

The Catalog is Alive and Well in the Digital Age

By **Daniela Forte**, Multichannel Merchant

Despite the ongoing focus on all things digital, the stalwart catalog continues to hold its own as a key marketing tool for many merchants, as nearly all respondent marketers to the 2018 MCM Outlook survey – 84.2% – said they continue to use it as a channel for reaching their customers.

More than a showcase for their latest products, catalogs continue to offer brands an opportunity to inspire their customers with ideas, designs, creative visuals and applications.

For example, in Bed, Bath and Beyond’s most recent catalog, more than half of the items listed aren’t available in its physical stores, creating a sense of exclusivity and excitement for customers.

“We show [customers] the inspirational room settings and we are growing the number of customers that are seeing the catalog,” said Steven Temares, CEO of Bed, Bath and Beyond, during an earnings call.

Sears is another retailer that focuses on bringing inspiration to its customers. Over the 2017 holiday season it brought back its iconic Sears Wish Book. Last published in 2011, it was reinvented for 2017 with access via mobile and desktop in addition to its classic print edition, accessible via the Sears app.

“The new ‘genie in the bottle’ is our Sears Wish Book,” said Kelly Cook, CMO of Sears and Kmart in a press release. “Our members told us they missed the Wish Book, so we had to bring it back, but in a special way that lets you share more joy wherever you are.”

In the digital edition, customer can hover over items to see pricings and descriptions, and click on the heart icon to add to their “Shop Your Way” loyalty program list.



Sears Best Members received a printed, limited edition Wish Book in the mail, while select Shop Your Way members received an email inviting them to pick up a copy at their local Sears store, positioning it as a collectible item.

The Purpose of the Catalog

Branding was the top purpose of the catalog in the MCM Outlook survey, rating an 8.86 out of 10 by respondents. After that came web and mobile traffic driver and customer retention tool (both 8.14), reactivation tool (7.57) and prospecting tool and store traffic driver (6.43).

Besides obviously being a sales tool, Kino Lorber uses its catalog to communicate the brand, said Reid Rossman, the company’s senior vice president of digital and direct distribution.

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Tanya Hansel, Founder and President of Hansel Group Marketing Inc., said the catalog continues to drive recipients online. She added it is a resource to help with planning when the purchase order is long - such as in B2B catalogs - while also used for brand-building and as a customer touchpoint.

For Harry & David, the print catalog continues to serve as an important vehicle in its omnichannel marketing program.

"It is used to drive brand awareness as well as direct response and is a much-anticipated resource for many of our loyal customers," said Michelle Farabaugh, CMO of Harry & David. "We also ensure that the catalogs provide an enticing selection of our products and inspire customers to seamlessly shop our complete assortment line."

Monica Griffin, senior manager of catalog and imagery for Wayfair, said catalogs offer an incredible opportunity to deliver a rich, tactile shopping experience to customers.

"It offers a highly visual, inspirational, curated experience that complements the breadth of selection that we have onsite, bringing together the best of online and offline for an increasingly immersive shopping experience," said Griffin. "Our primary objective with the catalog is to drive customers to the site by providing inspiration and visual interest, communicating broad selection and great value."

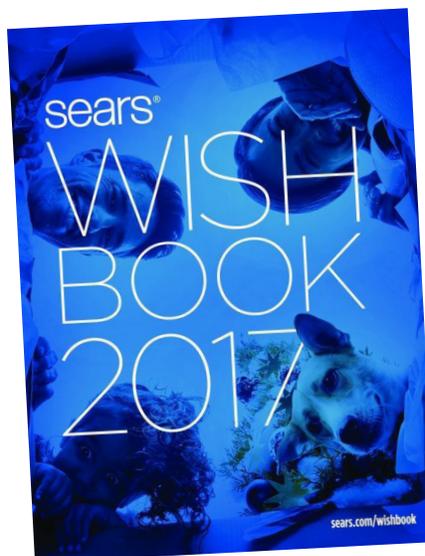
A Catalog's Effectiveness

Hansel said common catalog performance measurements employed by retailers include matchbacks and response analysis, but added they don't give you a true understanding of effectiveness.

"As the name implies, a matchback simply matches a catalog mailing list to a transaction file," said Hansel. "Matches are usually attributed to the catalog. Some retailers take it one step further by applying an attribution percentage."

