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Tapping the growing cross-border direct marketing opportunities

Direct Marketing Advisory Board (DMAB)
Business Plan 2022–2025

Berne, September 2022

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I. Executive summary

New, smart digital technologies have allowed enterprises to communicate directly with their customers in a myriad of ways beyond the traditional channels. The market context within which direct mail operates has changed considerably over the last decade, as the universe grows increasingly virtualized and digitalized into a metaverse. A multifaceted marketing strategy today will comprise a mix of both physical and digital channels, with varying levels of effectiveness. The fact is that direct mail and digital marketing boost sales and continue to play a key role in the development of both domestic and cross-border e-commerce. Studies show a strong correlation between digital marketing tactics and the foreign market growth, performance and competitiveness of large firms and small and medium-sized enterprises (SMEs) alike.¹ Direct marketing also enables organizations to build and maintain relationships with their stakeholders, including customers.

The recent global supply chain disruption caused by the COVID-19 pandemic accelerated e-commerce adoption as more people worked from home and an increasing number of enterprises gained online presence. There is an opportunity for postal operators to support foreign entry of local businesses into cross-border markets using direct mail and digital marketing services and products. However, operational cost increases, precision targeting requirements, and data privacy laws continue to pile pressure on most players in this field. In order to spur and seize the opportunities presented by the growing cross-border e-commerce market, the DMAB General Assembly in 2018 approved the development of an online system (web application), which could be integrated with a domestic module, to facilitate the ordering and delivery of cross-border direct marketing products and services.

To this end, the UPU needs to define and develop a new and sustainable Direct Marketing Advisory Board model, with a clear unique value proposition, that can support not only DMAB members, but all Union members, in responding to the ongoing direct mail and digital marketing challenges and opportunities. This business plan presents an end goal, targeted end results, and the activities required to realize the end goal by 2025. The business plan enables the various DMAB stakeholders and partners to share a common vision and framework of action to develop and seize cross-border direct marketing opportunities while also growing the domestic market.

II. Introduction

The UPU Direct Marketing Advisory Board was created in 1995 as a self-financing group. It has been very successful over the years, with a number of significant achievements. However, membership and revenue have been declining in recent years, due to several factors, including the enhancement of digital tools, meaning that its reserve funds have now been depleted. The DMAB is able to continue to function through support from its annual membership contributions, though with an extremely limited budget for projects

The DMAB was the first UPU body formally made up of private sector members. It currently includes designated operators (known as postal members), and private sector companies and associations (non-postal members). It functions under the auspices of the POC. Its activities, including the salary of a 50% staff member at the International Bureau (IB), are financed by extrabudgetary funds (Pillar III).

III. Vision

Empower every member with innovative direct mail and digital marketing solutions that grow enterprises of all sizes in any location.

IV. Mission

To foster the growth of direct marketing through the Post by positioning designated operators as important direct marketing channels contributing to economic and market expansion by increasing market knowledge and developing the expertise of stakeholders at all levels.

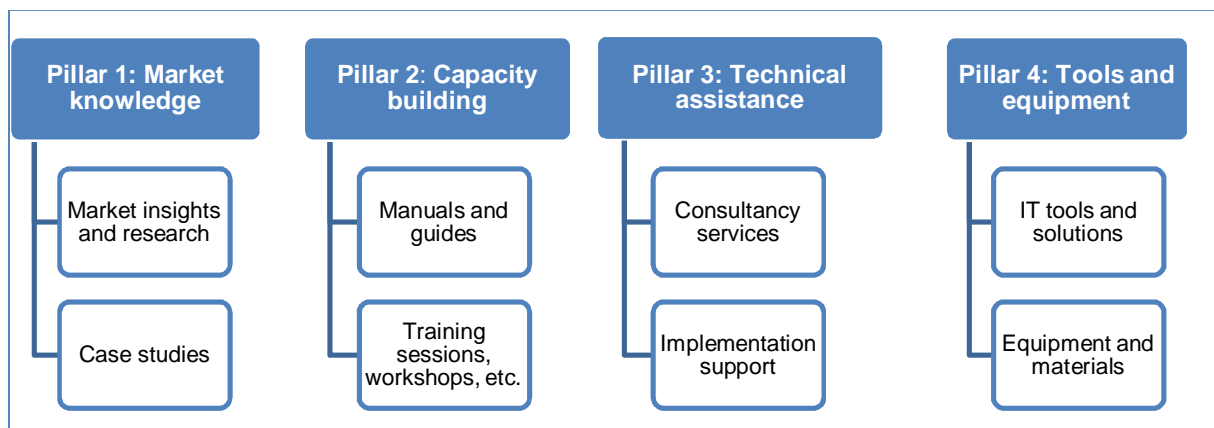
¹ Strategic orientations and digital marketing tactics in cross-border e-commerce: Comparing developed and emerging markets, Sjoukje PK Goldman, Hester van Herk, Tibert Verhagen, Jesse WJ Weltevreden, 2021.

