

MCM Outlook 2016

CATALOGS: AN ENGAGING SALES DRIVER

By **Daniela Forte**, Multichannel Merchant



As much as things have changed, the more they have stayed the same. This was certainly the case in the last year with catalogs, according to our MCM Outlook 2016 survey. For many merchants today, the catalog is not only being used for branding, but also as web and mobile traffic drivers.

Susan Landay, President of Trainer’s Warehouse and Office Oxygen, said the catalog built the business for the Trainer’s Warehouse brand and continues to bring people to the website, and find people in the training and education niche.

Landay said however, that the catalog was not successful for the Office Oxygen brand. Landay said in 2015 they increased the circulation by 50%, but found that the sales did not go up along with it, or if anything only by a little bit. Landay said they changed the cover again and made it similar to the first catalog, although slightly different, but it didn’t give the desired results.

Landay realized that because it was a new brand, the company was still trying to determine who their market was and they didn’t have a huge house list; Not having that was important for two reasons.

She said that is how a merchant would model who their best customers are and the house list is paying for the whole catalog (i.e. the creative, fixed costs, up front expenses).

Landay said the other difference too is that Trainer’s Warehouse was launched 20 years ago when postage was much lower, so that also changes the equation. She said the first issue did so well and the catalog was sent to the Trainer’s Warehouse list, and while it converted them in the beginning, you don’t get to multiply that.

Landay said that the brand will consider another catalog down the road but they will need to wait until they have a bigger house list and grow their online presence.

The challenge, she said, is how does a B2B company that is a new concept get its footing? She said they are trying

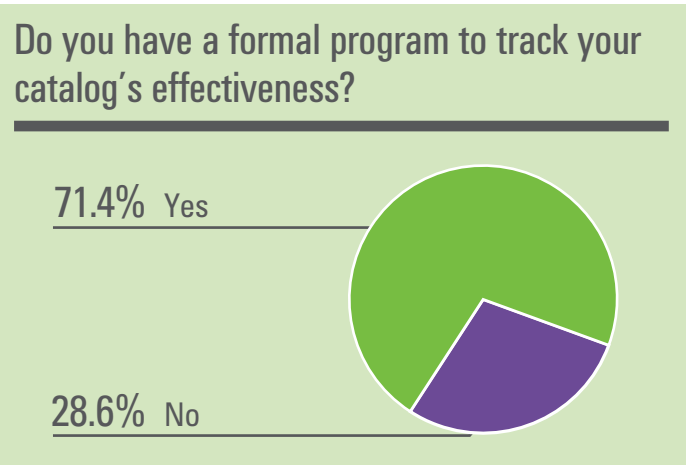
to figure out what the right mix of online programs will be the best for the company. Office Oxygen remains online and she added there are plans for online advertising and SEO.

Landay has been wrestling with content marketing, social media marketing and figuring out which of those to focus on. Office Oxygen will also look at resellers and affiliate networks.

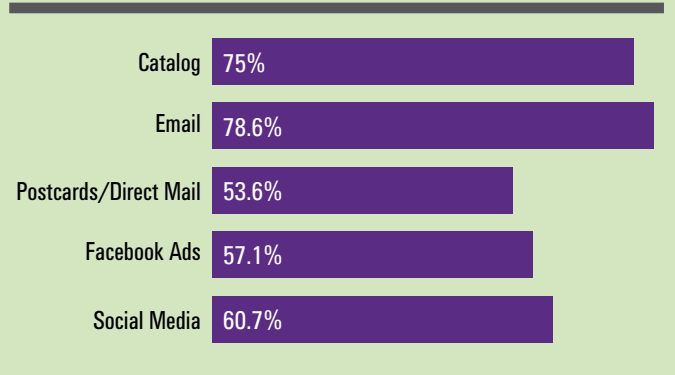
Online home furnishings and décor retailer, Wayfair on the other hand, launched a catalog in February, in an effort to marry its online and offline presence. Niraj Shah, CEO, co-founder and co-chairman of Wayfair said in a press release, that Wayfair is changing the way people shop for their homes. Part of the process is helping consumers discover all the new possibilities enabled by the brand’s online retail experience in terms of selection, price, service and inspiration.

He said catalog is typically a medium used to explore a limited selection of higher end furnishings. Under Wayfair Inc., the brand also has DwellStudio, and Birch Lane catalogs, which is new for the brand.

Erin Moran, spokesperson for Wayfair, said in an email that Wayfair thinks that direct mail is a chance that gives the brand a valuable, immersive touch point where it can tell its brand stories and enhance the shopping experience



In addition to using your own house file, what methods of prospecting will you use during the next 12 months?



for customers.

The Purpose of the Catalog

Merchants are using the catalog for all sorts of reasons and what they find through extensive research and testing is that it is more than just a sales driving channel; it is a chance for the customer to engage with the brand, allowing the customer to infuse his or her own imagination as they flip through the pages.

According to the survey, merchants said branding ranked 8 out of 10 as purpose of their catalog side. Landay said aside from branding, their Trainer’s Warehouse catalog is used primarily to drive people to the web site.

