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The Illinois Institute for Rural Affairs (IIRA) works to improve the quality of life for rural residents by partnering with public and private agencies on local development and enhancement efforts.



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# Direct Mail Advertisements and Their Economic Contributions: The Case of Rural Illinois

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## Abstract

Any unsolicited advertising sent to potential customers through the mail is called “direct mail”. Illinois is home to 109 direct mail enterprises; the state is fifth largest in market concentration of direct mail businesses. In economics, advertising is considered a social waste. This paper is an empirical assessment of the contribution of direct mail to the GRP of rural Illinois. Results suggest that the share of direct mail in the GRP of rural Illinois is \$1.549billion; 2% of rural Illinois’ GRP.

## Introduction

Direct response adverts include any advertising that makes an offer, provides information for a decision, and includes a response device such as a webpage or a telephone number. A primary direct response media is direct mail – any unsolicited advertising sent to potential customers through the mail. Examples of direct mail include advertising circulars, pre-approved credit card applications, and coupon envelopes.

In 2020, the direct mail industry in the US generated \$8418.3million in revenue and employed 37,448 people. Of the 2,018 direct-mail enterprises in the nation, 25% are located in California, Florida, and Illinois; Illinois is home to 5.4% of direct-mail enterprises (Table 1). Major users of direct mail are: finance, banking and insurance providers (33%), and retail stores and catalogs (29%). The most prominent product of the direct mail industry is “full services” – the service helps a business design, print, send, and create files of customers (Table 1).

<sup>1</sup> Athiyaman is Professor at the Illinois Institute for Rural Affairs.

<sup>2</sup> Stone, B. (1995). Successful Direct Marketing Methods, Lincoln-wood. IL: NTC Business Books, 29-35.

<sup>3</sup> Telemarketing, online, and mobile channels are the other prominent direct response media.

<sup>4</sup> Industry data were sourced from [www.mergentonline.com](http://www.mergentonline.com).

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**Table 1: Profile of the Direct Mail Industry, Illinois, 2020**

<b>Business Concentration (%)</b>	<b>Rank (in the nation)</b>
5.4	5
<b>Business Locations and Concentration</b>	
• Cook County:	43%
• DuPage County:	22%
• Kane County:	13%
• Lake County:	10%
• Other locations:	12%
<b>Products and Revenues</b>	
Full direct mail services	69%
Lettershop services	14%
Printing and fulfillment services	8%
Other services	10%

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According to a recent survey on media usage<sup>5</sup>, although more direct marketing dollars are spent on online and mobile channels, companies remain highly committed to direct mail<sup>6</sup>. This is because customer responses for direct mail average around 3.7%, second only to telephone<sup>7</sup>. It is estimated that the direct mail volume in 2020 was approximately 78 billion pieces, excluding catalogs<sup>8</sup>.

geographical location of the county; specifically, do remote locations receive more or less of GNP contributions from direct mail? Do rural residents receive more direct mail ads than their metro counterparts? Who opens direct mail ads more often, rural or metro residents? This paper addresses these and other related questions.

What is the contribution of direct mail to the GNP of rural Illinois counties? Is direct mail industry's contribution to county GNP dependent on the

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<sup>5</sup> See *Media Usage Survey, 2017*, <https://www.adweek.com/performance-marketing/media-usage-survey-2017/>

<sup>6</sup> The total advertising spending in the US, during, 2020 was \$327.2 billion.

<sup>7</sup> Response rate for telemarketing is around 7%; see Athiyaman, A. (2021). Illinoisans Reports to the Do-Not-Call Registry Since the Indoor Mask Mandate: August 30, 2021 – September 13, 2021. *Research Brief*, 3(15), 1-8. Available online: [http://www.iira.org/wp-content/uploads/2021/09/Do\\_not\\_call.pdf](http://www.iira.org/wp-content/uploads/2021/09/Do_not_call.pdf).

<sup>8</sup> Based on estimates derived from Print Industry Market Information and Research Organization's (PRIMR) publications; for example, see their report, *Trends and Future of Direct Mail Through 2020*.

