 Jan 2010)

### **Australia**

Australia Post had the annual mail growth rate of 5 % in the last 11 years. However, the business mail (postal DM) growth rate was 14 %, exceeding the growth rate of other mail greatly.

Expenditure in finding new customers has been increasing in recent years. Therefore, efforts should be made by enterprises to retain existing customers, such as improving database management software, making use of very sophisticated marketing and database technologies, launching targeted business mail campaign. For more and more people, business mails have shown its superiority, which triggered a sharp rise in post. (Hong Zhang 20 Jan 2010)

### **Switzerland**

In Switzerland, business mails are an indispensable marketing tool for SME and also a strategic field of the Swiss Post.

With a population of seven million, Switzerland is a small country. 92 % of the enterprises have less than 20 employees and 70 % less than 5. Only about 2 % of the enterprises have more than 100 people. 95 % of the companies sent the business mails accounting for 80 % of total mails. The business mail market is currently holding an annual growth rate of 4 % - 8 %. Despite the Internet and e-mail, physical mail is still the main tool for the enterprises to communicate business information.

Swiss Post has taken a number of measures and actions to fully support this business. For instance, commercial mail business training workshops and the Swiss business mail prize within SME have been set up. Swiss Post also participated in national events, such as the Swiss Marketing Conference. In addition, the business mail center located in the main business district of Switzerland is not only to provide customers with a variety of information and advice, but also take the initiative to come to provide services.

(Hong Zhang 20 Jan 2010)

## **France**

In France, the postal user's mailbox is increasingly full of spam without addressing from large enterprises in addition to use to receive letters. These advertisements without addressing are also known as the "mailbox spam". The reason why enterprises are fond of mailbox spam was obvious. First of all, it is an excellent means of business promotion which gave the commercials the pass for imposing households at a low cost and has preferential access privileges and unparalleled authority. Secondly, the attitude how the users treat such ads is also one of the reasons why commercials favor spam. According to a survey, 84.5 of Frenchmen read the spam in their mailboxes. 53 % of people expressed their willingness to receive such mails. 62 % of people bought one of the products shown in the spam.

The Frenchmen's attitude towards was promoting the rapid growth of spam. In 1993 - 1998, the number of spam delivered to the mailbox increased by 33 % in France. Although since then the market growth rate is weak (1- 2 % annual growth), which did not make all types of operators give up the competition in this market. At present, France has more than 100 companies delivering spam. France Post also actively utilizes its advantages for exploration and innovation to attract advertisers to connect their business to post in order to capture the market.

The advantages for France Post to carry out the spam business are obvious:

Firstly, France Post has postal service outlets across the country, holding a large number of user addresses. The postal media company was established by French Post in August 1987. It was mainly responsible for direct marketing, mailbox targeted advertising development, advertising management of the France Post Group. Since 1999, the postal media company began to develop a series of measures to fight for mail spam users to increase postal revenue.

Now, they already have a few "trump cards". StaifaniFutse, who was in charge of direct marketing in postal media company, said: "We are the only enterprise that is able to drop mailbox advertising mails to users throughout the country. We have 25 million mailbox addresses. Our business is closely related to SME, which is also our main advantage, for these small and medium enterprises have a broad user base in towns." France Post gave full play to its network advantages with this close relationship to its clients. Advertising mails were posted in two ways: First, postmen started from 143 delivery centers which were dedicated to the advertising mail delivery to send the spam to various cities and suburbs. Second, spam was sent to the users of SME in rural through 6000 delivery branch. (Hong Zhang 20 Jan 2010)

Secondly, France Post has a group of experts to study the market. Another outstanding advantage of the French postal media company is that it has a group studying regional direct sales. There are a number of experts drawing maps and doing research of the target user in this group. With the increase of

data they have accumulated on a variety of geographic and social population and people's spending habits, it can provide convenience to those advertisers who choose to the user of France Post and enable them to find the target consumer quickly so that the delivery points were screened out accurately. To safeguard the interests of users, France Post provided these data anonymously to advertisers, and used only for the mailbox spam.

Thirdly, France Post has a great power in the collaboration between headquarter and its branches. French postal media company has a strong marketing strength in the country. It is operating a large number of business, and business representatives and business consultants from postal headquarter often offer business guidance to the users of the various regions. France Post focuses more on the quality of service in the mail spam and tries to meet the needs of users as far as possible. Postmen put the print of advertising users carefully into the mailboxes every time and never let them buried into the catalog of supermarkets. In addition, there are staffs responsible for internal quality management and supervision in the advertising mail delivery center and the postmen are equipped with a set of information tools. In the future, inquiry operations will also be offered with the gradual delivery tracking. (Hong Zhang 20 Jan 2010)

## **2.6 Overview of Chinese DM media development**

DM was taken as a main business of China Post in the late 1980s and early 1990s. With the advance of government reform and opening up policy, the market economy gradually was becoming prosperous and a lot of product information was delivered to consumers through a variety of ways. The private enterprises in Jiangsu and Zhejiang Province took the initiatives to promote their products with mails on a large scale and achieved an unexpected success. At that time, "mail promotion" was a popular topic among insiders. People who experienced that era would surely still remember the business mails such as "Cangnan Print, Henan Tips to Become Rich".

Due to reasons like the imperfection of market development, incomplete mailing address, low-level production, the mailboxes of the office and home were filled with a lot of shoddy business mails. Some unscrupulous profiteers made use of the postal channel to transmit seductive and deceptive information. All kinds of "mail-order traps" were reported. Lots of people were deceived. The public image of the business mail was seriously damaged and people began to avoid the "Direct Mail" as if to avoid the "typhoid fever".

In the late 1990s, especially in 1999 when China Post became an independent operator, China Post has been committed to the business structure adjustment, focused on highlighting the development of Post's "housekeeping" operations – mails. And all kinds of business mails have been the priority of the development. Therefore, China Post set up agencies at all levels from top to bottom. They specialized in research, development and marketing of business mails (DM) and tried to cultivate a distinctive DM media and to create a new image of the business mails.

### **The organization structure**

Since the separation between China Post and China Telecom, China Post has increased the intensity of reform and development. They implemented professional management of the direct mail business and the established professional operators. The Public Service Department in the State Post Bureau was responsible for business development and guidance of the national direct mail business. China Post Advertising Corporation (a direct affiliated enterprise of the National Bureau) was responsible for networking and co-ordination of the national postal advertising business. Each provincial Post Office set up a research and development agency specializing in direct mail business which was commonly called Direct Mail Advertising Bureau or Mail Bureau. Each municipal Post Office set up a direct mail advertising company (or the direct mail advertising department).



## **The business category**

At present, China Post DM media includes four categories:  
(Hong Zhang 20 Jan 2010)

1. Postal commercial mail: It refers to mails conveying various types of business information which is distinguished from individual correspondence, including advertising direct mail and billing direct mail.

Advertising direct mail is a type of advertising media which takes the mail as the carrier and the postal delivery network as the communication channel. It can mail a variety of products' advertising, brochures, catalogs and other types of advertising materials to the specified target customers according to the needs of users and can be attached to purchase orders, feedback cards which allow users to obtain timely and accurate feedback.

Billing business is a business of the postal sector to be entrusted by telecommunications, water, electricity, gas and other utilities and banking, insurance, securities and other financial institutions to take their consumers as the delivery of objects and to make their consumption information on checking bills, bills, payment notices and receipts or other forms into mails to deliver according to addresses through the postal sector and inform on a regular basis. The bill can carry all types of advertising.

2. Advertising postcards: It conveys types of advertising information with the postcard as the carrier, including the postcard with postage and the postcard without postage, in which the advertising postcard with postage is divided into two kinds- the ordinary postage card and the corporate New Year's card.

The ordinary postage card is printed with a corporate image, product promotion, etc. which can be mailed directly through the postal network. At present, the theme of the ordinary postage card is about enterprises, campus, scenery, festivals, tickets, public service, feedback cards, and the quality tracking cards.

The corporate New Year's card takes the "China Post Chinese New Year (prize) postcard" which is issued by the State Post Bureau annually as the carrier to promote corporate images, their products and services. It combines New Year wishes, advertising, prizing and many other functions in one, which is an advertising, social media of high practical value.

3. Ordinary postage envelope: The envelope is issued by the State Post Bureau and printed with postage and can be used to release advertising.

4. Delivered advertisement: The fixed-formed print advertisement which is delivered through the postal network to provide the advertising target group with all kinds of product information and consumption information. The main forms are loose-leaf style, book style, letter style and aerogramme style. A personalized delivery program can be made according to advertisers' needs which is targeted and of high arrival rate.

### **The development status**

According to the statistics of the China Postal Advertising Corporation, DM advertising has always maintained sustained growth in recent years and the postal advertising revenue has been increasing year after year: 847 million Yuan in 2007, 1.772 billion Yuan in 2008, 2.233 billion Yuan in 2009, and 26.61 billion Yuan in 2010. (Hong Zhang 20 Jan 2010)

In 2010, the total of national postal advertising mails amounted to 6.1868 billion with an increase of 49 % over the same period last year. In which the postal commercial mails completed a total of 1.63501 billion with an increase of 49 % over the same period last year. The amount of delivered advertisement was 4.15765 billion with an increase of 57 % over the same period last year. The production of the advertising postcard with postage completed a total of 394.13 million with an increase of 0.5 %. (Hong Zhang 20 Jan 2010)

We can get better understanding of the development status from the following four aspects.

