THE REAL MEDIA COLLECTIVE

2018 INDUSTRY REPORT | CATALOGUE & LETTERBOX MARKETING ISSUE

About The Real Media Collective

'The Real Media Collective' provides thought leadership, education and protection of the effectiveness, relevance, versatility, power and sustainability of consumer marketing and the letterbox advertising channel.

All activities and communications are delivered in a considered, researched, balanced and verifiable manner offering a sophisticated industry voice across producers, distributors, buyers and end-users.

The Real Media Collective was formed in 2018 under a merger from the ACA, APIA and TSA Limited.

The origins from the Australasian Catalogue Association see The Real Media Collective representing the users, producers, and distributors of catalogues, direct mail, print, paper and more across the entire marketing channel. Providing a forum for the promotion of all consumer marketing channels – established and new - in their capacity as an effective advertising medium delivering results.

In this report – catalogue and letterbox marketing, we measure and build metrics across Audience Reach, Circulation, Market Segmentation, Engagement, Effectiveness and Path to Purchase.

The historical metrics presented within this report have been complied over the past nine (9) years from a collection of sources including independent research, research commissioned by the ACA, the ACA research team and affiliated bodies.

www.therealmediacollective.com.au

Executive Summary

Welcome to our very first The Real Media Collective Industry Report – Catalogue and Letterbox Marketing Issue. A journey from our previous ACA Industry Reports as the Association launches into its future expanding from catalogue and letterbox only to a broader umbrella that includes all channels the industry works across.

The industry from catalogues to letterbox, newspapers to magazines, point of sale to loyalty programs has an impressive story to tell. Strong recall results, effectiveness statistics, triggers for purchase, aspirational levers, equity build and emotional brand connectors are among the stand-out strengths of print media.

With advertising and marketing budgets becoming more scrutinised than ever before, return on investment is not only a numbers game it is also measuring an experience and not always a quantified statistic. With so many tools to select when building, stabilising, and protecting a brand, Marketers are right to call for insights to assist in the development of when to switch which tool on and off. This report, filled with industry metrics, data by market segments, qualitative research, case studies, topical analysis and more, has a committed focus to present the whole picture. And when considering the role of catalogue and letterbox marketing from facts to feelings we have lifted the lid and engaged consumers directly.

This year the Association engaged Roy Morgan to conduct focus groups across Melbourne, Sydney and Newcastle to hear directly from Australians and understand catalogue and letterbox marketing interactions and behaviours. The results are explored throughout the report providing further layers to the quantitative statistics also explored.

Letterbox marketing remains a stable channel in a world of disruption. This year we report a letterbox distribution volume increase of 2.6% and Audience Reach increase to 20.3M Australians. This is an impressive reach, standing well above all other channels, and an opportunity to connect with every home across the country.

We know, once received, catalogues are well read, with 73% of key household purchasers reading catalogues and 68% of all Australians reading catalogues. Readership by gender is fairly balanced, however women continue to hold dominance at 51%. We reviewed the Millennial group and explored the marketing commentary challenging whether this a life cycle phase or a customer segment ultimately determining this consumer group should not be stereotyped.

Consumers report they enjoy reading catalogues and see them as a 'time out' from screens and intrusive medias. Catalogues are viewed as 'useful' and looked to for price comparison and brand research. This reliance is supported by other research which highlights print media is more trusted than any other channel, the physicality of print delivers 'proof'.

Consumers are challenging the design of catalogues, looking for convenient sizes to carry into store, clear readability and colours to make the navigation easier. The design feedback from Australians links to the 'usefulness', as consumers are looking for catalogues to be functional and purpose fit.

Catalogues are being used to assist shoppers in planning and budgeting, as well as for inspiration on their path to purchase. With many consumers exploring catalogues for 'ideas of things they didn't know they wanted', from a catalogue 'look book', or high-end products being purchased because the 'deal was so good'.

Exploring these insights to push catalogue and letterbox marketing campaigns is an important key for all of our success. We hope you find this report insightful to your strategic planning and thinking, alternatively, if the research isn't enough there is always the straight-forward reality, that a Retailer recently shared with me - "I use catalogues because they sell stuff", a beautiful simplicity that is good enough for me.

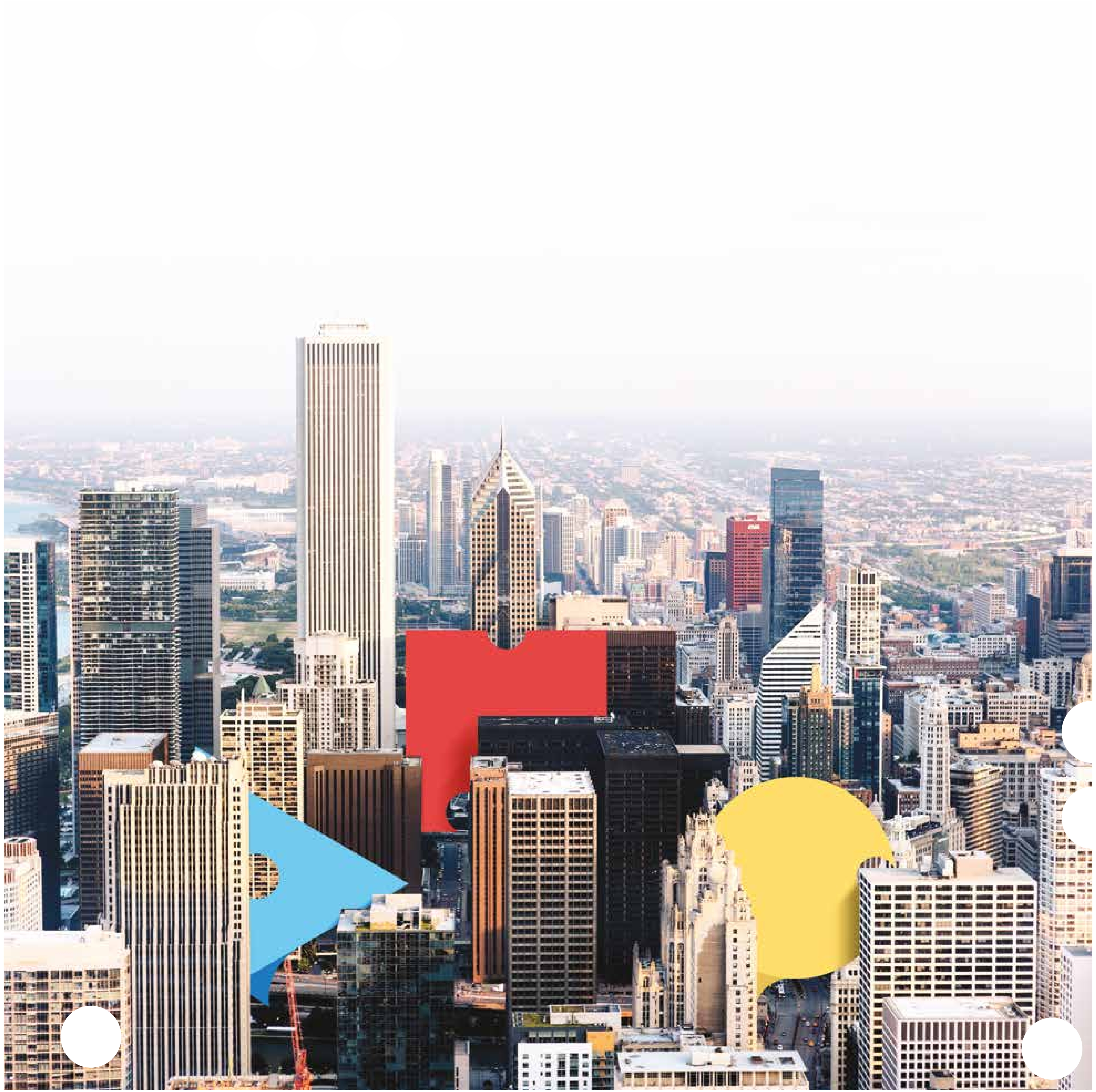
Enjoy the read.

Kellie

Kellie Northwood
Chief Executive Officer
Australasian Catalogue Association

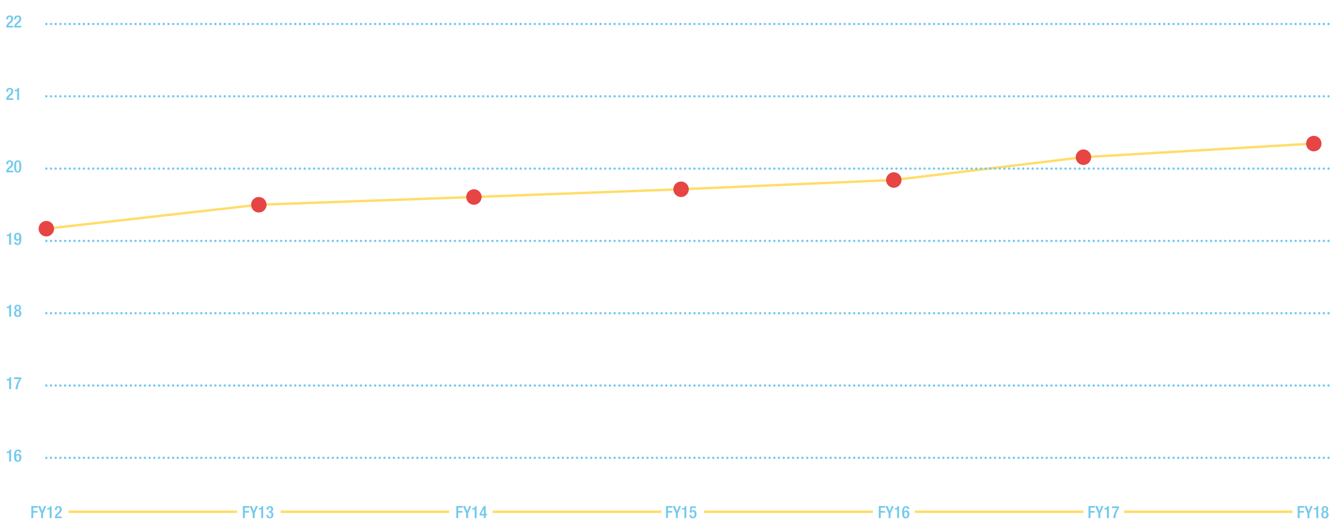
Industry Metrics

Industry metrics provide a quantitative analysis of the catalogue industry to assist media investors in understanding the measurements, comparisons and general performance of the catalogue and letterbox marketing channel. Tracking performance across market segments, volumes, reach, size, value and comparative channel analysis as well as international trends allows marketers to understand the strengths of the catalogue sector.



Audience Reach

AUDIENCE REACH ACROSS AUSTRALIA



Source: Australasian Catalogue Association, 2018.

No other media compares with the reach of letterbox marketing. Increased housing, population and strong letterbox distribution throughout metro and regional Australia have been key contributing factors in ensuring catalogue readership performs well.

