

The High Costs of Catalog Retailing

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Retailers have various marketing tools at their disposal to generate sales, with each seeing different results.

The ROI from catalog marketing is low relative to other online and offline media, including e-mail, Internet search and direct-response newspaper ads. The reason is that catalogs are expensive to produce.

Catalogs are forecast to generate \$7.34 in sales for every dollar spent to make and mail them in 2010, according to the Direct Marketing Association (DMA). This is a slight increase over 2009 and, in turn, 2008. Catalog ROI could be understated since it is difficult to track online sales that are influenced by catalog shopping.

Delving deeper, the DMA data reveals the toll of high costs on cataloging.

In 2009, retailers spent \$15.1 billion on catalogs to produce \$110.5 billion in sales for a \$7.32 ROI. By comparison, retailers spent only \$600 million on e-mail to generate \$26 billion in sales for a \$43.62 ROI -- six times higher.

US Direct Marketing ROI, by Media, 2008-2010

	2008	2009	2010
Commercial e-mail	\$44.93	\$43.62	\$42.08
Internet display	\$19.78	\$19.57	\$19.57
Internet search	\$21.84	\$21.85	\$21.90
Social networking	\$12.57	\$12.39	\$12.45
Internet other	\$16.62	\$16.48	\$16.75
Internet marketing (non-e-mail)	\$19.88	\$19.83	\$19.86
Direct mail (noncatalog)	\$15.52	\$15.22	\$15.28
Direct mail (catalog)	\$7.28	\$7.32	\$7.34
Total direct mail	\$12.55	\$12.53	\$12.57
DR newspaper	\$12.77	\$12.46	\$12.26
Insert media	\$11.60	\$11.45	\$11.43
DR magazine	\$10.11	\$10.27	\$10.26
Mobile	\$7.82	\$9.01	\$10.08
Telephone marketing	\$8.57	\$8.48	\$8.42
DR radio	\$8.60	\$8.29	\$8.28
DR TV	\$6.81	\$6.63	\$6.62
Other	\$7.01	\$6.89	\$6.91

Source: Direct Marketing Association (DMA), "DMA: The Power of Direct Marketing," provided to eMarketer, October 19, 2009

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