#### 1. Postal commercial mail

Different postal DM operators strengthened internal management. They purchased and updated the equipment's of the postal commercial mail and enhanced the maintenance and upkeep of the equipment's. They also took a series of measures to enrich and improve the information data, to develop print applications, to improve the production capabilities of the postal commercial mail to provide a strong support in order to adapt to the development of commercial mail. Increased marketing and promotional efforts were made and the volume of business was on the rise. The postal commercial mail was becoming popular gradually with advertisers as an advertising media to convey commercial information directly. The postal commercial mail in Shanghai, Beijing, Guangzhou, Fujian, Jiangsu, Zhejiang and other places has begun to take shape and the postal commercial mail production center of postal DM agencies was equipped with the leading print production equipment in the world and data processing center for information updating and maintenance. The main bodies of the postal commercial mail were the billing business for telecommunications, finance, insurance, securities and other industries, the advertising mails for membership-based enterprises and the advertising mails for all types of enterprises with implementation of database marketing.

(Hong Zhang 20 Jan 2010)

#### 2. Advertising postcard

In 1998, the ordinary postcard with postage was introduced as a new advertising media by China Post. Small postcards were given a lot of new functions in addition to information transmission and emotion communication and their forms and themes becoming colorful gradually. (Hong Zhang 20 Jan 2010)

Currently, subjects of the advertising postcard with postage are mainly about the enterprise, campus, scenery, festivals, tickets, public service, feedback cards, quality tracking card, personalized postcards, etc. In addition, the echo cards, answer cards, fundraising cards, invitations, coupons

and other types are optional for users. In business promotion process of the postal sector at all levels, they got rid of the functional limitations of the traditional sense of the postcard and extended it into the bridge and link for the enterprises to display their images, to promote their products and services and to connect users. Through the postal delivery network which is all over the country and around the urban and rural areas, they make a small postcard combine greetings, collections, lottery, insurance, and other functions together in the directional and non-directional communication.

Some famous scenic spots, such as Jiuzhaigou in Sichuan, Dali in Yunnan, Ling Mountain in Wuxi, Tianzhu Mountain and Jiuhua Mountain in Anhui, are in use of stamped postcard tickets. Dali and Ling Mountain Giant Buddha and other attractions connected the "Post" to "tour" to utilize intelligent postcard ticket management system to achieve the perfect combination of postal products and tourism products and took the effect of win-win cooperation. Lenovo Group, Bengbu Cigarette Factory, Gujing Distillery, Panda and LG washing machine manufacture and other famous enterprises have used the stamped postcard as product quality feedback card, supplemented by a lucky draw and other marketing activities and achieved good results. Gujing stamped postcard and feedback card became a collection favorite as a precious gift of the manufacturer's publicizing. (Hong Zhang 20 Jan 2010)

### 3. Common postage envelopes

In September 2001, China Post issued the common postage envelope as the new media to adapt to market demand. This is a type of envelope with postage issued by the State Post Bureau. The Enterprise name and address was printed on the front of the envelope which had remaining space for corporate image advertising and corporate image advertising text (less than 200 words) was printed on the back. The issue of the common postage envelope broke the restriction that the envelope had not been permitted to print advertising and caused a lot of business demand. Government, enterprises and schools started to produce it. Some local government even took the stamped envelope printed with the local landmark pattern as the "place name card" and encouraged local enterprises and individuals to use it widely to publicize the place and improve the regional popularity.

Some large and medium-sized enterprises were very positive about the publicizing media. The famous Little Swan Electric Company is made a one-time application for the printing of 5 million stamped envelopes for foreign communication and user information survey. The State Post Bureau issued a special “Little Swan” postage pattern for this.

In 2003, the State Post Bureau issued a notice to reduce the qualified printing amount of the stamped postcard and common postage envelope with a unique postage pattern from 5 million to 2 million, which meant that there would be more DM users who were able to have exclusive postage pattern representing their own characteristics. (Hong Zhang 20 Jan 2010)

#### 4. Delivered advertisement

Most delivered advertisements were delivered with various newspapers and magazines issued by China Post in a loose-leaf form at the beginning which was a poorly targeted advertising. The development strategy was adjusted timely in order to change this situation. They expanded the construction of mailboxes and improved the regional personalized directory at the same time. Innovation was made in design, form and specifications. According to market demand, the book style, aerogramme style, letter-style and other styles were introduced which enrich the variety of delivered advertisements. Different forms of delivery combinations were created. They could also take personal delivery, direct home delivery or directional delivery in the designated area according to the different requirements of customers in addition to go with newspapers delivery which greatly improved the reading efficiency of delivered advertisements and the competition among the media.

The network operation and the regional management of delivered advertisement were commonly developed. In 1999, China Post Advertising Company registered “China Post Special advertising” in the State Administration for Industry and Commerce as the unified brand of national delivered advertisement. DM operators at all places could take advantage of this media to release print ads across the country, which fully embodied the advantage of China Post network. In 2001, China Post released 5.96 million advertisements in the form

of “China Post Special advertising” for Chunlan Group in two batches to over a dozen large and medium-sized cities which achieved comparatively good advertising effect. In addition to national networking, the provincial networking and regional management of delivered advertisement were also carried out in full swing. The brand image of delivered advertisement was on the rise and it has become a new force which could not to be underestimated in print advertising media. (Hong Zhang 20 Jan 2010)

### **3 PROBLEMS IN THE DEVELOPMENT OF POSTAL DIRECT MAIL MEDIA**

This chapter analyses the problems in the development process of postal DM media from four aspects of the brand image, media promotion, product quality, price and service.

#### **3.1 Brand image**

The brand name includes the following three aspects: brand name, agency name and CIS design. (Hong Zhang 20 Jan 2010)

##### **Brand name**

The brand is a name, term, sign, symbol, pattern, or a combination of these factors used to identify the product's manufacturer and vendor. It is the commitment made by the seller to continue to provide the buyer a range of product features, benefits and services.

Because consumers take the brand as an important part of the product, so it can increase the value of the product to establish the brand. Consumers' awareness and acceptance of a product or service often depends on the brand familiarity and cognitive level. An excellent brand wins a high reputation and loyalty among the consumers, which can bring many competitive advantages.

Over the years, the title of DM media made by China Post has not been made an accurate, standard definition. There have been affiliation confusions among the business letter, the business mail, the advertising letter within the postal industry. There are often two or three names for the same kind of business and they are different due to the geographical differences. It is a great "mis-hap" for an advertising media which enters the market late and had low audience, which is extremely unfavorable for the media to promote the image.

### **Agency name**

In order to speed up the development of the postal DM business, China Post set up specialized management agencies at all levels, but their names were also different. It was called "postal letter Bureau", "Postal Direct Mail Advertising Bureau" or "postal correspondence company" in provincial institutions. There were numerous names of municipal DM agencies, such as "Postal Advertising Company", "Postal Direct Mail Advertising Company" or "Postal Letter Branch Bureau", etc. The complex names of the institution are not only disadvantageous for the coordination and management of the whole network but also make outsiders confused.

### **CIS design**

CIS (Corporate Identity System) specifically refers to a type of system and unified image means which are adopted by enterprises in order to form a good corporate image to make the various features of the enterprise easier for the public accept and recognize. It is defined as: the business philosophy and spiritual culture of enterprises or institutions are conveyed to the corporate relations and groups with the use of the recognition system such as visual design and behavioral activities to produce a consistent sense of identity and value. It gives the corporate image a type of unified and unique characteristics which improve the information transfer capability and image appeal of the enterprises. (Lei, 91 2007)

Post is a whole network of enterprises which is with many points, long line and wide range. At present, there is no unified CI image recognition system and the external images of the postal DM operating agency at all places are different and without a unified and standardized criteria from the corporate business philosophy, service standards, behavior rules to business logo, external decorations, internal furnishings and appliances, etc. In other words, there is no distinctive symbol for people to come up with the Postal advertising or DM media at once.



The diversification of the media title, the difference of organization name and the lack of unified CI image design led to the diversification of DM media image, vague brand image and the lack of a distinct personality, which affected the media's credibility and competitiveness to some extent and delayed the DM media being accepted by the public.

### **3.2 Media promotion**

The postal DM media is not only a mail business in postal enterprises but also a type of advertising media. The publicity and promotion of the media itself has become particularly important at this time when the competition is becoming increasingly severe and turn white-hot in the mass media and advertising market. I will explain it by three points.

#### **Media awareness**

In the course of postal enterprises, DM media is often only operated as a "business" of the postal business, while the awareness of "media" is comparatively weak. There are few activities to integrate and promote it as an advertising media.

The postal enterprises have always taken DM as a postal business to promote and often ignore the unique personality of the DM as an advertising media, which is prone to separate it from other advertising media in the process of promotion. The judgments and decisions are often made outside the development of the entire environment of advertising industry and the intended purpose is not attained. On the contrary, too much emphasis on the DM's "business" features and mode of operation will greatly weaken the unique advantages of DM as an advertising media and reduce the competitiveness and market share of the DM. "Operating media" and "developing business" are two distinct concepts, which will take different effects.

## **Media promotion**

In recent years, China Post has made a number of attempts in media promotion in order to expand the amount of DM advertising business and to raise the media popularity, for example, they organized national media promotion conference, sent a delegation to participate in the annual "China Advertising Festival", put image ads and business videos on some media like CCTV and used its own network for business promotion, etc. But the effect was not very obvious.

