NEXT

Australian Catalogue Association

Annual Catalogue Industry Report 2012/13

AUSTRALIAN CATALOGUE ASSOCIATION

Executive Summary

Welcome to the Annual Catalogue Industry Report 2012/13, providing a complete analysis of the value and effectiveness of the catalogue as a communication channel.

Catalogues are the fourth largest channel to market with the largest weekly audience reach of 18.25 million Australians when compared to other media channels. Catalogue volumes have reached a record high in production numbers reaching 8.2 billion in 2012 as the confidence in catalogue effectiveness continues for retailers.

The communication landscape has changed dramatically in recent years and yet catalogues remain effective because of their primary function that is both relevant and valuable – they bring the shop front to the kitchen table.

Effectiveness and ROI have continued to improve through more sophisticated data analytics, internet linkage and cross-channel marketing campaigns increasing customer recall, brand equity and purchasing decisions influence. Including catalogues within the campaign mix delivers a significant increase to product sales, particularly within the FMCG category. ROI is strengthened in integrated campaigns with catalogues being added to TV delivering a 37% increase and when added to online delivering a 62% increase in ROI.

Strategic marketers and CMOs are using the power of catalogues as the nucleus of integrated campaigns – and it's working for stronger brand presence and sales growth. Integrated campaigns utilising new communication technologies such as augmented reality or near field communications connect the paper based catalogue with digital marketing and achieve the greatest results.

Where once the catalogue acted alone, it is now a significant driver to all other touch-points within the multi-channel world we operate in.

Catalogues provide a 'time-out' approach creating a dialogue where the brand can communicate its values with an engaged audience over a sufficient amount of time for the brand to be absorbed and enjoyed. Thumbing through a well-considered catalogue is relaxing and opens the opportunity to grow brand equity and product aspiration.

The catalogue is accessible, versatile, portable, re-useable, effective, reliable and trusted. Product price, value, look and feel can all be communicated quickly and with impact. The success and growth of the catalogue has held its own with its digital peers and more importantly secured its place in the multi-channel mix, providing strong return on investment either on its own or when part of an integrated campaign.

This report provides an outline of the strength of catalogues today and provides a logical path to forecast the future of one of the most powerful advertising channels available.

Kellie Northwood
Executive Director
Australian Catalogue Association

Introduction

The Australian Catalogue Association (ACA) was formed in 1992 and represents the producers and distributors of catalogues.

The ACA provides a forum for the promotion of catalogues as an effective advertising medium on its own merits or part of an effective multi-channel communication marketing mix.

To support and promote the effectiveness of catalogues as a communication medium, the ACA measures and builds metrics across Audience Reach, Growth as a Medium, Segmentation, Value, Effectiveness and ROI. These metrics are presented in this report for the catalogue delivered to the letterbox.

This report forms the first of the ACA's annual industry update which will be supported by quarterly market segmentation and volume data.

The ACA further endeavours to enhance public knowledge and awareness of catalogues as a valuable and sustainable advertising channel.

The following metrics presented within this report have been compiled over the past five years from a collection of sources including independent research, research commissioned by the ACA, the ACA research team and affiliated bodies.

All research and reference material is made available on the ACA website: www.catalogue.asn.au

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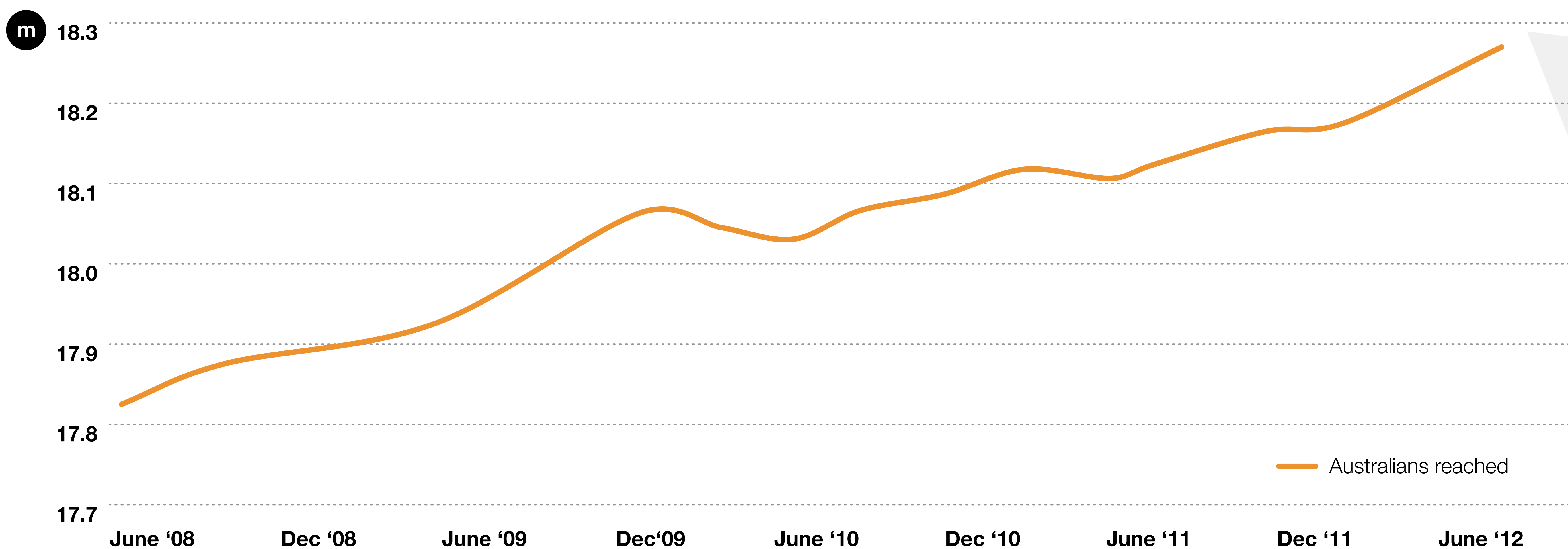
Audience Reach

Catalogues have the largest reach across all media channels

Audience Reach

Catalogues reach over 18.25M Australians every week



This audience reach shows catalogues are the strongest channel to Australian markets when compared to other channels: television (14M); commercial radio (14.4M); newspapers (14.2M)

Sources: Australian Address Reference File 2012, ABS Census 2011 and ABS Australian Demographic Statistics 2013