Also, respondents of the survey ranked web driver as an 8.3 out of 10, mobile traffic driver as an 8.2, retention tool an 8.2, and reactivation tool an 8.

Reid Rossman, Senior Vice President of Digital and Direct Distribution for Kino Lorber, Inc., said the catalog serves as a vehicle to communicate the product line to movie lovers. The brand communicates various types of films.

For Chico’s FAS, Shelley Broader, President, Chief Executive Officer and Director said in a third quarter earnings call, when it comes to the catalog, the brand is still learning that piece and trying to understand its marketing mix and not applying some of the traditional science of the marketing mix that it has learned in the past.

Broader said they have customers who keep the catalog and tape it up inside their closet so they know which necklace, scarf or which belt goes with which item.

Broader said Chico’s FAS has a lot more to do in understanding how the catalog is used to drive inspiration and in some cases education to customers.

Deb Cavanagh, Senior Vice President of Marketing for Talbots said during NEMOA’s directxchange conference that Talbots looks at the catalog as a place of transaction, while

the customer looks at the catalog as a place of imagination. Cavanagh said Talbots customers come into the store with sticky notes of the catalog, dog-eared and uses the catalog as part of the overall shopping experience.

The Methods of Prospecting

There are so many avenues to take when it comes to prospecting and merchants aren’t missing any of them. The survey revealed that aside from the house file, 78.6% of merchants said email is their method of prospecting in the next 12 months; catalog fell just beneath this at 75%. Social media came in third at 60%.

When it comes to the types of social channels for prospecting, Facebook was the clear winner at 90%. Beneath that Twitter and Instagram were tied at 70% and Pinterest followed at 60%.

For Ethan Allen Interiors, direct mail is a very important part of its marketing initiative. Chairman and CEO Farooq Kathwari said during a second quarter earnings call, from a return perspective, they have a mix of advertising.

Kathwari said they believe direct mail is important, not only to reach the customer client base, but also to prospects. But it has to be supplemented with other media, like digital media.

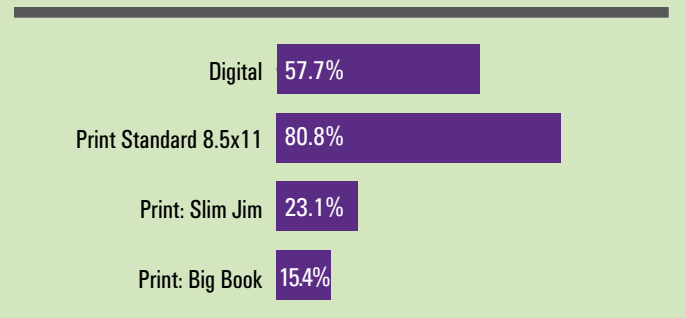
Rossman said Kino Lorber Inc., has been working with the catalog co-operative, which is almost the main way they prospect. If people purchase films from them, they come from the Internet or other forms they get on their mailing list.

No Change in Creative and Production

For many merchants, increasing circulation is the way they are headed with their catalog; some are testing the waters and researching their plans to increase circulation, while some are decreasing circulation.

According to the MCM Outlook 2016 survey however, there wasn’t much change in page counts, circulation or

What sort of catalogs do you produce?



frequency in the last year. Fifty percent of merchants said page counts stayed the same, while circulation both increased and stayed the same at 42.9%. The frequency stayed the same for merchants at 64.3%.

Going forward in 2016, 74.1% of merchants said page counts will stay the same for their brands. Circulation will also stay the same at 48.1% and frequency will stay the same at 85.2%.

Pier 1 Imports directed a greater portion of its marketing spend towards customer retention and frequency during 2015, according to a third quarter earnings call.

Alex Smith, President and CEO of Pier 1 Imports, said the brand increased its catalog circulation and page count by

25% and enhanced its digital, social and email strategies to ensure they were engaging new customers. Their indoor living book was mailed to more than two million households in September of 2015 and generated a good response, according to Smith. The performance of its November retail catalog and holiday look book, which dropped the first week of November, exceeded the company's plans. Smith said the holiday look book, which was new in 2015, showed off some of the brand's core strengths doing holiday really well.

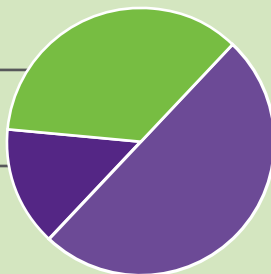
Smith said they anticipate that these initiatives will enable the brand to increase the frequency of purchasing among its best customers and they have. Their data shows both

How did your page counts, circulation, and frequency change in 2015?

35.7% Increase

14.3% Decrease

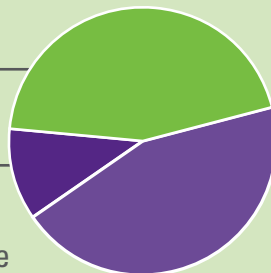
50% Stay the Same



42.9% Increase

10.7% Decrease

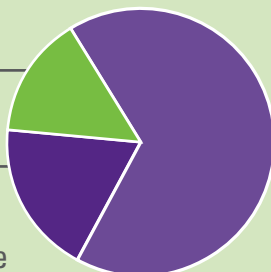
42.9% Stay the Same



14.3% Increase

17.9% Decrease

64.3% Stay the Same

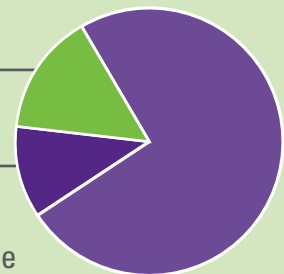


How will your page counts, circulation, and frequency change in 2016?