Firstly, the quantity of ads was comparatively small. According to statistics, the annual cost for business promotion of China Post was less than 10 million Yuan, which also included the promotion of the other business like the postal savings, newspaper distribution and postal logistics. The promotion cost of DM media branding and image was only one of them. The restriction of cost would inevitably lead to the small scale and low frequency of media promotion, which made it difficult to form centralized, unified publicizing advantage.

Secondly, the advertising appeals are not clear. DM is the advertising media to convey business information, to promote enterprises' products or services, but for their own "advertising" and the promotion of its own media image seem to be weak. Due to the lack of a unified CI design, the appeal of DM about "what it is" and "what to do" was difficult to clarify, plus that it covered many types of business, which made the listener (audience) still unclear about it after a lot of words.

Thirdly, the pertinence of the ads is not strong. Due to the length and frequency restrictions, the image publicity and business introduction appeared in the mass media (such as television, newspapers, etc.) are difficult to produce a distinctive brand image in the hearts of the audience. DM users often tend to exist in the commercial market. And the publicity and advertising in the mass media are difficult to make these users have a direct purchasing behavior.

## **Media marketing**

At present, marketing channels of postal DM media are mainly dependent on the postal specialized management agencies and post offices. Two types of people face the users directly: one type is the marketing personnel of all levels of direct mail advertising company and the other is the clerk in the Post Office. The former are mostly from the postal internal reorientation and have accepted business training at different levels and more familiar with the advertising market dynamics and DM business; the latter have undertaken a number of postal services marketing tasks and is one of "full marketing" and know little about DM media and advertising business.

Affected by the overall strength and quality of personnel, marketing of the postal DM media mostly depends on the "human wave tactics" and "full marketing". The business promotion tends to stay in the low-level of "sales" and the unique advantage of the media failed to closely combine the customer's marketing activities. They did a lot of "one-shot deal, which affected and even distorted the brand image of the DM.

### **3.3 Product quality**

Product quality is rapidly becoming an important competitive issue. It is the characteristic of product which adapted to social production and the need of living and consumption. It is the embodiment of product use value.

(Garvin1984) For the reason that DM is a new thing in china, so we found some problems in its operation process.

1. The name and address information database lags behind the development of DM

The name and address information is the basis for the development of postal DM media. The rapid development of foreign DM thanks to the complete name and address information. Advertisers can easily target consumer groups in the name and address library screening and the accuracy is very ad high.

In contrast, China's name and address information database lags behind the development of business. Small amount of information, unscientific classification and low accuracy cannot meet the personalized needs of customers, which is a serious impediment to the development of business. Although a lot of investment was made to the improvement and purchase of the database in the last two years, the database lacked deserved accuracy because the database was collected by personnel without professional training. In addition, name and address information database construction was not standardized and lack the concept of market standards and sale of database, which was also one of the reasons for restricting the development of Direct Mail.

## 2. Pertinence needs to be improved

"Targeted" is a big selling point of the postal DM media; many users make advertising because of this point. The premise of being targeted is that we must have a name and address database which has abundant data, accurate information and scientific classification as the support. Advertising leaflets of a well-known female cosmetics are not only to deliver them to the female consumers, but also information on their age, occupation, income, consumer preferences and other information need to be screened one by one until potential consumers of the product are selected. This is the advantage of DM media. "Your business information is passed to the people who are most in need of it". "Most in need" reflects the arrival rate of DM targeted advertising. Whether the name and address information is complete or not has a direct impact on the pertinence of the DM.

The lagging of the construction of name and address information database hindered the development of the DM media. Due to lack of data and incorrect information and other reasons, some of the users in need are often not satisfied. The low accuracy of the information from the present database resulted in a high bounce rate. Information which was sent to the users might have nothing to do with them.

### 3. The low quality of some mails

In sharp contrast with developed agent system abroad, a large part of our current DM mails are printed and packaged by the advertisers. In order to reduce cost, some advertisers used cheap and inferior materials with rough production process, coupled with the lack of pertinence, which caused that some mails were directly thrown into the wastebasket by the addressees and "spam" was born in this way.

### 4. Technology content needs to be further improved

DM operators at all levels have had large-scale direct mail production center, computer center and database maintenance center and investment in direct mail production equipment and advertising design equipment have increased a lot in recent years, but the overall technology content of DM are not high, especially in the difficulty to ensure the allocation of scientific and technical personnel with sustained and effective development of DM. They lack professionals in use of existing equipment to develop new projects and computer talents in organizing database, programming, maintenance and implementing dynamic management and professional marketing talents in using the information library resource to develop business. They have not been able to share resources and achieve scale effect on the basis of present equipment's.

## **3.4 Price and service**

Because Chinese specific social environment, Chinese post is a social infrastructure and extensive public service industry. We can get the strong feelings from the following parts.(Hong Zhang 20 Jan 2010)

### **Price**

Post is a whole network of public enterprises which are responsible for the universal service obligation to the general public to enjoy the unified price of communication service. Therefore, the price of mails- postage is priced in a unified way by the state. Within the postal enterprises, there are strict financial rules on the postal revenue management. Since the 1980s, the mail charges

have been adjusted 2 times: the outgoing mail from the initial 0.08 Yuan / mail adjusted to 0.80 Yuan / mail and the local mail adjusted to 0.60 Yuan / mail from 0.04 Yuan /mail. But each adjustment was always accompanied by a drop of the volume of mail business. In order to stimulate growth in business volume and increase the mail business scale, the State Post Bureau has issued preferential policies on the postage of business mail, that is different levels of discounts were given according to the volume of mails which promote the growth of mail business to a certain extent. But some of the postal sectors took some non-standard practices in the course of business for the local interests, that is they reduced the postage beyond the policy arbitrarily and some of them made use of low postage to attract off-site users to send business mails at local postage, which disrupted the internal operation order of the postal sectors, injured the interest of the postal network and also undermined the overall image of China Post. To avoid disorderly competition within the industry, the State Post Bureau abolished the preferential policies of the Direct Mail rates in 2000 and made strict rules to improve business order and to standardize their operations and made some specific punishments. It curbed low rates and contracting business inter-regionally to some extent.

Cancellation of preferential policies of the Direct Mail made the investment in DM media of some old and big users increase and the cost in DM delivery increase. For multiple reasons, some users gave up or reduced the amount of DM media and the DM business development encountered resistance.

### **Service**

As is known to all, postal product has two typical characteristics. One is what is look like, and the other is how to deliver. (Hong Zhang 20 Jan 2010)

#### **1. Design and Production Capacity**

As DM is a new media at home, the proportion of social advertising agency is small, the vast majority of DM advertising is or designed and produced by the postal Direct Mail operators at all levels. Because of the lack of professional advertising talents within China Post, the overall level of advertising creativity was not satisfactory although they have made a great investment in the personnel, finance and materials in recent years.

## 2. Delivery Qualities

After years of development, China Post adopted modernized technology with the combination of light, machine and electricity extensively to the three phases: the business running, internal sorting and sealing and transport. All of the most advanced postal technology in the world at present can almost be found in China.

Over the years, the change of the delivery in China Post has not been significant and delivery network has been imperfect and they have not fully solved the problem of delivery to users' home. After the separation of China Post and China Telecom, China Post increased the intensity of reform delivery and implemented the "home mailbox project" in the city. They installed the post newspaper boxes in a unified way to the residential area. But even so, a large number of newspaper boxes had a "box open rate" which was not high, which resulted in idle and waste of resources. Information database were not updated timely which caused the wrong delivery of some business mails. It made the impact of the arrival rate of DM advertising and affected the development of the Direct Mail business.

## **4 CHINESE MARKETING ENVIRONMENTAL ANALYSIS OF DIRECT MAIL**

This chapter focuses on analysis of the macro-environment of DM media, advertising forms, the postal internal environment and SWOT.

### **4.1 Macro environment analysis**

Macro environment means that one social power which causes opportunities and environmental threats for enterprise marketing activities. (Kotler2007 68) The analysis of the macro environment in order to know the environment, through the enterprise marketing efforts to be adapt to the social environment and changes to achieve enterprise marketing goals. Macro environment factors include population environment analysis and economic environment analysis, political and legal environment analysis, social culture environmental analysis, natural environment analysis, science, technology and environmental analysis.

The macro environment of China is unique. Because China is running with a unique social system, this feature will be shown in the following parts.

#### **Growth base on national economy development**

The 16th congress of CPC proposed the goal of all-round construction of affluent society: to quadruple the gross domestic product (GDP) in 2020 than in 2000, basically accomplish industrialization, and to make people lead more affluent lives.

Based on the development history of Chinese society in the past 10 years, each major party conference (such as the 14th conference of CPC in 1992; the Third Plenary Session of the 14th Central Committee in 1993; the 15th conference of CPC in 1997) has contributed significantly to the development process of China's economy, and promoted China's economic construction.