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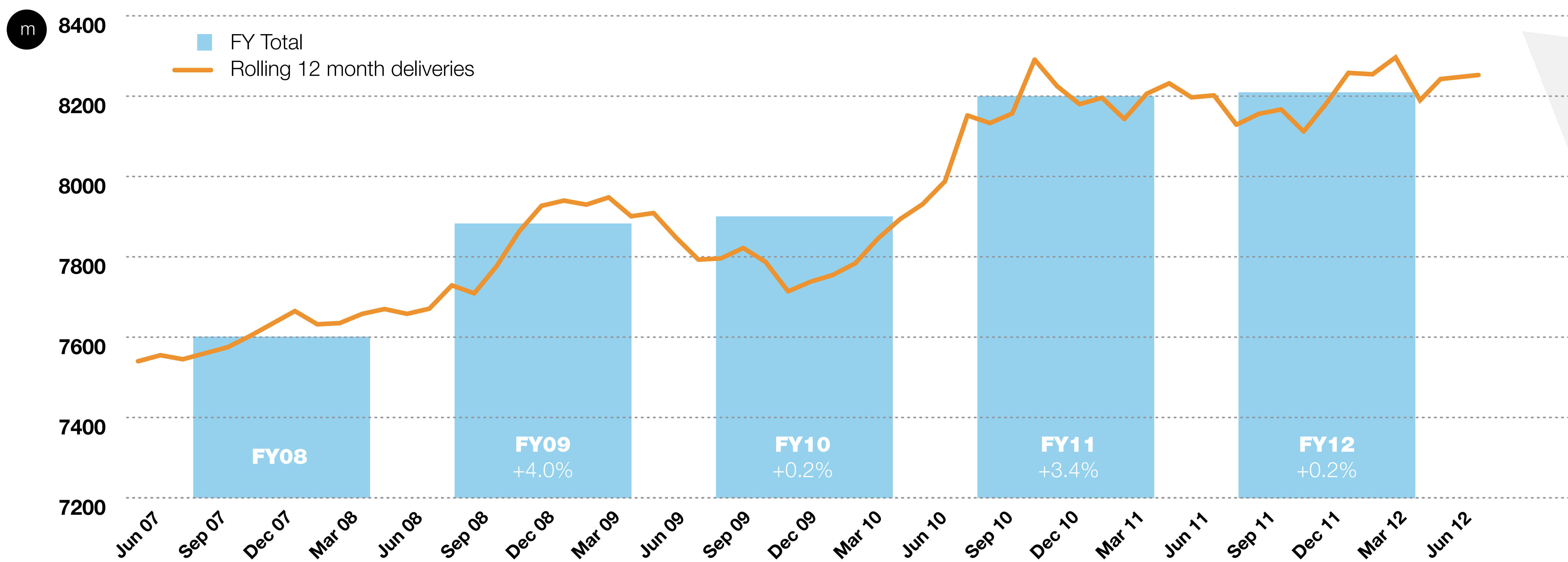
Audience Reach

Record high usage in FY12 supporting retail recovery



Retailers increased catalogue promotions during the Global Financial Crisis (GFC) of 2008 to take advantage of government stimulus initiatives.

The retail market reached a 20 year historical low growth rate in September 2011 however retailers continued to target market share by utilising the effectiveness of catalogues as a key driver for sales growth.

Catalogue production and distribution reached record highs with 8.2 billion catalogues delivered to letterboxes in 2012.

Source: Australian Catalogues Association, 2012

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Market Size

Catalogues are the fourth largest channel to market

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Market Size

Fourth largest channel to market

	Historical Data A$m					Forecast Data
	2007	2008	2009	2010	2011	2012
Newspapers	4,211	4,322	3,699	3,925	3,633	3,370
Free-to-air-television	3,199	3,095	2,818	3,127	3,225	3,335
Internet	1,351	1,718	1,879	2,275	2,674	3,046
Letterbox catalogues (excluding inserts)	**1,623**	**1,600**	**1,566**	**1,573**	**1,504**	**1,442**
Radio	984	992	936	995	1,007	1,037
Out-of-home	551	575	506	603	625	647
Consumer magazines	739	750	618	671	624	571
Subscription television	276	317	333	381	393	415
Filmed entertainment	93	96	89	99	82	84

The above table represents advertising revenue for all channels except catalogues where revenue is not easily identifiable. A conservative comparable is a cost evaluation of the catalogue industry to determine the size of its market.

The catalogue industry is larger when considering catalogue inserts into newspapers and catalogues into store.

In addition, the size of the industry does not include the prepress, management and logistics costs incurred by the customer.

It is estimated that the addition of these costs would increase the size of the industry to A$2 billion per annum.

Sources: PWC Media Outlook Report, 2012; Australian Catalogue Association

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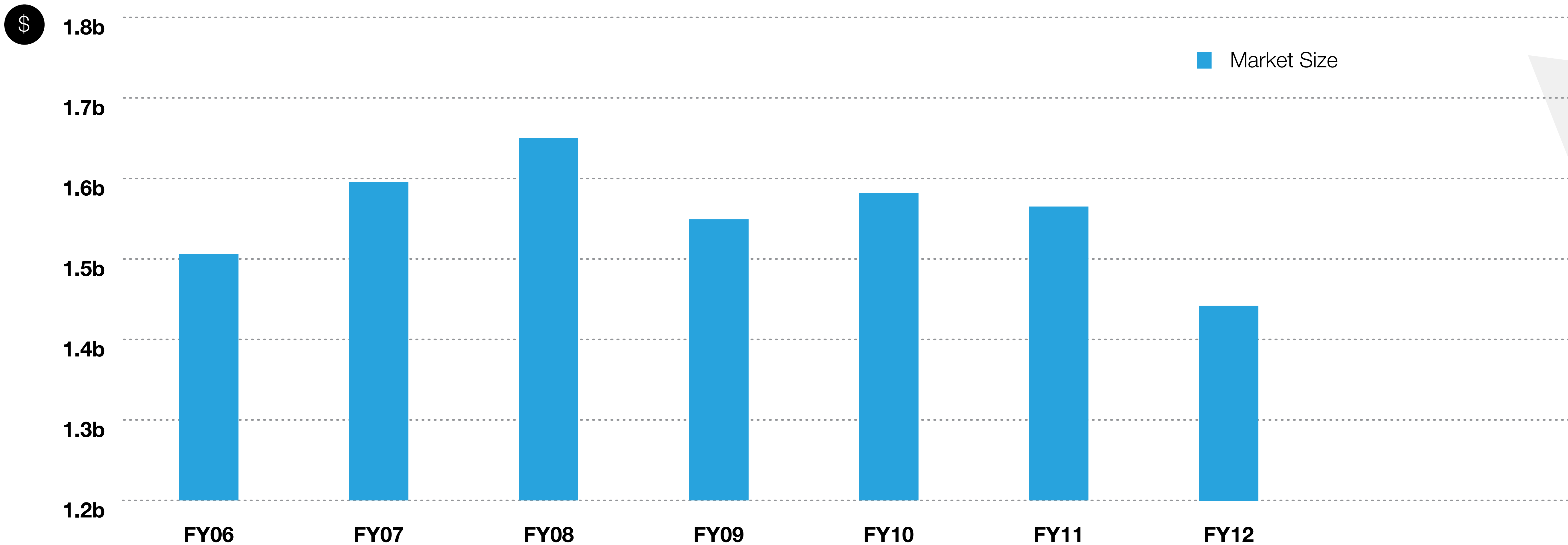
Market Size

Volumes rising with increasing reach and yet prices are falling – lower market valuation



Over the past five years, the drop in overall industry value has occurred despite catalogue production and distribution increase mainly due to the strength of the Australian dollar.

Retailers and media buyers procuring catalogues are enjoying lower prices due to improved manufacturing costs and lower raw material prices.

Note: Figures exclude newspaper inserts.