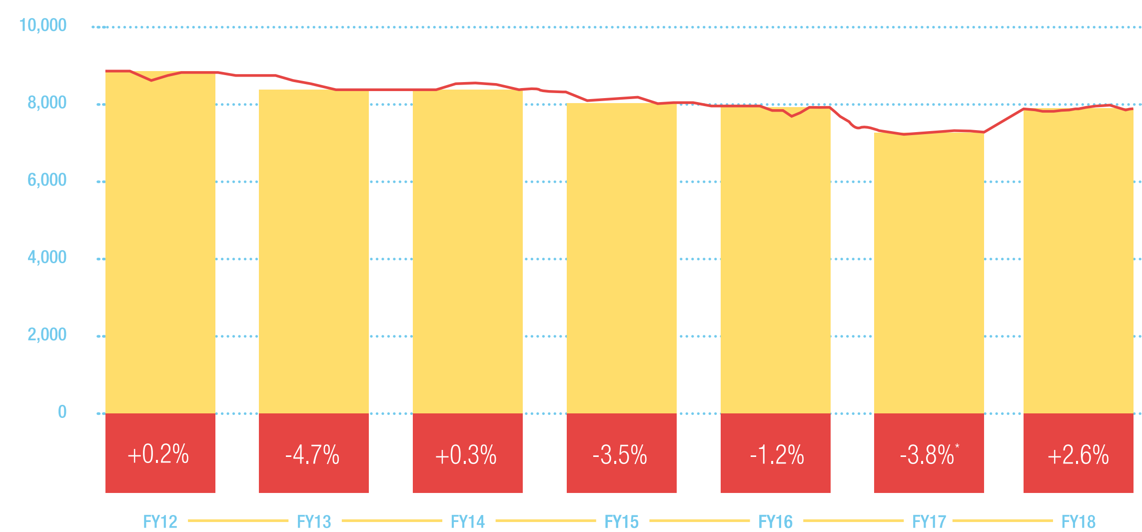
Whilst each channel has its strengths, when compared with other channels, letterbox (20.3M)[1] holds a dominant position:

- Television (Free-to-air) (14M)[2]
- Television (Subscription TV) (3.08M)[3]
- Magazines (12.5M)[4]
- Commercial Radio (18M)[5]
- Newspapers (16.8M)[6]

Circulation

Industry volumes remain resilient, and catalogue marketing has again proven to be a dominant retail media channel. With steady industry volumes, the emerging trends within the volume data are interesting to review against other media investments.

INDUSTRY VOLUMES BY DISTRIBUTION



*Please note within FY17 data reporting in 2017, addressed catalogue distribution impacted YOY pricing. To ensure data integrity and YOY analysis only Letterbox Distribution and Newspaper Inserts are included within the figures above.

Source: Australasian Catalogue Association, 2018.

Whether established or new, media channels are experiencing shifts of investment from marketers as readership, path to purchase and return on investment become more critical than ever.

Over the past twelve months we have seen digital channels rocked by Facebook, Google and YouTube placing enormous pressure to demonstrate trust, credibility and results. Brands have not held back, Proctor & Gamble Co, the world's largest advertiser, announced they dropped $200M from their digital media spend as viewership data showed they were not reaching their target audience (Reuters, 2018). The result of this action had no impact on their sales growth or revenue.

Following the Cambridge Analytica scandal, Facebook is in rebuild mode, desperate to reconnect with users and in an attempt to redevelop trust levels, they have reached out to print. From outdoor to press, Facebook is using print channels to build credibility.

With so many options for marketers to choose from the investment across all the 'tools in the toolbox' can be a complex obstacle course.

Catalogues are no different to all the other channels it competes with and the value and sales results of catalogue marketing has held strong throughout FY2017 as Circulation has increased by 5% despite other channels facing decline, catalogue marketing has performed well.

Assumptions: Letterbox Distribution Statistics across metropolitan and regional Australia throughout FY17. Fairfax inserts across metropolitan and regional publications with assumptions for Newscorp based on market share percentage balances.

Unit Weights

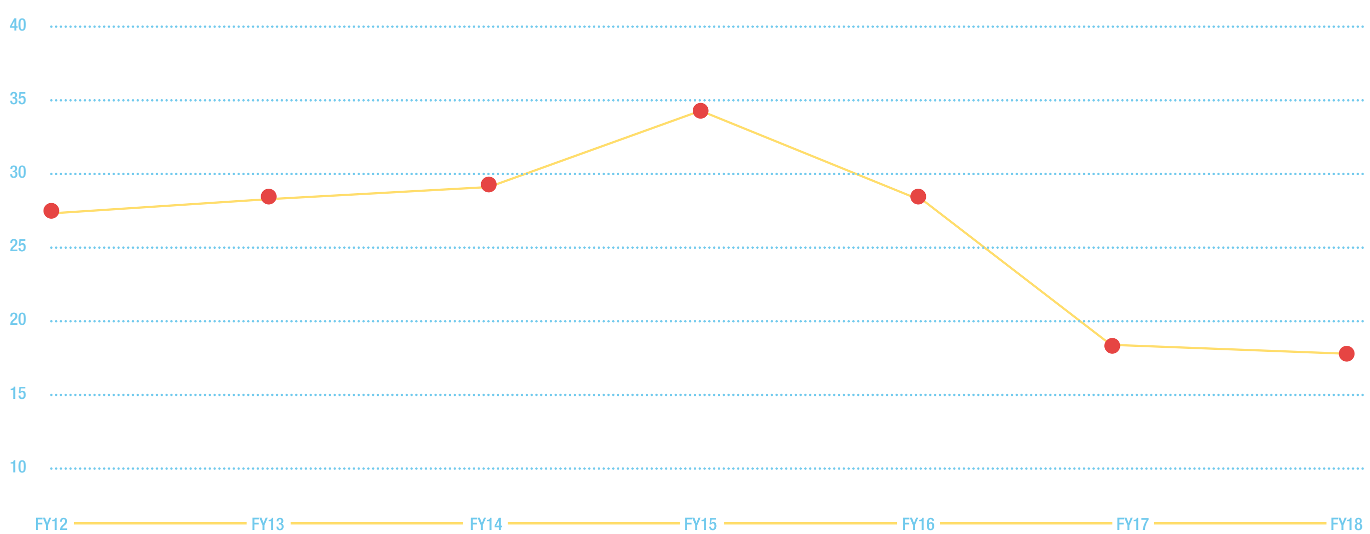
The industry has reviewed Unit Weights of catalogues across all segments year on year. This is a new metric and cross-referencing is in its infancy, however at this early stage a logical correlation to total number of units printed and unit weights is illustrated in the data. That is, when pagination increases and unit weight rises, the number of units decreases. From this it is concluded, catalogue investors are communicating to market entire product range and brand offering, however fluctuating year on year as to Frequency - more frequent less pages, or reduced frequency more pages.

In FY2015 the industry reported a reduced Circulation, however the unit weight average jumped 5grams demonstrating an average pagination increase of ~2-3 pages. FY2016 balanced the increased pages with a further balancing of Circulation - 6grams decline and a -1.2% Circulation steadied the increased pagination trend. Noting FY2015 and FY2016 saw the market increase seasonal and look-book publications.

An added complexity to the 2018 year, which is clearly highlighted in the 2017 and 2018 unit weight averages, is the Globaly Pulp Shortage impacting paper prices (Industry Edge, 2017). In FY2017 the market first heard of probable price increases and commitment from the industry and market commenced with the review of catalogue size, formats, grammages and more. Industry and market alike prioritised the maintenance of catalogue frequency for brand and ad recall and pagination for product range. The FY2017 and FY2018 results reflect paper innovations at play and possibly skew unit weight averages.

Paper innovations across all aspect of paper consumption, availability and technical expertise are being explored with industry working in partnership with customer stakeholders. These innovations are leading to a reduction in unit weight as less paper and reduced grammages are being explored to manage cost inputs in the production process (Refer p53 Paper Planes: How to survive the Global Pulp Shortage).

UNITS WEIGHTS



Source: Australasian Catalogue Association, 2018.

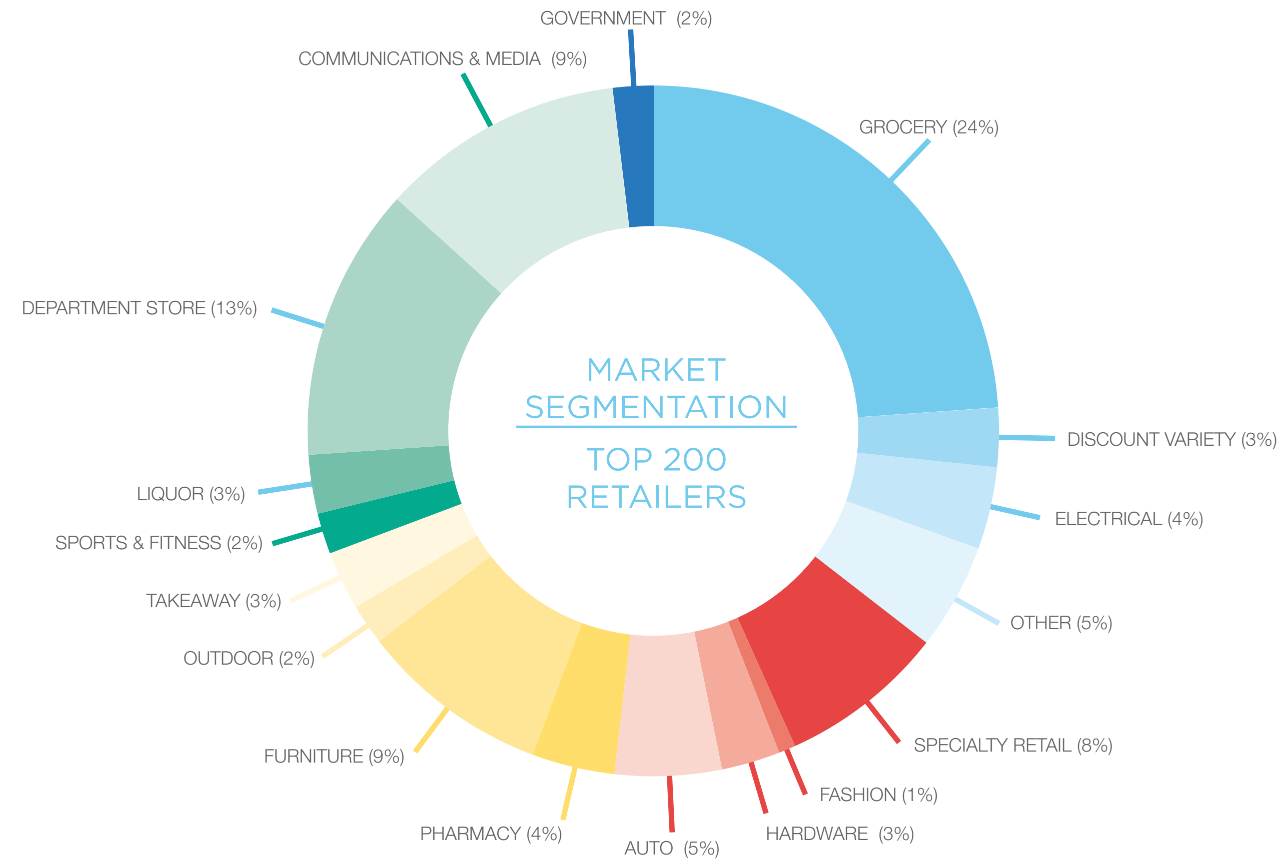
Market Segmentation

Year on year trends in formats, pagination, distribution via letterbox or publishers, market segmentation and investment remains stable shifting only 1 or 2% across FY2017 and FY2018.