"Make all labor, knowledge, technology, management, and capital full of vitality, and unleash the entire source that can create social wealth to benefit the people." reported by the 16th congress of CPC. Especially the account and protection to non-public economy will further make an inventory of more than 10 million Yuan from a huge private capital stock and make the Chinese economy be of greater vigor. (Hong Zhang 20 Jan 2010)

This would inevitably bring a new surge of development to the vane of the economy - the advertising industry. China's advertising industry flourished step by step accompanied by reform and opening up and the development of China's market economy. A survey from Beijing Economic Information Center showed that from 1990 to 2007, China's advertising industry turnover increased from 2.502 billion Yuan to 79.489 billion Yuan, with an increase of 31.77 times; advertising business units increased from 11,123 to 78,339, with an increase of 6.04 times; advertising practitioners from 131 970 people increased to 709,076, with an increase of 4.37 times. According to the report from Economic Daily News, from 1996 to 2007, China's advertising business volume increased year by year, the average growth rate was 21.8%, and it had increased to 79.488 billion Yuan in 2007. The annual growth rate ran up to 34.2 % in 1996 and 26 % in 1997; after 1998, the growth rate tended to be stable, and has remained more than 10 percent. (Hong Zhang 20 Jan 2010)

With the start of a new round of rapid growth of the Chinese economy, China's advertising industry is bound to usher in an optimistic outlook. Because although total national advertising business has made 32 times of rapid growth in the last 20 years, compared to the world level, there is still much room for development. China's current amount of advertising of GDP is 0.89 percent, but the ratio of Japan and the United States has reached 1.2 % and 2.3 %. Future development of China's advertising industry has great potential. (Hong Zhang 20 Jan 2010)

As an emerging advertising medium, DM currently accounts for less than 3 % of the market share; compared with 15 - 20% market shares in Europe and the United States, there is a huge space for development.

The stable development of the national economy will certainly bring the rapid growth of the advertising industry, and the DM media has a bright future

### **The economic situation brings opportunities for DM**

With the rapid global economic development at present, many of the world famous brand companies want to enter our market. A prerequisite to enter China's market is to demonstrate we have the customer information resources they are looking forward to, and whether we can help them to establish a target market database. Moreover these world-famous brands advertising agencies have pitched their "camps" one after the other in China, and their first step is the collection of market information resources. They have advanced organizational management experience, first-class marketing program, rigorous marketing plan and adequate experience in marketing, and can provide customers with a full range of advertising services. Of course, they need to cooperate jointly with the local postal advertising companies in order to obtain detailed and reliable market information.

The growth of the mail-order industry and the direct selling industry bring opportunities for Direct Mail Development

The purpose of mail order and direct marketing is the most direct one-on-one interaction with the target customers, enabling customers to receive information, show the desire to buy, feedback quickly and purchases. During this time the generation of target customers and the exchange of information are the most critical. The DM is exactly able to solve the two feedback functions: one to help create the timely dynamic database, the second is to maximize the purchase information (pictures, intuitive clear) the consumer needs. Therefore, DM is a great constituent of mail order. It can assume the role of marketing, sales function gradually from all aspects including "set goals", "plan steps", "plan to implement", and is the most commonly used media of mail order and direct selling industry.

With the improvement of people's living standard, the pace of life is accelerating. More and more consumers advocate new way to shop. Media like mail order, direct marketing which can let people easily shop at home has been more popular. Bertelsmann Book Club, Mai Khao Lin, 3SUISES, TVS and so on use the DM for the exchange of information and feedback. The growth of mail-order industry will bring opportunities for the direct mail development and the two complement each other for common development.

(Hong Zhang 20 Jan 2010)

### **The development of IT makes DM market expand**

The development of communication technology needs Direct Mail. In modern society, IT is developing rapidly and the ways of information transmission are more convenient and diverse. People can exchange information through letters, fax, telephone, E-mail and other communication tools. Indeed, the physical transmission is partly diverted to the electronic transmission because of the fast speed of electronic messaging. According to statistics, the fax and e-mail take 30 % of mails in the United States Postal Service away, but that does not mean the kind of physical transmission is no longer needed.

(Hong Zhang 20 Jan 2010)

Society needs a full range of information delivery; in particular, the business mails that enterprises pass to the personal staff such as various types of bills, certificates, contracts, admission notice, print advertising, samples of in-kind advertising, product, the subscription notice, the market survey and so on cannot be replaced by electronic transmission. The postal sector should clearly recognize that the mail consumption is developing from personal letters to commercial applications, so correctly grasping of market positioning, strong business advocacy and actively explore the direct mail market is the only way to meet the needs of the community while developing their own.

According to the survey, in the process of information transfer, only 10 % of delivery in the large and medium-sized enterprises is through Internet, 90 % still rely on traditional information and communication methods. In the online banner advertising which network companies are praising increasingly,

click-through rate also decreased from 2 % to 0.5 %, the network gave rise to new fashion and lifestyle, but it is impossible for people to download food and physical, and also lack of real emotional communication. (Hong Zhang 20 Jan 2010) So we can conclude that: the market needs a wide range of information transmission means, and needs more physical transmission. If the Post can take advantage of modern communications technology and promote other new value-added services besides the traditional correspondence, such as mixed mails, delivery of mails next day and other varieties of business, postal direct mail business will have a wider space for development.

The development of electronic commerce needs Direct Mail. As people frequently use the term "electronic commerce", the Post should be filled with a strong sense of pride, because e-commerce is an emerging industry which is in the extension of three unified networks( information, in-kind, funding), while the Post is the only enterprise that combines three networks into one. At present, postal integrated network is put into use, the postal green Union Pay card business is opening, and delivery network continues to be improved, so postal development of e-commerce (such as network subscriptions, online mail order, network direct mail advertising, the Internet philatelic products services, online postal banks, IP telephony, the online agency business, etc.) or to provide e-commerce platform to the community users has become an indisputable fact. At the same time, e-commerce brings opportunities for Direct Mail business, no matter what kind of e-commerce activities, exchange of information and delivery are essential link, and product catalogs, product information, mixed letters, billing notice, on-line transaction statement and online advertising are "compulsory" to participate in activities of e-commerce enterprises, and will increase with the expansion of e-commerce business. Some extension business of Direct Mail, such as fax download, electronic direct mail, personalized (digital imaging) postcards, electronic greeting cards, information consult, etc. will also increase in the extent.

### **The 21st century means integrated marketing and DM**

In the 21st century, the commodity economy will be further developed. The market competition is increasingly fierce, corporate profit margins continue to shrink, and reducing costs already get to the limit, the market is divided into smaller groups of consumers. Each enterprise is fully aware of the importance of catering to customers in a targeted manner and getting loyal customers. Market segmentation pays more attention to consumer interests and feelings. The companies will pay more attention to establish and maintain profitable customer relationships, create and dynamically manage the database of customers' names and addresses, and communicate with customers one-on-one. We should be fully aware of: the traditional marketing methods will face a severe test and they will be replaced by new market concepts and methods of marketing in the 21st century - database marketing and integrated marketing. And DM will play an extremely important role.

Database marketing is a new marketing of efficient, measurable, and with two-way communication, which is based on direct marketing and relationship marketing. Generally, it should take six basic process-data acquisition, data storage, and data processing, to find the ideal consumer, the use of data and improvement of data. It can help companies find exactly the target consumer group, and meet customer needs with the most appropriate products in the most appropriate time, and it also can help marketers develop a new strategy based on the latest information and results, and establish a close relationship with consumers through an appropriate marketing media to enable consumers to become loyal users, and also database marketing allows companies to compete more secretive.

Database marketing, which uses humane advertising media advertising such as mail and telephone instead of blindly television and newspapers and other media advertising to provide users with direct mail advertising, telephone, sales, service, customers' loyalty programs and other integrated services, make many companies get more advantage. Therefore, the development of database marketing is another source of power of direct mail development. They complement each other for common development.

With the further development of the global economy, the exchanges between industrial and commercial enterprises and institutions are more and more frequent. Bills exchanges, the text file of business exchanges and a variety of letters continue to increase so the Postal Direct Mail plays an irreplaceable role as a bridge.

DM itself have functional advantages (high arrival rate, high efficiency and feedback rate; high cost performance ratio), brand advantages (enjoy a high reputation at home and abroad) and network advantages (with global postal network), which the other advertising media lack of, and it sets flexible design, informative, concealment, long timeliness in one and is about to become the most compelling media in 21st century.

## **4.2 Advertising formats analysis**

According to the statistics of the Chinese State Administration of Industry, China's advertising industry continued to grow steadily in 2008. The total business volume of national advertising reached 90.3 billion Yuan with an increase of 13.6 % over 2007; advertising business units reached 89552 with an increase of 14.3 % over the previous year; advertising industry has 756,414 people with an increase of 6.7 % over the previous year. Among advertising business units, there are 57,434 advertising companies increasing by 22.4 % over the previous year; there are 507,577 people employed in advertising companies; the turnover of advertising companies is \$ 3,956,526.68 Yuan. (Hong Zhang 20 Jan 2010) I will explain this from the following parts.

### **The advertising companies developing rapidly**

Advertising companies maintain growth in a long time because of three aspects: First, China's economy continues to climb and year after year increase in advertising. With the further opening of markets in the future, there will be more units to become the new advertisers. Existing advertisers advertising will also increase, so the cake of the advertising market will be bigger and bigger.

Second, there is still much room for development of types of services in the advertising industry. Because the demands for advertising services of advertiser are both multifaceted and multi-layered. The needs of those professional services are growing, whether consolidated or individual, whether it is a high level or low level, such as integrated marketing planning, advertising planning, advertising agency, advertising design, advertising, packaging design, technical services, information services, business consulting and so on. Third, the development of technology, the popularity of the network, and constantly improving the service means of advertising company are improving the capacity of the advertising agency business.