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## Theory

Classical economists such as Adam Smith and David Ricardo had little or no interest in advertising. They reasoned that producers are selling homogenous products and if they sell their products at the prevailing market price, then demand for their products could be unlimited. In case of a monopoly, the producer doesn't need to advertise since he controls the entire market. In short, for classical economists, competitive advertising is a social waste; competitive advertising not only reduces industry income, but also eliminates small competitors<sup>9</sup>. However, since various market structure exists which fall between the two extremes of pure competition and monopoly, advertising outlays are often categorized under three categories: (1) investment advertising, (2) informative marketing communications, and (3) competitive advertising.

Investment advertising is used to introduce new inventions having a latent demand; the invention is introduced to the public, for purchase and use. Informative advertising is concerned with existing products; it attempts to create a positive attitude towards the product by highlighting salient features

of the product. Both investment advertising and informative advertising stimulate economic growth; they facilitate entry of innovative products and allow firms to exploit economies of scale and offer lower prices. In contrast, competitive advertising is often equated to market power; this type of advertising is said to raise barriers to entry, and, therefore, leads to collusion and market power<sup>10</sup>.

In spite of the market power argument, there is evidence that advertising promotes economic growth<sup>11</sup>. A study by Deloitte suggests that for every \$1 spent on advertising, a \$6 increase in annual GDP ensues<sup>12</sup>.

## Methodology

To assess the GNP contribution of direct mail to rural economies, the consumption and investment components of GNP, for each of the rural Illinois counties were estimated<sup>13</sup>. Product categories analyzed for consumption were mostly consumer durables: clothing, gifts, gardening items, home furnishings, housewares, specialty food and wine, hardware items, and sporting goods<sup>14</sup>. Data were

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<sup>9</sup> Alfred Marshall's *Principles of Economics* takes this position on advertising.

<sup>10</sup> See, for example, Taylor, C. R. et al (1996). Advertising and its effect on industrial concentration: a contingency perspective. *Journal of Current Issues and Research in Advertising*, 18(1), 35-44.

<sup>11</sup> Kopf, D. A. et al (2011). Advertising's unintended consequences: economic growth. *Journal of Advertising*, 40(4), 5-18.

<sup>12</sup> The study was conducted in the UK, but the argument of economic impact is a statistical generalization that is applicable to the US; see: Deloitte (2013). *Advertising Pay: How Advertising Fuels the UK Economy*. London: The Advertising Association.

<sup>13</sup>  $GNP = C + I + (X-M) + G$ , where C = consumption; I = investment; X = exports; M = imports, and G = government expenditures.

<sup>14</sup> Compiled by the author from various marketing publications such as *ADMAP*; these

from the Consumer Expenditure Survey, 2020<sup>15</sup>.

Fixed and inventory investments for the supply and demand industries listed in Table 2 were estimated using a proxy measure; BLS employment data for the

supply and demand industries were used to gauge the proportion of industry contribution (investment) to the county's GNP.

**Table 2: Supply Chain: Direct Mail Industry**

Supply Industries	Demand Industries
NAICS 32611 Plastics packaging materials, film and sheet	NAICS 92 Public administration
NAICS 32591 Printing ink manufacturing	NAICS 52221 Credit card issuing
NAICS 3255 Paint, coating, and adhesive manufacturing	NAICS 44-45 Retail trade
NAICS 32223 Stationery product manufacturing	NAICS 54185 Outdoor advertising
NAICS 4241 Paper and paper product merchant wholesalers	NAICS 54189 Other services related to advertising
NAICS 423420 Office equipment merchant wholesalers	NAICS 45411 Electronic shopping and mail-order houses

To explore the variable impact of direct mail on the GNPs of remote counties, the FedEx extended delivery area surcharge (DAS) ZIP codes were used to identify remote counties<sup>16</sup>. The regular DAS fees could include urban areas that have a higher cost of delivery due to factors such as limited road

access, high crime area, security delays, etc., however, the extended DAS fees are mostly for remote areas.

Finally, resident behavior towards direct mail was gauged using survey data.