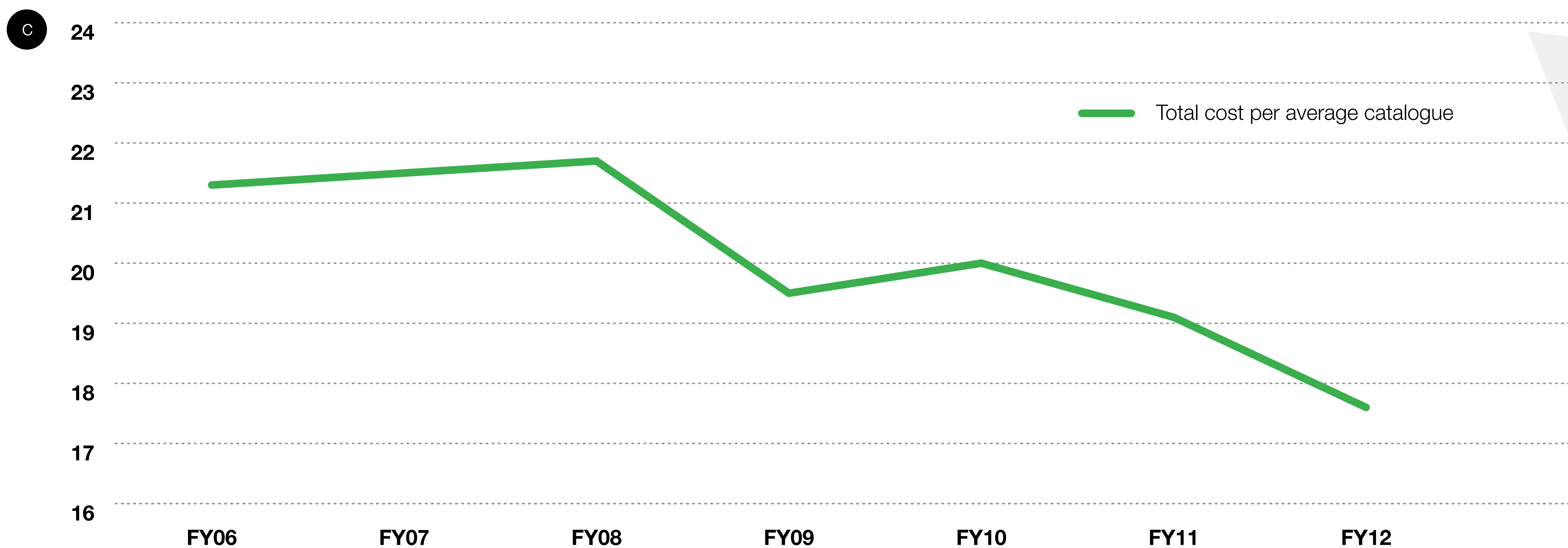
Sources: Australian Bureau of Statistics, Printing Industries' Association of Australia, providers of prepress, print and distribution services

Industry Value

Expanding reach, improved unit prices, greater value

Industry Value

Unit costs reduced by 19% since FY08



The cost of each catalogue has declined due to reductions in print production cost (29%) and paper raw material cost (20%).

These figures reflect the greater value for Australian retailers at a reduced unit cost with increasing reach.

Raw material costs and predominantly paper prices have reached an all time low with the strong Australian dollar.

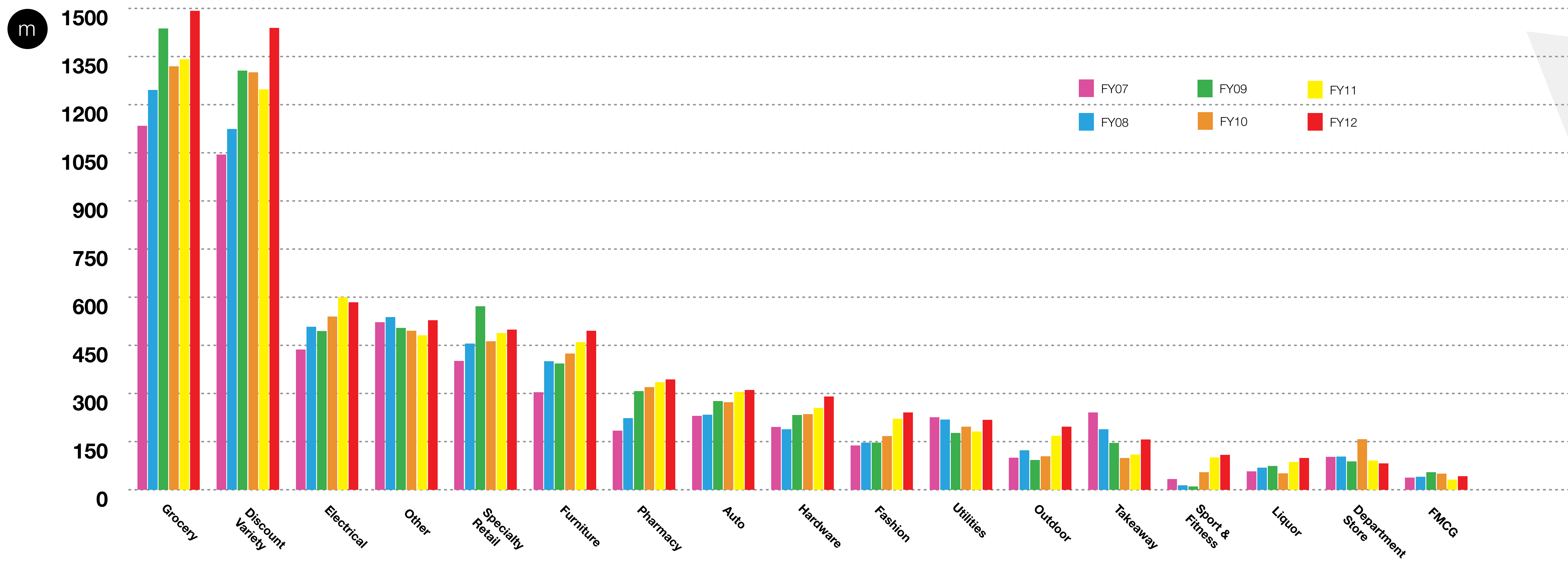
Sources: ABS, PIAA and ACA.

Market Segmentation

Catalogues benefit a wide range of retail sectors

Market Segmentation

Grocery and Discount Variety strongest catalogue users



Consistent market sector leaders are Grocery and Discount Variety, with Electrical, Specialty Retail and Furniture forming a second tier segment.

Significant growth areas over previous five years include Pharmacy, Auto, Hardware, Take-away and Utilities. Fashion and Outdoor also show a strong increase in FY 2012..

Major market sectors have experimented with reduced catalogue spend, however have consistently returned to historical volumes.

Sources: ABS, PIAA and ACA.