V. Mandate

The DMAB mandate has been renewed at each successive Congress, and has evolved over time. Initially focusing on direct mail only, it was remodelled to include other postal direct marketing channels at the 2012 Doha Congress, and the name was changed from Direct Mail Advisory Board to Direct Marketing Advisory Board to reflect its even broader mandate.

VI. Value proposition

The DMAB membership value proposition, established in 2015, was to provide its members with training, research, communications and networking to promote and support postal direct marketing activities and preserve the value and volume of mail. In addition, DMAB members would also have privileged access to webinars, IT tools, guides, business leads, market insights and case studies on direct mail and digital marketing, especially on cross-border market opportunities and tips. The new comprehensive set of DMAB value propositions is categorized into four pillars:



VII. Governance and membership model

The functioning of DMAB is governed by the DMAB Rules of Procedure. The DMAB is managed by the General Assembly, which comprises the designated operators of UPU member countries (postal members) and other entities sharing a common interest in working with the UPU to foster the growth of direct marketing through postal services (non-postal members) which have elected to join DMAB. Members of the General Assembly elect the Chair and Vice-Chair of DMAB, occupied by, respectively, a postal and a non-postal member, for a term of four years that expires at the first General Assembly meeting of the subsequent UPU Congress cycle.

The Chair leads the meetings of the General Assembly and represents the DMAB in the Postal Operations Council and in other UPU bodies as necessary, and, in consultation with the Vice-Chair, recommends to the General Assembly the DMAB business and activity plans, annual budget, membership changes, review of rules of procedure, membership fee and payment schedules, and performs other functions strictly related to the DMAB. Membership of the DMAB is based on a one-time joining fee and a graduated annual fee that corresponds to the United Nations economic classification of the country. The UPU International Bureau provides the secretariat for the DMAB.

VIII. Organization of the work of the DMAB

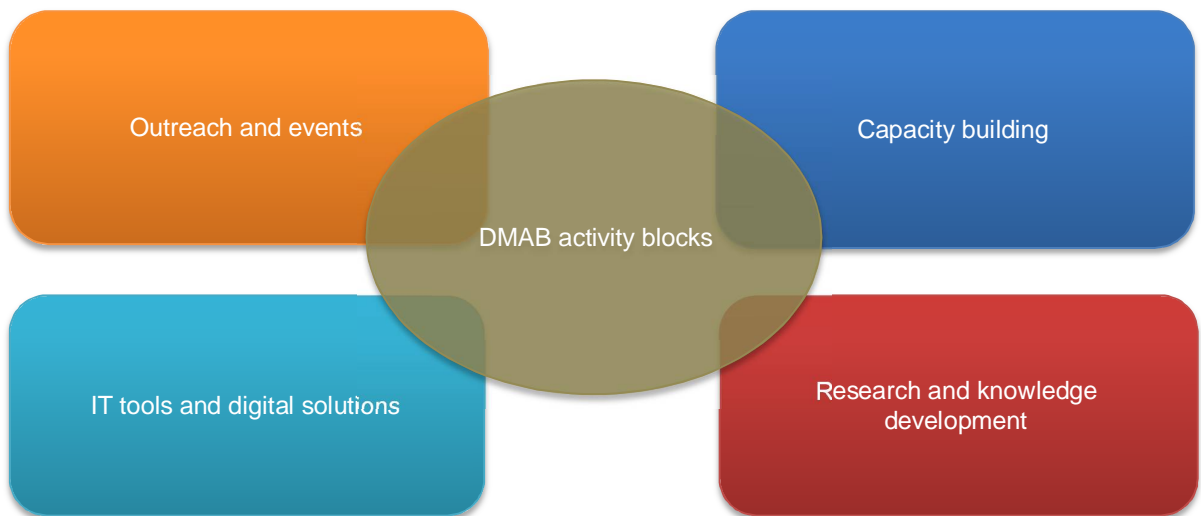
The work of the DMAB is organized and structured according to the POC working methodology and decision-making principles approved by the 2016 Congress, which introduced a deliverables matrix and key performance-indicator-based tool to define and monitor the implementation of Congress decisions at each POC session throughout each Congress cycle. In the 2022–2025 cycle, the DMAB reports its activities to POC Committee 3 (Markets Development and Innovation) for consideration and approval.