The survey, *Ipsos Understanding Society: Wave 1 April 2021*, was

product categories were reported as the most bought by consumers, because of direct response ads.

<sup>15</sup> <https://www.bls.gov/cex/tables.htm>.

<sup>16</sup> <https://www.google.com/url?sa=t&rct=j&q=&esrc>

<https://www.ipsos.com/ipsos-press-releases/ipsos-understanding-society-wave-1-april-2021>

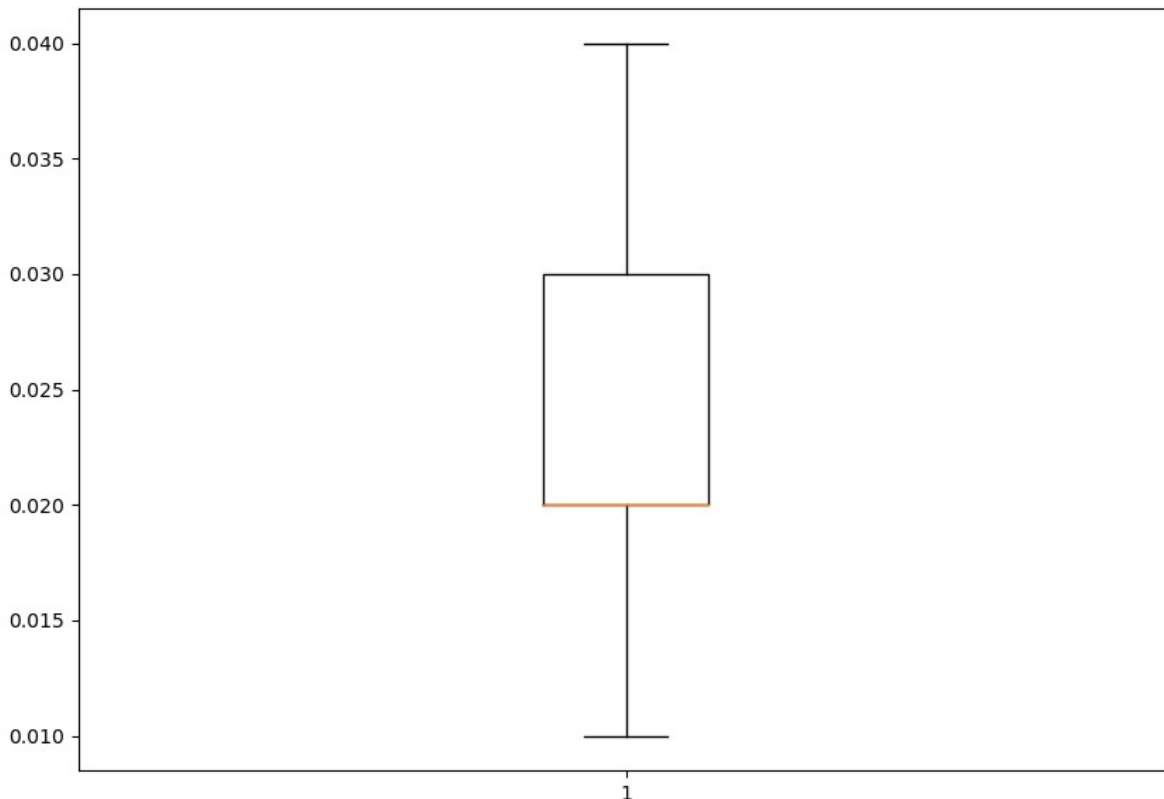
conducted among a national sample of 1015 adults, ages 18+, during April 9-11, 2021<sup>17</sup>. Responses related to direct mail were partitioned based on respondent demographics and rural-urban differences in direct mail behavior of Illinoisans were explored.

## Findings

Direct mail accounts for 2% of rural Illinois' GRP, approximately \$1.55 billion

(Appendix 1). Most rural counties benefit to a tune of 3% from direct mail industry; the median is 2% (Figure 1). A few counties – Carroll, Franklin, Greene, and Scott - had direct mail account for 4% of their GRP in 2019. Extended DAS locations do not show variations in intensity of direct mail activity. Appendix 1 provides details for all rural counties, both county GRP and share of direct mail in county GRP.