Grocery (ALDI, Coles, Woolworths, IGA and Harris Farm) hold their marketing investment and with families looking weekly for Value and Inspiration, (refer Path to Purchase), this sector looks to remain strong for many years to come.

Discount Variety, namely Big W, Kmart and Target, remain solid performers who have explored their catalogue designs throughout 2018. Big W have pushed style and results are reflecting improved company performance, Target has pushed size and format and Kmart continues to hold Lowest Price brand positioning. The notable shift across this sector is from Price and Value only to now include Inspiration. Australian consumer research supports this marketing strategy strongly.

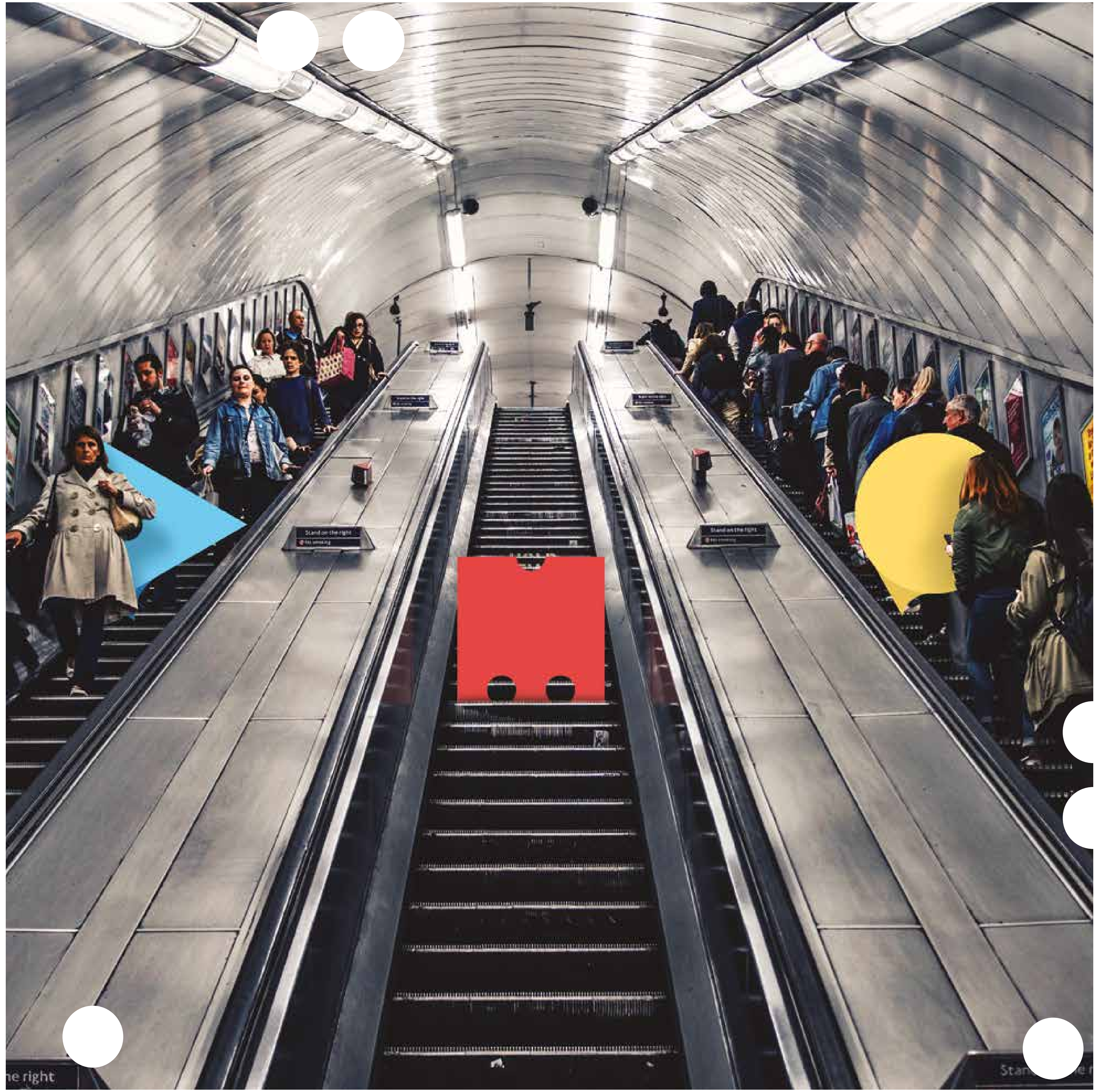
Electrical (Harvey Norman, JB Hi-FI, Betta Electrical and The Good Guys) are a growing investor, with consumers reporting strong brand recall, readership and path to purchase connectors from their catalogue marketing across sales catalogues, product guides and seasonal windows.



Source: Australasian Catalogue Association, 2018.

Engagement

Engaging the consumer and holding a conversation for a period of time allows brands to develop strong relationships with potential customers. Insight into which consumer groups read catalogues and how long they spend reading them or interacting with them is important in understanding the power of catalogues and letterbox marketing. Whether offering a comprehensive product range, brand positioning, new store or product offering, engaging your customers is critical when communicating your messages.



PHARMACY

The Pharmacy sector across Australia is a $16Bn industry, employing 64,000 Australians. Ibisworld has identified 'intensifying retail competition' as a key contributor that is changing the industry landscape (Ibisworld, 2018). Catalogue marketing, working in balance with loyalty programs, is a growing piece of the retail marketing puzzle to build brand recall and presence with consumers.

35.5% of consumers have looked at or read a Chemist/Pharmacy catalogue in the last seven (7) days.

2nd Pharmacy catalogues are ranked the 2nd Media Most Useful when making a purchasing decision (27.8%), just below Internet at 38.5% and well above Magazines ranked 3rd at 6.4%.

61% of Chemist/Pharmacy catalogue readers are female.

39% of Chemist/Pharmacy catalogue readers are male.

TOP 3

Chemist/Pharmacy brands recalled from catalogue readership are Chemist Warehouse, Priceline and Terry White Chemists.

33.4%

of Chemist/Pharmacy catalogue readers are Big Spenders.

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018. Ibisworld, Pharmacies - Australia Market Research eport, March 2018.

HARDWARE

With 20.3M Audience Reach across Australia, catalogues are a strong sales advertising tool for many channels including Hardware. As the Letterbox is gaining greater influence in converting readership to sales when compared to other channels, it's important to dive into a strong and growing catalogue marketing sector - Hardware and DIY.

20% Hardware shoppers are 20% more likely to be Heavy Catalogue Readers (8+ catalogues per week).

54% of Australians 14+ have shopped at a major Hardware store over the last four weeks.

33% of Australians 14+ that have read a catalogue in the last 7 days purchased something directly from the catalogue in the last 7 days.

932K Australians 14+ have purchased directly from a Hardware catalogue in the last 7 days.

5,915,000 Hardware Catalogues have been read over the last four weeks.

Catalogue is the media most useful when making purchasing decisions for Large Kitchen / Laundry appliances.
(excluding Search)

Catalogue is the media most useful when making purchasing decisions for Home Interiors / Furnishings.
(excluding Search)

74%

74% will shop at that store if a consumer has read a major Hardware Store catalogue over a four week period.

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

GROCERY

In a country where 81% of households receive and read catalogues and 13.3 million people aged 14+ are main grocery buyers, catalogues are a key tool contributing to consumer purchasing decisions.

70% of Main Grocery Buyers made a purchase after reading a catalogue in the last 4 weeks.

55% of Main Grocery Buyers made a purchase after reading a catalogue in the last 7 days.

72% of consumers who read letterbox material & are main grocery buyers consider high standard of food safety very important.

64% are looking for low prices.

11,195,000
Australians 14+ have read a supermarket catalogue in the last 4 weeks.

1ST
Catalogues are ranked number one as the Media Most Useful when making a purchasing decision for Groceries.

40.5%
Aldi is the most read supermarket catalogue (40.5%). Followed by Woolworths and Coles.

5,420,000

Australians 14+ have bought from a Supermarket catalogue in the last 7 days.

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

READERSHIP

Catalogue Readership is strong with readership at 73% amongst the key household purchase decision makers – women. The role of Catalogues on the customer Path to Purchase remains impressive as an established media most useful across multiple markets. High readership paired with the largest audience reach, 20.3M Australians every week, the printed catalogue holds a dominant position.

73% of women in Australia read catalogues.

69% of Australians aged 14+ read catalogues.

65% of men in Australia read catalogues.

58% of women in Australia read a Department/Discount Store catalogue.

Catalogues rank in the top 3 most useful media when making a purchasing decision across sixteen of twenty-eight sectors with Toys, Cosmetics & Toiletries, Fashion, Children's Wear, Groceries and Alcohol.

Consumers are showing strong ad recall and consumption of catalogues, with recent studies showing 80% of US Consumers looked to printed circulars/flyers delivered to home when making purchasing decisions[3].

63% of women in Australia read a Supermarket catalogue.

68%

All age demographics read printed catalogues over digital - 68% of 25-34 year old Australians read printed catalogues compared to 12% reading online. In the older 50+ age group, 74% read printed catalogues and 8% viewed online[4].

Source: 1. Australasian Catalogue Association, Fact Sheets, 2018. **2.** Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018. **3.** Nielsen Homescan Survey, 2017. **4.** Roy Morgan Resesarch, 2017-2018.

LIQUOR

Liquor retailing is a $12 billion industry in Australia, employing over 31,000 people across the country. In a heavily contested sector with Woolworths and Coles building dominance, discounting and retail marketing focused on range and loyalty is growing. Catalogues deliver outstanding results by keeping the shoppers informed through a variety of formats; from tabloid sales delivering week on week updates to guides educating and engaging customers with well-developed product content.

44% are big spenders.

814,000 Letterbox readers spend over $75 on alcohol on a weekly basis.

5.2M Australians who read a catalogue and made a purchase in the past 4 weeks. 52% say they will buy their favourite brand regardless of price.

64% of Australians who have read and bought alcohol in the last 4 weeks often buy brands that are on special.

1st
Catalogues are ranked number one as the Media Most Useful when making a purchasing decision for Liquor.

570,000
Australians looked up a website in the last 4 weeks from reading a liquor catalogue.

37%
of Australians 18+ who have read and bought a liquor catalogue in the last 7 days.