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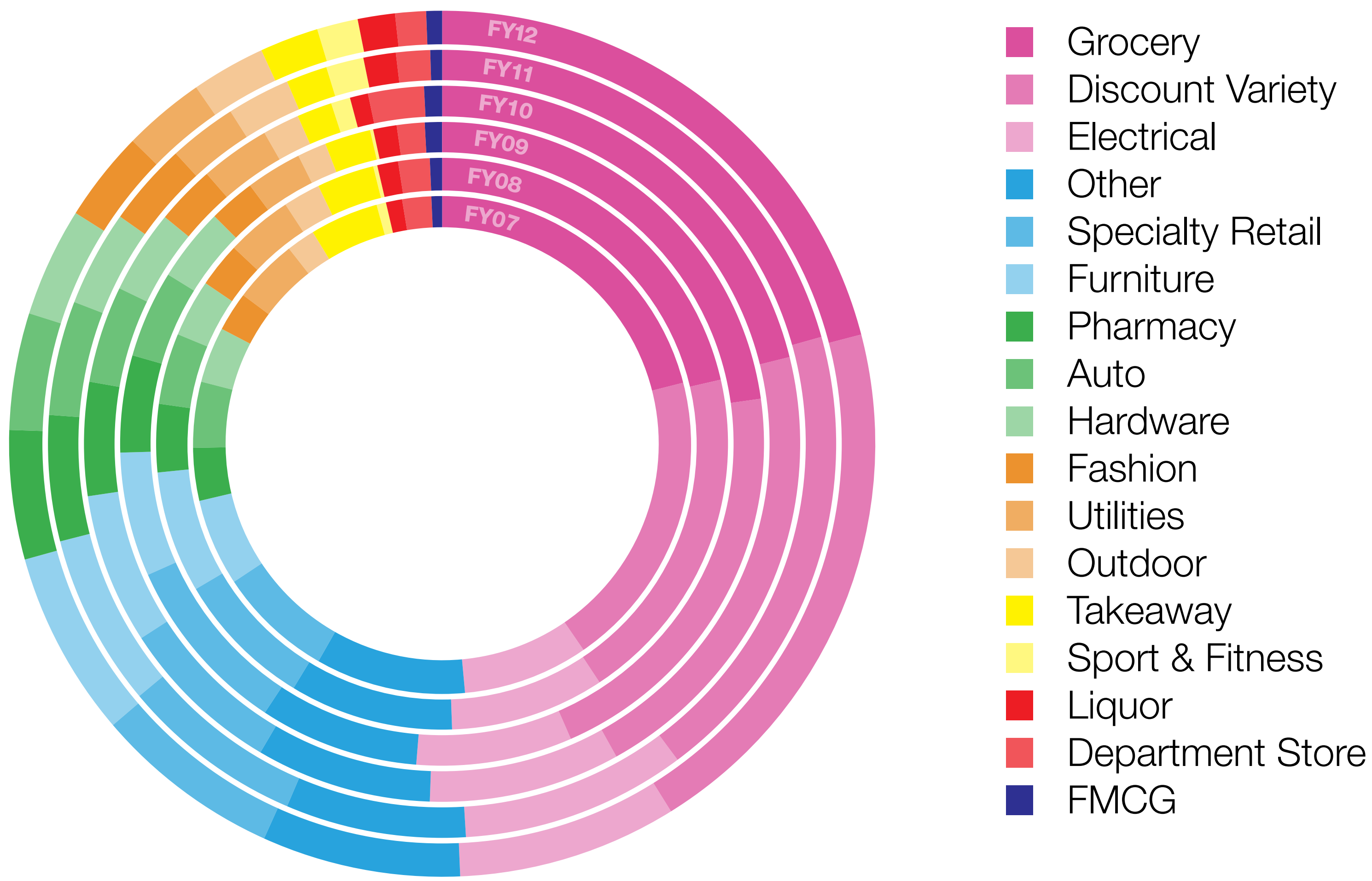
Market Segmentation



Market share is consistent across most categories with greater volatility in discount variety. FMCG providing the greatest potential for future growth.

Note: Sectors reflect Top 200 customers across distribution providers.

Sources: Australia Post, PMP Limited and Salmat, 2012.

Effectiveness

Strongest performer in major everyday segments

Effectiveness – Usefulness

Most useful channel when making purchasing decisions

	A used motor vehicle	A new motor vehicle	Car/auto parts and accessories	Real estate	Home improvements or renovations	Home interiors or furnishings	Home entertainment/ electronics	Large kitchen/ laundry appliances
Catalogues	1%	4%	19%	4%	13%	24%	33%	36%
Internet	52%	46%	36%	48%	27%	24%	30%	29%
Newspapers	28%	19%	8%	28%	7%	5%	5%	5%
Magazines	2%	5%	3%	3%	19%	20%	7%	6%
Radio	1%	1%	1%	1%	1%	1%	1%	1%
Television	2%	9%	2%	2%	7%	5%	6%	5%
Yellow Pages	2%	2%	10%	2%	8%	4%	2%	3%

	Small electrical appliances	CDs/DVDs	Books	Toys	Cosmetics & toiletries	Clothing & fashion
Catalogues	41%	32%	27%	44%	39%	39%
Internet	26%	32%	34%	22%	18%	20%
Newspapers	5%	4%	7%	3%	3%	4%
Magazines	4%	5%	6%	3%	11%	13%
Radio	1%	3%	1%	0%	0%	0%
Television	4%	5%	3%	5%	5%	5%
Yellow Pages	2%	1%	1%	1%	1%	1%

1st
2nd
3rd

Data was collected from January to December 2012. Australians were asked to rank the media most useful when making purchasing decisions. Catalogues ranked first across 11 categories, second across 4 categories and third across 2 categories.

In total across all 28 categories, catalogues ranked in the top three in 17 categories.

Of note is 41% of Australians 14+ find catalogues the media most useful for providing information when purchasing or selecting Small Electrical Appliances and high percentage rankings also across Home Interiors, Entertainment Electronics, Large Kitchen/Laundry appliances and CDs/ DVD purchases.

Source: Roy Morgan Single Source (Australia) January-December 2012

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Effectiveness – Usefulness

Most useful channel when making purchasing decisions (continued)

	Alcoholic beverages	A home loan or other loans	Finance/ investment products	Insurance	Computers, computer supplies/ peripherals	Mobile phones/ phone providers	Services, such as plumbers, electricians	Employment/ jobs
Catalogues	43%	2%	2%	2%	20%	21%	2%	1%
Internet	15%	47%	44%	47%	42%	40%	25%	45%
Newspapers	11%	11%	12%	8%	5%	5%	13%	31%
Magazines	3%	2%	3%	2%	4%	3%	1%	1%
Radio	1%	2%	2%	3%	1%	1%	1%	1%
Television	6%	10%	8%	11%	5%	7%	2%	2%
Yellow Pages	1%	4%	4%	5%	4%	4%	38%	2%

	Children's wear	Groceries	Entertainment /movie listings	Restaurants	Travel or accommodation	Health, wellbeing & fitness
Catalogues	44%	52%	2%	2%	3%	4%
Internet	18%	13%	40%	38%	55%	35%
Newspapers	3%	8%	31%	17%	12%	11%
Magazines	7%	2%	2%	4%	6%	20%
Radio	0%	1%	1%	2%	2%	2%
Television	4%	6%	4%	4%	5%	6%
Yellow Pages	1%	1%	1%	15%	4%	5%

1st
2nd
3rd

52% of Australians 14+ find catalogues the media most useful for providing information when purchasing or selecting Groceries, the highest percentage across all other categories surveyed.

Toys, Cosmetics, Fashion, Children's Wear and Alcoholic Beverages also ranked highly.

Computers and Mobile Phones demonstrated strength for integrated campaigning with Internet.

Source: Roy Morgan Single Source (Australia) January-December 2012

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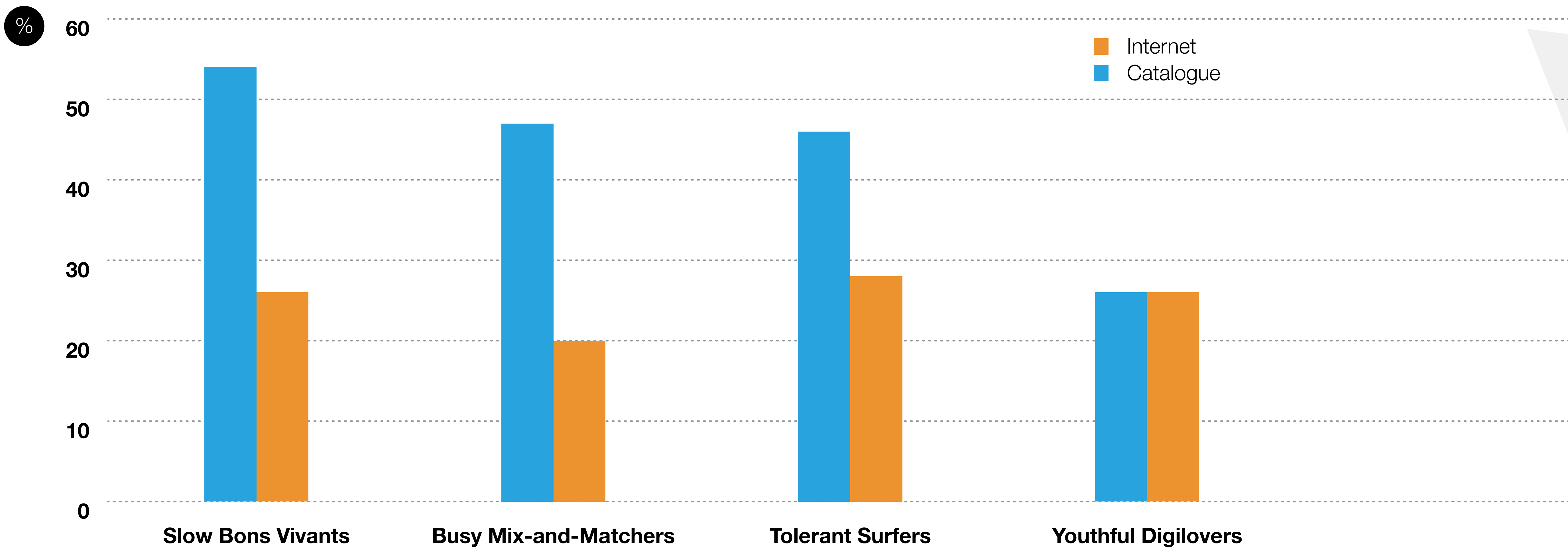
Effectiveness – Trustworthy