**Figure 1: Share of Direct Mail in County GRP.**



<sup>17</sup> Microdata were downloaded from <https://ropercenter.cornell.edu/ipoll/>.

A majority of both the metro and the nonmetro residents have received an advertisement in the mail within the last week, 83% metro and 79% nonmetro. Of these, at least 50% have processed

the ads, opened and looked at the ads (Table 3).

**Table 3: Metro and Nonmetro Differences in Receiving and Processing Mail Advertisements**

Received an Ad in the Mail	Metro (%)	Nonmetro (%)	All Illinois (%)
Today	30	27	29
In the last week	53	52	52
In the last month	6	5	6
In the last 3 months	3	4	3
More than 3 months ago	2	3	2
Never	5	8	6
<b>N</b>	5,584,342	658,594	6,242,936

Opened and Looked at the Ad	Metro (%)	Nonmetro (%)	All Illinois (%)
Today	14	16	14
In the last week	43	36	42
In the last month	16	17	16
In the last 3 months	5	8	5
More than 3 months ago	8	9	8
Never	13	14	13
<b>N</b>	5,584,342	658,594	6,242,936

Is advertisement the only piece of mail Illinoisans receive? Nowadays, since most business communications are conducted online, one would expect personal communications from family and friends, via snail mail, to be

minimal. Table 4 explores this argument. As shown in the table, personal communications via snail mail is popular both in the metro and the nonmetro.

**Table 4: Metro and Nonmetro Differences in Receiving and Processing Mail that is not an Advertisement or Bills**

Rec'd a Mail, not an AD or Bill	Metro (%)	Nonmetro (%)	All Illinois (%)
Today	19	19	19
In the last week	47	42	46
In the last month	15	14	15
In the last 3 months	6	7	6
More than 3 months ago	6	6	6
Never	7	11	8
<b>N</b>	5,584,342	658,594	6,242,936

### Summary and Conclusion

This paper shows that direct mail advertising contributes to the economic wellbeing of rural Illinois counties. Some of the key findings are:

1. The share of direct mail in the GRP of rural Illinois is \$1.549billion; 2% of rural Illinois' GRP.
2. A majority of both the metro and the nonmetro residents have

received an advertisement in the mail within the last week.

3. Majority of Illinoisans process, open and look, at direct mail advertisements.
4. Snail mail remains popular in Illinois.

These findings suggest that increases in E-commerce during the Covid-19 pandemic have not dented the demand for direct mail.

