



Catalogs: The Consumers' Point of View

Kara Kennedy Davis, Senior Marketing Scientist
 Dino Fire, Director of Marketing Science

Background

Higher prices for most Postal Service mailing services and shipping services went into effect on January 22, 2012.ⁱ Increases such as this have a direct negative impact on the catalog industry, making it more expensive to get catalogs into the hands of consumers. The Postal Service claims that 81 percent of American households surveyed in 2010 reported that they either read or scanned advertising mail.ⁱⁱ

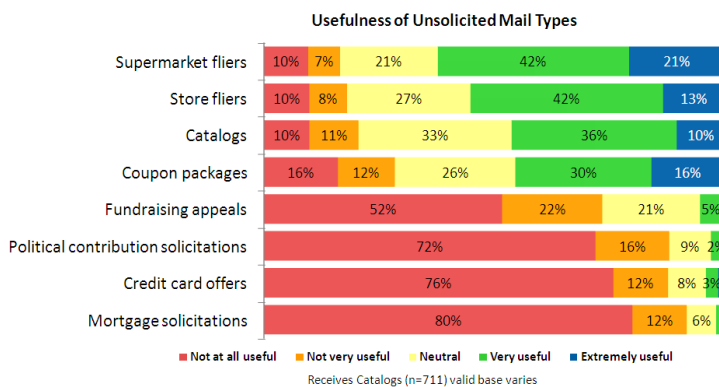
FGI Research conducted a nationwide telephone survey among a random sample of 817 consumers ages 18+ to understand consumers opinions and behaviors surrounding catalogs. The research fielded in December 2011 and January 2012. This white paper provides a summary of the key findings as well as the results of predictive modeling of the survey results that catalogers may find helpful.

Findings

Catalogs are considered far more useful than many other types of unsolicited mail. In fact, two-thirds of the catalogs received by consumers are being opened and read. Nearly all consumers who receive catalogs have made a purchase from a company whose catalog they receive in the mail, with half doing so within the past month. The most used and preferred method for consumers to make these purchases is to review the catalog and then make a purchase through the company's website.

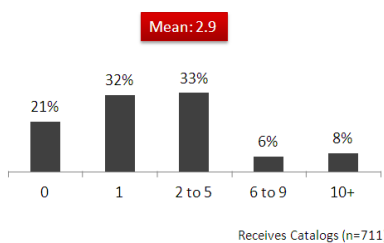
What would happen if catalogs were to go away? Two-thirds of consumers find catalogs so important that they would make an effort to request them if that were the only way to actually receive them. This is true as long as the catalogs are free; this percentage drops precipitously if there was a cost to get them. Approximately 7 percent of those receiving catalogs state that they would stop shopping at those retailers altogether if those particular catalogs were no longer available to them. Alarming, but perhaps not surprisingly, this particular consumer segment is also the one that spends the most on catalog-based purchases every year. They average \$848 annual total spend from companies whose catalogs they receive.

Supporting Research

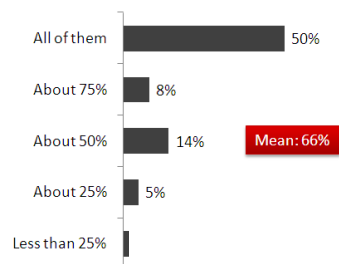


Catalogs are considered useful by 46 percent of those who receive them, comparable to supermarket and other retail fliers. This is vastly different than political contribution solicitations, credit card offers, and mortgage solicitations. These latter items are not found to be useful by nearly everyone who gets them.

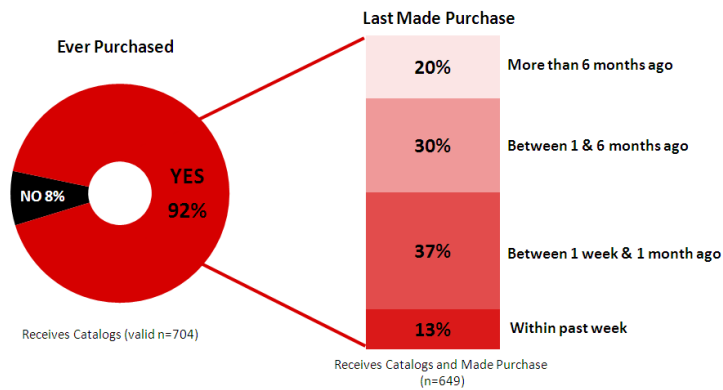
Average Catalogs Received per Week



% of Catalogs Looked At

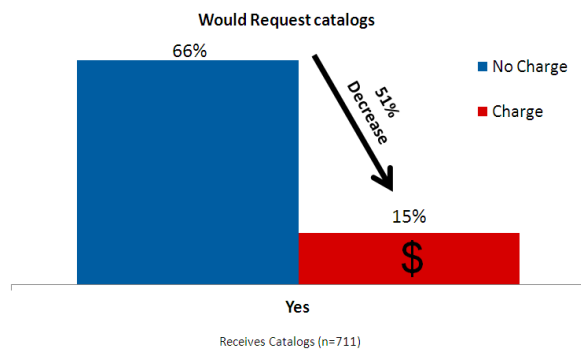
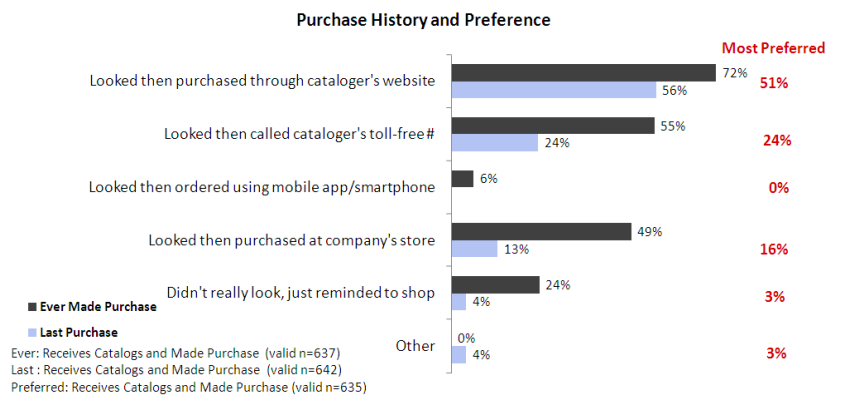


