

POWER OF PRINT

2023 Marketing Spend Outlook

Direct Mail Remains a Shining Star¹

Overall, 2022 was a good year for advertising and marketing spend, up almost 9.5%. But the year was very much front-loaded. Spend slowed significantly in the second half and that carried over into the first half of 2023. Direct mail volumes continued to grow in 2022. Although marginally, it was one of the few offline channels that showed gains.

81%

of marketers agree direct mail delivers the highest ROI, response and conversion rates.

Year after year, direct mail shines ever brighter.

Direct mail averages a

5%

response rate for prospects and 9% for house lists.

A RETURN TO NORMAL²

For 2023, U.S. spend has been moving at a more normal growth rate, in line with the benchmark of 2 times GDP growth. Many experts feel we're simply seeing a natural adjustment. According to Dentsu, media inflation accounted for about 1.8% in 2022 and is forecasting the same in 2023.

Overall, U.S. ad spend will continue to be strong at 5.9% or just over \$509 billion, outpacing the global market increase of 5.3%.³ Economic challenges will continue, with moderate interest rate hikes and unemployment projected at 4.6%.⁴ The FTC will

continue pressuring digital marketing, with more privacy rules coming, which impacts performance while increasing marketing costs for the same results.⁵

2023 FORECASTS VARY GREATLY

There are highly diverse forecasts for ad spending in 2023, ranging from 0.7% to 7% growth.⁶ Including our primary source – The Winterberry Group – the common theme among other analytic agencies is that ad spend will grow. Most of that growth will occur in the 2nd half of this year.⁷

- Forrester projects U.S. ad spend to increase by 4.6%
- Zenith expects spend to grow by \$66 billion from 2022 to 2025
- SMI U.S. Ad Spend Market Tracker forecasts a 7% increase
- Dentsu projects a 3.7% growth in 2023 and 4.4% in 2024⁸

Digital ad spend will have slower growth than previous years. Offline media will decline as a whole, with direct mail the outlier experiencing flat to low growth. And since offline requires “upfront” payment and planning, it was significantly affected the first half of 2023, as the economy struggles to stabilize.⁹

This year, offline marketing spend is forecasted to dip by 0.7%, with share of total marketing spend predicted to decline to 39.7%.¹⁰ Digital will claim over 60% of marketing spend.¹¹ That said, in January it dipped to 52%, typically the weakest month for digital advertising share.¹²

STRONG OFFLINE CHANNEL GROWTH

Last year, offline growth was powered by political ad spend, experiential/sponsorship marketing and the return of in-person shopping, with direct mail budgets increasing 1.6%.¹³ This year is forecasted to be even stronger for direct mail spend at a growth of 3.3%.¹⁴

Magazine ad spend is waning, but not at the level of 2022.¹⁵ Linear TV will see the largest decline as consumers shift to CTV and digital video.¹⁶ In fact, the largest Pay TV providers lost 5.8 million subscribers in 2022, a historic high.¹⁷ For the first time, nearly one-third of U.S. households cut the cord.¹⁸

Marketers are also turning to Addressable TV. Based on household demographics and other behavioral factors, it offers the ability to play different ads to different households, while watching the same show.¹⁹

Direct mail is not impacted by privacy issues, ad fraud, bots or increased regulations.

3 REASONS WHY DIRECT MAIL IS STRONG

*Reason 1: Digital Media.*²⁰ A prime reason direct mail is thriving is the massive year-over-year cost increases by major digital channels: TikTok at 185%, Google at 75%, Meta at 61% and Instagram at 23%. Costs that are causing marketers to shift spend to offline channels that deliver higher, more predictable returns – in particular direct mail.

*Reason 2: Privacy Regulations.*²¹ Privacy rules are hammering digital marketing ROI, increasing costs while impacting its effectiveness. To date, five states legally require companies to offer an opt-out for targeted advertising, data collection and sales. Utah and California passed bills limiting or eliminating digital ads targeting those under 18. TikTok was banned in Montana and faces even more U.S. bans. What's more, Gartner predicts 75% of the world's personal data will be protected by privacy regulations by 2024.



*Reason 3: Integration of Digital to Direct Mail.*²² Since 2020, programmatic direct mail spend has grown significantly and that will continue to do so beyond 2025. Programmatic direct mail uses software to track customers and trigger delivery of timely, targeted direct mail messages.

DIRECT MAIL DELIVERS ONCE AGAIN

81% of marketers agree direct mail delivers the highest ROI, response and conversion rates.²³ It's not impacted by privacy issues, ad fraud, bots or increased regulations. It averages a 5% response rate for prospects and 9% for house lists.²⁴ A rate that increases exponentially when direct mail is programmatic or uses tech like QR codes and scannable images.²⁵ And consumers of all ages believe print is more trustworthy, personal and secure.²⁶ Year after year, direct mail shines ever brighter.

— Source 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 24, 25: Winterberry Group Spend Analysis (2023), US Bureau of Economic Analysis (2023), Conference Board (2023)
— Source 8: Standard Media Index's U.S. Ad Market Tracker (2023)
— Source 19: Gartner Glossary, Finance Trending Terms, 2023
— Source 23: Lob.com, a direct mail automation platform
— Source 26: ANA's 2022 Rate of Return report



[billerud.com](https://www.billerud.com)

Billerud Americas Corporation 8540 Gander Creek Drive Miamisburg, Ohio 45342 800 258 8852