Catalogues most trusted over Internet advertising



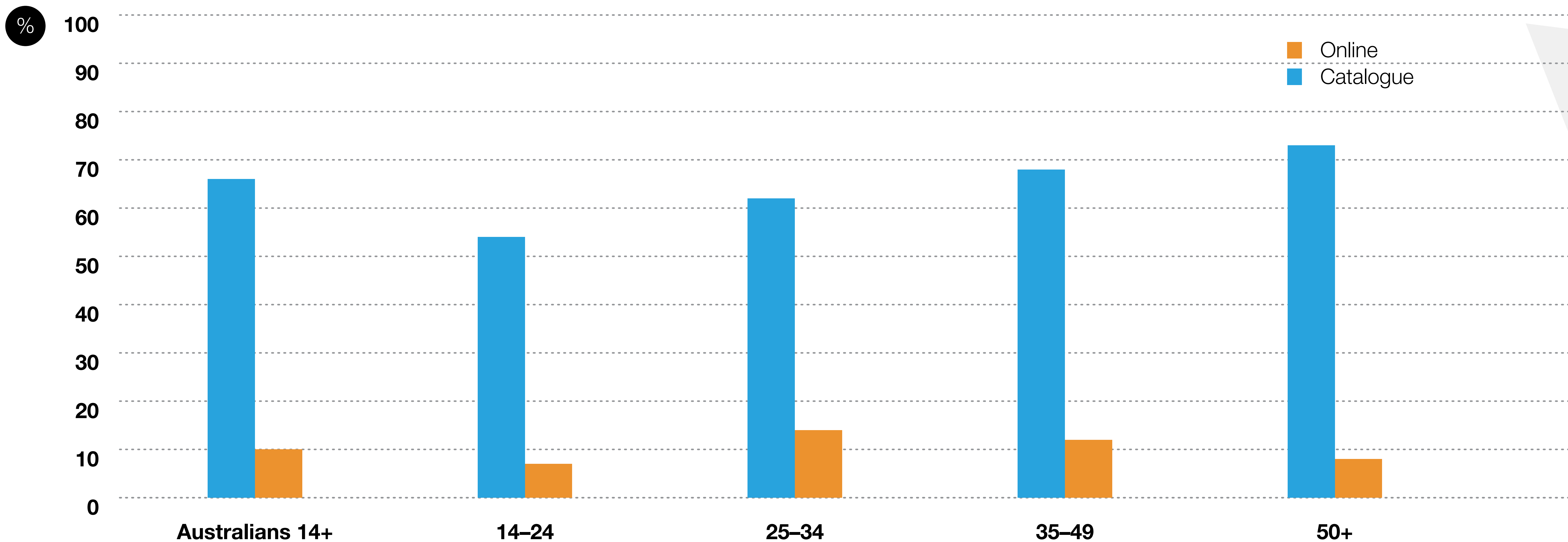
Across all age and socio-economic groups catalogues are considered more trustworthy, excluding the Youthful Digilovers who view catalogues as equally as trustworthy as internet advertising.

In the same report on an overall examination Youthful Digilovers found print media (including catalogues, newspapers and magazines) more trustworthy.

Source: VTT, March 2013

Effectiveness – Age and the internet

66% of Australians read catalogues



66% of Australians aged 14+ read catalogues in an average 4 week period.

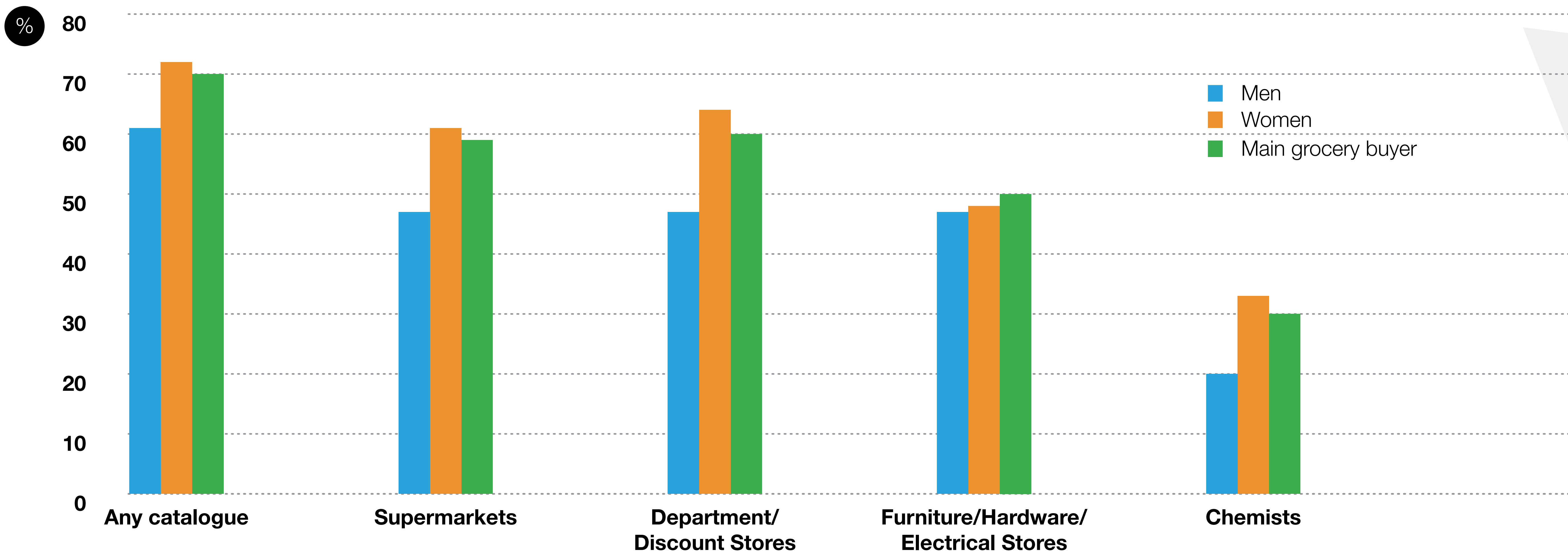
Australians aged 50+ are the strongest consumers with 73% reading print catalogues and 8% only viewing online.

Most powerfully are the 14-24 year olds continuing to dispel the myth they prefer digital communication methods with a strong 54% reading the printed catalogue.

Source: Roy Morgan Single Source (Australia) January-December 2012

Effectiveness – Readership and gender

Catalogue readership



The largest catalogue readership was within Department/Discount Variety stores and Supermarket promotions.