Among those who receive catalogs by mail, about three catalogs are received per week on average. Two-thirds of these catalogs received are opened up and looked at, with half of respondents opening up and looking at ALL of the catalogs they receive.

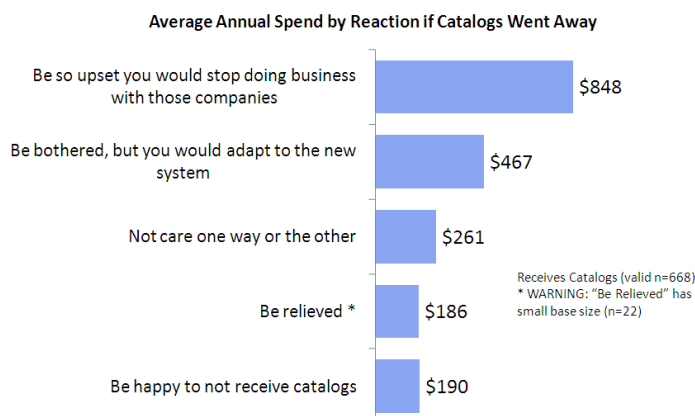


Nearly everyone who received catalogs has made a purchase from those catalogs. Half have done so within the past week or past month.

The most used and preferred method for purchases from a company whose catalog was received was to look at the catalog and then purchase through their website. This method is preferred twice as much as using the toll-free number.



If catalogs became so expensive to produce and mail that they could only be received through a request to the merchant or through a service, two-thirds would request them. This drops to 15 percent if there was a charge.



If catalogs were no longer available, the "most upset" consumers, defined by those who would stop doing business with the companies entirely, are those who spend the most on catalog purchases.

Predicting Consumer Behaviors

Seven percent of consumers who currently receive catalogs say that they would stop doing business with the companies whose catalogs went away. Earlier, we demonstrated that this group comprises consumers with the highest overall catalog spend by nearly double that of any other group.

We find that certain characteristics play a significant and measureable role in whether catalog consumers become part of this at-risk group. Those most likely to stop doing business with companies whose catalogs were no longer available are 1) those who read higher proportions of their catalogs than do others, 2) those who receive a higher number of catalogs every month, and 3) men. Consumers who meet these criteria are 13 percent more likely to stop buying from those retailers than are others.ⁱⁱⁱ

On average, consumers who receive catalogs spend \$357 per year on catalog purchases. The median annual spend is \$125 per year. This variation in statistics indicates that those who spend more than the median amount spend *much* more.

Over the course of a year, about 4 percent of consumers' catalog spend is related to two factors: how many catalogs they receive and how much of the catalogs consumers read. Catalogers are adding revenue simply based on these two factors. Catalogers can expect about \$8.80 in incremental spend for every additional catalog consumers receive, and another \$3.22 for every percentage point of additional content read. For example, consider two consumers. Anne receives ten catalogs, while Sherry receives only five. All things being equal, and holding constant the percentages of each of the catalogs they read, Anne will spend \$44 more than Sherry over the course of a year, since she receives twice as many catalogs. Variables like age, presence of children in the household, income, and how long consumers have been using catalogs have no impact on this incremental spending level.

Conclusions

Catalogs certainly provide value to consumer; a majority of consumers say so. They get read and used. The psychology of the US Postal Service is split on this; while ready and willing to impose rate increases on catalogs, the USPS enjoys the downstream business—i.e. shipping—that is inherent in the mail order process.^{iv} Between consumer acceptance and the potentially negative impact on shipping revenues to the USPS, a strong case can be made to leave catalog rates alone.

Still, catalogers should prepare for the contingency that rates will in fact increase. "Preparation," in this instance, refers to reliably modeling response and volume behaviors to target increasingly scarce catalog resources to the highest opportunity customers. Effective targeting based on sound statistical methods will reduce the cost of print runs and postage, while optimizing revenue. Mail to the buyers, not the shoppers.

About FGI Research

For 30 years, FGI has conducted custom research across a wide variety of industries. In addition to providing research solutions to major retailers and manufacturers, FGI's previous experience includes membership-based organizations such as AARP, NEA, NC Dental Society, the NC and American Bar Association, as well as the UNC University System and various departments within UNC-Chapel Hill. In addition, we have done work for Capstrat, a former sister company who lobbies on behalf of a number of major North Carolina clients. To learn more, please contact John Blunk, Director of Client Services at (919) 932-8847 or jblunk@fgiresearch.com. Learn much more about us at www.fgiresearch.com.

References

ⁱ http://about.usps.com/news/national-releases/2011/pr11_factsht_pricechng_1018.pdf

ⁱⁱ http://www.nytimes.com/2011/12/04/sunday-review/the-junking-of-the-postal-service.html?pagewanted=2&_r=3&ref=opinion

ⁱⁱⁱ Logistic regression, Nagelkerke pseudo R^2 value

^{iv} Postal Service Finds a Friend In the Internet. Katie Hafner. The New York Times. (Aug. 2, 2006) Business News: pA1(L).