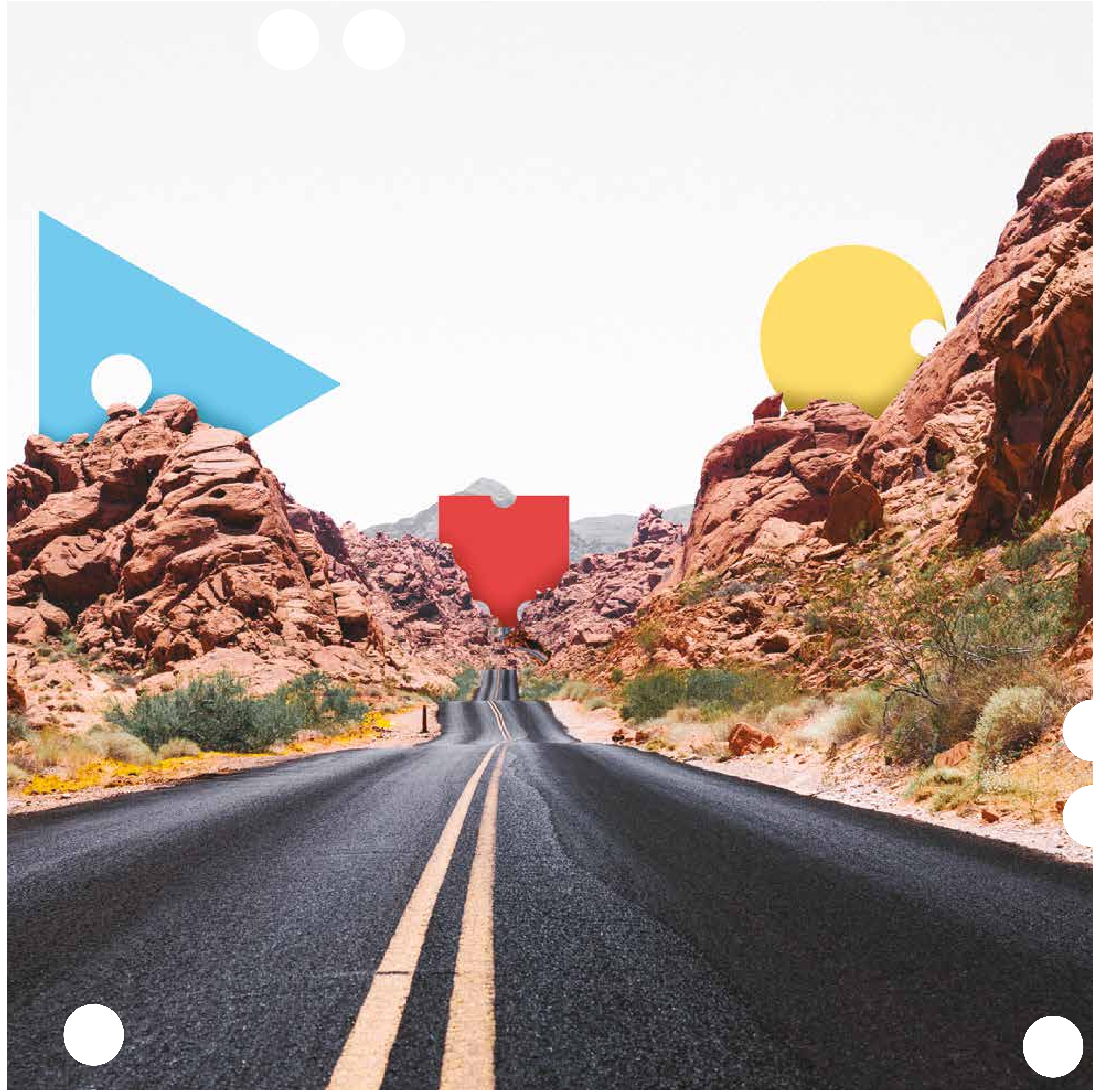
70%

of Spirits and Liqueur buyers have read a catalogue in the last 7 days.

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

Path to Purchase

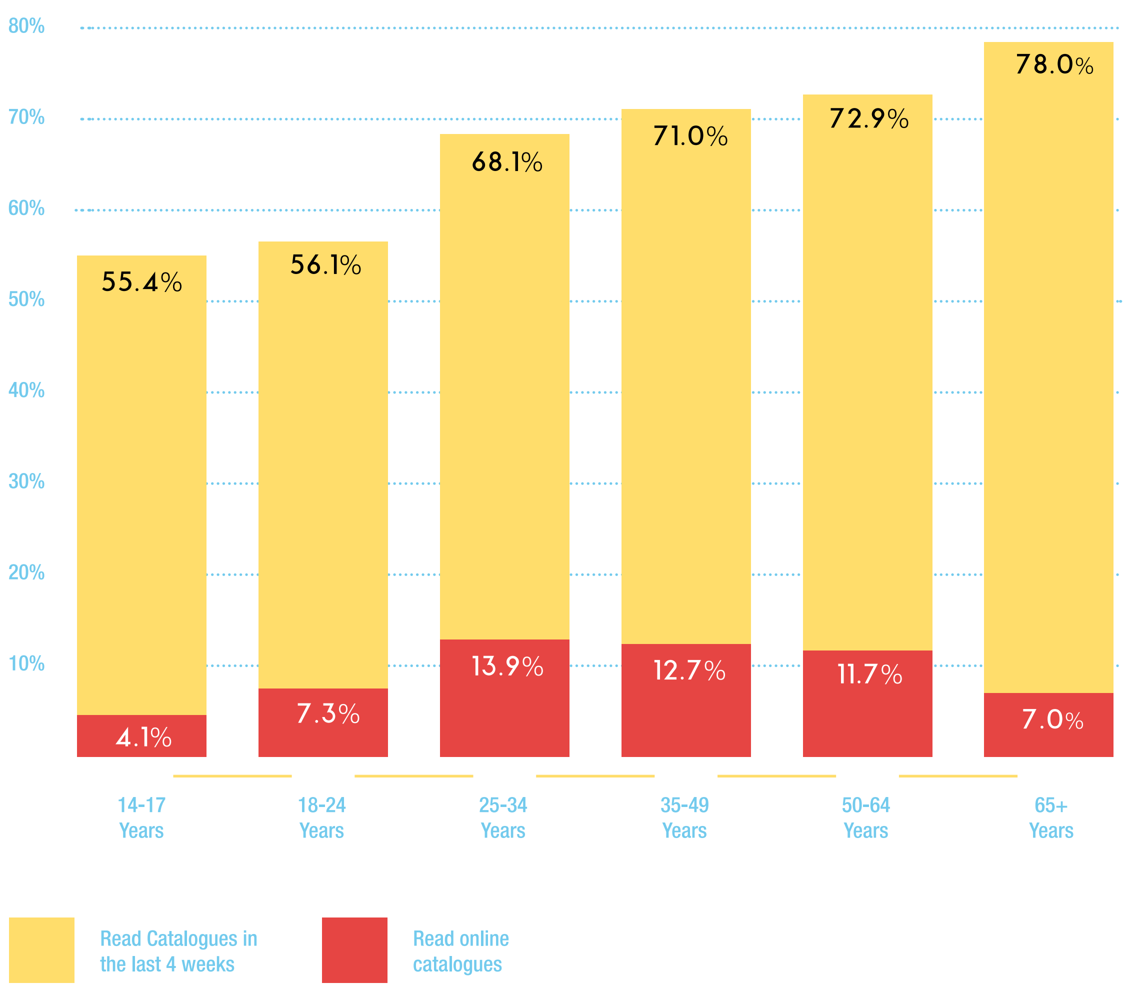
Understanding your customer's path to purchase allows you to refine your marketing campaigns and engagement strategies to deliver optimal results. Understanding your customer's purchasing journey allows you to create the most useful communication campaign for your customers.



Readership

Readership and understanding the customer's engagement with catalogues on their path to purchase is critical. As retailers engage by gender, socio-economic group, geographical location, age and more they are challenged with data balance, customisation technologies and reaching a mass audience. Drilling down and developing campaigns across mass media channels once a deeper understanding is formed is highly topical. Readership and action from reading a catalogue is strongly supported across all age groups and both women and men, as well as across all segments. Refining the readership across socio-economic and geographical contributors will also continue to play a role in future catalogue and letterbox marketing campaigning.

CATALOGUES ARE READ BY ALL AGES

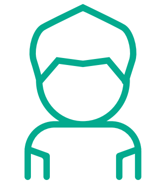


Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

CATALOGUES ARE READ BY WOMEN & MEN

50.8%

FEMALE



40.9%

MALE

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

MARKET SEGMENT READERSHIP BY GENDER

Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

MILLENNIALS

Are they a segment or a life-phase?

There has been much reported about the latest demographical consumer group – Millennials. However, is the categorisation too broad? Global studies and well-regarded marketers are now challenging very loudly the positioning of 'Millennials' into a stereotype that will lead to nothing but brand fail.

Well known for his straight-shooting, Professor Mark Ritson commented in his Marketing Week column, "My problem with this whole stupid idea is, of course, that the whole myth of the Millennial segment makes a mockery of just about every principle of basic segmentation. Clearly Millennials as a generational cohort do exist – they are the two billion people on the planet born between 1981 and 2000. But the idea that this giant army all want similar stuff or think in similar ways is clearly horseshit. Similarly, the idea that they also differ from other older cohorts in significant ways is superficially persuasive but turns out to be equally nonsensical." (Ritson, 2017).

And he is supported by research, Environics Research, as part of their global Millennial research piece, found six (6) unique value tribes in Canadian Millennials alone, with the concluding comments arguing that Millennials are 'anything but the same'. Martin Schiere of Motivaction who carried out the Glocalities Research Program, an international survey of 15,000 Millennials, researching attitudes and values found "Larger differences in values and lifestyles exist within the Millennial generation than between (other) generations," (Schiere, 2017).

In short, the 'Millennial' segment may be more of a life phase than a segment and therefore is worthy to explore in greater detail than broad-stroke stereotypes.

