

Circulation

August 5, 2018

Gina Valentino



The Catalog Bandwagon

- Amazon will launch a toy catalog to millions of US households in advance of the holiday season.
- Wayfair catalog (Joss & Main) is the e-tailer's latest customer touch point powered by quantitative and algorithm-based insights. We are now in "the age of the customer" and that has everything to do with a resurgence of the importance of direct mail.
- Menswear brand Bonobos showed 20% of first-time buyers placed their orders after receiving a catalog, and they spent 1.5 times more than first-time buyers who did not receive a catalog.

The Catalog Bandwagon

- JCPenney (end of July 2018) will shift away from Millennials and go back to their core customer. Abandoning promotional pricing looks like it was a mistake and so was ignoring proprietary brands
- IKEA (end of July 2018) mails 300pg perfect bound, square format. Adds two more proprietary brands and the catalog app (avail 8/7) will have videos and interactive play features

The Catalog Bandwagon

- According to “The Case for Direct Mail” from the USPS, 70% of consumers report reading their direct mail catalogs and spending an average of 15-20 minutes with each one
- Reading rates for direct mail is holding steady, with better than 75% of direct mail being read or scanned, the UPSP notes
- In a survey conducted by Kurt Salmon, a global management consulting firm, **86% of women in the age range of 18 to 30 say they have bought an item after seeing it in a catalog.**

The Catalog Bandwagon

- Add to this the “digital fatigue” of the typical consumer who spends an average of eight seconds with a retail email, and sees an average of **1,900 digital ads each month**
- Ad blocking, ad fraud and the continuing lack of interest in digital ads means more of that marketing is going to waste
- And if Millennials are a target, they love the imagery of a catalog and this generation likes to get mail because it’s new to them...they didn’t grow up with it.

Catalog – Offers & Promotions

- Free Shipping typically works the best
- Determine threshold. Usually no more than a 20% reach from AOV, but it depends on the AOV itself, the merchandise assortment, and price points offered in the catalog
- PPO (price point offered) or if AOV is more than \$x, then it may make sense to have free shipping on any order
- Test what you are willing to roll-out

Testing, Testing, 1-2-3

- Cataloger Tested Free Shipping with Caveats
- 50,000 test panels of reactivation and rentals, Free Shipping Dot Whack on Front Cover
 - Free Shipping. 1.38% RR, \$129 AOV, and \$0.77 \$/bk
 - Free Shipping when you purchase specific item
0.97% RR, \$109 AOV, and \$0.54 \$/bk
- The more hurdles, the lower the performance. If the goal is that item, maybe. If the goal is response, then not so great.

Testing, Testing, 1-2-3

- Apparel cataloger tested segments of 100,000 each to determine the impact of online display ads
 - Catalog Only 1.44% and \$1.85 \$/bk
 - Catalog & Display 1.45% and \$1.88 \$/bk
 - Display Only 0.94% and \$0.99 \$/bk
- Catalog only won. The addition of display ads did not make a difference and the cost of including the display definitely did not make it worth it

Testing, Testing, 1-2-3

- Cataloger tested front cover creative. Product was worn and used, vs. brand new pristine product.
- Customers only. Included best to reactivation.
- A/B split of the circulation so each version was 200,000
- A difference of 88 orders and \$27,000
- Not statistically significant. Directional-yes. The “worn” won in every segment split.
- Cataloger had no intention of rolling out the creative strategy. Just was a creative thought.

Testing, Testing, 1-2-3

- Cataloger tested mailing a first class postcard based on website activity. 40,000 universe with A/B split of Mail vs No Mail
- Postcard cost was \$1.05 total cost in the mail which is more than double the cost to put a catalog in the mail
- While response was higher with the direct mail campaign, it was not high enough to continue the investment

Testing, Testing, 1-2-3

- Testing this right now (so no data yet)
- Cataloger can use website activity for both house improvement and now for prospecting
- House modeling has been successful
- Prospecting with benefit of co-op data and the onsite activity
- Looking forward to results but have high expectations

Testing, Testing, 1-2-3

- From Multichannel Merchant Magazine (copy & paste) about Order Forms
 - But here's an interesting stat that I didn't include in the slide deck: 75% of survey respondents said they do NOT have an order form and an envelope in their catalog.
 - By the way, this is not an endorsement to get rid of your order forms and envelopes. If your audience uses them, and it uses them faithfully, do NOT get rid of them! I was talking with someone this morning from Vermont Country Store. She told me they tested catalogs WITHOUT order forms, and saw how important order forms were to their shoppers.