The details on the scope and timeline of the expected deliverables for each Business Plan work proposal and resolution approved by Congress add transparency and clarity to the functioning of all UPU bodies. Indeed, with agendas and specific deliverables known well in advance, the DMAB work and activities have become more measurable and predictable, thus favouring a results-based approach.

Moreover, the key performance indicators approved by each committee and endorsed by the POC Plenary enable the different UPU bodies to work towards a predefined quantitative impact. This also makes it possible to easily trace back any deliverable of a given UPU body to a goal, programme, work proposal and/or resolution of the Business Plan.

IX. 2022–2025 DMAB activity blocks

The 2022–2025 activities and projects of DMAB are defined in its work plan and deliverables matrix, approved by the Abidjan Congress in 2021. The key activities and projects of the DMAB, valid until the next Congress in 2025, are divided according to the activity blocks shown in the diagram below. The DMAB has organized itself into various expert teams composed of volunteer delegates from member countries wishing to contribute their technical expertise to progressing the mandated work.



The status of DMAB activities and projects is presented to each of the POC's biannual sessions (S0, S1, S2, etc.). The UPU has developed a more inclusive remote participation tool which allows delegates to participate actively in the DMAB meetings taking place at UPU headquarters without having to be physically present in Berne. Remote participants also benefit from the simultaneous interpretation provided in the meeting room. This represents a real step forward in the communication options made available by the UPU.

X. Growth strategy: tapping the growing cross-border direct marketing opportunities

Data from the UPU's postal statistics indicates that direct marketing is mainly a national activity or domestic market service. Any cross-border direct marketing services offered are most often limited to neighbouring countries, or stay within the same language group. The annual average volume of domestic direct mail items of 181 postal operators between 2016 and 2020 was approximately 118 billion. International volumes of direct marketing items are estimated at 5% of the annual average domestic volume, which gives a total of around 5.9 billion items. Recent data shows that domestic volumes have grown only slightly, by 0.5%.

Given the rapid growth of cross-border e-commerce, an increasing number of enterprises are looking to communicate with their current cross-border clients and reach new ones through omni-channel (physical and electronic) direct marketing campaigns. Studies show a strong correlation between digital marketing tactics and the foreign market growth, performance and competitiveness of large firms and SMEs alike.

Postal operators can penetrate and expand the untapped cross-border market opportunities through: marketing and promotion activities; stakeholder engagement and partnership development; capacity-building

programmes; knowledge repository; and use of IT tools. In addition, there will be a need to integrate DMAB activities with regional programmes and development plans.

