

The State of Catalog Marketing in the Digital Era

By **Daniela Forte**, Multichannel Merchant

While the catalog is still very much a mainstay, traditional retailers continue to turn to digital as a way to market their products and drive sales.

Email and ecommerce websites took the lead over catalogs this year as the primary way merchants market to customers. Virtually all respondents to the MCM Outlook 2017 survey (95.5%) said they use ecommerce sites and email as marketing tools, while social media and catalog were just behind at 90.9%.

1-800-Flowers' CEO Chris McCann said the email marketing and catalog for its Harry & David brand underperformed during the second quarter of 2017, but the company is focused on revenue growth for the year. The company saw good results in its digital marketing efforts including display, paid social, video and affiliate programs.

"Going forward we'll be increasing our efforts and investments in these areas to accelerate Harry & David's transition to more of a digital marketing focus where we see higher returns and increasing customer engagement," said McCann in a recent earnings call.

McCann said he saw some good early signs from the digital marketing efforts for its Harry & David brand during the holiday season, through display, paid social, search and affiliate marketing. He also said 1-800-Flowers is looking to break down those channels and look at which ones are producing higher percentage of new customers, with the highest performers getting the most investment.

1-800-Flowers will constantly test all of its digital marketing alongside the catalog, seeing how over time they can moderate that balance.

"I don't think you'll see us shifting away from catalog anytime soon, that's too high risk in my mind," said McCann. "But we are working to diligently find the right balance between catalog and digital."

McCann said the company sees less risk in digital channels and more opportunity to manage it because they are able to react in real time.

"In catalog we cannot do that," said McCann. "We really get locked into certain spends and we have to ride it throughout the holiday season. So the flexibility of digital channels gives us the visibility we have across all of our brands."

Williams Sonoma Inc. continues to shift its marketing investments from catalog to digital to acquire new customers cost effectively. Laura Alber, the company's president and CEO, said in a recent earnings call that Williams Sonoma has been a leader in online sales based on its nearly 60 years of experience building and nurturing its house file of customers who have shopped in stores, over the phone or online.

"We continue to capitalize on that heritage as we enhance our house file with more information about our customer, allowing us to deliver even more relevant messaging in email, on our sites, on mobile and social platforms and through direct mail," Alber said.

She said the expansion of the company's digital identity capabilities have allowed it to understand customer behavior across devices and in its channels as well as across its brands.

"The leverage of our house file allows us to provide an expansive range of product offerings across differentiated brands are areas of significant competitive advantage," said Alber.

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Bed, Bath and Beyond CEO Steven Temares said in an earnings call that the company released its 84-page “Welcome Home” catalog in October 2016.

“In some aspects we’re at the beginning stages of building awareness of our wide-ranging assortment of differentiated products, services and solutions for the home, and the accompanying life stages and life interest, through more inspiration imagery and content,” said Temares. “Catalogs of this type are one way to introduce customers to these expanded offerings and our broad-based expertise.”

Temares said one of the key benefits of the catalog is its ability to drive longer-term brand building.

“Based on initial results, we plan to release another home catalog this spring to further reinforce our position as the experts of the home,” said Temares.

In a major change, Victoria’s Secret discontinued its iconic catalog in 2016. Last June, parent company L Brands announced it would do less direct mail coupons for Victoria’s Secret and tested eliminating the catalog in several markets where it saw little or no impact on sales.

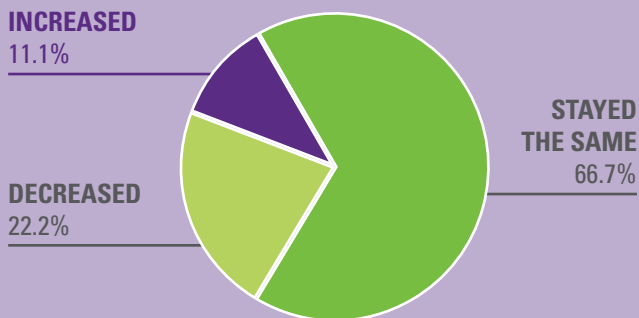
L Brands investor relations officer Amie Preston said the company was spending \$125 million to \$150 million a year on the catalog. The company did some testing and ran the catalog for a year before calling it quits in two significant markets and didn’t see a change in sales.

Significantly, Preston said catalog activity was down 40% in the fourth quarter of 2015, while direct channel demand was up about 15%.

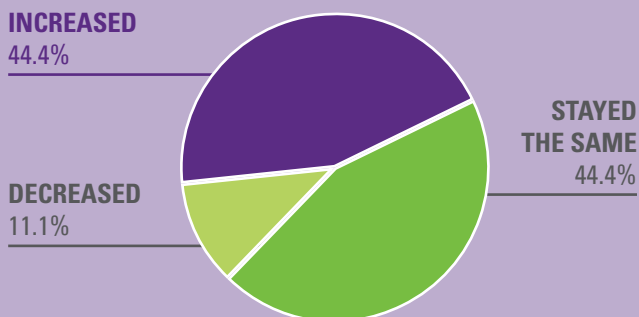
“If we were starting this business today, would you start with one of your major ideas being a catalog, a paper-based catalog sent through the mail, as one of your key marketing activity for a global brand?” Preston asked rhetorically.

