

# The Future of Catalogs



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# Catalog industry business model is threatened

## Cost pressures:

- Postage
- Paper
- Production
- Fulfillment

## Response rate challenges:

- Recession
- Low consumer confidence
- Unemployment up

## Industry is Changing:

- Catalogs now part of multichannel mix for businesses
- The number of online-only catalogs is increasing as print-only catalog companies decline.\*
- Good news: Many category of catalogs are increasing as new ventures start everyday:
  - Baked goods catalogs up 353% same period
  - Produce catalogs up 183% past 5 years
  - Confectionary catalogs up 138% same period
  - Book catalogs up 11%

Source:  
Multichannel  
Merchant  
Magazine

\* May only be indicative of sound multichannel practices

# **We need to act now!!!**

- Bold new ideas
- Define sustainable catalog business model
  - Create win for Catalog industry
  - Create win for USPS

## **OPPORTUNITY**

Design new Catalog product that addresses the needs of the catalog industry in the areas of:

- Pricing
- Service
- Operational efficiency
- Operational cost containment



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# An Industry Perspective

- Catalog companies spend an average of 18% (B2C) of revenues on postage
- High Variable Cost business model
- Testing and isolating variables to minimize risk
- Multi-channel integrated marketing plans
- Highly analytical and quantitative
- Favorable demographics and “growth begets growth”

# ***IS the catalog really worth fighting for?***

## The Good:

- High visual profile commands attention on arrival
- High fidelity—high definition medium
- Color accuracy
- Invasive—right into the home or office
- Measurable, Targetable
- Proven
- Always on—always available
- Makes a powerful brand statement
- Presents merchandise “quickly”
- Doesn’t facilitate price comparisons
- Creates credibility with consumer

## The Bad:

- Expensive
- Postage cost component viewed as unpredictable
- Long lead-time

## What is different at the USPS?

- Attention from the top → catalogs a “top 5” priority
- Urgency and bias for action
- Catalog-specific marketing and sales alignment
- Customer centric orientation
- Willingness to experiment → innovation
- Intense effort, organizational stretch
- Open dialog; two way

# What are the challenges?

- Impinged cataloger cash flows
- Declining house file size (12 month counts down)
- Availability of quality prospect names
- Weak consumer demand
- Mail “unaffordable” even in a healthy economy ...

→ Together we can “fix” cataloging

## Conclusions

- Catalogs remain at the core of a broad mix of marketing tools to communicate and connect with customers
- Current migration away from mail not in any party's interests
- We have the ability to solve the problems facing catalog industry
- The USPS is ready and willing to do their part to make this happen
- Increasing sophistication of mail (IMB) and integration of other media (multi-channel marketing) creates opportunity to improve the value of mail for catalogers in ways we have not even dreamed about.



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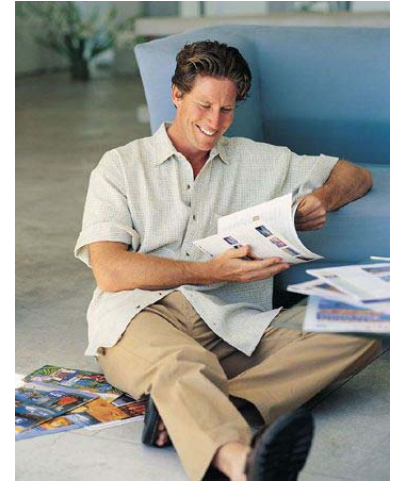


# Finding a solution to the ailing catalog industry is a priority.

**....we can't do it alone**

Recognition by USPS that this industry is:

- Unique and complex
- Critical to our future viability as an organization
- A service to the American consumer, and a key part of our mission



## **USPS Dedicated Catalog Marketing Innovations Group**

Historic first for USPS:

Building a marketing strategy and operation around one particular direct marketing application.

## **USPS Catalog Group, cont.**

Executive and dedicated staff, serving as permanent liaisons between USPS voices and catalog industry voices.

Tasked with innovation and new product applications that will contribute to the viability of the catalog industry

Focus Sales organization on Catalog opportunities

## The Catalog Equation

We recognize  
that your success  
depends on the  
balance  
between these  
two elements.

response



# The Catalog Equation

## Costs:

1. Understand costs to optimize efficiency
  - a. Building processing efficiencies in harmony with the catalog industry
  - b. Address cost allocation issues
2. Minimizing postage price increases
3. Creating incentive programs that drive growth, lower industry costs and understand seasonality of the catalog industry

## Response Rates:

1. Need to be innovative and aggressive
2. Balance creativity and standardization
3. How can we help you?



## **PRICING** Create prices that more precisely mirror cataloger needs and applications.

- Examine relaxing piece/pound rate by expanding from 3.3 ounce flat rate limit
  - More pages, more SKU's
  - Better responses, more sales
  - Minimal incremental cost to USPS
- Explore seasonal based pricing
- Address cost-coverage issues

**SERVICE** Examine changing service standards for the catalog product.

- Could catalogers live with longer delivery times as long as they are consistent and predictable?
- Longer delivery times create flexibility and cost reductions in USPS operations
- Reduced attributable costs enable lower prices.

## **OPERATIONS** Optimize entry, mail preparation and make-up

- Build product offering to be compatible Flats Sequencing System.
- Design rules to improve ease of use while encouraging efficiency.

# Heading Off in The Right Direction.

Summer Sale Seasonal Rate Incentive Program: A historic first

Mixed-Class Bundling: Periodicals and Catalog to increase efficiencies and qualification rates for existing workshare programs

New Catalog product?

## Next Steps

- Engage the industry
- Build Business Strategy
  - Pursue Pricing innovations
  - Explore Catalog Product of Mail
  - Seek possible acceptance and entry innovations
- Build awareness and boost catalog perceptions among general public
- Implement actions that make a difference



# Catalog Discussion

An electronic copy of this session will be available tomorrow on the catalog mailer's website.

[www.catalogmailers.org](http://www.catalogmailers.org)



## Certification Questions

1. The percentage of Americans that purchase products from catalogs is over 50%? **TRUE**
2. Baby Boomers are disproportionate catalog consumers compared to other generations *and* catalog consumption typically increases with age? Both are **TRUE**
- 3: The Internet is replacing catalogs? **FALSE**: it is enhancing a consumer's way of purchasing a product that they saw first in a catalog. (A 2006 survey of online merchants by [interactivetail.com](http://interactivetail.com) found that 80% believe a catalog is actually involved *somewhere* in the sales order gathering process!