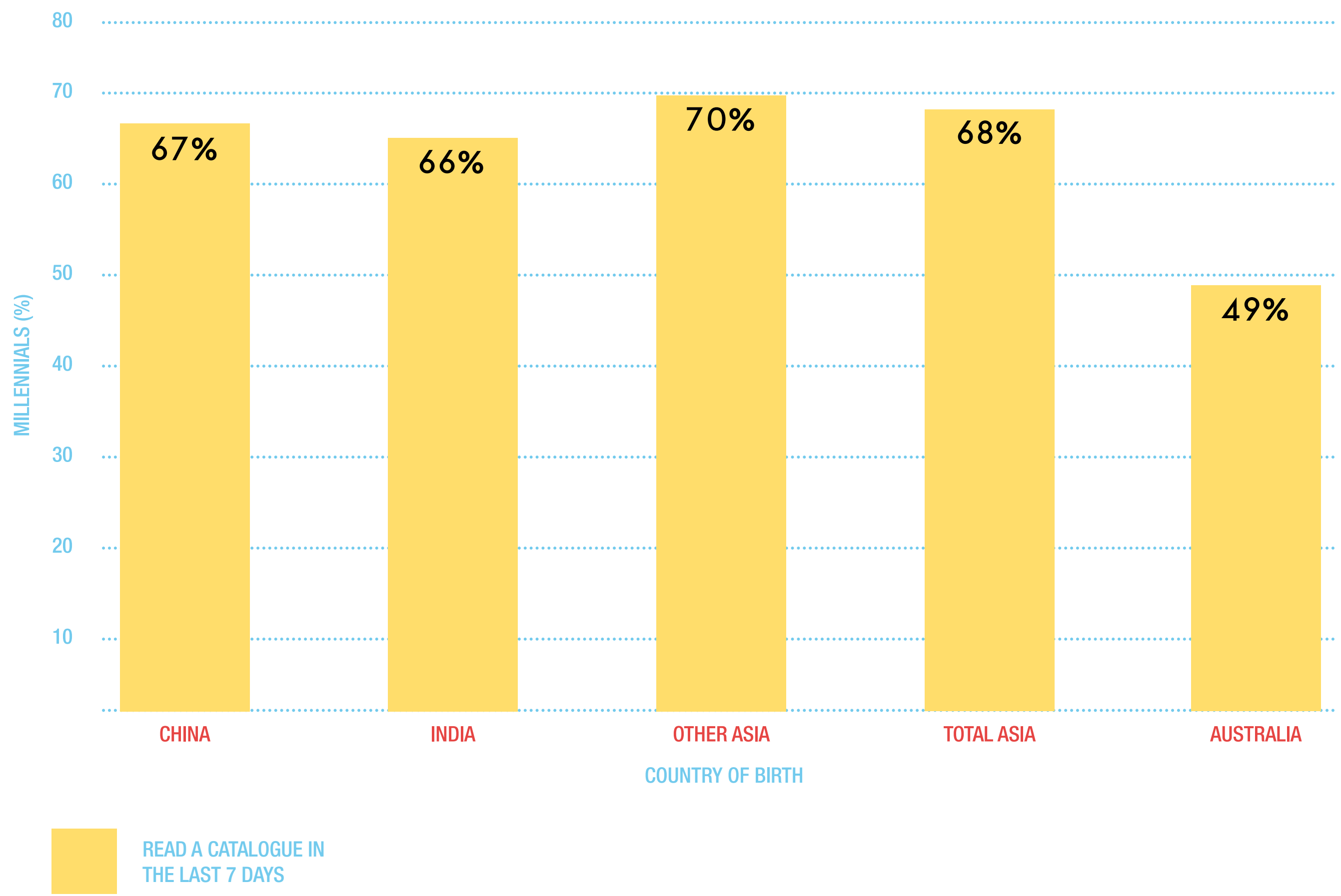
When applying the 'sniff' test into the catalogue sector it has been found that not all Millennials behave in the same way.

Australian age and gender groups have been explored with socio-economic behaviours, however origin of birth as a layer is being developed as a complex and insightful overlay.

The second largest birth origin group outside of Australian-born is Asian-born across China, India and Other Asia. Understanding this Millennial segment has shown different engagement with media channels and catalogues. 7 in 10 Asian-born Millennials read and like catalogues in a seven (7) day period, compared to their Australian-born peers who report a 2 in 10 readership.

When a simple drill-down, such as origin of birth, presents such varying consumer behaviour perhaps the experts are onto something when challenging if Millennials should be grouped into a segment or a life-cycle phase. Challenging each and every segment relied upon is always the smartest move and this cohort is certainly being examined currently across academic circles.

7 IN 10 ASIAN-BORN MILLENNIALS READ CATALOGUES COMPARED TO 1 IN 2 OF THEIR AUSTRALIAN-BORN PEERS

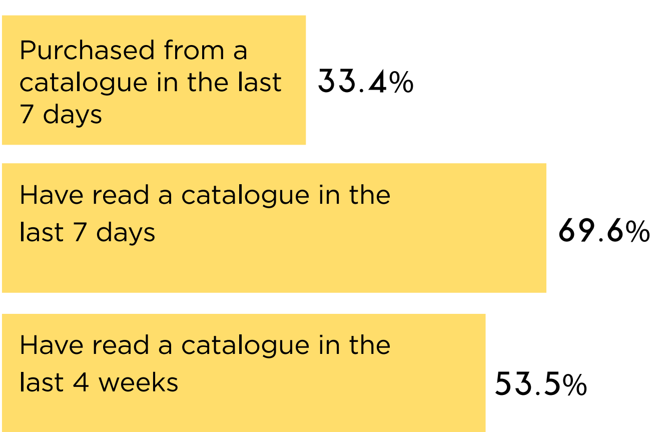


Source: Roy Morgan Research, 2018.

Readership & Action

A review of consumer behaviours is critical in understanding what influences them when making a purchase. The linkages between readership and consumer behaviours is strong across the catalogue and letterbox channel, with customers who read catalogues taking action. From there the action to store is to purchase and brands show impressive results in this regard. The next step of course if then to ascertain whether the consumer is preferring to buy in-store or online and what triggers these patterns. It all starts with readership.

CONSUMERS READ & PURCHASE FROM CATALOGUES



Source: Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

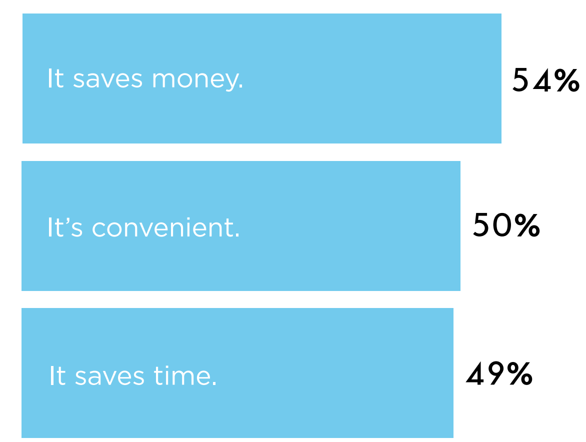
Australians read catalogues and purchase from them, however how much sales uplift is there from catalogue readership compared to non-catalogue readership? The exploration of this across brands leaves little, if any, quevtion of the value of catalogues within the retail marketing mix, with Australians being more likely to shop at a Retailer from reading their catalogue than if they do not.

STORE	% of Australia 14+ which have shopped at retailer (over last 4 weeks)	% of people who have read retail catalogue that have shopped at retailer	% of people who have not read retail catalogue that have shopped at retailer	x more likely to shop if you have read retail catalogue
Aldi	33%	54.9%	17.3%	3.18
Coles	51.5%	65.9%	41.5%	1.59
Woolworths	53.1%	67.1%	44.4%	1.51
Myer	12.4%	38.2%	9.7%	3.92
JB Hi-Fi	17.4%	34.7%	12.5%	2.77
Target	32.6%	51.5%	25.3%	2.03
BIG W	37.9%	57.4%	28.8%	1.99
David Jones	6.1%	29.8%	5.1%	5.8
Dan Murphy's	18.1%	45.6%	13.1%	3.47
Super Cheap Auto	10.9%	30.7%	7.6%	4.04
Bunnings	54.1%	74.2%	48.1%	1.54
Harris Scarfe	4.3%	28.3%	2.9%	9.74
The Reject Shop	22.4%	49.7%	17.1%	2.91
Officeworks	18.5%	36.2%	15.6%	2.33
Spotlight	8.3%	31.5%	5.4%	5.83

Knowing Australians take action from reading catalogues by going into store and making a purchase, what then are consumer preferences for bricks and mortar store-fronts vs virtual store-fronts? We know many virtual retailers use catalogue marketing for all the benefits enjoyed by their bricks and mortar peers, and further to develop a 'physical presence' to their virtual one. Amazon with the introduction of the Toy Catalogue, Net-a-Porter with a custom publishing piece connecting direct to checkout portals and The Iconic including magalogues with their deliveries are but a few examples.

REASONS FOR BUYING IN-STORE

REASONS FOR BUYING ONLINE



What reasons are there for In-store versus online? How will retailers use all these insights to build and distribute catalogues into the future? Understanding what actions customers take from readership and what store experience they seek for which reasons is part of understanding the customer's journey.

Source: 1. YouGov, Salmat Media Report, 2018. 2. Roy Morgan Research Single Source (Australia 14+) July 2016 - June 2018.

TOP 10 FACTS

Consideration of which media channels are of most use to your customers provides an invaluable insight into their purchasing behaviour and translates to purchase and brand loyalty.

1. As fewer bills arrive in the letterbox, Australians report seeing the letterbox as a ‘shopping channel’ (RMR, 2018).

2. 86% of women in the age range of 18 to 30 say they have bought an item after seeing it in a catalogue (Accenture, 2017 v. Kurt Salmon).

3. Reading catalogues has become a valued ‘time-out’ from screens and reading a printed catalogue is viewed as a ‘quicker’ and ‘easier’ short-cut to online research and online shopping (RMR, 2018).

4. On the Path to Purchase for Electrical products, printed catalogues (41%), news media (31%) and newspapers (27%) are the top three influential channels for Where to Buy and Price (emma, 2017).

5. 80.1% of material distributed to the letterbox are catalogues (DMA, 2018).

6. 75% of online purchasing was primarily influenced by the printed catalogue (Sappi, 2017).

7. 5.4M Australians buy a product as a result of seeing it in a grocery catalogue (RMR, 2017).

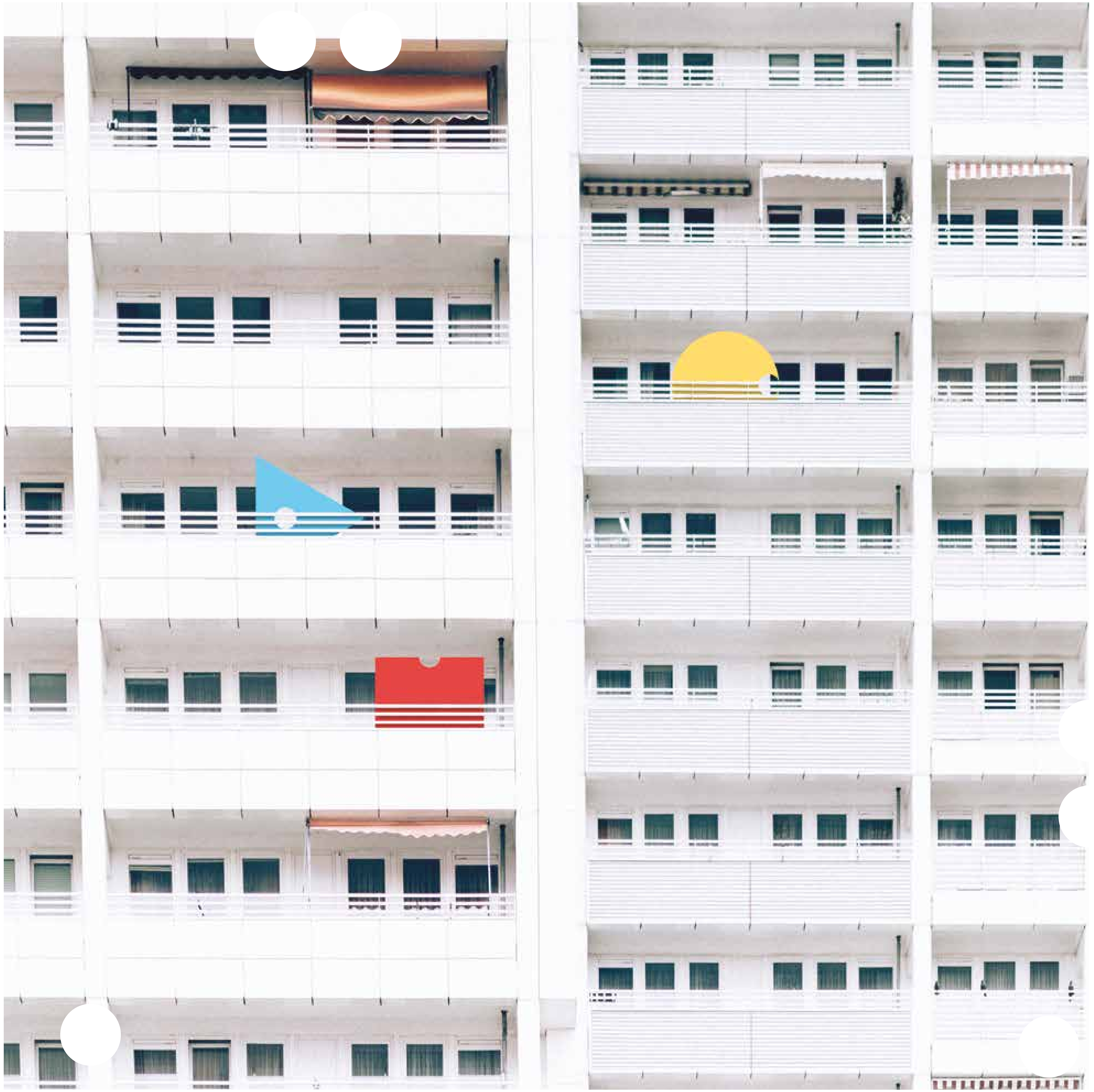
8. 90.9% of Retailers list catalogues as a primary marketing tool with 44.4% reporting their circulation increased from the previous year and 42% of catalogue recipients reported reading catalogues with another 25% glancing through or saving catalogues for later (Multichannel Merchant, 2017).