A. *Marketing and promotion activities*

Using aggregated UPU big postal data, while respecting data privacy and confidentiality, the DMAB can provide market insight information to DOs and customers on the nature, volume, and trend of traffic (trade flows) between countries. This information would be useful in establishing the characteristics of trade corridors between countries, and informing enterprises of the target markets for which they should develop direct marketing campaigns. The UPU can assist postal operators from the least developed countries, under arrangements to be defined and approved by the relevant UPU bodies, with printed marketing and promotional materials (brochures, posters, postcards, etc.) on cross-border business leads and direct marketing services based on such aggregated UPU big postal data.

B. *Stakeholder engagement and partnership development*

Stakeholder engagement and partnership development are important levers for the facilitation and development of cooperation and collaboration frameworks that not only enable interested parties to pursue joint projects and activities of mutual interest, but also magnify the network effect through the effective and efficient use of shared resources.

In the 2022–2025 Congress cycle, the DMAB will foster and strengthen collaboration with the Consultative Committee (CC) through the CC's addressing and direct marketing pillar. The CC has members consisting of non-governmental organizations; philanthropic entities; standardization, financial and development organizations; suppliers of goods and services to the postal services sector; transportation entities and other private sector entities; and like organizations of individuals and companies which have an interest in supporting the mission and objectives of the Union.

The DMAB will also initiate contact with a number of direct, interactive, digital and data-driven marketing associations to establish areas of mutual interest, covering but not limited to: research and information exchange; events (organization, participation, and facilitation); and projects (conceptualization, development and implementation).

C. *Capacity-building programmes*

Capacity-building improves the knowledge, skills and competence of staff, which in turn enhances the ability of organizations to perform their activities and accomplish their missions efficiently and effectively. Capacity-building can take place in person or remotely and can include, but is not limited to, workshops, seminars, symposiums, conferences, webinars, training courses and academic programmes. The DMAB will organize such events, such as the Innovation Talk webinars, and also inform members of such other similar online and offline events organized by partner organizations or collaborators.

In addition to workshops, seminars and webinars, the DMAB has also developed a course on direct and digital marketing, which is available on the UPU Trainpost e-learning platform. The course consists of 10 modules:

	<i>Module description</i>		<i>Module description</i>
1	Introduction: why focus on direct and digital marketing?	6	The necessary infrastructure
2	The media	7	Players in the direct and digital marketing value chain
3	How direct marketing is employed	8	Assessing the market potential
4	Integrated and cross-channel marketing	9	Direct and digital marketing education and promotion
5	Data-driven marketing	10	Best practices

D. Knowledge repository

A key challenge for most postal operators is the lack of information or knowledge about cross-border direct mail and digital marketing opportunities and best practices. The DMAB will develop a case study knowledge base to act as a repository for quality knowledge and information to support policy, strategy and operational interventions and the exchange of best practices in the area of direct mail and digital marketing. Initially, the case study knowledge base platform will be placed on the DMAB section of the UPU website, where the case studies will be posted in document format (PDF or other). Later, the repository will be made more dynamic and interactive to enhance user experience in searching for and reading case studies and other knowledge materials.

E. Using IT tools: DMapp system for automated order processing

In 2018, the DMAB General Assembly endorsed the development of a direct marketing IT tool dubbed “DMapp”, a global online platform for cross-border direct marketing services and products. Essentially, the DMapp system would enable customers of postal operators to browse catalogues of available direct marketing products and services in various geographic markets, select whether or not to design their own direct marketing campaigns, easily and conveniently place online orders, make online payments, and track the status of their orders.

With micro, small and medium-sized enterprises (MSMEs) as the main target group for the cross-border direct marketing service, the DMapp system will provide operators and enterprises with the following benefits:

- Global reach – expand the customer base to new geographic markets;
- Continuous access (24/7) – issue orders to DOs and receive orders from DOs at any time;
- Convenience – place orders from anywhere without needing to visit a post office;
- Reduced costs – outbound or order leg is electronic, thus eliminating outbound transport costs;
- Price transparency – total price of the various products and services is known when the order is placed.

In order to address data privacy concerns, the DMapp system will act only as a “broker hub” for direct marketing services, meaning that there will be no need to exchange consumer address lists or other personal data between the platform’s participants.

