



# DIRECT MAIL PROCESSORS, INC.

## 2019 YEAR END REVIEW



## 2019 AT A GLANCE

Now that 2019 year-end is behind us, we can all take a minute to breathe again. As most of our clients know, this is peak season for donation processing as donors want to get their year-end gifts in for 2019.

In addition to heavy mail volumes, many non-profit organizations utilize back-dating and other special processing rules in order to ensure the donor gets proper credit for their donation.

In this newsletter we will break down the trends we saw in 2019 as well as what we expect to see in 2020. We will also touch on the recent postal increases and a few new exciting services that DMP plans to roll out in the coming months!

### 2019 YEAR END NEWSLETTER

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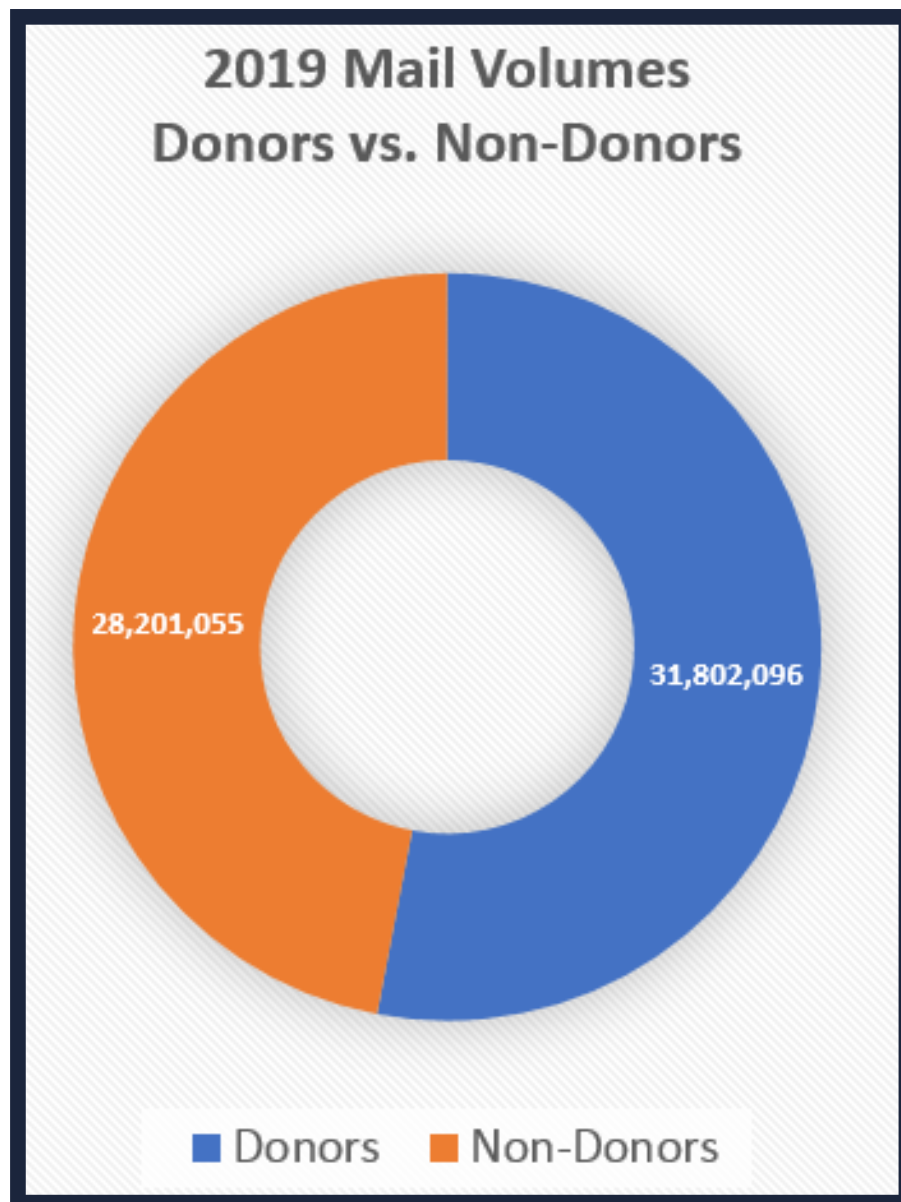
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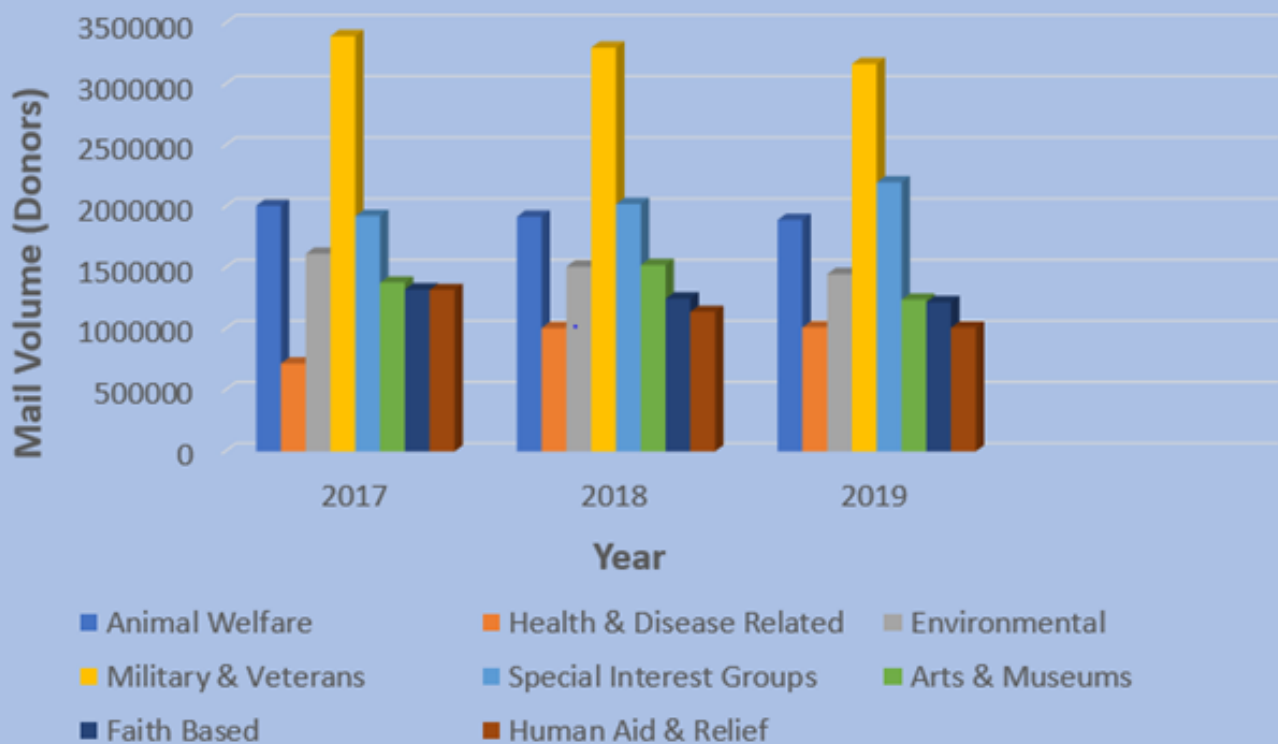
# Year-End Review/Industry Analysis