9. 64% of women aged between 18 to 30 who first saw an item in a catalogue ended up completing their purchase in store and 32% went to the retailer’s website to make a purchase (Accenture, 2017, v. Kurt Salmon).

10. For Australians on tight budgets, catalogues were reported as useful tools that helped them plan their meals and stay in control of their spending (RMR, 2018).

Effectiveness

Effectiveness provides a snapshot of what is trending and delivering results as well as an opportunity to think outside the four walls of your marketing strategy workshops. Whether your goal is brand awareness or loyalty, sales and marketing targets, growth or communicating product range, a new store or even a product launch achieving campaign goals and innovation often comes from exploring the journey of others. This is of significant importance when reaching for that extra idea or understanding the learnings of others.



Price and Inspiration: Two key triggers driving Australians to catalogues

In 2018 we partnered with Roy Morgan Research to explore consumer behaviours across catalogue readership and engagement. This began in Australia with a qualitative approach which is now being explored across a quantitative approach. The findings and voice of customer that was communicated enlightened, amazed and inspired.

A key finding was the language used when Australians explore catalogues, they talk of catalogues using words once reserved for magazines, providing insight into how catalogues are read with a more relaxed and engaged mindset.

This coupled with the fact that fewer bills arrive in the letterbox this portal direct to the home as a 'shopping channel' where customers can collect reading material that delivers inspiration and value.

I describe my letter box as a place for...

"Exciting specials"

"Potential wish list"

"Management and organise"

Australians use catalogues in two main ways – Price and Inspiration.

Value is key. Catalogues are seen by Australians as a place to find value.

Inspiration is a trigger. Catalogues are now seen as a place for ideas.

Families and budget shoppers are keen users of catalogues to understand price and value. seeking out high-cost items such as laundry detergent, meat products, nappies and more to determine which items are on sale that week and therefore which store to shop at.

"Reading Catalogues is how I plan what I'm going to cook the whole week. I don't have two incomes in my house so my meals are based on what's on special."

"I've been a stay-at-home mum for three years so we've had one wage for a long time. Money is always an issue so I'll stock up on hand-wash and stuff like that when it's on sale in the catalogues."

"I read the catalogues for expensive regular stuff like pet food, washing powder and coffee. I bought some dog food on special at Woolworths this afternoon actually, after seeing it in the catalogue."

Catalogues help Australians plan and research their shopping

"I read catalogues every week. I have a little notepad and I go through it while I'm having breakfast and see what looks good. I'll jot down the ones on special, particularly when they come up at half-price; might as well stock up on that."

"You might pick up a catalogue and look at it even though you haven't got an interest in it, but it's more an awareness thing. You realise that whatever it is was so cheap, or expensive."

Catalogues are seen as an idea starter, a place to research for ideas and comparable brands when on a purchase journey. Sometimes this is a thought starter to consider new ideas or trigger a desire to try something new.

"You get ideas from catalogues. Sometimes you go through ones and you think, 'oh, I like that' or 'I like the way that bedroom has been put together'a and go and copy it. I've actually have done that."

"The emails are very tailored to me. With the catalogues, it's very much 'oh, that's right, I remember I need to get this and this'. That's why I love the time going through the catalogues. 'Oh, yeah, I need that; oh, I want to cook that', so it prompts you."

"It's a form of window shopping, instead you're doing it in your nice cosy chair without leaving home."

Catalogues are relaxing and part of 'my time'

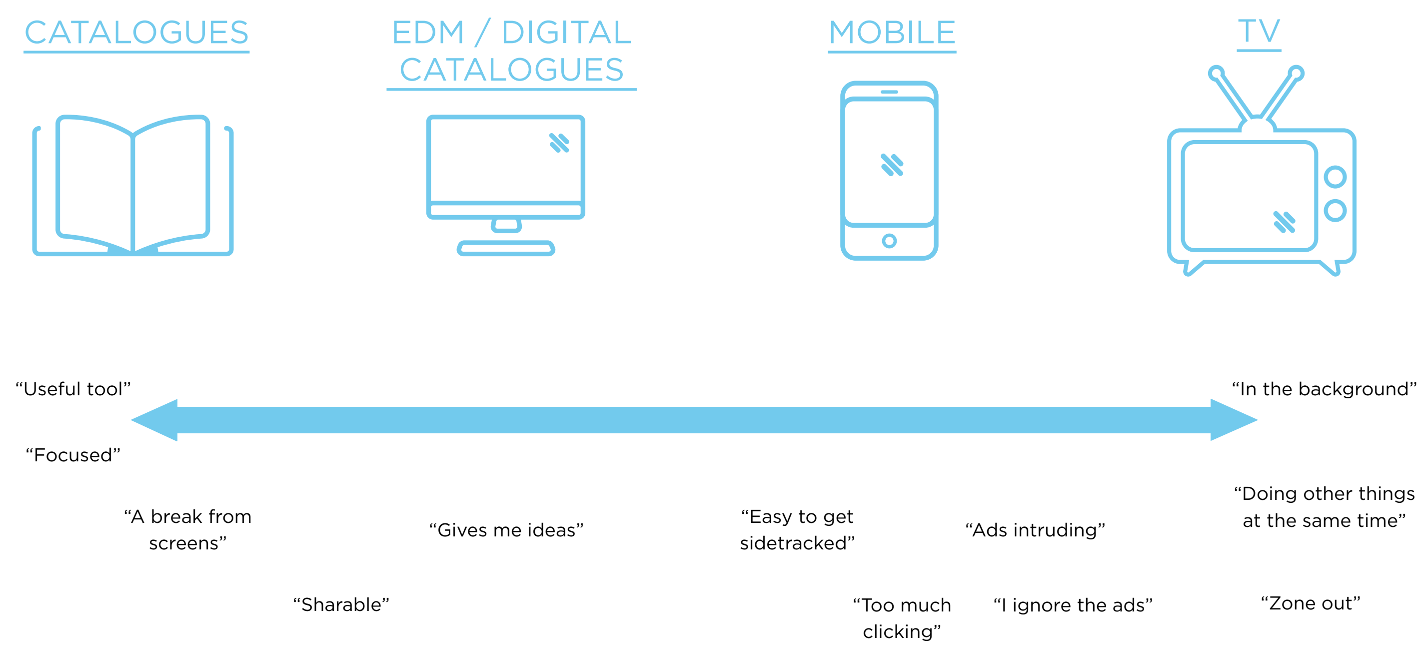
"I'll pick up a catalogue by my kitchen bench and have a look through it. I wouldn't go browsing online for something to do at home, no way. Frankly, I spend all day looking at computer screens. The last thing I want to do is go crazy online when I get home."

"Being on the phone and looking at stuff is not my relaxation time. I get headaches, I have to take Panadol after being on the phone too much. Reading catalogues is my relaxation time."

Catalogues are a ‘Useful Tool’ for consumers

Catalogues are recognised by Australians as a ‘Useful Tool’ across the marketing channel universe, recognised as a ‘break’ that is ‘sharable’ and ‘gives ideas’ to Australians along their purchase journey. Emails are also categorised with similar language as catalogues which demonstrates consumers engaging with content rather than short messages. Digital and Television are now being referenced as ‘intrusive’ and ‘easy to ignore’ which requires short and succinct messages from brands to push to catalogues for a longer more in-depth conversation.

Catalogues drive purposeful, welcome engagement, in the contrast to television and digital advertising which consumers described as ‘intrusive’ or ‘background noise’ easily ‘zoned out from’ or ‘ignored’



“It’s about choice for me. Catalogues aren’t in your face like TV ads or those pop up ads online. I choose to read the catalogues when I feel like doing so. Like when I’m having a cup of tea. It’s my choice.”

Whilst recognising consumers are engaging with catalogues, are we building and designing catalogues with readability in mind? Is how we design catalogues today the best format to design catalogues in the future? Which pages are more memorable? Front cover? Back cover, middle spread? What is the best size? Layout?

WE ASKED AUSTRALIANS AND HERE ARE THEIR TIPS:

1. Readability is key – small writing and too busy are big no-nos. “I just throw is away there’s too much in it. I’m not going to sit there for 20 minutes going through it line by line. You need a magnifying glass.”

2. Colours are important – there are some with “pretty awful colours, which make it hard to read.”

3. Size matters – “Smaller is better. Easier, more manageable. As long as you can see the price and writing clearly, and the product. And there’s the fine print – like how long the deal lasts. Need to be able to see that clearly.”

Consumers took advantage of smaller sized catalogues, putting them into their bags and taking them in-store or tearing out pages, while lifecycle was usually determined by the sale period.

“I flick through them and if i see anything I want on special I just rip it out of the catalogue and put it on my wife’s diary.”

“You’ve got your predictable ones that are every week, don’t keep those longer than a week. Then you get the ones around sales events, like Mother’s Day; Valentines; Father’s Day; Easter. Then you get the really big ones like IKEA, you keep those ones for a few weeks.”

“After I’ve gone through them I put the supermarket catalogues in my bag so I have them when I go shopping.”

Source: Roy Morgan Research, 2018.