Circ Plan Do's and Don'ts

- RFM (Recency, Frequency, Monetary)
- Order of importance
- Lifetime AOV

2018	July-Dec	3x+	\$150+
			\$100-149
			\$0-99
	2x	\$150+	
		\$100-149	
		\$0-99	
	1x	\$150+	
		\$100-149	
		\$0-99	
2018	Jan-June	3x+	\$150+
			\$100-149
			\$0-99
	2x	\$150+	
		\$100-149	
		\$0-99	
	1x	\$150+	
		\$100-149	
		\$0-99	

Why Segmentation

- Like-groups together (behavior)
- Forecasting
- Adding or dropping
- Targeted messaging, offers, creative, contact

Merge Rule

- Householding (aka by Address)
 - One catalog per household. Two or more on the file, only one record per household receives the catalog, and it will be the one in highest merge priority
- Residential
 - Unique last name per address. Think of roommates, generational families.
- Individual
 - Anyone at that address is mailed. Usually relevant for B2B, segmentation for loyalty programs, proprietary credit cards

Rental Hits to House

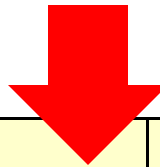
- A rental record is a duplicate to the house (customer) record
- This duplicate record is dropped from the rental list and survives in the house segment
- The surviving record is can be found in recent segments...and many times in the older inactive segments that you weren't going to mail
- You paid for the rental record. The record is a recently qualified prospect and a customer of yours.

Rental Hits to House

Illustration Only		52,000	51,270	99.1%	17,797	
Key	Description	Gross In	Net Out	Net%	Instructions	Mail Qty
F18100	0-6mo buyer	3,000	2,970	99.0%	mail all net out	2,970
F18101	7-12mo buyer	4,000	3,964	99.1%	mail all net out	3,964
F18102	13-18mo buyer	5,000	4,935	98.7%	mail all net out	4,935
F18103	19-24mo buyer	6,000	5,928	98.8%	mail all net out	5,928
F18104	25-36mo buyer	7,000	6,930	99.0%	omit	0
F18105	37-48mo buyer	8,000	7,864	98.3%	omit	0
F18106	49-60mo buyer	9,000	8,829	98.1%	omit	0
F18107	61+mo buyer	10,000	9,850	98.5%	omit	0

Rental Hits to House

Illustration Only



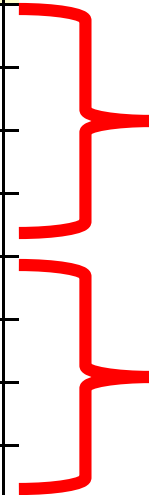
Key	Description	Gross In	Net Out	Net%
F18100	0-6mo buyer	3,000	2,970	99.0%
F18101	7-12mo buyer	4,000	3,964	99.1%
F18102	13-18mo buyer	5,000	4,935	98.7%
F18103	19-24mo buyer	6,000	5,928	98.8%
F18104	25-36mo buyer	7,000	6,930	99.0%
F18105	37-48mo buyer	8,000	7,864	98.3%
F18106	49-60mo buyer	9,000	8,829	98.1%
F18107	61+mo buyer	10,000	9,850	98.5%

Rental Hits to House



Illustration Only

Key	Description	Gross In	Net Out	Net%	Flag File: Rental Hits to House
F18100	0-6mo buyer	3,000	2,970	99.0%	2
F18101	7-12mo buyer	4,000	3,964	99.1%	4
F18102	13-18mo buyer	5,000	4,935	98.7%	9
F18103	19-24mo buyer	6,000	5,928	98.8%	17
F18104	25-36mo buyer	7,000	6,930	99.0%	33
F18105	37-48mo buyer	8,000	7,864	98.3%	44
F18106	49-60mo buyer	9,000	8,829	98.1%	71
F18107	61+mo buyer	10,000	9,850	98.5%	87



235

Rental Hits to House

Illustration Only

Key	Description	Gross In	Net Out	Net%	Flag File: Rental Hits to House	Instructions	Mail Qty
F18100	0-6mo buyer	3,000	2,970	99.0%	2	mail all net out	2,970
F18101	7-12mo buyer	4,000	3,964	99.1%	4	mail all net out	3,964
F18102	13-18mo buyer	5,000	4,935	98.7%	9	mail all net out	4,935
F18103	19-24mo buyer	6,000	5,928	98.8%	17	mail all net out	5,928
F18104	25-36mo buyer	7,000	6,930	99.0%	33	rekey RHTH as F18500	
F18105	37-48mo buyer	8,000	7,864	98.3%	44	rekey RHTH as F18500	
F18106	49-60mo buyer	9,000	8,829	98.1%	71	rekey RHTH as F18500	
F18107	61+mo buyer	10,000	9,850	98.5%	87	rekey RHTH as F18500	
F18500	Rekey of Rental Hits						235

List Rental Multis

- When a record is found on two or more rental sources, it survives in one list and drops from the other (based on merge priority)
- You paid for the two records. You can mail the duplicate record in a future mailing.
- When a record is found on 5 sources, you mail the first instance now and can mail the record 4 more times.
- Report is available from Merge/Purge vendor