## Appendix 1: Estimates of GRP and Share of Direct Mail: Rural Illinois Counties

County	GRP 2019 (\$000 Dollars)	GRP Direct Mail	% Contribution
Adams County, Illinois	\$ 3,355,565.00	\$ 84,712.35	3%
Brown County, Illinois	\$ 463,876.00	\$ 3,252.90	1%
Bureau County, Illinois	\$ 1,328,246.00	\$ 28,958.70	2%
Carroll County, Illinois	\$ 619,998.00	\$ 25,587.15	4%
Cass County, Illinois	\$ 628,081.00	\$ 12,514.05	2%
Christian County, Illinois	\$ 1,484,482.00	\$ 38,579.55	3%
Clark County, Illinois	\$ 570,541.00	\$ 14,246.55	2%
Clay County, Illinois	\$ 556,479.00	\$ 10,970.25	2%
Coles County, Illinois	\$ 2,334,593.00	\$ 48,711.15	2%
Crawford County, Illinois	\$ 2,062,806.00	\$ 49,575.00	2%
Cumberland County, Illinois	\$ 1,338,737.00	\$ 43,398.90	3%
Douglas County, Illinois	\$ 1,079,873.00	\$ 22,972.80	2%
Edgar County, Illinois	\$ 790,466.00	\$ 10,614.30	1%
Edwards County, Illinois	\$ 293,642.00	\$ 4,792.65	2%
Effingham County, Illinois	\$ 2,031,677.00	\$ 46,259.85	2%
Fayette County, Illinois	\$ 569,001.00	\$ 15,640.20	3%
Franklin County, Illinois	\$ 1,081,495.00	\$ 39,628.50	4%
Fulton County, Illinois	\$ 963,407.00	\$ 30,462.15	3%
Gallatin County, Illinois	\$ 218,919.00	\$ 3,132.90	1%
Greene County, Illinois	\$ 327,960.00	\$ 11,855.25	4%
Hamilton County, Illinois	\$ 360,548.00	\$ 4,654.80	1%
Hancock County, Illinois	\$ 571,667.00	\$ 16,489.50	3%
Hardin County, Illinois	\$ 82,211.00	\$ 1,209.00	1%
Henderson County, Illinois	\$ 189,829.00	\$ 3,070.20	2%
Iroquois County, Illinois	\$ 1,149,692.00	\$ 38,215.50	3%
Jasper County, Illinois	\$ 486,269.00	\$ 14,789.25	3%
Jefferson County, Illinois	\$ 1,880,802.00	\$ 40,701.75	2%
Jo Daviess County, Illinois	\$ 783,014.00	\$ 20,797.50	3%
Johnson County, Illinois	\$ 223,155.00	\$ 4,584.60	2%
Knox County, Illinois	\$ 1,736,634.00	\$ 53,181.45	3%
LaSalle County, Illinois	\$ 5,410,182.00	\$ 145,038.00	3%
Lawrence County, Illinois	\$ 566,681.00	\$ 11,457.15	2%
Lee County, Illinois	\$ 1,599,521.00	\$ 22,626.45	1%
Livingston County, Illinois	\$ 1,862,479.00	\$ 42,798.60	2%
Logan County, Illinois	\$ 1,025,379.00	\$ 23,019.60	2%
Marion County, Illinois	\$ 1,310,886.00	\$ 24,242.25	2%
Mason County, Illinois	\$ 500,812.00	\$ 15,514.05	3%
Massac County, Illinois	\$ 580,312.00	\$ 16,325.10	3%
McDonough County, Illinois	\$ 1,116,077.00	\$ 31,407.00	3%



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Montgomery County, Illinois	\$	1,106,194.00	\$	34,721.10	3%
Morgan County, Illinois	\$	1,505,562.00	\$	38,843.55	3%
Moultrie County, Illinois	\$	788,685.00	\$	12,427.80	2%
Ogle County, Illinois	\$	2,580,522.00	\$	61,063.65	2%
Perry County, Illinois	\$	595,610.00	\$	15,864.90	3%
Pike County, Illinois	\$	552,775.00	\$	16,469.85	3%
Pope County, Illinois	\$	63,504.00	\$	921.90	1%
Pulaski County, Illinois	\$	199,669.00	\$	2,768.25	1%
Putnam County, Illinois	\$	361,799.00	\$	6,496.05	2%
Randolph County, Illinois	\$	1,434,433.00	\$	34,932.60	2%
Richland County, Illinois	\$	617,567.00	\$	14,506.20	2%
Saline County, Illinois	\$	858,027.00	\$	29,706.30	3%
Schuyler County, Illinois	\$	263,666.00	\$	7,352.40	3%
Scott County, Illinois	\$	164,274.00	\$	5,956.35	4%
Shelby County, Illinois	\$	809,421.00	\$	19,851.45	2%
Stephenson County, Illinois	\$	1,755,957.00	\$	25,648.80	1%
Union County, Illinois	\$	413,050.00	\$	10,764.60	3%
Wabash County, Illinois	\$	362,876.00	\$	7,780.80	2%
Warren County, Illinois	\$	819,600.00	\$	18,423.60	2%
Washington County, Illinois	\$	888,830.00	\$	23,344.80	3%
Wayne County, Illinois	\$	480,779.00	\$	14,475.00	3%
White County, Illinois	\$	591,775.00	\$	19,762.05	3%
Whiteside County, Illinois	\$	2,120,737.00	\$	51,246.30	2%
<b>Rural Illinois</b>	<b>\$</b>	<b>62,871,306.00</b>	<b>\$</b>	<b>1,549,315.20</b>	<b>2%</b>

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