How did your catalog creative or production change in 2016?

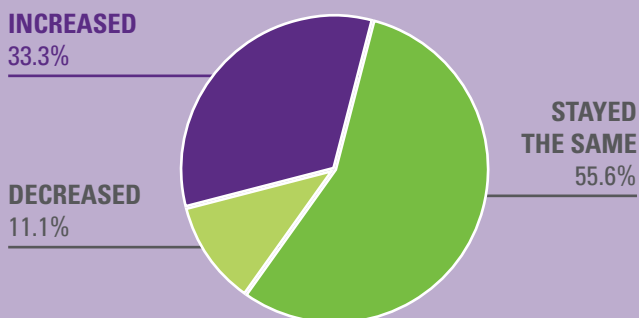
PAGE COUNT OF MY CATALOGS:



CIRCULATION OF MY CATALOGS:



FREQUENCY OF MY CATALOGS:



The Purpose of the Catalog

Today merchants use the catalogs for various purposes. On a scale of 1-10, only 8.8% of respondents to the MCM Outlook 2017 survey ranked catalogs as a 1 in terms of being a customer retention tool, a mobile traffic driver or a reactivation tool.

The results were worse for catalogs as a web traffic driver or a prospecting tool, with only 5.9% giving it a ranking of 1 for both categories. They fared slightly better as a branding tool, with 11.8% rating it as a 1.

Bart Kautza, Marketing Production and Forecasting Manager for Silver Star Brands, said while the main purpose of its catalog is to sell products, it is also a vehicle for testing promotions and creative treatments.

Different Methods of Prospecting

Aside from their house file, 88.9% of respondents to the MCM Outlook survey revealed that catalog would be their top choice for prospecting in the next 12 months.

Erika O’Brien, Catalog Circulation Manager for Vermont Teddy Bear, said the company will utilize co-op prospect modeling, house file reactivation and a small amount of cross selling between its brands to acquire new customers via its catalog.

“We will also be prospecting via radio, television and Facebook which have proven to be successful acquisi-

tion tools for us," said O'Brien.

Reid Rossman, Marketing Director for Kino Lorber, said the company continues to work with some of its catalog co-ops.

"We will also be adding promotional inserts with our DVD and Blu-Ray products," said Rossman. "I expect more expansion via social media and email."

Kautza said Silver Star Brands will prospect using up to five major co-op list management services along with prospecting with individual titles through a broker.

Catalog Creative and Production

In the MCM Outlook 2017 survey, 66.7% said catalog page counts were the same in 2016 as in 2015, 22.2% said they decreased and 11.1% said they increased.

The survey also revealed that 44.4% of respondents increased their catalog circulation in 2016, with the same number keeping it the same and 11% decreasing it.

When it came to frequency, 55.6% of respondents said they kept the frequency the same in 2016, while 33.3% said they increased the frequency and 11.1% said they decreased it.

O'Brien said the catalog circulation for Vermont Teddy Bear, PajamaGram, and Vermont Brownie Company increased year over year and the circulation for PajamaJeans has decreased year-over-year.

"Our page counts and mail frequency did not change from our 2016 to 2017 fiscal year," said O'Brien.

Rossman said Kino Lorber decreased the quantity of its mailings in 2016 but kept circulations and page counts the same.

For Silver Star Brands, page counts and frequency stayed pretty much the same in 2016, while circulation dropped about 7% from the previous year. "We also phased out one of our brand's catalogs with January being its last mailings," said Kautza. "It will be an online only brand in 2017."

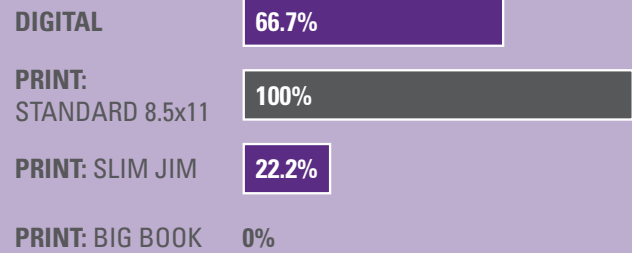
The MCM Outlook survey found that 55.6% of respondents said they intend to keep their page counts the same in 2017, while 33.3% said they would increase them and 11.1% said they would decrease them.

Most respondents said they plan to keep circulation the same in 2017 (77.8%), while the rest were evenly split between increasing it and decreasing it (11.1%). The great majority of respondents (88.9%) said frequency will stay the same in 2017.

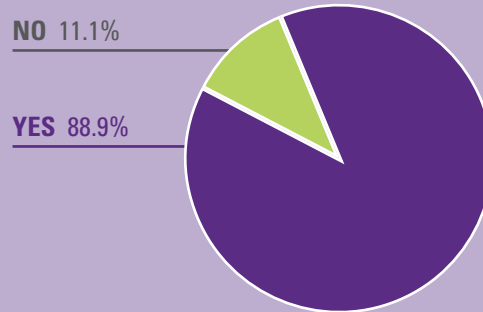
O'Brien said page counts and frequency will remain flat from 2017 to 2018. Vermont Teddy Bear is currently in the process of planning its fiscal year 2018 and she estimates that the circulation will remain flat as well.