The goal of the system is to enable postal operators to increase sales revenue of cross-border direct marketing products and services by 10% over the next five years with minimal increase in input resources. The system can also be used for domestic direct marketing services. The table below provides the estimated cost of developing and operating the DMapp in the first year:

<i>Cost aspect/part</i>	<i>Estimated costs (CHF)</i>
1 Set-up and design (one-time)	
a System mock-up version	19,000
b System design specification for tender	2,500
2 Development and piloting (one-time)	
a IT development of the system	100,000
b Pilot test	10,000
Total one-time costs:	131,500
3 Deployment and operational administration (recurring)	
a Domain name renewal (annual)	20
b Hosting fee (annual)	800
c Operational administration (annual)	75,000
d Marketing of the DMapp system (annual)	20,000
Total annual recurring costs:	95,820

Given the cost growth rate assumption of 3% per annum, the following table shows the projected recurring costs over five years.

<i>Period →</i>	<i>Year 1 (CHF)</i>	<i>Year 2 (CHF)</i>	<i>Year 3 (CHF)</i>	<i>Year 4 (CHF)</i>	<i>Year 5 (CHF)</i>
Total costs	95,820.00	98,694.60	101,655.44	104,705.10	107,846.25

Assuming that the number of postal operators subscribing to the system in the first year is at least eight, and that participation grows at a rate of one new DMAB member per year and two new non-DMAB members per year, the DMapp system intake is projected as follows:

<i>Period →</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Number of DO participants	8	11	14	17	20

Only DOs, as providers of direct mail services and products, will be charged an annual subscription fee. All the other categories of users will join for free. The proposed subscription fee per DO is as follows:

- DMAB members: 240 CHF per year;
- Non-DMAB members: 360 CHF per year.

Given the above assumptions on DMAB membership growth per annum, the DMapp system annual subscription fee is projected to yield the following revenues:

<i>DMAB member</i>	<i>Year 1 (CHF)</i>	<i>Year 2 (CHF)</i>	<i>Year 3 (CHF)</i>	<i>Year 4 (CHF)</i>	<i>Year 5 (CHF)</i>
Yes	3 x 240 = 720	4 x 240 = 960	5 x 240 = 1,200	6 x 240 = 1,440	7 x 240 = 1,680
No	5 x 360 = 1,800	7 x 360 = 2,520	9 x 360 = 3,240	11 x 360 = 3,960	13 x 360 = 4,680
Total	2,520	3,480	4,440	5,400	6,360

With the DMapp system, it is estimated that the volume of overall domestic direct marketing items will grow at a rate of 0.5% per year in the initial five years, while international volumes will grow at a conservative rate of 0.2% per year in the first five years. Further, assuming that the price of each direct marketing campaign is 0.64 CHF per piece, growing minimally at a rate of 0.01 CHF per year, and that the DMapp charges a commission fee of 1% per international transaction, then the transaction commission revenue accruing to the DMAB in the first five years would be as follows:

<i>Item category</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
(a) Annual total international transaction volume (in billions)	0.261	0.364	0.474	0.592	0.720
(b) Estimated international actuals in DMapp (in billions): 30% of (a)	0.0783	0.109	0.142	0.178	0.216
(c) Price per piece (CHF)	0.64	0.65	0.66	0.67	0.68
(d) Estimated annual total DOs' revenue from DMapp international transactions (in billions of CHF), i.e. (b) x (c)	0.0501	0.0709	0.0937	0.119	0.147
(e) Estimated total DMAB revenue from international earnings (in billions of CHF): i.e., 1% of (d)	0.00050	0.00071	0.00094	0.0012	0.0015
Commission revenue in CHF	500,000	710,000	940,000	1,200,000	1,500,000

The total DMapp system revenue, including also the annual subscription fees, would be as shown in the table below:

<i>Period →</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Estimated total DMAB revenue from international earnings in CHF	502,520	713,480	944,440	1,205,400	1,506,360

Based on the above, the projected net revenue of the DMapp system for the DMAB is as follows:

<i>Item category</i>	<i>Year 1 (CHF)</i>	<i>Year 2 (CHF)</i>	<i>Year 3 (CHF)</i>	<i>Year 4 (CHF)</i>	<i>Year 5 (CHF)</i>
Total revenue	502,520.00	713,480.00	944,440.00	1,205,400.00	1,506,360.00
Total cost	227,320.00	98,694.60	101,655.44	104,705.10	107,846.25
Net	275,200.00	614,785.40	842,784.56	1,100,694.90	1,398,513.75

If domestic orders are included in the revenue model of the DMapp system, then the margins will be wider.