List Rental Multis

- Report from the Drop 1 Merge/Purge
- Use this report when planning for Drop 2

Illustration Only

Source Code	List Name	2X Multis	3x Multis	4x Multis	5x Multis	6x Multis	7x Multis	8x Multis	9X+ Multis
S18701	P2R	220	154	77	15	2	1	1	1
S18702	Abacus	300	210	105	21	2	1	0	0
S18703	Wiland	189	132	66	13	9	2	1	0
S18704	Oracle	200	140	70	14	7	2	0	0
S18705	iBehavior	175	123	61	12	5	1	0	0
S18706	Eddie Bauer	100	70	35	7	0	0	0	0
S18707	Mrs. Fields	400	280	140	28	10	4	0	0
S18708	Pottery Barn	220	154	77	15	5	3	2	0

Illustration Only

Source Code	List Name	2X Multis	3x Multis	4x Multis	5x Multis	6x Multis	7x Multis	8x Multis	9X+ Multis
S18701	P2R	220	154	77	15	2	1	1	1
S18702	Abacus	300	210	105	21	2	1	0	0
S18703	Wiland	189	132	66	13	9	2	1	0
S18704	Oracle	200	140	70	14	7	2	0	0
S18705	iBehavior	175	123	61	12	5	1	0	0
S18706	Eddie Bauer	100	70	35	7	0	0	0	0
S18707	Mrs. Fields	400	280	140	28	10	4	0	0
S18708	Pottery Barn	220	154	77	15	5	3	2	0

This is the report from Drop 1. Use this report when you're planning Drop 2. You want to know how many Rental Multis you can use, and you can give the Rental Multis as a Suppression

Illustration Only

Source Code	List Name	2X Multis	3x Multis	4x Multis	5x Multis	6x Multis	7x Multis	8x Multis	9X+ Multis
S18701	P2R	220	154	77	15	2	1	1	1
S18702	Abacus	300	210	105	21	2	1	0	0
S18703	Wiland	189	132	66	13	9	2	1	0
S18704	Oracle	200	140	70	14	7	2	0	0
S18705	iBehavior	175	123	61	12	5	1	0	0
S18706	Eddie Bauer	100	70	35	7	0	0	0	0
S18707	Mrs. Fields	400	280	140	28	10	4	0	0
S18708	Pottery Barn	220	154	77	15	5	3	2	0

Drop 2	2x+	3,883	1,804	1,263	631	126	40	14	4	1
Drop 3	3x+	2,079		1,263	631	126	40	14	4	1
Drop 4	4x+	816		631	126	40	14	4	4	1
	5x+	185			126	40	14	4	4	1
	6x+	59				40	14	4	4	1
	7x+	19					14	4	4	1
	8x+	5						4	4	1
	9x+	1							4	1

Illustration Only

Source Code	List Name	2X Multis	3x Multis	4x Multis	5x Multis	6x Multis	7x Multis	8x Multis	9X+ Multis
S18701	P2R	220	154	77	15	2	1	1	1
S18702	Abacus	300	210	105	21	2	1	0	0
S18703	Wiland	189	132	66	13	9	2	1	0
S18704	Oracle	200	140	70	14	7	2	0	0
S18705	iBehavior	175	123	61	12	5	1	0	0
S18706	Eddie Bauer	100	70	35	7	0	0	0	0
S18707	Mrs. Fields	400	280	140	28	10	4	0	0
S18708	Pottery Barn	220	154	77	15	5	3	2	0

Drop 2	2x+	3,883	1,804	1,263	631	126	40	14	4	1
Drop 3	3x+	2,079		1,263	631	126	40	14	4	1
Drop 4	4x+	816			631	126	40	14	4	1
	5x+	185				126	40	14	4	1
	6x+	59					40	14	4	1
	7x+	19						14	4	1
	8x+	5							4	1
	9x+	1								1

Illustration Only

Source Code	List Name	2X Multis	3x Multis	4x Multis	5x Multis	6x Multis	7x Multis	8x Multis	9X+ Multis
S18701	P2R	220	154	77	15	2	1	1	1
S18702	Abacus	300	210	105	21	2	1	0	0
S18703	Wiland	189	132	66	13	9	2	1	0
S18704	Oracle	200	140	70	14	7	2	0	0
S18705	iBehavior	175	123	61	12	5	1	0	0
S18706	Eddie Bauer	100	70	35	7	0	0	0	0
S18707	Mrs. Fields	400	280	140	28	10	4	0	0
S18708	Pottery Barn	220	154	77	15	5	3	2	0

Drop 2	2x+	3,883	1,804	1,263	631	126	40	14	4	1
Drop 3	3x+	2,079		1,263	631	126	40	14	4	1
Drop 4	4x+	816			631	126	40	14	4	1
	5x+	185				126	40	14	4	1
	6x+	59					40	14	4	1
	7x+	19						14	4	1
	8x+	5							4	1
	9x+	1								1

Talk to your service bureau about the merge reports.

Testing, Testing, 1-2-3

- Do customers really need a postcard to let them know of a sale...they're getting emails.
- Top Tier Customers, more than 10% lift in response rate and 18% in \$/bk
- Best Customers, 90% lift in response rate and 96% in \$/bk.
 - This means the performance would have doubled if we didn't do this test
 - This clearly puts an end to the notion that “customers buy anyway”