### **The mass media business in overall growth**

In 2007, the advertising business of TV amounted to 23.103 billion Yuan with an increase of 28.8 %, accounting for 25.58 % of the total advertising turnover; the turnover of newspaper advertising amounted to 18.848 billion Yuan with an increase of 19.52 %, accounting for 20.87 % of total turnover; the turnover of radio advertising amounted to 2.19 billion Yuan with an increase of 19.80 %, accounting for 2.42 % of total turnover; the turnover of magazine advertising amounted to 1.521 billion Yuan with an increase of 28.52 %, accounting for 1.68 % of total turnover. (Hong Zhang 20 Jan 2010)

### **DM advertising growing rapidly**

The statistics of 2007 show that business expansion and sales rose in some advertising companies which are developing some new advertising are especial prominent. For example, Jiangsu Post advertising company ranked from the 2006 operating income of 26 to 2. Its operating income increased by 588.42; then Shanghai Post advertising company ranked in first 22 when its operating income appeared in new list at first time. Both companies involve direct mail advertising. (Hong Zhang 20 Jan 2010)

### The unique position of DM in the advertising industry

For a long time, television has always occupied the first place in various Medias and other Medias were often ignored. However, media researchers began to notice that the effectiveness of television advertising is declining due to the increase in commercial advertising and interfere with each other. The audiences use the remote control repeatedly to change units because of a number of TV commercials, making the expected effect of advertising falls far short of the cost of television advertising. Some companies have found that the effect of the integrated use of print ads (such as advertising correspondence, mailing advertising, Pop ads and flyers, etc.) and television advertising is often better than the effect of using TV advertising alone.

We can get more intuitive feelings from table 1

TABLE 1. Profiles of Major Media Types (Hong Zhang 20 Jan 2010; Kotler 2007, 464)

Medium	Amount (1 billion) \$	Proportion % USA	Advantages	Limitations
Newspapers	30.4	24.1	Flexibility, timeliness, good local market coverage, broad acceptability, high believability	Short life, poor reproduction quality, small pass-along audience
TV	27.4	21.7	Good mass-market coverage, low cost per exposure, combines sight, sound, and motion, appealing to the senses	High cost, high clutter, fleeting exposure, less audience selectivity
DM	24.4	19.3	High audience selectivity, flexibility, no ad competition within the same medium, allows personalization	Relatively high cost per exposure, "junk mail" image
Radio	8.5	6.7	Good local acceptance, high geographic and demo-	Audio only, fleeting exposure, low attention(the



			graphic selectivity, low cost	half-heard), fragmented audiences
Magazines	6.5	5.2	high geographic and demographic selectivity, credibility and prestige, high-quality reproduction, good pass-along readership	Long ad purchase lead time, high cost, no guarantee of position
Outdoor	1.1	0.8	Flexibility, high repeat exposure, low cost, low message competition, good positional selectivity	Little audience selectivity, creative limitations
Other	28.1	22.2	High selectivity, low cost, immediacy, interactive capabilities	Small, demographically skewed audience, relatively low impact, audience controls exposure
Sum	126.4	100.0		

In order to enable enterprises to maximize profits and use the best steel in the knife's edge, DM can play a good role. It can help marketers to determine and identify the best target customers for their products, such as identifying those potential customers who are interested in and have ability to purchase and of course are ready to buy the products from a direct mail database, then the list is made into a business mail (containing product information, promotions, feedback forms, etc.), and finally be printed with the name and address information for delivery to individual users or business users. According to the information of the feedback form, we should re-establish the database of customers' names and addresses information, including customer's name, address, zip code, telephone, occupation, income and other personal information, in order to form a continuous, ever-expanding sales network.

The business mail is very effective in the field of aviation, hotel, insurance, high-end products, subscriptions, magazines and books sales. The price of a business letter depends on the quantity, printing quality and paper weight. It can bring good economic benefits for advertisers because the response rates of DM are generally in about 2%. And It can also bring some social effects and enhance the brand image and reputation for advertisers. Because Business letters (such as spam, advertising postcard, delivered advertisement, etc.) are beautifully produced and released by the national postal channels, they get a high degree of credibility. Compared with other advertising, direct mail has a unique charm (see Table 1).

### **4.3 The analyses of postal internal business environment**

#### **Mail is the Post's core business and infrastructure business**

The postal communication belongs to the social infrastructure and it is a basic condition in social normal operation. People need to exchange information in order to promote social development. The exchange of information is the important activities for modern society to survive and develop. The civilized nations of the world are committed to protect citizens 'communication rights, and our Constitution also provides law to protect citizens' freedom of communication.

Effective implementation of this law needs certain conditions that must have a communications department directly controlled by government with China Unicom both urban and rural physical transmission network and it can provide basic communication services to everyone, that is, universal service. Post meets this need, so commitment to universal service obligations and passing letters are the main ways of the postal universal service for the community.

For a long time, China Post, assuming the role of the "through politic, through people and trade", passed the decree, let the people communicate each other and serviced merchants. It has been known as the "green angels", while all these are accomplished through the delivering of the letter.

Therefore, we can say no letters, no postal in a sense. The business letter is the symbol of the postal business, and also the Post's core business and basic business.

### **Letters franchise protected by law**

Due to the public nature of the universal service, the business within universal service can only be operated by the national post that means currently China's letters delivery service is only operated by the post. Franchise can ensure the implementation of universal service, and only in this case, everyone can enjoy equal access to services of sending a letter and receiving a letter. It can make citizens' communication rights be effectively protected. Therefore, China's Postal Law expressly provides that: "The delivery service of letters and other items with the nature of the letter is franchised by postal enterprises, but except as otherwise provided by the State Council. "The notice of requirements on the specific content of letters and other items with the nature of the letter" released in January 1996 by the former Ministry of Posts and Telecommunications defines the letters including letters and postcards.

The letter refers to the sealing of information carrier with the sealed envelopes. Specific content includes:

- 1) A written communication;
- 2) Different types of documents such as business documents, contracts, etc.;
- 3) Various documents and certificates;
- 4) Securities, such as stocks, bills of exchange, warehouse receipts, bills of lading, etc.

The postcard refers to the information carrier of delivery in a bare form.

The items with the nature of the letter refer to information carriers of delivery with symbols, images, and audio. Specific content includes:

- 1) Books, newspapers, and information printed with the word "internal";
- 2) Audio and video products and computer information carriers with a communications component; items with the nature of the letter prescribed by the competent department of postal.

### **Per capita letter measure the level of national postal development**

The mail service is the basic business in the post. The initial development of the postal started from meeting the needs of people to send letters, and much modern postal business derived from operating the business of business letter. If the letter of the business cannot be operated well, the other businesses of postal services will lose the basis. It would seriously weaken the Postal important position and role in society. At present, countries in the world measure the level of development of a country's postal according to per capita letter volume, and our per capita letter is less than 10. Comparing with the hundreds of pieces in the developed countries and dozens of pieces in some developing countries, we know the gap is very big (see Table 2). Therefore, after the completion of three years of losses goal, the China Post must establish the core position of the mail service and manage it innovatively in order to promote its rapid development and achieve leapfrog development. Giving full play to the postal network advantage and the existing capacity of transport, handling and delivery, and increasing the proportion of the letter in all business income are the needs to restructure its business, and also the needs to complete postal transformation of economic growth and sustainable development. (Hong Zhang 20 Jan 2010)

### **The strategic choice of China Post**

Mail service can be divided into private correspondence and business letters by the use of nature. Although the fulfillment of universal service is the bounden duty of the service of Postal, center of gravity is already transferred from the communication between individuals or articles posted and delivered to the business activities for the community service. In order to bring life and vitality to the traditional mail service, vigorously developing the business letter busi-

ness closely related to social business activities is very important. For example, the United States Postal Service has had a 23-year history of losses. The secret of the losses is to take timely strategic shift from personal communications to the business letter. Nowadays, the amount of U.S. letter is about 43% of the total global letter, which accounted for about 80% of business correspondence, and advertising mail accounted for 20% of the country's advertising market in particular, almost sharing the same proportion with newspaper advertising in the country and the revenue is also neck and neck.

In China, business letter business has not yet attracted enough attention, and advertising mail services in many other areas is still blank. It indicates that China's business letters business (especially advertising correspondence, billing class letter) is still a large space for development. The China Post should focus on the development of business letter business on the basis of the stability of traditional letter mail traffic, trying to build a business letter brand to increase market share, and try to introduce useful information, as far as possible to adapt to consumer preferences, and avoid to be like the Western developed countries. As in previous years, the business letter in Western developed countries is regarded as "spam", and it damaged the image of the Post in the eyes of users.

Table 2 Per capita letter of some countries and regions 1995-2000 (unit: piece)  
(Hong Zhang 20 Jan 2010)

Countries and regions	1995	1996	1997	1998	1999	2000
China	6.52	6.38	5.51	5.22	5.82	6.09
America	677.89	691.85	704.82	728.91	734.36	737.87
France	411.61	416.46	432.10	435.91	442.75	447.57
Britain	312.61	308.83	312.65	322.90	324.77	336.48
Hungary	102.16	93.10	107.18	119.99	127.01	137.68
Japan	194.29	199.51	201.70	202.44	204.08	206.59
Australia	241.64	253.27	218.43	224.60	230.15	242.90
Hong Kong	170.00	172.40	182.00	174.77	174.10	186.28
Israel	85.83	94.37	97.17	95.18	97.36	103.56
Korea	76.12	83.00	85.13	77.24	81.01	94.63
Portugal	96.98	102.06	108.02	116.16	122.63	126.14
Spain	105.83	107.96	106.47	111.80	119.50	122.00
Italy	96.18	111.25	98.53	100.93	104.22	114.20
Brazil	35.84	34.55	43.90	50.12	52.21	65.45
India	14.47	14.51	15.78	16.36	16.16	15.94

#### **4.4 SWOT analysis of DM**

We can draw the following SWOT matrix analysis on the basis of analysis of the internal and external environment of Postal DM media:

##### **Strengths**

1. Brand image: Creating a good brand image and credibility relying on the century-old brand of China Post.
2. The network resources: Using the Chinese postal networks throughout the provinces, municipalities and townships to achieve the physical transmission and delivery of information.
3. Technical advantages: China Post has an advanced letter production center and data processing centers, and share resources through the postal integrated computer network to achieve the joint operation of the whole network of the DM.
4. Business advantage: China Post has a set of strict rules and regulations throughout the local sales outlets and marketing team. It has a certain competitive edge and visibility.