Women remain the highest readership across all categories excluding automotive. This reflects the main grocery buyer in a household being the most likely to read catalogues.

Source: Roy Morgan Single Source January-December 2012

Effectiveness – Brand equity and Range

Catalogues deliver strong brand engagement

Surveys link emotionality with paper as a communication channel. Consumers report a higher preference to paper-based communications because it is more trusted, credible and useful. The Bpost Business Media Preference Survey reports 59% of consumers prefer paper based communications over digital channels - TV, Press, Email, Social and Radio (Bpost Business, 2011).

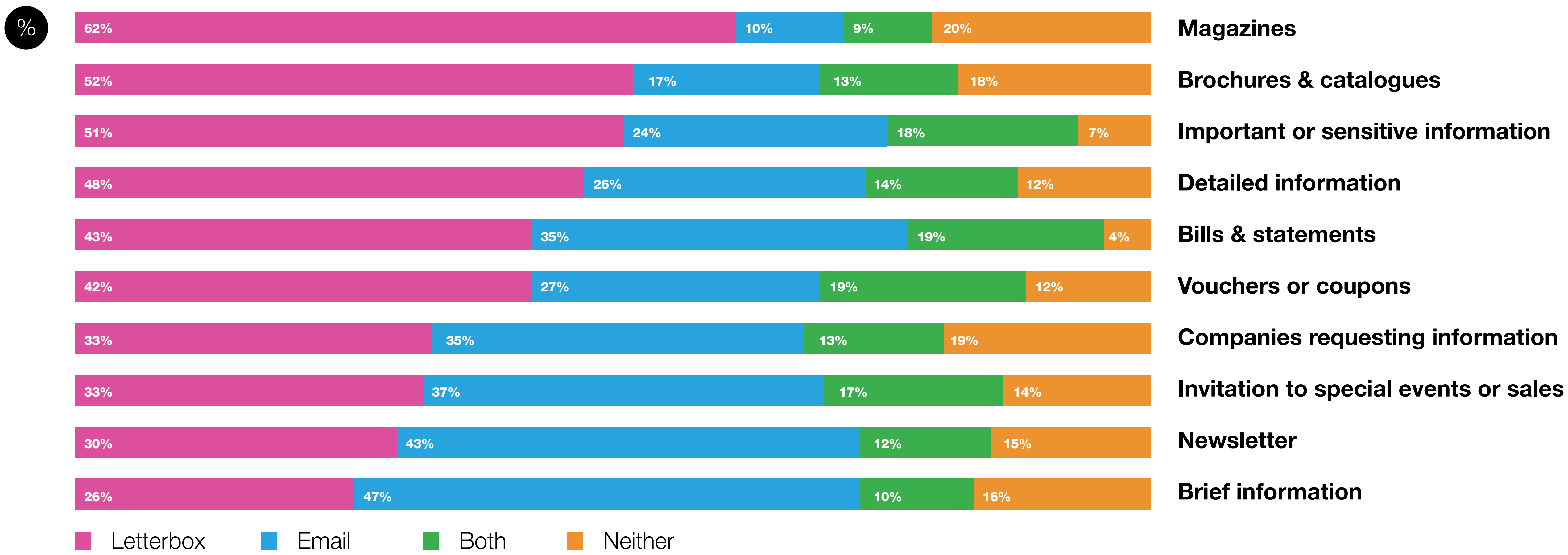
The emotional connectors to paper and the tactility of catalogues assist retailers in communicating vital brand messages. Creative, photography and styling combine to deliver a powerful message on paper, adding to the journey (Two Sides, 2013). Premium paper choices and prestige catalogues develop brand engagement and aspirational messaging from which many of Australia's retail loyalty programmes benefit.

Equally powerful with differing messages are FMCG retailers who utilise Grocery and Discount Variety Store catalogues to communicate value and one-stop-shop messaging driving valuable in-store traffic. Catalogue advertising is not a single message, rather a brand experience with increased product range options - A typical 24 page catalogue features around 300 products.

Catalogues provide a private dialogue with the consumer. Time spent viewing internet pages is decreasing with e-commerce sites developing strategies to combat one-time only customers (McPherson, 2013). Digital advertising is being challenged by fatigue, particularly the internet. Viewers can ignore on-screen advertising as we are trained to focus on the centre of the screen. The message can also be diluted by a distraction such as other incoming notices (email, messenger, calendar alerts) which interrupt the consumer's conversation with your brand (SBC Advertising, 2013).

Effectiveness – Consumer preference

65% of people prefer catalogues via their letterbox



65% of consumers expressed a preference for receiving catalogues via the letterbox.

52% of consumers preferred receiving catalogues via letterbox only versus 17% preferring only email delivery.

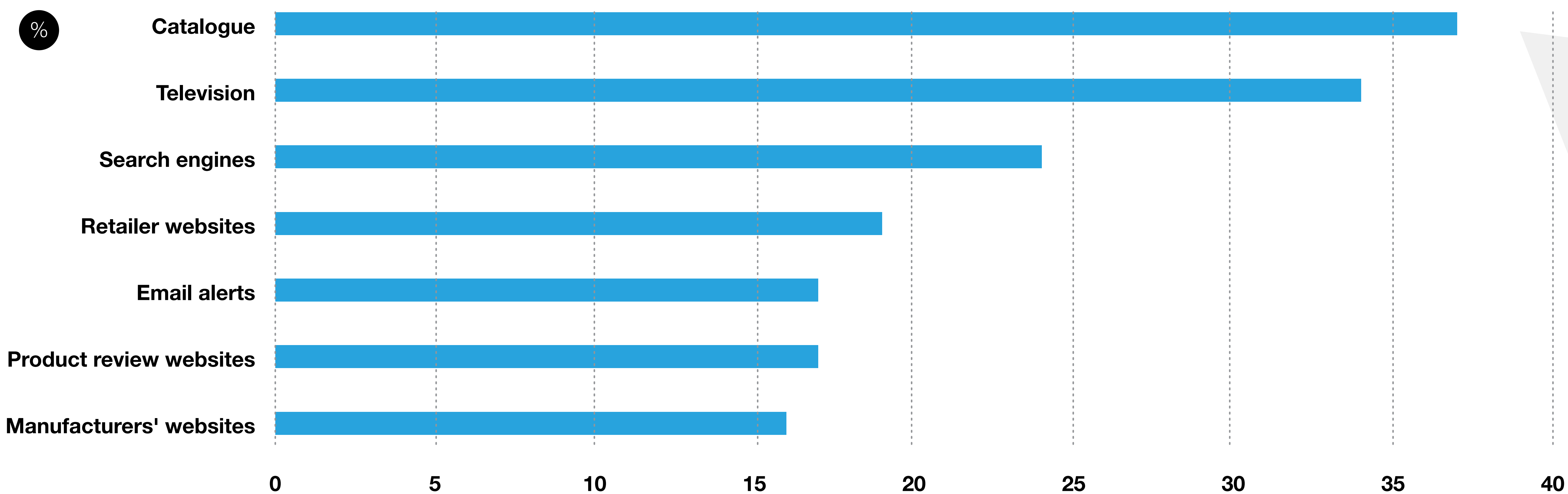
83% of consumers read mail on the same day it is delivered.

50% of 18-39 year olds preferred catalogues via letterbox only versus 22% preferring only email delivery.

Source: Australia Post Omnibus Survey April 2012

Effectiveness – Influence

Catalogues are the most influential channel



The medium with the highest level of influence on shopper purchases remains the catalogue, which is preferred by more than one third (37 per cent) of respondents.

This is apparent even among younger shoppers, with 28 per cent of 18-24 year olds and 30 per cent of 25-34 year olds nominating the catalogue as their first preference.

