

Conducted by:



MULTICHANNEL MARKETING IN THE CATALOG INDUSTRY

15th EDITION

In partnership with:

epsilon[®]

In cooperation with:

Haggin
marketing

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DIRECT MARKETING ASSOCIATION (www.the-dma.org) is the leading global trade association of businesses and nonprofit organizations using and supporting multichannel direct marketing tools and techniques. DMA advocates industry standards for responsible marketing, promotes relevance as the key to reaching consumers with desirable offers, and provides cutting-edge research, education, and networking opportunities to improve results throughout the entire direct marketing process.

Founded in 1917, more than 3,600 of the world's leading companies and nonprofit organizations are DMA members, including a majority of the Fortune 100 companies, as well as nonprofit organizations and small- and medium-sized businesses.

In 2006, companies spent \$166.5 billion on direct marketing in the United States. Measured against total US sales, these advertising expenditures generated \$1.94 trillion in increased sales in 2006, or 7 percent of the \$28 trillion in total sales in the US economy (which includes intermediate sales). All together, direct marketing accounted for 10.3 percent of total US GDP in 2006.

The Power of Direct: Relevance. Responsibility. Results.

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ISBN: 1-931361-91-6

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Printed in the United States of America.

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Appendix 1: Industry Trends According to Epsilon Supplement of Abacus Multi-channel Trend Report

Appendix 2: Catalog Highlights from DMA Consumers' Response to Direct Marketing, 2007

Appendix 3: Questionnaire from Multichannel Marketing in the Catalog Industry, 15th Edition

FOREWORD

The DMA is pleased to present *Multichannel Marketing in the Catalog Industry, 15th Edition*. Much of what we have documented this year, and over the years, has not changed. Despite new technology, techniques and vocabulary, the essence of direct marketing, which has remained the same, has been the core approach. That can be defined as, the addressing of customers and prospects uniquely, by organizing a business around a vital asset—the customer database—to present merchandise that appeals to those segments, along with the ability to measure the results. This has been the case since the earliest days of catalog marketing when Sears and Montgomery Ward ruled the remote shopping world.

Still, as is obvious to all who work in the industry, in the fifteen years since the first variation of this report was published, the day-to-day practice of direct marketing has been galvanized by computer technology and the Internet and its associated developments. In fact, there are now technological tools that make sophisticated analyses not only possible, but mandatory for business survival.

The name of this report has changed as well. For eight years, this report was known as *The State of the Catalog Industry*. It then evolved into *The State of the Catalog/Interactive Industry*, as we grappled with what to call the new world brought about by the incorporation of the Internet into everyday life. Over the last three years, the emphasis of the report has incrementally adapted to the multichannel nature of the industry, in light of the omnipresence of the Internet in virtually all direct marketing efforts.

In line with the industry's evolution, we have changed the content of this report in the following ways:

- We have simplified the survey itself. We present highlight results while retaining the questions that were of most interest to readers. This has resulted in less burdensome survey for our respondents.
- In Appendix 1, we have included a section titled *Industry Trends According to Epsilon Supplement of Abacus Multi-channel Trend Report*. Epsilon prepared this special summary report, based on hundreds of millions of transactions from over 100 million households in its database from 2003 to 2007. Comparison of this data to our survey is fascinating; in spite of the difference between the approaches, the findings are complementary.
- In addition to presenting survey results from multichannel marketers, we have added highlighted catalog findings from *DMA's Consumers' Response to Direct Marketing* in Appendix 2.

We hope you find this report helpful, as you work to grow and improve your multichannel business. We look forward to your participation in, and support for, next year's survey!

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ACKNOWLEDGEMENTS

Acknowledgement is due to many individuals who provided their expertise and contributed to the successful completion of *Multichannel Marketing in the Catalog Industry, 15th Edition*.

The DMA is pleased once again to be working with **Mark Swedlund, SVP, Haggin Marketing**, who contributed expert advice in developing the questionnaire and also wrote the commentary for this year's report.

Jason Hornik, Senior Director of Marketing, Haggin Marketing and Deborah Dobish, Editor made significant contributions to the questionnaire, and the writing, and editing of the contents of this year's report. Also, from Haggin Marketing, **Annie Huxley, Production Manager**, led production and quality control.