CASE STUDY

ADVANTAGE TRAVEL PARTNERSHIP

Advantage Travel Partnership, the UK's largest independent travel agent, shook things up by tapping into the letterbox to inspire consumers to 'travel yourself happy'.

Advantage Travel Partnership has individually owned 'member' locations across the UK that, as a collective, produce over £3bn of travel sales each year. A core benefit of membership is the marketing support that Advantage Travel Partnership provides to help members build their brand and attract customers.

THE WHAT

Advantage Travel Partnership wanted to attract more customers into independent 'member' stores across the UK, and build brand awareness by personally connecting with consumers through a two-part print and mail campaign.

THE HOW

A letterbox drop was implemented over their January peaks and June 'lates' in 2016.

In January 2016, Advantage Travel Partnership compiled customer bookings and postcode sector rankings to determine who to appropriately target. From this research, as well as insight that indicates customers like to read and do their own research when planning holidays, a magazine was chosen as the ideal letterbox drop format.

The agency produced a 24-page magazine pushing travel ideas and recommendations to new and existing customers. The agency strayed away from the typical offer-based travel brochure and took a more editorial approach providing content to make family holidays unforgettable.

For the June peak period, a 12-page booklet was designed to launch consumers into action and book their dream holiday. Intended to evoke an emotional response, the cover featured the words 'One Day' crossed out and replaced it with 'Day One'. Consumers were fed with key facts and information about some of the finer travel details including baggage allowances and regional departures relevant based on consumer locations.

The agency took the extra step to personalise the campaign by creating two versions of the June booklet, one for mass market and one for up-market consumers to ensure they appropriately targeted their audience. The booklet reached nearly half a million consumers and 35,000 existing members.

18% REVENUE INCREASE PER BRANCH

THE OUTCOME

Advantage Travel Partnership leveraging print and mail to attract consumers in store paid off. The campaign generated an 8.2% response rate which turned out to be the highest ever for a peak season campaign, while the average revenue per branch increased by 18%. The January magazine also reactivated consumers who hadn't booked with Advantage Travel Partnership in more than a year.

CONCLUSION

Letterbox marketing proved a win for Advantage Travel Partnership to target relevant consumers and effectively communicate a personal and inspiring message. Print's ability to create an emotive connection between brand and consumer helped to build brand awareness, reactivate dormant customers and ultimately increase sales.

The magazine and follow up booklet were successful in igniting the travel bug within new and existing customers while championing their knowledge and expertise on the industry.

Source: VoPP, 2017-18.

CASE STUDY

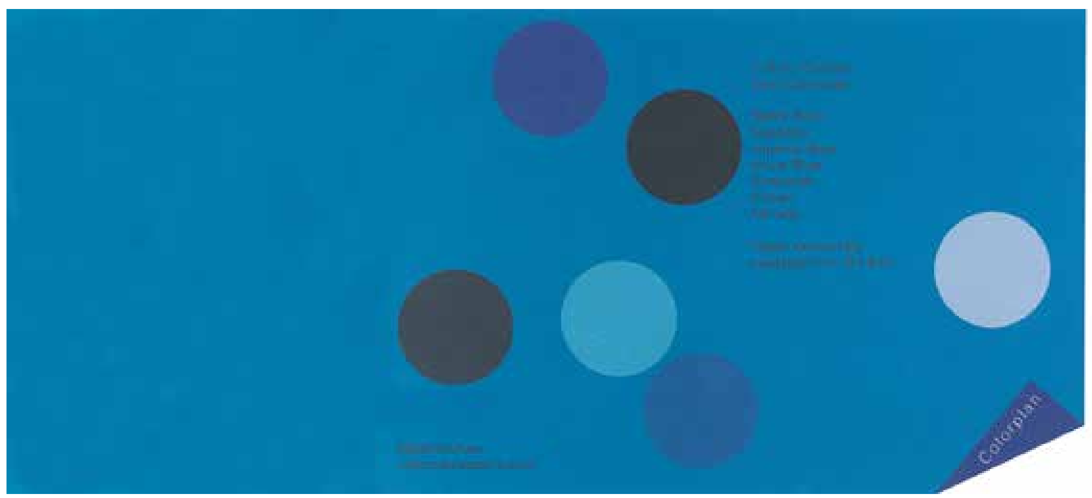
COLOURED PAPER

Exciting Red and competent Blue: the impact of coloured paper in marketing.

As a marketing tool, colour attracts consumers and shapes their perceptions. Through colour, a brand can establish visual identity, form strong relationships with their target market, and position itself among competitors. Carefully chosen, they can help get a message across that would be otherwise difficult to express in words and images alone.

One way for brands to differentiate their print marketing from the competition and reinforce their brand identity is to adopt coloured paper for their print campaigns. The vast majority of mailers, brochures and other promotional material are still printed on standard stock white paper. By differentiating through the use of coloured paper, brands can stand out from the crowd, be seen and have their message heard.

These are just a few examples of the successful implementation of coloured paper within marketing campaigns to raise awareness, increase response rates and reinforce brand identity.



ROYAL MAIL | 58% RESPONSE

THE FULL STORY

Royal Mail decided to test the power of coloured paper in a special mailing to their top 2,000 clients. 1,000 clients were mailed information on standard, white stock paper and another 1,000 were mailed information on bright red paper. Both mailers were printed on the same paper weight, identical finishes and contained the same information. The only difference - the colour of the paper.

THE OUTCOME

Of the 1,000 printed on the standard, white stock, they received 200 RSVP's. On the 1,000 printed on bright red, they had 580 RSVP's. The coloured paper helped the creative team deliver their message by making their message stand out and also reinforced the powerful association of bright red with the Royal Mail brand.

WOOSH | 62% INCREASE

THE FULL STORY

Woosh is an independent wireless network in New Zealand that wanted to target disgruntled householders, paying considerably more with its competitors, and let them know they could be paying half as much with their service.

Woosh was adopting a disruptive business model and wanted to convey this with its branding and mail campaign. The letter along with the envelope was physically ripped in half. This was done to capture the aggressive, negative sentiment around its competitor's high prices and also represented the savings offered by Woosh.

To reinforce the message further, Woosh printed the letter on coloured paper using the brand colour which is a 'violent' green, symbolising further the disruptive nature of their offer and reflecting the anger felt by their target market who were paying over the odds with other providers.

THE OUTCOME

The results during the first campaign were the best ever for Woosh with a record number of new accounts being opened. When the campaign was rolled out in network zones where the mailer was delivered, there was a significant increase in new Woosh customers (up to 62%) compared to an average of 9.3% nationwide.

FIBRECORE | 14% SALES UPLIFT

THE FULL STORY

Fibrecore is a fibre optics business based in Glasgow who was introducing their business to the US market. They wanted to differentiate their brand and create a brochure that was different to the usual 'techie' style used by its competitors.

Design agency Everyone Design printed Fibrecore's brochure using turquoise coloured paper. The colour was used for the brand to represent energy, wisdom and clarity and complemented the simple, non-techie design and copy of the brochures.

THE OUTCOME

The result was a 14% uplift in sales and enquiries. The colour had such a strong resonance with the brand's identity, that Fibrecore have now matched their fibre cable drums to the turquoise used in their brochures.

CONCLUSION

Using coloured paper is another differentiation opportunity for marketers and creatives to stand out amongst the crowd and not one to be overlooked. It is one of the most powerful elements of design for direct mail and other marketing materials increasing brand identity, comprehension and reader participation.

Source: VoPP, 2017-18.

CASE STUDY

TShopBiz

As the National Broadband Network (NBN) is gradually being rolled out across Australia, the TShopBiz Group needed to deliver a campaign to ensure that when a household was ready for transition, Telstra would be the service provider to facilitate.

THE WHAT

The TShopBiz Group in Sunshine Coast wanted to make sure local residents knew when the NBN would be launched in their area. The company also wanted to be the ones to supply internet services to NBN converters.

THE HOW

To ensure their message was conveyed to local residents, the company utilised the power of targeted letterbox marketing. TShopBiz created a letterbox campaign that encouraged recipients to complete a form on a flyer and drop it into their local store or text a code to register interest. To reduce non-profitable interactions with customers outside the NBN roll-out area, they followed the NBN roll-out map to drop approximately 15,000 flyers to the appropriate consumers.

$3.40 RETURN ON EACH DOLLAR INVESTED

THE OUTCOME

The campaign was able to achieve a successful $3.40 return on each dollar invested. Ian Clark of Marketing Makeovers said that of all the mediums used in the campaign, letterbox was the one that returned "a measureable and profitable result."

"We chose letterbox because it's very targeted and because there was a fair amount of information we had to include. We needed a medium that could convey a story and tell the customers what they needed to know and do."