Shoppers consult an average of four information sources across online and traditional media before making a purchase.

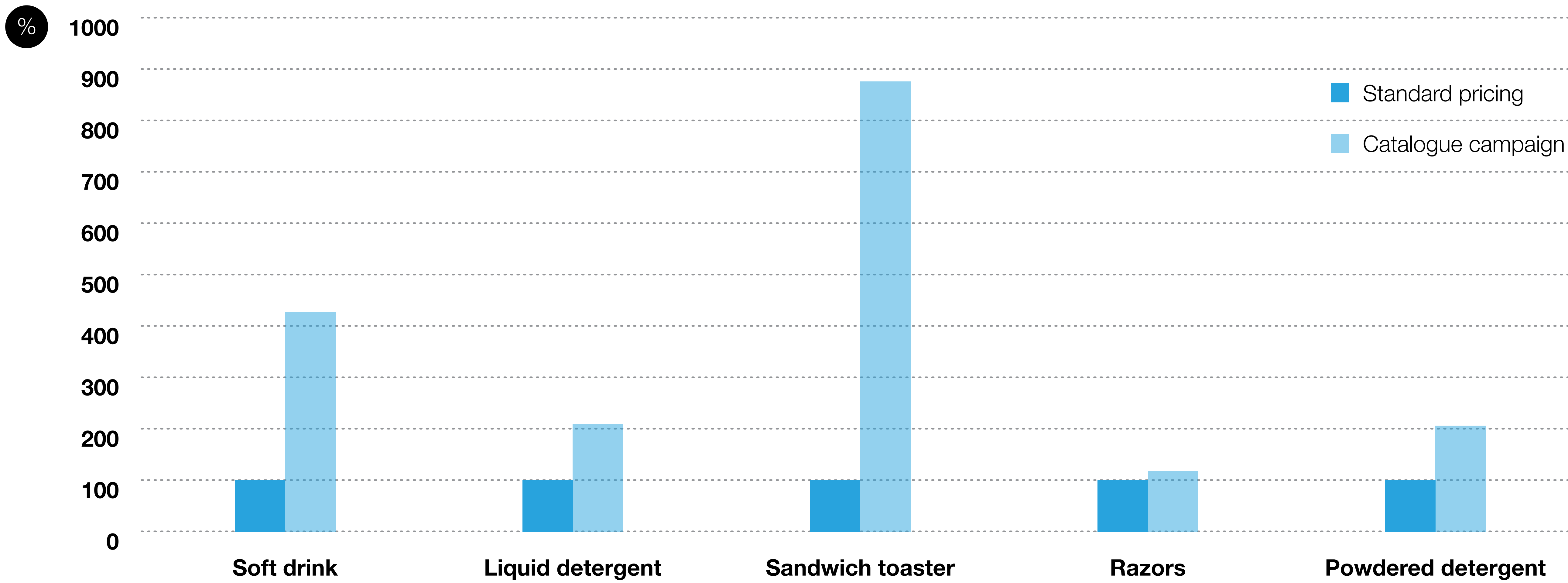
Source: AMP Capital Shopping Intent Report 2012

Return On Investment

Catalogues boost product sales and deliver strong results across integrated campaigns

Return On Investment

Catalogues boost individual product sales



A Sydney University study of in-store radio vs. catalogue advertising revealed that significant increases in sales volumes can be achieved through advertising weekly specials in a catalogue.

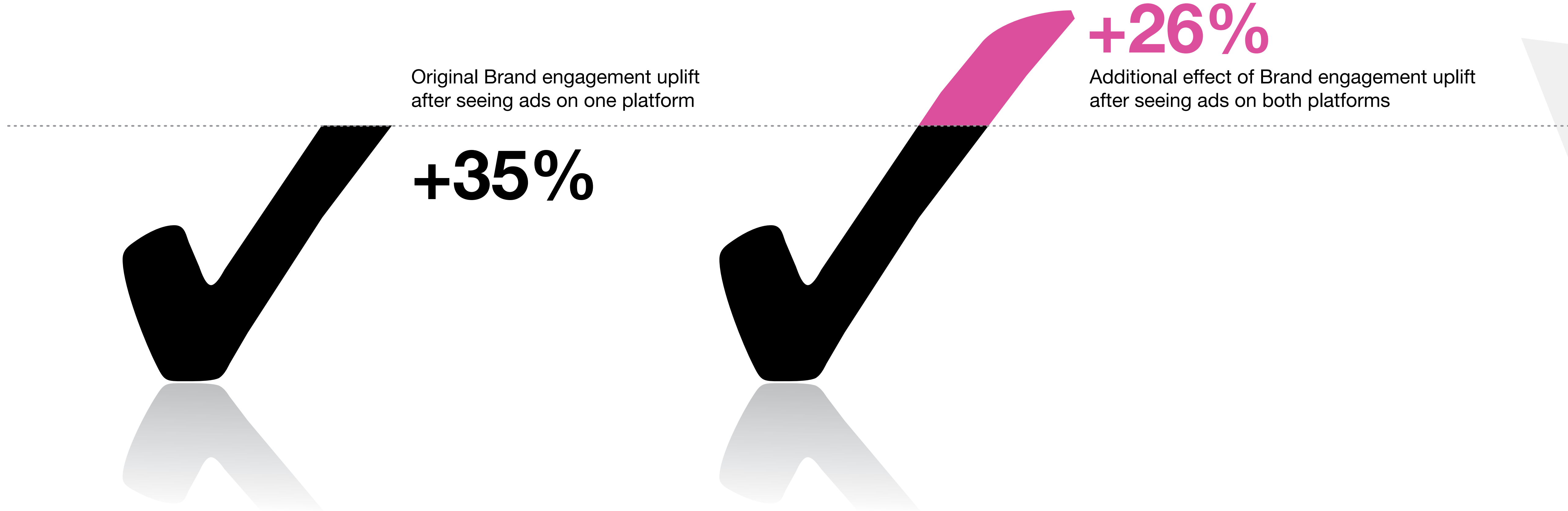
Of the five products studied, catalogue advertising was shown to increase sales revenue by 290% over the period of the campaign. For every $1 spent on the catalogue, an additional $14.70 in sales was generated.

Assuming conservative retail margins, the return on investment for the campaign exceeded 310%. This excludes the increase of in-store traffic generated by the catalogue and any contribution made by FMCG suppliers to retailers.

Source: Journal of Marketing Communications, 2011

Return On Investment

Integrated campaigns deliver strongest results



The Financial Times analysis on print and online advertising realised a 26% uplift in brand engagement from multi-channel campaigning.

OMD's Brand Science reports an integrated campaign delivers even higher ROI when adding channels to catalogue campaigns. TV campaigns are 37% more effective when an integrated campaign is used, a figure that rises to 62% for online campaigns.

Surveys by the Direct Marketing Association, United Kingdom found that for email campaigns, 74% of clients surveyed said direct mail was its most successful channel partner (DMA, 2010).

New 'bridging technologies' such as QR codes, Augmented Reality and Near-Field Communication have added another dimension to the integrated campaign, making it simple for consumers to be taken to and from print to digital. Smartphones provide access to digital content and online advertising, which when directed by the printed catalogue increases the amount of interaction with the brand and the value of the catalogue campaign.

Source: Print Power (Financial Times Research Panel 2009-2011), 2012

Sustainability

Catalogues are 100% recyclable and have the lowest carbon footprint

Sustainability

The Catalogue industry employs Australians

Sustainability, in its most accurate form, is reviewed with three considerations: social, economical, and ecological (or environmental). The triple bottom line of sustainability reporting can more simply be defined as people, profit and planet.