She said catalog attribution has been a hot topic for several years and everyone has an opinion on whether last touch or some type of fractional allocation is best.

"In my opinion, the ultimate measure of a catalog's effectiveness is to set up customer segments and conduct a long-term holdout test," said Hansel. "This is what I do for my clients. The holdout test will provide insight into how much incremental revenue a catalog generates."



Hansel said retailers can then calculate the catalog sales attribution rate and determine whether their program is driving profitable incremental revenue. The holdout test can also be used to determine catalog frequency. At some point, she added, there may be diminishing returns if a retailer mails too many catalogs in a season or year.

In the MCM Outlook survey, 57.1% of respondents said they use a formal program to track a catalog's effectiveness.

Farabaugh said Harry & David conducts its tracking by using product and catalog codes, providing many great insights.

"We also utilize a methodology that attributes a percentage of our online orders back to the catalog," she said.

Catalog Creative and Production

Based on the MCM Outlook survey, 83.3% of respondents said their page counts stayed the same in 2017, with just 16.7% saying they increased it. Half of respondents said circulation stayed the same, with 16.7% saying they increased it and 33.3% saying it decreased. All respondents said they increased the frequency.

"We have begun to go through a digital transformation," said Farabaugh. "We did have some year-over-year reductions in circulation and page counts, while frequency remained generally the same."

Hansel said a lot of retailers continue to experiment with page counts and catalog formats in an attempt to maximize ROI. They find that their better customers can support a higher page count and frequency.

"The marginal customer is being downgraded into seasonal touches," said Hansel. "Often a catalog is replaced with a postcard because the return is just not there. Retailers need to really understand their custom-

er metrics and take the time to segment their house file and execute the holdout tests before making any changes to their direct mail program.”

Looking ahead to 2018, half of respondents said they would increase page counts. In terms of circulation, the results were evenly split at 33.3% among circulation increasing, decreasing or staying the same in 2018. Most (83.3%) said frequency would stay the same, with the rest saying it would decrease.

Harry & David is continuing to evolve and leverage technology to create a superior customer experience. As this evolution continues, page counts will remain consistent while circulation and frequency will likely change, Farabaugh said.

Kino Lorber added 16 more pages to its catalog in 2017, while increasing frequency by 40% and bumping up circulation between 40% and 50%.

Hansel said retailers will continue to experiment with new formats and look for ways to reduce costs. For B2C merchants the trend is towards reduced frequency, or maintaining the same cadence but with a reduced page count. Hansel recommended testing first before making these decisions.

“B2B retailers tend to be more dependent on catalogs and are less likely to make these types of changes, but they are both asking the same questions regarding optimal catalog frequency,” said Hansel.

Methods of Prospecting

Email will continue to be a top prospecting method in 2018, cited by 85.7% of marketers who responded to the MCM Outlook survey. This was followed by social media at 71.4% and print advertising at 57.1%. Catalog fell below that at 42.9%, tied with postcards/direct mail, pay-per-click (PPC) ads and mobile commerce.

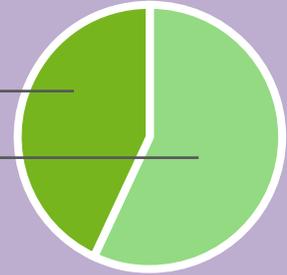
Hansel said print catalog prospecting is becoming a challenge because catalog expenses continue to rise and there is performance fatigue among the co-op and traditional list rentals. List fatigue, a similar concept to performance fatigue, comes from over-mailing or over-using a list, and response rates decrease over time.

“PPC is very competitive and expensive and is forcing retailers to explore other options,” said Hansel. “Many retailers are jumping on the Amazon bandwagon, but you have limited ability to market to that customer and they remain loyal to the Amazon channel.”

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

42.9% No

57.1% Yes



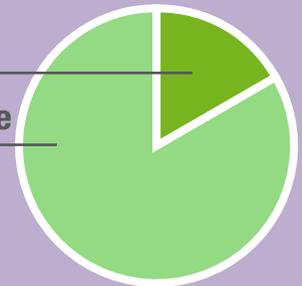
How did your catalog creative or production change in 2017?