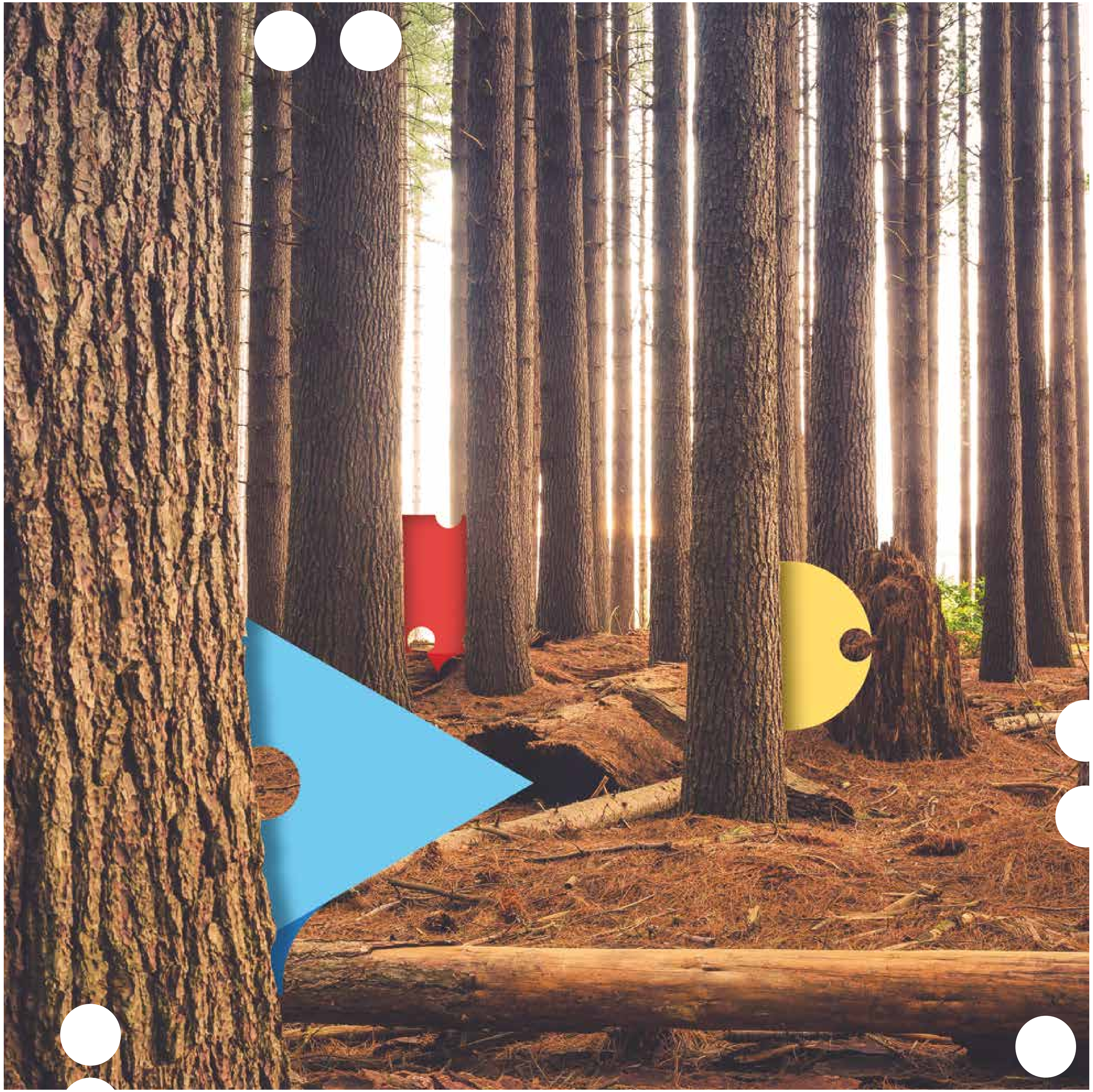
CONCLUSION

TShopBiz's campaign is a great demonstration of the power of letterbox and its ability to engage consumers. Letterbox marketing played a critical role starting the conversation and pushing the prospective customer to action. Paired with relevant targeting, to those across the NBN roll-out map, defined a receptive audience. Leveraging readership and reach delivered cut-through and, more specifically, strong return on investment.

Source: VoPP, 2017-18.

Sustainability

The sustainability of any media channel must be assessed across three areas: environment, social and economic impact. Understanding industry employment figures, commitment to the environment and economical sustainability is an important measure when understanding an industry's sustainable credentials.



SNAPSHOT

Australian paper, print and mail industry

KEY FIGURES - PRINT

Annual Turnover: **$7.5BN**

$2.9BN added industry value

(Ibis world, 2017)

Employs: **30,587** Australians

(Ibis world, 2017)

Operates: **5,294** businesses

(Ibis world, 2017)

KEY FIGURES - PULP & PAPER

Annual Sales Income: **$9BN**

(AFPA, 2016)

Employs **60,820** of which **18,000** direct employees

(AFPA, 2016)

73.70% paper products are recycled

(AFPA, 2017)

PRINTING INDUSTRIES INCLUDE:

books, magazines, sandwich boards, clothes labels, street signs, t-shirts, catalogues, envelopes, billboards, labels, packaging, signs.

RELATED INDUSTRIES INCLUDE:

packaging, signage, marketing, design, media, communications, paper production, mail and related services, and distribution.

PULP, PAPER, PRINT & MAIL DISTRIBUTION

PEOPLE BREAKDOWN BY SECTOR

Mail & related services (mail processing direct & indirect)	PAPER	Letterbox distribution	Print / Prepress Print design
121,389*	60,820	33,742	30,587
(ACIL Allen, 2015)	(AFPA, 2016)	(ACA, 2017)	(Ibis World, 2017)

TOTAL AUSTRALIANS EMPLOYED

246,538

*[Note: this is excluding the Mail advertising services Group C – as entire print industry is reported within the Print/Prepress/Print design figure from Ibisworld, 2017].

Source: Market Research Report: Printing Industry. Ibis World, 2016 Economic contribution of the Australian mailing industry. Acil Allen, 2015 National Pulp and Paper Sustainability Report. Print NZ, 2018

Paper Planes: How to survive the Global Pulp Shortage.

With Global Pulp Shortages communicated throughout 2017, Australia and the Asia-Pacific region are fighting for a share in paper supply and stabilised pricing models. Understanding the levers, economical grades, quality revisions and paper technologies is now a key focus for the Industry and Retailers when working together. Retailers, with large investment in print marketing channels, are watching this space closely and the industry's response is critical to holding stable volumes with optimal marketing results.

Marketers have realised the Return on Investment of print marketing, most notably, the channel is delivering higher returns than digital channels. The demand for print is lifting and therefore the supply and demand scales may balance – in commercial economics, when demand outweighs supply, prices go up and vice versa.

Despite this, the price increases have been communicated over a period of time allowing some Retailers to prepare for the increases realised in 2018 as early as 2016/17. This was a period which saw a significant downsizing of paper production globally. There is commentary that the paper mills have gone too far as there is a higher market demand than there is supply, however conversion and new mills may balance this. The immediate term will require Retailers and Industry to work in partnership on paper innovations and technologies to ensure price stability and volume sustainability.

THE FACTS

The expectation is that there will be three price increases throughout 2018. The first increase was implemented in January seeing an increase in price for Sheets and Reels. The next increase for Sheets (commercial print) communicated as a 5-8% rise in April impacted the Australian and New Zealand markets in June. In July, Reels saw an increase by ~8% which is set to impact the Australian and New Zealand markets throughout September.

THE WHY

Pulp and Paper price increases are due to a range of levers being pulled and the increases affect all grades and all regions globally. The banning of mixed paper imports and the closure of polluting pulp mills (small and old) in China, as well as import/export exchange rates and supply/demand ratio shifts are just a few of the driving influencers increasing the rise in prices.

THE TIPS

To ensure a smooth sail through the paper price ups and downs, it's important for industry to consider and implement a 'Paper Health Check' Partnering with Retailers to examine all paper requirements is an ongoing review process and has been seen throughout the market in three main areas: Grammage, Grade and Format.

GRAMMAGE:

Trends from paper innovations include size - reducing the amount of paper required. Standard American Quarto (275x210mm) has moved to 275x205/200mm. Further again major supermarkets and department stores are standardising to 255x184mm. Paper grammage is also being reviewed to lower grades from light weight coated to supercalendered, or economical magazine, grades delivering economical buying and shifting grammages from 57gsm LWC to 45gsm supercal (APIA, 2018).

Additionally it should be noted, the United Kingdom and United States are producing catalogue campaigns on lower grammages for weekly and higher quality papers for retained publications. As paper pricing stabilises the overall impact of pagination, paper innovations, circulation, frequency and more are predicted to align once more.

Lowering the Grammage can deliver significant savings in both freight costs (lighter to ship) and yield (less pulp = lower cost). Due to having larger populations, the United States and European markets print magazines, brochures, flyers and more on lower paper Grammage ensuring mass production at a lower cost. Some industry custodians have commented, the Australian market is using too good a grade of paper for single use print and could benefit from reviewing the United States' and Europe's footsteps to reduce the overall paper costs.

GRADE:

Reducing the paper grade saves price and applies a 'fit for purpose' approach. For example, Aldi moved from a Light Weight Coated (LWC) to a Super Calendered (SC) when their print volumes increased. This provided more economical buying and Aldi worked with their print partner to push the print craft to deliver a quality finish. This is a good partnership pushing print and design craftpersonship to the fore.

FORMAT:

If a catalogue or printed piece has always been one size, does it always need to be? Reviewing the product and reducing finished size can deliver paper savings, whilst still delivering a high quality and effective document.

This increase period now is being argued as a moderate correction by the paper mills and merchants. The overall price average, including the price increases being implemented throughout 2018, should still see buyers in front and buying very well for the market size, and in some cases at better prices than larger global markets.

Paper price increases are in play and industry will need to work closer than ever with not only their supply chain but also their customers to manage the cost implications. All parties will need to understand each other's businesses and global positioning, to protect a highly performing marketing channel.

Source: Australasian Paper Industry Association, 2018.

References

1 ACA Industry Report 2013-2014, Australian Catalogue Association, 2014.
2 Accenture (Kurt Salmon & Associates), 2017.
3 ASTRA Subscription Media, 2016 and ABS Population Clock, 2016.
4 Australasian Catalogue Association, Letterbox Distribution Statistics, 2018.
5 Australasian Paper Industry Association, 'Paper Price Increases', 2018.
6 Australia Post – Letterbox, General Business and Post Office Box Delivery Point Data, 2018.
7 Australia Post, Top 200 Market Segmentation, 2018.
8 Australian Address Reference File (AARF), Australian Address Reference File (AARF), 2014-2018.
9 Australian Bureau of Statistics, ABS Household and Family Projections 2001 – 2026.
10 Australian Bureau of Statistics, ABS Population Clock – 2016-18.
11 Australian Bureau of Statistics, Australian Demographics Statistics 2016-18.
12 Australian Bureau of Statistics, Census Population & Housing, 2016-18.
13 Commerical Radio Australia, 2016.
14 Demasi, Laura. 'We have got it all wrong on Millennials', Sydney Morning Herald, July 2018.
15 Direct Marketing Association, Annual Industry Report, 2018.
16 emmaTM, Ipsos MediaCT, partial database, 2017.
17 Environics Research, 'What 15,000 Millennials reveal about Millennials', www.environicsresearch.com/insights/15000-millennials/, 2018
18 Fairfax Media, Newspaper Insert Distribution Data, 2018.
19 Free-to-air, OxTAM and RegionalTAM, 5 cap cities, 6 aggregated regional markets, 01 January - 31 December 2015.
20 Ibisworld, 'Pharmacies - Australia Market Research Report', March 2018.
21 Industry Edge, 'Why Paper Prices Must Rise in 2018', Tim Woods, December 2017.
22 Multichannel Merchant, 'Amazon May Launch a Holiday Toy Catalog', Daniela Forte, July 2018.
23 Multichannel Merchant, 'The State of the Catalogu is Alive and Well', Daniela Forte, February 2018.
24 PMP Limited, Top 200 Market Segmentation, 2018.
25 Reuters, 'P&G say cut to digital ad spend by $200 million in 2017', March 2018, www.reuters.com
26 Ritson, Mark. 'Only crap marketers mistake steretypes for segments', Marketing Week, July 2017
27 Roy Morgan Research Ltd., Single Source, - June 2018, 2018.
28 Salmat, Top 200, Market Segmentation, 2018.
29 Sappi Fine Paper, (internal research), Neuroscience (VoPP Mag 2017), 2017.
30 Schiere, Martin. 'Glocalities Research Program, a global survey of attitudes and values', 2017.
31 TSA Limited, Industry Snapshot, 2018
32 Value of Paper and Print, www.vopp.com.au, 2014-2018
33 VoPP Mag, The Customisation Issue, 2017.
34 YouGov, Salmat Marketing Report, 2018.

Acknowledgements

Special thanks to all the contributors to this report and to those companies providing additional research, resources, manufacture and expertise.

Special thanks to the ACA Board and Executive Committee Members for their ongoing support and contribution:

Australia Post
DIC Australia
Fairfax Media
Flint Group
Franklin WEB (an IVE business)
IVE Group
Kirby International
Norske Skog
PMP Limited
PMP Limited NZ
Reach Media
Salmat
Sappi Trading Australia
Stora Enso
UPM-Kymmene
Webstar (NZ)

Our deepest gratitude to our print partner Bambra Press, without your generosity and expertise we could not deliver such a report.