The catalogue industry boasts impressive social benefits to local employment, strong economical contribution to the Australian economy and environmental credentials. Employment in the "extended" paper industry, including all supply chains from forestry to recycling is estimated at 350,000. This is 3.3% of Australia's total employment (ABS, 2012).

Catalogue production and distribution employment figures alone are recorded at employing ~60,000 Australians.

The print industry is recognised as a $7.5 billion industry with a $3 billion contribution to the economy (PIAA, 2012). The Catalogue industry value is $1.5 billion with estimations of $2 billion per annum when including newspaper inserts.

Sustainability – Forestry and paper

Paper used in catalogue production comes from Australian, European and American forests and paper mills. Forests across these three countries are managed in accordance with global best practices of forest management and environmental manufacturing certifications.

Australia has 149.4 million hectares of forests comprising 147.4 million hectares of native forests and 2 million hectares of plantations. These forests cover about 19 per cent of the continent. This is about 6.57 hectares of forest for each Australian, one of the highest areas of forest per capita in the world (Department of Agriculture, Fisheries and Forestry, 2013).

Forests cover almost half of Europe's land and this area continues to increase. Over the last 20 years the forest area has expanded in all European regions (MCPFE, State of Europe's Forests, 2011). The United Nations Economic Commission for Europe (UNECE) region has 40% of the world's forests and reports forested areas in Europe, North America, the Caucasus and Central Asia have been increasing steadily, growing by 25 million hectares over the past two decades (UNECE, 2011).

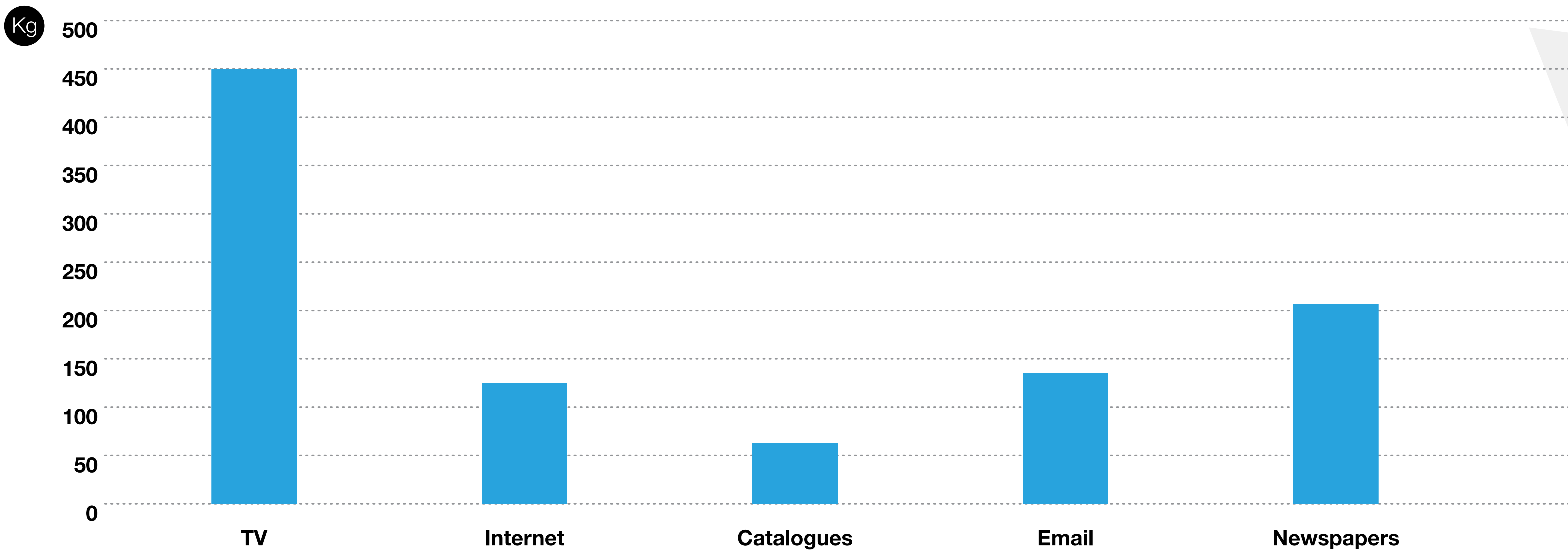
The United States is the world's leading producer and consumer of forest products, accounting for about one-quarter of the world's production and consumption. US forest land area has realised a 10% increase since 1920, despite a 143% increase in population. With reforestation commitments and projects supported by strict forest management and timber plantations, the US today has 33% forest coverage (South Carolina Forestry Commission, 2013).

Certified forestry products, environmental manufacturing programmes and independent auditing provide assurance to printers, retailers and consumers that the printed material they are reading is environmentally friendly and having the lowest impact.

Catalogues are 100% recyclable with Australian catalogue recycling rates recorded at 70% which is above the average paper recycling rate.

Sustainability

Catalogues have a low carbon footprint and are 100% recyclable



Catalogues are effective carbon sinks and provide long-term carbon storage.

Catalogues are one of the most environmentally friendly ways to advertise and communicate. The raw materials, production processes and distribution of catalogues carries one of the lowest carbon footprints when compared to other media.

Life cycle studies across television, internet, catalogues and email found catalogues had the lowest footprint at 63kg CO_2-e per person per annum with the highest channel being television at 450kg CO_2-e.

Catalogues have a fixed footprint which once produced will not increase. Electronic communications carry a perpetual footprint each time the communication is viewed. This is particularly evident when viewing via internet or email.

Source: Berners-Lee and Two Sides.

Market Observations and conclusion

Catalogues remain an integral part of the marketing mix for Australian retailers.

Consumers continue to enjoy catalogues with recent major surveys providing solid evidence that people prefer print and paper media over any other form of communication for the majority of everyday products.

Over a five year data review, the highest users of catalogues within the retail market sectors are Grocery and Discount Variety Stores, with Fashion and Outdoor showing the strongest percentage growth in 2012.

Consumer surveys show Groceries indicating the strongest results with 52% of Australians finding catalogues the media most useful when making purchasing decisions. Research also shows consumers consult an average of four sources before making a purchase and 37% prefer catalogues in this decision making process.

Digital trends and social media popularity have not impacted catalogue advertising. Whilst other print media is trending downward, catalogue audience reach and volumes achieved an historical high in 2012 with a weekly audience of 18.25 million consumers and 8.2 billion catalogues distributed.

Indicative results for FY2013 Industry Value shows a slight decrease in volumes from FY2012 figures. This reflects the strategic targeted distribution approach from more sophisticated data usage amongst distributors and retailers alike.

Market sector analysis and case study review indicates that, during and post the GFC, some sectors have experimented with reduced catalogue spend however have subsequently increased volumes.

Catalogues remain the most useful, influential, trusted and preferred advertising medium across all socio-economic, age and gender demographics within Australia in 2012.

The printed catalogue provides unique value to both retailers and consumers whilst complementing the digital and online movements in advertising. Catalogue unit costs have declined by 19% over the past five years further strengthening ROI and purchasing value for retailers.

Catalogues provide retailers the opportunity for one to one dialogue and brand engagement without interruption or noise. Consumers find printed advertising to be more trustworthy, credible and useful when compared to other media. Supported by the catalogue industry's response to questions of sustainability, the catalogue delivers social, economic and environmental value over other channels.

The efficacy, interactivity, commercial viability, tactility, and versatility of the catalogue are its inherent strengths. The fourth largest channel to market has secured its position in the communication revolution of the past five years and has emerged a significant player in the retail advertising space.

For more information visit:
www.catalogue.asn.au/latest-news/

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