##### **Weaknesses**

1. The flexibility of the Postal tariff policy is not enough. It is not conducive to the postal business letter business to dominate the market.
2. The depth and level of service of the postal delivery network cannot meet the diverse needs of customers.
3. The information database update slowly, and technical standards are not unified, so the development of commercial correspondence and business is constrained.
4. Lack of personnel and the production level of postal advertising business letter are low.

## **Opportunities**

1. The database marketing and one to one marketing needs business letter as a bridge of communication of business information.
2. Taking advantage of the brand of "China Post" to promote, nurture and develop business letters market.
3. A few years ago, the business of business correspondence grew slowly, and business letters per capita is low, so markets have a broad space for development.
4. Integrated marketing communication is so popular that advertisers' choice of media has become more diversified.

## **Threats**

1. Television, radio, newspapers, Internet and other mass media are impacting and challenging DM.
2. The technology of modern communications made a great progress and the applications of telephone, fax, SMS, E-mail and other means of communication are devouring the market share retained by the post.
3. The advertising companies of franchise DM media appear.
4. The change of customer needs and preferences.



## **5 EXPANSION STRATEGIES FOR DIRECT MAIL MARKET IN CHINA**

This chapter will describe the strategies of the postal DM media including brand strategy, target marketing, product strategy, pricing strategy and service strategy.

### **5.1 Brand strategy**

The brand is usually the mark of identification of products by the symbols, text, graphics, etc... The brand not only has the role of differentiated products, and also has the effect of transferring information and providing value to consumers. Therefore, the brand occupies a pivotal position in the marketing process. In the expansion process of Post DM media market, the brand strategy is essential.

According to Chinese postal Direct Mail, the brand strategy is analyzed by the following parts.

#### **Brand name**

First establish the name of the postal DM operators and use a unified name of "postal advertising". This name is very concise and straightforward to show that the attributes of the industry and also avoid a homonym between "Direct Mail" in "direct mail advertising" and "typhoid" because of the same pronunciation in Chinese. It gives us pleasure from both visual and auditory, and is also easy to remember and spread. Meanwhile, the China Post's century-old brand gives us a heavy feeling, and it can enhance credibility.

(Hong Zhang 20 Jan 2010)

Specify all the current business title with a unified name of "The postal DM Media" and try to avoid the name of "Direct Mail" in the process of outreach and promotion. "Business letter" can continue to use in the internal management of business. Respectively name the various types of business in DM media. "China Post special advertising" has been registered in the State

Administration for Industry and Commerce and may continue to use. For the advertising business of the local Post, It can be dubbed "China Post special delivery ad x x". Postcard business can be dubbed "advertising postcards"; the ordinary stamped envelopes can be replaced by "advertising envelope", and business letter can be changed into "business correspondence".(Hong Zhang 20 Jan 2010)

### **Brand image**

A unified CI image of Post DM media should be designed vividly and clearly for easy to remember and giving a deep impression in the minds of most people. As people see a logo or special item, they will be able to immediately recall the "China Postal Advertising and the Post DM media. For unifying an image and widely being disseminated, the activities of assembling design from domestic public can be carried out. Meanwhile, it can improve the influence of the new logo, and also will be easier for people to accept it.

Print postal DM image brochures that include signs, business philosophy, service standards, codes of conduct, supplies, appliances, store decoration, interior furnishings of postal advertising to work as a uniform reference standard for all levels of postal DM operators.

The standardization project should be implemented step by step. First, it should be implemented in the capital cities of provinces that are unifying a logo, decorating store and proposing a unified concept of business, unified service standards and codes of conduct. After that, it will be gradually implemented in other cities and counties.

## **Brand communication**

Usually, brand communication consists of the following two compositions.

### **1. The object of the dissemination**

To establish and gradually improve the brand image of the postal DM media, we must focus on two aspects. First, we must focus on the spread of the Volkswagen brand. It means the brand communications for all audiences, which is likely most people will not be direct users of the DM, but keeping the publicity of the brand image can improve the visibility and credibility of media. Then when they received DM e-mail in their mailbox, they will be interested in opening and reading the e-mail. On the other hand, we must focus on targeted dissemination to potential customers. This kind of spread can often play a promotional effect. Those customers who are suitable to do DM advertising are likely to make a purchase decision immediately.

### **2. Communication channels**

The communication channels of DM media brand can be diversified. We can use television, newspapers and other mass media to spread the Volkswagen brand, or we can also use opinion-oriented news and propaganda. But brand communications on these channels should be simple, clear and emphasize "what is it" and "what to do" about DM. We must focus on building brand image and increase the visibility of the media. While fulfilling brand communication to potential customers, DM should give full play to the characteristics of its own to spread it in various ways, playing a "personal experience" effect. In the process of this communication, we should make detailed instructions for the characteristics, the advantages, the scope, and the price system and service specifications of the media, in addition to the appeal of DM brand.

The alliance is also an effective channel of the DM brand communication. Along with the prevalence of integrated marketing, advertisers' awareness of media placement is gradually changing. They tend to be more inclined to use a variety of channels to pass the same information. In such preconditions, the media and advertising companies are from a single competitive and

antagonistic relationship to the competition and cooperation. The situation of advertising companies to "go it alone" is gradually being replaced in the alliance. This situation has played a multiplier effect for the brand communication of DM.

## **5.2 Target marketing**

Target marketing is to find different consumer groups from the composition of the market, and develop products and make decisions for marketing mix for all those target markets. Now, sales is transferred from large-scale marketing and product differentiation to target marketing, because target marketing can help us to identify market opportunities and develop more effective product and marketing mix. The key steps of target marketing are market segmentation, defining the target market and market positioning.

### **Market segmentation**

Market is composed of purchasers and there are always more or less differences between the buyers. They have different desires, different resources, different location, different buying attitudes and buying habits and so on. Enterprises will have a better opportunity to provide consumers with value and notice the needs of consumers through developing the segments of market rather than looking at the entire market. Then they will win the biggest profit. Markets include consumer markets and commercial markets. The commercial market is that DM media faces.

The commercial market can be divided into small segments according to geographical location, operating characteristics, buying patterns, personal characteristics and other variables. For market segmentation to play a role, it must have the following characteristics:

(Hong Zhang 20 Jan 2010)

1. Measurability. It means that the size, purchasing power and features of the market segments can be measured.

2. Availability. It means that the market segments can be entered and contacted effectively.
3. Profitability. It refers that the market segment is large enough and profitable enough.
4. Mobility. It refers to the ability to design effective programs to attract and meet the market segments.

### **The target market**

The target market is the set of buyers with common needs or characteristics which the enterprises decide to enter. The companies firstly assess the size and growth characteristics of each market segment, and also structural attractiveness and degree of harmony with enterprise resource and the target. Finally it will find the best market segments as a target market. Companies can choose a market coverage strategy, namely: no difference in marketing (regardless of market segmentation differences), the differences in marketing (develop different products and marketing mix for several different market segments) and focus on marketing (catch one or several segments).

(Hong Zhang 20 Jan 2010)

### **The market positioning strategy**

Once a company has decided to enter a certain market segments, it is necessary to introduce a market positioning strategy, and make decisions of what position the products should occupy in selected market segments. The positioning of the products of the enterprises can be carried out according to the specific characteristics of the product, the occasion of using, a particular class of users or the level of product. Enterprises can target or avoid competitors to position the product. Positioning task of the product has three steps: identify the competitive advantage which can establish the product status; select some suitable competitive advantages; then effectively disseminate the selected market positioning to the market.(Hong Zhang 20 Jan 2010)

## Target Marketing of DM Media

About target marketing of DM media, it still consists of the following parts.

(Hong Zhang 20 Jan 2010)

### 1. The market segments

DM media market is the commercial market, all those companies that have advertising needs and want to pass some sort of business information are the potential buyers of the DM, but not all companies can become a user of DM. Therefore, the market segmentation must be based on the above principles of measurability, availability, profitability and mobility with reference to geographical location, operating characteristics, the way of buying, personal characteristics and other variable factors.

### 2. Establish the target market

According to the current development status of China, target markets can be divided into the following types in accordance with the characteristics of the industry, which is based on an assessment of the market segments of the postal DM media: (1) commercial enterprises (especially a membership-based business enterprises); (2) Telecommunications; (3) finance and insurance; (4) public enterprises (water, electricity, gas); (5) tourism; (6) real estate; (7) book publishing industry; (8) appliances manufacturing; (9) various mail order companies; (10) types of schools. Different target markets should take the market coverage strategy of the differences in marketing which is to design products and marketing programs for each target market and provide personalized service.

### 3. Market positioning

After establishing a target market of DM, we must position the market based on the characteristics of its products. The awareness of DM media is not high and even many people don't know what it is, therefore, it can be positioned as "new advertising media", supplemented by the functional demands of "sending your business information to the hands of people most in need" to highlight the relevance and the arrival rate of the DM media,

so that potential users can easily understand it with deep impression and make the final purchase decision.