DMP processed over 60 million pieces of mail in 2019. Looking at our trends from 2018, this number is almost identical to the mail volumes we saw last year.

Out of this number, 53% were mail pieces that came in with a donation via cash, check, or credit card. 47% of this mail volume consisted of “non-donations” which is a mail piece that does not include a donation. Typically, these mail pieces are returned because the donor has a specific request, leaves a note or comment for the organization, returns a survey or petition, or wants to return a premium or money mailing.

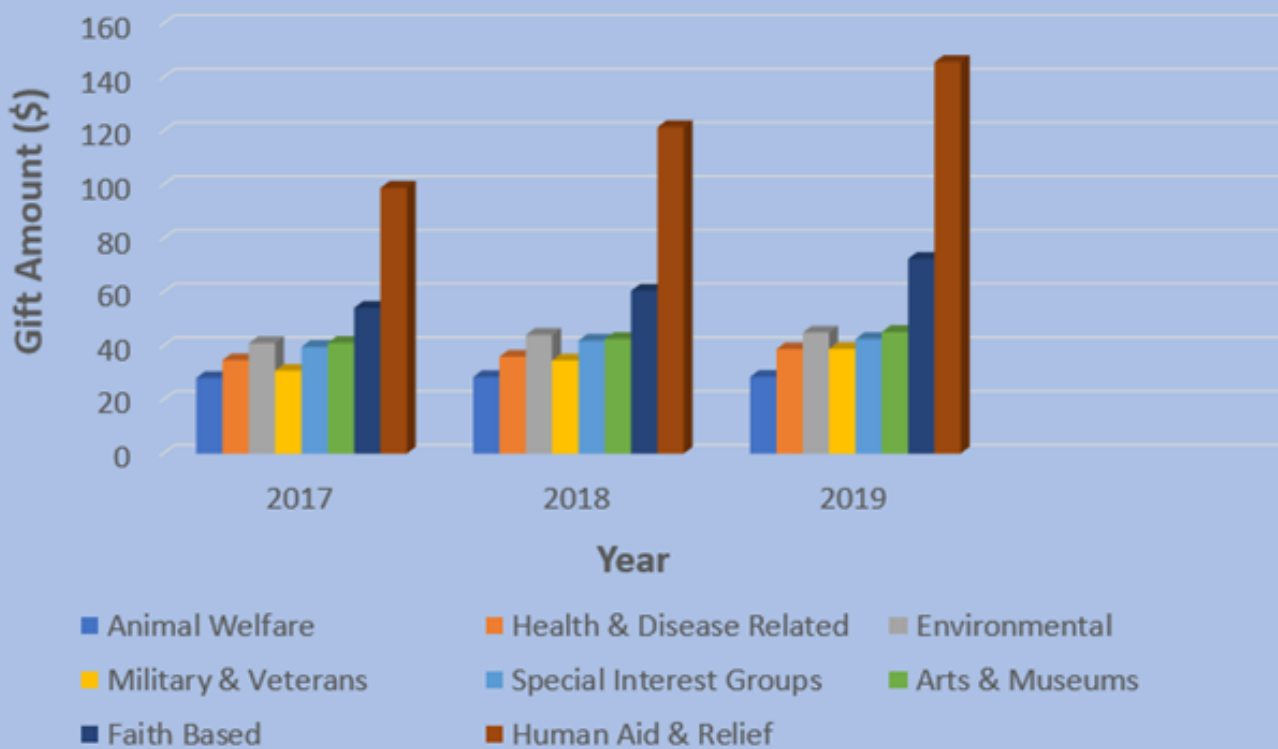


## Mail Volume Trends by Sector



(Please see appendix A for raw data)

## Average Gift by Sector



# 2019 Industry Trends

There are a few other trends that we have seen in the industry over the past year.

With the changes in the tax laws this year, we expected to see a decrease in charitable giving. However, from our perspective, it does not appear that those laws had any impact on the direct mail industry. We didn't see much fluctuation in the overall mail volume or the average gift amount for the organizations in our portfolio.

However, one interesting trend was with the types of gifts we saw in 2019.

Many clients have been ramping up their monthly giving programs and we saw the results of that this year with a substantial increase in first time sustainer sign-ups. Donors are looking for an easier way to give and signing up for automatic deductions from their credit card or checking account seems to be the answer for a lot of people.

We have also seen an increase in Trust and Foundation gifts in 2019 and this trend has been growing for several years. Donors want to stay close to their giving and they want giving to be easy. Donor-advised funds help them do both which is why this giving tool is so popular.

From a receipting standpoint, there has been a strong focus on personalized acknowledgement letters. Many clients are investing a lot more time and effort into creating a thank you letter that is personal to the donor and the appeal and/or designation they are giving too. DMP is able to handle a variety of different letter types so seeing the different personalization techniques has been very interesting. This makes a huge impact with both new and existing donors as a more personalized letter stands out much more versus a generic receipt.