Page Counts of my catalogs

16.7% Increased

83.3% Stayed the same

0 Decreased

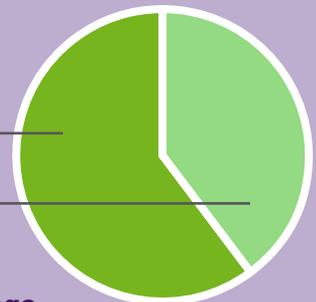


Circulation of my catalogs

0 Increased

50% Stayed the same

33.3% Decreased

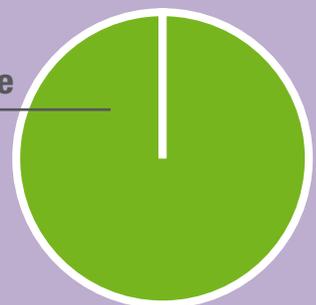


Frequency of my catalogs

0 Increased

100% Stayed the same

33.3% Decreased



Even if you mail a newly acquired Amazon customer a catalog, Hansel said, they prefer to buy the merchandise on Amazon instead of your website.

“Retailers are exploring options such as programmatic direct mail, appending postal addresses to anonymous browsers and email subscribers, investing in content and building a community,” said Hansel. “[They’re] expanding social media presence to include SnapChat and Instagram, working with micro influencers, sponsoring podcasts, testing digital prospecting with co-op models and creating look-alike audiences for radio and TV.”

Farabaugh said Harry & David’s prospecting methods include a combination of co-ops, direct list rental, retargeting, media product ads and internet marketing.

Rossman said Kino Lorber’s focus is on physical mailing cooperatives for prospecting, with plans to expand digital outreach in 2018.

“We have expanded Facebook marketing, investigating direct behavioral models and figuring out what might work,” said Rossman. “Our biggest successes in 2017 was doing bargain sales online and enthusiast news group postings.”

The Type of Catalogs Being Produced

Fifty-seven percent of MCM Outlook survey respondents said both digital and print standard catalogs are 8.5 x 11. Use of print “slim jim” and big books were both cited by 14.3% of respondents.

Harry & David produces a variety of catalogs based on customer shopping behavior and preferences. They can focus on key gift-giving periods, specific product categories or a single theme.

“They all vary in page count and showcase a sampling of our broad product assortment while driving the consumer online for our full assortment and additional product information,” said Farabaugh.

Hansel said retailers are producing a little bit of everything in their catalogs, from digital to slim-jim to standard to big annual B2B catalogs.

“For some retailers, the slim-jim format is too skinny to properly showcase their merchandise and they return to the standard, larger format because the ROI is better,” said Hansel. “B2B retailers rely on the annual large heavy catalog as a reference but then supplement with smaller titles/formats throughout the year.”

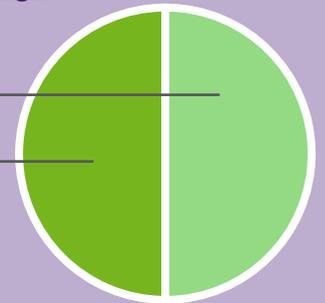
How do you plan to change your creative and production in 2018?

Page Counts of my catalogs

50% Increase

50% Decrease

0 Stayed the same

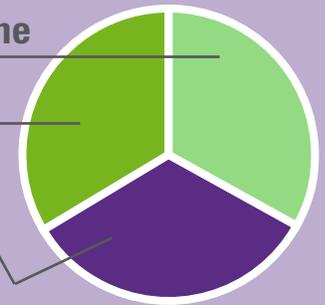


Circulation of my catalogs

33.3% Stayed the same

33.3% Decrease

33.3% Increase

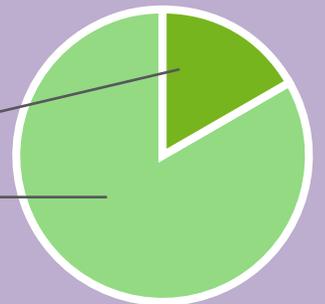


Frequency of my catalogs

0 Increase

16.7% Decrease

83.3% Stayed the same



What sort of catalogs do you produce?

57.1% Digital

57.1% Print Standard 8.5 x 11

14.3% Print Slim Jim

14.3% Print Big Book

0 None