F. Integration of DMAB with regional programmes and development plans

The UPU presence in the field is a tool that allows the deployment of UPU development cooperation in the various regions of the world. The system's practical structure, based on the regional approach, consists of the IB's Development Cooperation Directorate – DCDEV and the regional relays: Africa; Latin America; Asia-Pacific; Caribbean; Europe and Commonwealth of Independent States (CIS); and Arab countries.

Each UPU region draws up a regional development plan (RDP), which lists the projects or activities to be carried out in the respective region within the development cooperation policy framework of the particular Congress cycle. The DCDEV is responsible for mobilizing resources and coordinating and overseeing the implementation of the regional development plans. It is important that DMAB activities and projects be integrated in future RDPs.

XI. DMAB funding and financing models

G. Models for mobilizing IT development costs

DMapp system voluntary contributions

Subject to the Union's relevant financial rules and intellectual property principles, any Union member country, DO or DMAB member would be able to contribute with a domestic direct marketing system that could then be customized and adapted in line with the requirements laid down. A system that closely meets the specified requirements of the DMapp system and which does not entail substantial customization costs would be preferred. Any system customization costs would be borne by either the DMAB or the contributing entity.

IT system development contributions

Likewise, and equally subject to the Union's relevant financial rules and intellectual property principles, any Union member country, DO or non-DO DMAB member would be able to contribute to the IT development costs of the DMapp system, based on a request for information or request for proposals published by the IB.

Build-operate-transfer (BOT) model

Also subject to its relevant financial rules and intellectual property principles, the Union could decide to out-source IT development of the DMapp system using the BOT model. The developer of the DMapp system, whether public or private, would build the system, operate it, and then transfer it to the Union after recouping development and investment costs. In this regard, due formalization of the BOT model would entail well-stipulated legal provisions on, inter alia, data privacy, confidentiality and intellectual property rights.

H. Models for mobilizing implementation and operational administration costs

Subscription fee model

Once the DMapp system is up and running, there would be costs associated with its hosting, implementation and operational administration. To cover such costs, DOs using the DMapp system would be charged upfront an annual subscription fee for a set price invoiced on a monthly, quarterly, biannual or annual basis. DOs subscribing for longer than one year would be charged a lower fee prorated on the basis of the length of the subscription. As a general principle, non-DMAB members would be charged higher subscription fees than DMAB members.

Transaction fee model (system commission)