## 2020 – A Look Ahead

As everyone knows, this year holds another presidential election. We are interested to see if organizations take a more aggressive approach on fundraising early in the year in order to make room for a decline in giving during the election.

Election years always bring a lot of unknowns as far as charitable giving and where donors decide to apply their disposable income.

Another hurdle that we expect to see in 2020 is with the postal rates and the cost of paper. Both of these avenues appear to be rising in price which has a huge impact on direct mail.

Paper prices have increased between 3-5% since the start of 2019. With a push towards more digital solutions, the demand for paper has decreased drastically. This has caused major paper mills to close which in turn raises the cost of materials to make pulp. This trend is likely to continue which could result in more increases for 2020.

The section below will outline the current postal increases we experienced in January and these rates are expected to rise again at some point in 2020.

# POSTAL INCREASES

The United States Post Office issued a listing of postal increases that took affect as of 1/26/2020.

The line items below have remained the same and will not see any price increases in 2020.

- First Class
  - Letters (1 oz.) - \$0.55
  - Letters (Additional Ounces) - \$0.15
  - Metered Mail Letters - \$0.50
  - Flat/Large Envelopes (1 oz.) - \$1.00
  - Postcards - \$0.35
  - International Letters (1 oz.) and Postcards - \$1.15

Below is an outline of general increases those in the direct mail industry would likely be affected by.

<b><u>Mail Piece/Type</u></b>	<b><u>2019 Price</u></b>	<b><u>2020 Price</u></b>	<b><u>Increase</u></b>
Flat/Large Envelope – Additional Ounces	\$0.15	\$0.20	\$0.05
Priority Mail (Express)	-	-	2.2% increase depending on Zone.
Priority Mail Express Flat Rate	22.68	22.75	0.07
Legal Flat Rate Envelope	22.80	22.95	0.15
Padded Flat Rate Envelope	23.18	23.25	\$0.07
Priority Mail	-	-	2.8% average increase depending on Zone.
Priority Mail Flat Rate	6.95	7.15	0.20
Legal Flat Rate Envelope	7.25	7.45	0.20
Padded Flat Rate Envelope	7.55	7.75	0.20
Small Flat Rate Box	7.50	7.65	\$0.15
Medium Flat Rate Box	12.80	13.20	0.40
Large Flat Rate Box	17.60	18.30	\$0.70
APO/FPO Large Flat Rate Box	16.10	16.80	\$0.70
First Class Package Service	-	-	2.2% increase depending on Zone.

# 2020 SERVICE UPDATES

Last year was an exciting year for DMP as we were able to open a 2nd facility in Greencastle, Pennsylvania. This location has allowed us to expand our caging operation as well as move towards more growth and opportunity for our clients.

The staff members that we have employed at the Greencastle location have hit the ground running and have aided in our success over the past few months.

We are looking forward to expanding this even more with a new team that will oversee and run our state-of-the-art inbound call center in 2020!

This is a solution that many clients have inquired about and we are pleased to announce that DMP will be expanding this service in the upcoming months. The call center will allow Donor Service teams to outsource their incoming calls as well as handle requests in real time. The call center would allow our dedicated DMP team to research inquiries right away and create a positive experience for the donor.

We are excited for this new amenity and the value it will bring to many of the non-profit organizations we work with.

In addition to the call center, DMP is also working towards providing extended reporting and analysis options. These options would allow us to move towards a more automated reporting system which in turn would provide analysis tools for our clients to gauge their growth or downfalls.



# DMP Gives Back

Our 4th quarter employee engagement activities were a huge success! Our people genuinely enjoy giving back to the community and the different causes that are important to them.

We were able to hold several events in order to celebrate Breast Cancer Awareness (October) and Diabetes Awareness Month (November). Through a bake sale and t-shirt fundraiser we were able to raise funds for two of our valued partners, Susan G. Komen and the American Diabetes Association.



For our Halloween costume contest this year, our team members raised the bar with their costumes and we had a great time judging everyone's creativity.

Lastly, Our Christmas food drive allowed us to collect canned and non-perishable foods to support those in need around the holiday season. We were so pleased with the generosity of the staff who donated to our community and we hope that we were able to help families in need.