14.8% Increase

11.1% Decrease

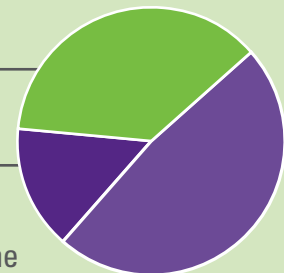
74.1% Stay the Same



37% Increase

14.8% Decrease

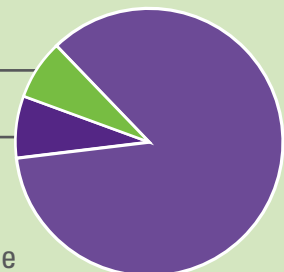
48.1% Stay the Same



7.4% Increase

7.4% Decrease

85.2% Stay the Same



retention and transactions per customer increased year-over-year in 2015.

In the third quarter of 2015, Lands’ End reduced its catalog circulation as a result of a difficult retail environment.

Federica Marchionni, CEO of Lands’ End, said that in an effort to drive more profitable sales and protect the brands, the brand made the decision to pull back on brand promotion during the third quarter of 2015 and focus on product specific promotions. As a result this drove a higher margin rate.

Leslie Franklin, marketer for Indigo Wild said during NE-MOA’s directxchange conference, the brand is still trying to figure out whether or not they will increase or decrease circulation in 2016. They are currently in the midst of a deep dive of research, but last year Indigo Wild mailed out 2.2 million catalogs to customers, heavily in the fall and spread out in the spring and summer.

April Hill, Catalog Design Analyst for Agri Supply, said that while there are absolutely no plans to remove the catalog as a channel, the brand has been steadily decreasing circulation and using it as a driver to stores and the website. Hill said Agri Supply is starting to concentrate on the web site, and that they made a 12% cut in the page count.

How Effective is Your Catalog?

When merchants were asked whether they had a formal program to track their catalog’s effectiveness, 71.4% of respondents said yes, while 28.6% said they did not.

Landay said Trainer’s Warehouse uses a match back program to track the catalog’s effectiveness.

Rossman said his brand tracks its key codes very carefully. Kino Lorber Inc., will always do a key code match back in which the brand studies how much they mail and how it performs.

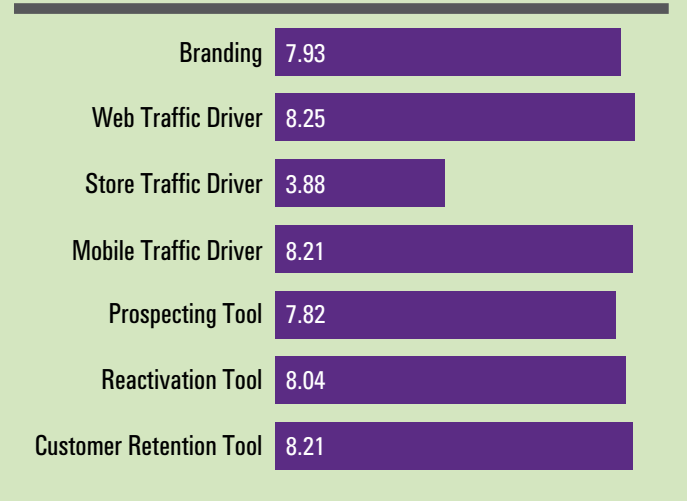
Catalogs aren’t the only print formats merchants are prospecting in the next 12 months. According to survey results, 53.6% said they would use postcards while 42.9% will use print advertising.

1-800-Flowers.com ran some tests during the holiday 2015 season that cut across cross-brand merchandising, retail and marketing programs.

Chris McCann, President of 1-800-Flowers said during a second quarter earnings call, tests included cross-brand

In addition to selling products, what is the purpose of your print catalog today?

Please rate the importance of each of the following on a scale of 1-10, with 10 being most important.



email campaigns, multi-brand catalog and catalog inserts, multi-brand corporate gifting initiatives, multi-brand store-within-a-store test.

Catalogs are important across all of its brands including the Harry & David brand. It is an important piece of the marketing arsenal for the company as a whole.

McCann said the catalog has evolved as the company gets deeper and deeper into its CRM capabilities. The company is able to look at which customers are still stimulated by a catalog versus which customers are more stimulated by digital marketing.

Types of Catalogs Produced

When it comes to the type of catalogs produced, the print standard was the 8.5 x 11 size. This was followed by a digital catalog at 57.7%.

Rossman said right now his company produces a full-sized catalog and the occasional slim-jim sized catalog. They are also exploring genre based catalogs, based on interest along with two types of mailings as well.

Only 23.1% of respondents to the survey said they produce slim-jim sized catalogs.



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