Rossman said in 2017 they are increasing frequency to 2015 levels, and its circulation continues to grow.

What sort of catalogs do you produce?



Do you have a formal program to track your catalog's effectiveness?



Kautza said Silver Star Brands is stream testing one of its catalogs to see if the frequency should change from every four weeks to every six weeks.

"Page counts will stay the same, but [we] are looking at increasing new pages into one brand," said Kautza. "Meaning instead of mailing out the same page two months in a row, we may change these pages to give the consumer a different look."

Land's End CEO Jim Gooch said in an earnings call that in an effort to drive improved sales performance the brand is reallocating marketing dollars back to its most effective media channels, specifically catalog and digital media.

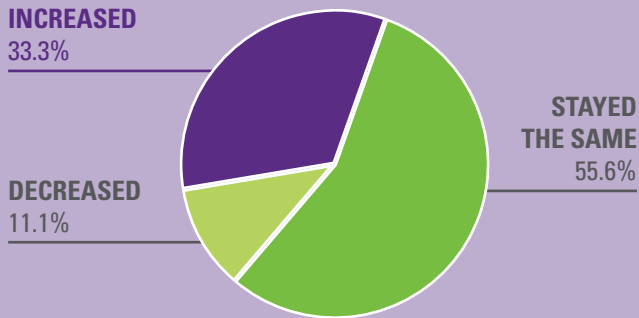
"In addition to increasing our spend on catalog we are making refinements that we believe will drive improved conversion among existing customers and re-engage lapsed customers," said Gooch.

Land's End plans to allocate more catalog pages where more styles are shown in multiple colors and less devoted to lifestyle presentations. It will also allocate more catalog pages to easy-to-shop categories selling where it has one or more styles shown in multiple colors and fewer pages devoted to lifestyle presentations.

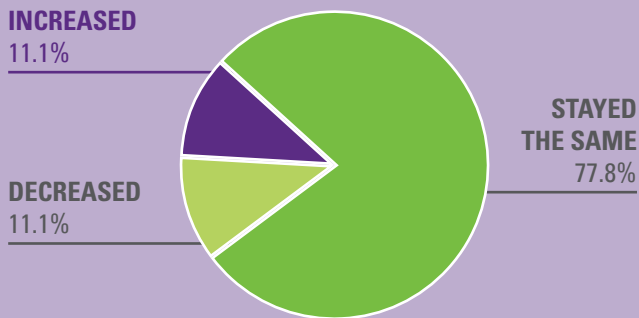
"We'll maintain a multigenerational family approach, presenting images in a way that better connects with the Lands' End consumer and her life moment," said Gooch.

How do you plan to change your creative and production in 2017?

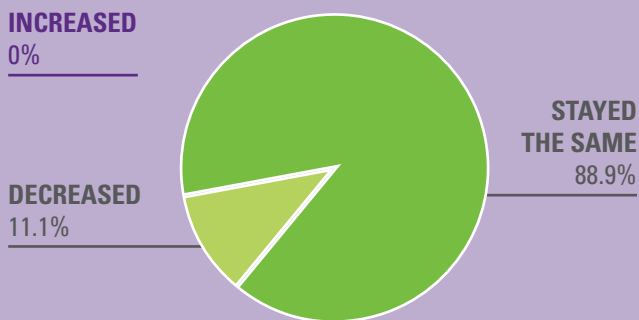
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Gooch added the brand will also highlight value callouts to its cover and inside pages, which will communicate a compelling price and value message to customers.

“We implemented some of these adjustments into our latest friends and family catalog and we are pleased to see the strong improvement in performance,” said Gooch. “Our recent efforts have already driven significant improvement in the number of total buyers, which were positive year-over-year in both September and October.”

A Catalog’s Effectiveness

Tracking a catalog’s effectiveness is important for merchants today. The MCM Outlook survey found that nearly 88.9% of merchants said they use a formal program to track it.

O’Brien said Vermont Teddy Bear measures the performance of the catalog through match back analysis and holdout testing.

Rossman said Kino Lorber tracks its catalog’s effectiveness with mail matchbacks to track the success of each mailing.

Kautza said Silver Star Brands tracks its catalogs through direct response and match back response from other channels. It is then tracked on contribution by segment and how they perform in order to forecast looking at the previous year.

Types of Catalogs Produced

The MCM Outlook survey revealed that the print standard for most catalogs was 8.5 by 11 (100%). This was followed by the digital catalog at 85.7%, an increase over 57.7% in 2016. Only 28.8% of merchants said they still used the “slim jim” format.

Rossman said Kino Lorber produces home video catalogs for consumers, both full-sized and slim jims. Kautza said Silver Star Brands produces two general merchandise titled catalogs and two health and wellness titled catalogs.



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