Table 3: The target market for postal DM Media in China  
(Hong Zhang 20 Jan 2010)

Target market	DM products (services)
commercial enterprises	Catalogue of products, delivered advertisement
Telecommunications industry	statements, reminder, user survey letter, prepaid card postcards
Finance and insurance	billing, renewal notice, bonus notice
Public enterprises (water, electricity, gas)	bill, consult letter of user opinion
Tourism	Intelligent postcard tickets, mailing advertising, scenery postcard
Real estate	delivered advertisement, DM building booklets
The book publishing industry	subscription letter, library catalog, survey card for reader
Appliance manufacturing industry	tracking card for product's quality, feedback cards of users' surveys
Various types of mail-order business	catalog of mail order
Various campus	campus postcards, the postage closure of campus, achievement notice of student, enrolment information

### 5.3 Product strategy

#### The product line of postal DM media

There are the following four main products:

#### 1. Commercial mail

1) Advertising commercial mail: a variety of catalogs, subscription mail, promotion mail and etc. It can be divided into:

Enclosed commercial mail (advertising in an envelope)

Aerogramme commercial mail (combine envelopes and writing papers into one)

Letter card commercial mail (combine envelopes and the inside paper and fold it)

2) Billing commercial mail:

Telecom bill (notice of calls, notice of call details, arrears reminder and etc.)

Finance and insurance bills (individual bank statement, bank statement or enterprises, the renewal notice)

Utilities bill (electricity bill, water bill, cable bill and etc.)

#### 2. Advertising postcards

1) Long-term product postcards, such as campus postcards, quality tracking postcards, holiday greeting postcards, corporate branding postcards, personal postcards, calendar postcards and so on.

2) Exhibition postcards and holiday postcards, such as Arts Festival, Film Festival, Science Festival, Tourism Festival and cultural exhibitions.

3) Information reply postcard, such as echo cards, song cards, consulting card, community services card, the police contact cards and the complaint of quality cards.

4) Correspondence and culture postcards, such as the prize quiz, quiz and essay competitions.

5) The public welfare and special postage postcard, such as insurance, utilities, and public welfare postage postcards for large enterprises.



### 3. Common stamped envelopes

- 1) The postage envelopes for long-term product, such as campus postage envelopes, the propaganda postage envelopes for image of enterprise and so on.
- 2) The postage envelopes for reply mail, such as the envelopes of reply mail for users' survey, the postage envelopes of quality feedback.
- 3) The postage envelopes for correspondence and culture, such as the prize quiz, quiz, competitions of writing mails, essay competitions and so on.
- 4) The envelopes for special postage Figure, such as those envelopes that the print volume is more than 2 million and reflect the features of local natural landscape and human culture, and envelopes of image publicity of large enterprises.

### 4. The delivered advertisement

- 1) The single-page delivered advertisement, such as all kinds of "courier", "Mail sent to Business" and so on.
- 2) The aerogramme delivered advertisement. Print the advertisement and fold it into the form of aerogramme, and deliver it according to the name and address.
- 3) The booklet delivered advertisement, such as the "green channel", "buy property", "diet" and so on.

### **The product portfolio strategy**

The above types of DM media can be used alone and also can be used in combination in the media placement process of advertisers. For the different needs of advertisers, we can combine different products. For examples, advertising mail can be enclosed with a stamped postcard as the reply letters; we can combine the delivered advertisement with stamped postcards which can be used as test papers and answer sheets for all kinds of quiz and knowledge contest; combining stamped envelopes with delivered advertisements can do targeted communications for customers; combining billing direct mail and advertising Direct Mail and make it become a new advertising carrier.

The combination of a variety of products can expand the space for development of the media, and also provide a variety of choices for advertisers, so that information of advertising can be disseminated effectively.

### **The product innovation strategy**

We should constantly develop new functions based on keeping the traditional products of the postal. For examples, postcards can be printed with the barcode information to be intelligent tickets; we can develop mixed mails of computer users to non-computer users by using the modern network technology, so that DM media constantly have new products to meet the diverse needs of customers.

The external innovation of the product is also able to stimulate market demand. The small size of postage postcard is the best carrier for the product quality tracking card and attraction tickets because of its lightweight and portable features.

The United States approved the use of shaped advertising mail.

The United States Postal Service Commission recently approved a proposal which the United States Postage Commission submitted and hope the postal can do some minor adjustments on restrictions of the mail shape. After that, enterprises can send more compelling and non-rectangular advertising mail in order to expand its influence. Such Shaped advertising mail tailored for the enterprise will be directly sent to Post Bureau, and it will not increase the cost of the postal by passing the mail sorting segment. Its rate is the rate of regular mail and nonprofit standard mail plus a surcharge of shaped mail.

The insiders believe that this new type of advertising mail will effectively compensate for the deficiencies of traditional advertising mail and it can provide new development opportunities for the postal. As a part of the reform program, the United States Postal Service is trying to add new features for traditional business to enhance the core competitiveness. (Hong Zhang 20 Jan 2010)

## **5.4 Service strategy**

The postal is a service-oriented enterprise and the products of it are mostly services. The process of services is the process of creating value and creating satisfaction for customer. Post DM media is the product of the combination of postal products and advertising functions, and the services marketing is an important means to expand its market. According to unique social structure, I will explain it by the following four parts.

### **The name and address information system**

As a new advertising media, DM has strong pertinence which is the difference with other media. It can provide advertisers with a one-on-one information transfer and the premise of this precise transmission is that it has the name and address database system. The Post should make full use of the advantages of their own whole network to establish a name and address information system which is with good management, advanced technology, rapid retrieval and dynamic maintenance. The name and address information database is divided into the organizations information database and the individuals information database. The information database of the organization should include the name of the organization, firm size, scope of business, mailing address, name of the person in charge and other detailed information. Personal name and address information database should include the name, age, occupation, education level, hobbies, mailing address and other basic information, and also can collect income level and other extended information as needed. To get the name and address information has two channels, one is the acquisition of the postal, and another is provided by the advertisers themselves. In the process of building the name and address information database, the postal must attach great importance to the legalization of information collection and use and should do the security work for their own resources of the customer name and address.

### **The terminal delivery service**

Nowadays, advertisers are more concerned about the effective arrival rate of advertising. The effective arrival rate of DM media placement depends largely on the quality of terminal delivery, in addition to a valid name and address. Delivery is the "lifeline" of the postal DM products and we should take the following measures to improve the services of delivery: (Hong Zhang 20 Jan 2010)

1. Make industry regulations and policies, and clarify the delivery requirements of all kinds of advertising mail. The Direct Mail with the name and address must be strictly delivered, not indiscriminately or misdirected; the Direct Mail without name and address should be strictly delivered in accordance with specified area and object, and cannot be batch sent to a unit or department; aerogramme statement should be handled as registered mail to ensure that it can be sent to the recipient.

2. Enhance the inspection and assessment. The inspection and assessment of delivery quality of the postal advertising mail should be included in the postal inspection system. We must develop specific inspection rules and keep abreast of the quality of the delivery of advertising mail in regular and irregular inspection so that it can be managed dynamically.

3. Clarify the reasonable business remuneration and reward standards to increase the enthusiasm of the couriers.

### **External marketing**

Postal DM external marketing includes:

1. Make business brochures and promote new business through post office window (announcements, posters, buntings and other forms), newspaper column, newspapers, radio, delivered advertisement, computer networks and other media.

2. Establish the customer service center (including after-sales service, consulting and complaint). Announce DM hotline to the public to answer questions and help customers to use the direct mail business and advertising business, and patiently explain for customer complaints. Pledges can be announced, such as production cycles of the Postal Direct Mail Advertising, time limit of mail delivery, time limit of feedback processing and so on.

3. Establish a scientific management system for large users.

1) Collect the information of key mail users (including the name of company, address, zip code, the name of main person in charge, phone number, products, sales, etc.), and summarize these information in the database of the key users for dynamic management;

2) Establish a team of managers for key clients. Each account manager can face several major clients in the same industry to do telephone communication, the communication of advertising mails, home visits and other services and develop a marketing plan according to the needs of each client. And the manager also is responsible for new business introduction, market planning, marketing, after-sales service and other tracking services;

3) Establish monitoring system of the service performance. Audit and check the performance of marketing staff regularly and timely encourage them. Rewards and punishments are strictly implemented.

### **Internal marketing**

In the service industry, the interaction of customers and first-line marketing staff form a service. Therefore, the service provider must effectively influence customers in order to create the value of quality service. Successful service companies not only focus on customers but also concentrate in the clerk. The requirements of service marketing are more than traditional external marketing. Service marketing also needs internal marketing and interactive marketing.

Internal marketing refers to effectively train and motivate staff and all service personnel that are directly in touch with customers and make them work to-

gether to provide customers with satisfactory service. Postal DM's internal marketing includes:

- 1) Establish a learning organization to create a good corporate culture, and comprehensively improve the overall quality and team spirit of staff.
- 2) Enhance businesses training to improve staff's ability to market expansion.
- 3) Establish a scientific and reasonable performance appraisal system to improve staff's performance and organizational performance.

## **6 SUGGESTIONS AND STRATEGY FOR ANHUI POST DM**

This chapter describes the overview of development and analysis of problems of Anhui postal DM business, and it also describes the advice and strategy of the development of DM business.