We appreciate the support of **Elisa Krause, Ph.D, Vice President of Analytics, Abacus Data Services, Epsilon**, who provided an insightful summary report, based on an analysis of Epsilon's Abacus cooperative database.

Thank you to **Louis Mastria, Chief Privacy Officer, NextAction, Corp.** for circulating invitations to clients to participate in the survey.

This research was hosted by the Vision Critical platform. Vision Critical is the world's leader in providing technology and expertise to help companies recruit, engage and learn more from their own customer advisory panel. To create these panels, Vision Critical has developed two core web-based software systems: Panel+ and Fusion. Since 2000, the company has developed over 150 custom online panels and managed over a million panelists for major industry brands. For more information about Vision Critical and their online research services please visit their web-site: www.visioncritical.com.

Most importantly, I want to thank the multichannel marketers who responded to the survey, shared their data, and contributed to the continued development and success of the marketing community.

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DMA PARTNER INFORMATION

The following companies provided very valuable contributions during the course of our developing, executing, and compiling this report:

Haggin
marketing

Haggin Marketing is a full-service strategic marketing, creative, production, and analytics agency specializing in direct mail, catalogs, Web sites, email and interactive marketing, retail advertising, and collateral material. All of our work is focused on sales objectives, designed to sell our clients' products and services, to build customer loyalty, and to articulate and express brand attributes in a powerful and compelling manner across multiple marketing channels. For more information, please visit www.hagginmarketing.com

epsilon

Epsilon is a leading provider of multi-channel, data-driven marketing technologies and services. Through its combination of client-centric marketing solutions, Epsilon helps leading companies understand, measure, manage, and optimize their customer relationships. The organization's end-to-end suite of integrated services includes strategic consulting, creative, data, database and loyalty technology, analytics, e-mail, and direct marketing distribution services to produce multi-channel marketing programs that generate measurable results throughout the customer lifecycle.

HOW TO READ THIS REPORT

METHODOLOGY

In April 2007, the DMA conducted a comprehensive online survey of multichannel companies, including catalog, retail, wholesale, and Internet merchants. Participants were identified from the DMA's database and were recruited via e-mail. In all, 474 businesses responded to the survey. As an incentive to participate, responding companies received a complimentary copy of Katie Muldoon's *The Catalog Strategist Toolkit* book. A copy of the survey that was administered can be found in Appendix 3 of this report.

RESPONDENT PROFILE

Overall 474 marketers participated in this survey. Fifty three percent of respondents were direct to consumer companies (Consumer), 28% were direct to business (B-to-B), and 19% marketed to both Consumer and B-to-B roughly equally. Thirty three percent of respondents considered Paper Catalog to be their primary sales channel; 45% were Website\E-catalog; and 22% were Retail. We also grouped companies by revenue size. Thirty nine percent of the companies earned less than \$10MM; 19% were between \$11MM and \$50MM; and 43% were more than \$50MM.

Performance Levels: Beginners, Intermediate, and Experts:

In our survey, respondents were asked to rate their performance levels in multichannel practices using the following categories: just beginning, adequate practice, good practice, best practice, or next practice (i.e., they establish the next, best practice). For statistical purposes, we combined "just beginning" and "adequate practice" into a group we labeled "beginners;" "good practice" respondents became our "intermediate" practitioners; and we combined "best practice" and "next practice" into a group of high-performers that we called "experts." We classified 43% of respondents as Beginners, 40% as Intermediates, and 17% as Experts. This classification system has proven useful in a number of DMA studies.

REPORT STRUCTURE

This report contains an Executive Summary and five chapters addressing the following topics:

- Profile of Respondents and Overview
- Multichannel Marketing Practices
- Sales Results and Strategies
- Circulation Planning
- Financial Information

Appendix 1 includes a section titled *Industry Trends According to Epsilon Supplement of Abacus Multi-channel Trend Report*, which presents a summary report, based on the hundreds of billions of transactions from over 100 million households in Epsilon's Abacus cooperative database. Appendix 2 includes highlighted catalog findings from *DMA's Consumers' Response to Direct Marketing*.

We offer our interpretations of the results in the introductions to each chapter.