

Double standard for zero-rated direct mail

Giles Hill, Managing Director of document production software specialist Sefas Innovation, explains how the Government's hard-line stance on direct mail is being undermined by current legislation.

Since the former Environment Secretary David Miliband published the new national waste strategy a year ago (May 24, 2007) there has been very little evidence of a reduction in unsolicited leaflets and misdirected direct mail campaigns.

While it is possible to opt out of addressed direct mail, via the mailing preference service (MPS), there is still no provision in place for households to avoid the reams of unaddressed mail which arrives day after day.

The Government and the Direct Marketing Association (DMA) have agreed a system to allow people to opt-out of unaddressed direct mail, in a similar way to the current MPS, but understandably, the DMA is opposed to Government proposals to instate an opt-in system, which could spell the end of the direct mail industry as we know it.

But what is the Government saying now? Joan Ruddock, Minister for Climate Change, Biodiversity and Waste, wrote in the DMA's 'Green Matters' magazine: "When the Government looked at the materials where most could be done to tackle climate change, paper was high on the list. Every tonne of paper that we don't send to landfill is equivalent to saving more than a tonne of carbon dioxide emissions. That is why we made a commitment in the England Waste Strategy published last year to do more to tackle paper waste."

However, certain companies are actually being incentivised to send out mail thanks to a clause in HMRC legislation called 'the package test', which makes printing direct mail VAT exempt if they contain more than 50 per cent zero-rated material, including advertising and leaflets. In real terms, this means that if a marketing department is planning to mail shot customers, it is within their interest to double the size of the mailing by including any kind of generic material that qualifies as 'zero-rated' on the Government's VAT exemption list.

This practice is already engrained within the direct mail industry; so much so that current legislation is making it difficult for the DMA to persuade the industry to change its behaviour.

Indeed, banks, utility companies and other household service providers all use bulk posting to couple up essential communications, such as bank statements, with other leaflets to shift the balance to a zero-rated mailing, thereby making it more cost-effective.

The Government has already suggested that if the DMA's new opt-out system for unaddressed direct mail does not prove successful there is the distinct possibility of introducing the 'opted in' system, whereby consumers would have to voluntarily place their name on a direct mail register if they wish to receive mailings.

But what other options are available to help the direct mail industry convince the Government not to take matters to such an extreme? Joan Ruddock certainly recognises the importance of better targeting in cutting out unwarranted direct mail. She says: "Waste prevention is even better for the environment than recycling. For the direct marketing sector this means better targeting."

The techniques needed to achieve best practice should be rigorously applied. Sefas' software is already answering this call, by allowing client companies to improve targeting and reduce the amount of paper being printed and sent out. By enabling Marketing Departments to apply bespoke messages **on** to existing communication – such as bills or statements – organisations, or their outsourced partners, could dramatically reduce the amount of separate (and often inappropriate) information placed within a mailing. This concept of **ON**serts rather than **IN**serts will dramatically reduce paper usage and minimise the bulk of the packets. The software also gives the additional benefit of allowing organisations to send out information electronically. Unfortunately these positive steps on improving environmental factors are often cost prohibitive because of the VAT savings lost.

Some companies have a huge environmental footprint caused not just by the paper being sent out, but by the processes leading up to the mail out. Financial institutions have rigorous, often manual, checking procedures to ensure client information is correct. But this often means transporting mailings with queries via road to another office for checking, before being transported back to the mailing house for distribution. Sefas' software allows document checks to be done virtually, thereby eradicating the need for documents to be parceled back and forth.

Clearly, the Government wants the direct mail industry to champion best practice. If successful, the agreement between the DMA and the Government on recycling could save the



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equivalent of 450,000 tonnes of carbon dioxide a year; however, unless the industry is incentivised to change its ways, this day remains a long way off.

For more information about Sefas Innovation and its document production software, contact 0117 373 6114, or visit the website, www.sefas.com.

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About Sefas

Sefas Innovation is a world leader in document production technology. The company is headquartered in Paris, with operations in the US and UK. Sefas has been a leader in the European market since 1993