### **6.1 The overview of development of Anhui postal DM business**

#### **Operating agency**

Since 1998, Anhui Post gradually has increased the efforts for the development of mail business which has been regarded as the most important program. They establish and improve the specialized operating agency for Direct Mail (DM). "We have a sub- Bureau directly under the Provincial Post - Provincial Direct Mail Advertising Bureau which is responsible for the operation and management of the Direct Mail business in the province. Municipalities Post Office set up a direct mail advertising company (Branch) to engage in market development and management of postal advertising business in the region. Most County Post Office has also set up specialized operating agencies. Specialized operating organizations of Postal Direct Mail business have been gradually perfected."(Hong Zhang 20 Jan 2010)

#### **Development of the business**

After recent years of market development, Anhui Post Advertising business has become large-scale gradually. In 2009, for example, the province's business income was 112.23 million Yuan. The volume of Direct Mail business was 33.16 million, and the bills volume was 6.94 million; the business volume of postage advertising postcards was 12.94 million; the business volume of delivered advertisement was 71.6 million and the business volume of ordinary postage envelope was 7.75 million.(Hong Zhang 20 Jan 2010)

Postal advertising agencies have made great efforts to develop DM media business and also develop case planning, media agency, outdoor advertising and other advertising business. The scale of business has increased year by year, and become competitive.

## **6.2 Analysis of the problems**

Although there are a lot of great progress, but there are still some problems.

First, the visibility of media is not high. Developing the postal business and increasing the proportion of direct mail in the mail service have gradually become the consensus of all staff of the postal enterprises. However, the awareness of developing direct mail business as an emerging media and increasing market share is not very strong. In many basic operators, direct mail is just "sold out" as a "Business". Its advantage as a media has not been fully realized. And also because of the problem of publicity, promotion and other aspects, the visibility of DM media is not high and social influence is not great.

(Hong Zhang 20 Jan 2010)

Second, network resources are not fully utilized. At present, postal advertising operators throughout the province are subordinate to their own local Post Office. It is the production department of the post. Its business activities are mainly restricted in local area, and it's basically in a fragmented situation. There are few opportunities for business exchanges and cooperation between the advertising agencies at different levels. It failed to form a joint situation. Municipal postal advertising agency doesn't have the function of business management, so the operational guidance and technical support for the County advertising agency is not good. The linkage effects of cities and counties are not obvious and the resource advantage of the network has not been fully developed.(Hong Zhang 20 Jan 2010)



Third, the quality of delivery should be improved. In recent years, Anhui Post has continued to enhance the reform of delivery, and the quality of delivery has been gradually improved. But there is still a gap between the required accuracy and timeliness of the advertising mail. The accelerated urban renewal results in the frequent change of name and address. It brought a certain amount of difficulty in delivery. Part of direct mail business with time limit (such as bills) is too concentrated, so it brought some pressure to the delivery department. The new residential area is equipped with a newspaper boxes, but the rate of checking boxes is not high, which affects the effective arrival rate of advertising mail to some extent.(Hong Zhang 20 Jan 2010)

Fourth, the establishment of the name and address information database should be enhanced. As mentioned above, the establishment of the name and address database is the basis for the development of advertising mail. At present, the name and address database of enterprises and institutions in our province with small information capacity, low accuracy and slow data update is difficult to filter information, and to some extent, has restricted the development of advertising mail. The name and address information database of Individual has not yet been managed intensively in the whole province, and the effectiveness and sharing of resources are poor.(Hong Zhang 20 Jan 2010)

Five, lack of advertising personnel. DM postal business is derived from the traditional postal services. The external environment and competition it faces are not the same with the traditional postal services. And there must be a number of advertising talents who are familiar with advertising market and understand the media business to meet the needs of competition and development. At present, the vast majority of employees of the postal advertising operators are transferred from the postal internal. The professional advertising planning and marketing staff are few, so it affects business expansion.(Hong Zhang 20 Jan 2010)

### **6.3 Suggestions and countermeasures**

Aiming at these problems, there are some ideas to solve them as soon as possible.

#### **Ascertain the market positioning of DM media**

Based on the analysis of present business and market environment, ascertain the market positioning of DM media that is “the new advertising media”. We can assess the potential business market and find the best market as the target market of DM media and deliver the market positioning of the media to the target market through a variety of channels.

At present, the main target market of our provincial DM media exist in the finance and insurance, telecommunications, real estate, convention and exhibition industry, retail department stores, membership-based business enterprises and types of schools. Therefore, the focus of business development and market expansion is the key users among these key industries, such as Anhui Telecom, Anhui Mobile, Industrial and Commercial Bank of China, Hualian Supermarket and so on.

#### **Build the DM media business platform**

There are a few important issues to be take care:

##### 1)Build the name and address information database

A name and address information database which is with large information capacity, scientific classification and accuracy can not only simplify the production process and shorten production time but also is an important guarantee of the DM business to adapt to the market and win the business. Therefore, the province's postal sectors at all levels should take much priority to this work to invest necessary talents, material and financial resources to accelerate the pace of the name and address database construction. We have established provincial and municipal name and address information database specializing in the collection, revision and dynamic maintenance of the name and address.

Economic regulators are used to implement the paid collection and paid exchange to promote the commercialization process of community-oriented name and address database with the commercialization of name and address database within the postal industry. We need to pay attention to the relevant provisions of the laws and regulations to avoid any unnecessary legal disputes.

## 2) Deepen the reform of delivery system

Delivery is the terminal of postal service and the ultimate embodiment of Direct Mail effect. The service quality of delivery relates to the volume of DM-mail business. While deepening the reform of delivery system, we should replace frequency management with results-based management to improve the capacity of service and the depth of delivery services, and develop prize activities such as "out-of-the-box treasure hunt" to increase the rate of out of the box to fulfill "no time limit of service and non-restricted area for delivery." Besides, we should develop a scientific and rational system of settlement, appraisal and supervision between DM operators and delivery entities, and take the closed-loop management of supervision and feedback for correct delivery rate of the Direct Mail. And make "the delivery management approach for Anhui postal direct mail" as soon as possible.

## 3) Integration of network resources

Improve the way of networking run of delivery advertising in Anhui Province and develop a collaborative networking mode which is more conducive to the entire network, and popularize the mode to the other business of the postal DM. Integrate province-wide customer resources and marketing capabilities, and focus on the development of big business and big markets to expand market share and media visibility.

## **The implementation of the strategy of competition and cooperation**

In the competition of modern market, to establish cooperation alliances with competitors to pursuit "win-win" has become a consensus. Anhui postal DM business can take the strategy of competition and cooperation. It means cooperating in the competition and competing in the cooperation.

Firstly, it is the co-operation with other media and advertising companies. Different media have different propagation characteristics, communication strengths and dissemination effects. Advertisers often tend to take integrated marketing communication in advertising and purchase the layout and time of different media according to the propagation characteristics of different media, to form media mix of three-dimensional full range of communication. The post can share advertising resources through alliances with television, newspapers and other media or advertising company, to provide customers with a full range of integrated marketing communication and one-stop advertising packages from television and newspapers to DM. It can reduce the costs of search for advertisers and provide more scientific, reasonable and convenient advertising service to ultimately enhance the competitiveness of DM.

Secondly, it is the co-operation with the advertisers. The post can constantly develop new types of business on the basis of the original product through the co-operation with the customer of DM, and may also lead to a larger potential market. If cooperating with insurance companies, the post can add insurance function in the ordinary postage postcard to develop market of insurance postcard; and if cooperating with telecoms companies, the post can add recharge function in an ordinary postage postcard to develop various types of recharge postcard market.

### **Implementation of talent strategy**

This part can be described as follows:

- 1) The introduction of talents. Advertising campaigns and marketing professionals who China Post are in urgent need of will be introduced within 1-2 years to increase the proportion of professionals in the postal DM undertakings.
  
- 2) The cultivation of talents. We need to enhance staff training and organize employees to participate in various types of on-the-job training and business training to improve the overall quality of the staff.

3) The establishment of scientific employment system. We may improve internal performance appraisal system and fully mobilize the enthusiasm and creativity of employees to keep them with the career, pay and condition.

## 7 CONCLUSIONS

DM is the most important one of the channels which to obtain information and deliver information. Its existences is both the need of the enterprise, also is the need of the society. Its flowering is in step with economic development. The rise of its production level is the comprehensive reflection of social economy, science and technology level. The development of modern science and technology industry promote economic development, and also bring vitality for DM media at the same time. DM is becoming one kind of new media.

The thesis analyzes the characteristics of DM media, the present development situation and business environment from the view point of media operation. It points out some problems which happened on the process of DM development, and put forward the market expansion strategy of DM media combined with marketing theory, namely, to establish brand, sets a target market, develop the product line which can go through market demand, to make a scientific and rational price system. Play the advantages of Chinese Postal network, to provide targeted and one – on – one information transmission channels for advertisers.

Through this thesis research, in my opinion, if Chinese Postal DM wants to get development, they must solve the following questions:

1)The operators need to change the pass passive way that just meet the general needs of customer business letters. To set up the idea of media operation, develop the brand of “Chinese Post Advertisement “ and “Postal DM”, improve market awareness degree of DM media.

2)DM development must rely on modern data analysis technology and high performance letter making equipment. So the postal service need increase investment, to establish a set of management science and powerful address information database system, and equipped with advanced production equipment.

3) Give full play to the advantages of the postal network, integration of the entire network technology, and various aspects resources. To build the platform of DM business development, meet the social demand of information transmission by the high quality product and perfect service, to create a high degree of customer transmission and customer value, make own development and expand the market share at the same time.

4) Implementing the strategy of joint competition, and cooperate with other media and advertising company, and promote the socialization agent of DM, improving the competitive power of Postal DM.

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