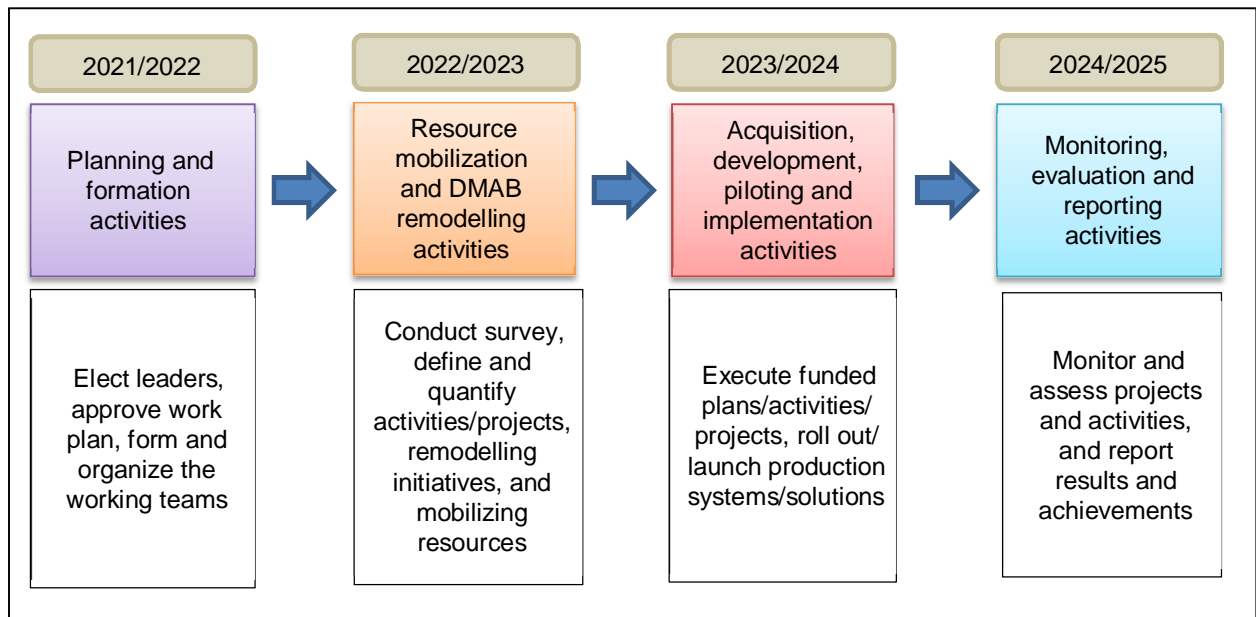
In this model, DOs subscribing to the services of the DMapp system would be charged a fee every time a customer makes a transaction through the DMapp system. The fee to be charged per transaction would either be based on a fixed amount or a percentage of the service fee charged to the customer (end user). While transaction fees tend to be minimal, the revenue could be substantial depending on the worldwide volume of transactions per day. Also, as a general principle, non-DMAB members would be charged higher transaction fees than DMAB members.

Value-added services model

Under this model, users of the DMapp system subscribing either as DOs or customers would be provided with value-added services that are charged separately. This might include market insights, research materials, case studies, advertisements and online events

XII. Implementation approach

No matter how well an activity or business plan is conceived, it becomes virtually worthless if it cannot be implemented, monitored and evaluated. The DMAB business plan will be implemented on the basis of the implementation approach and timeline outlined below:



I. *Planning and formation activities – 2021/2022*

- The DMAB Chair and Vice-Chair were elected in December 2021. In the 2022–2025 Congress cycle, the DMAB Chair is Namibia, represented by Ms Berlindi van Eck, while the Vice-Chair is GEMADEC, represented by Mr Touhami Rabii.

- The 2022–2025 DMAB work plan and key performance indicators were approved and various DMAB expert teams were formed to help execute the work plan, which is reviewed continually.

J. Resource mobilization and DMAB remodelling activities – 2022/2023

- The 2022 DMAB survey was launched in July 2022. In addition to gathering information on direct mail and digital marketing products and services, the survey also sought to obtain the views of Union members on the best ways to restructure and remodel the DMAB.
- DMAB remodelling and restructuring activities: membership fee review, definition of value proposition, provision of value-added services, and outreach and membership recruitment drive.
- Review new funding and financing models: donations, sponsorship, BOT, etc.

K. Acquisition, development, piloting and implementation activities – 2023/2024

Based on successful resource mobilization, key DMAB projects defined in the business plan will be executed/rolled out/launched. This includes, but is not limited to:

- Procurement of expert consultants to support DMAB projects;
- Acquisition, development and piloting of projects, e.g. DMapp system, case study platform;
- Training of operational administration personnel;
- Implementation of the production systems, i.e. going “live”.

L. Monitoring, evaluation and reporting activities

- The DMAB projects are monitored and evaluated against the set objectives, targets and KPIs on a continuous basis to ensure sustainability.
- End-of-Congress-cycle reports are prepared on results and achievements, and proposals made to the next Congress on future DMAB activities and priority projects.