

SOLD! Catalogs Support Holiday E-Commerce in 2003

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March 17, 2004 — Online retail spending reached new heights during the 2003 holiday season, growing 35 percent over the 2002 holiday period. The increasing prominence of the online sales channel underscores the importance of a well-executed multi-channel strategy. Though catalogs received the smallest share of the holiday dollar among the three key channels, their importance in driving sales is not limited to catalog sales alone.

As retailers perfect multi-channel initiatives, the role of catalogs in online sales comes to the fore. Data analysis focuses on several retailers, including 1800Flowers, EddieBauer, and JCPenney, and major findings conclude that catalog quick order shoppers are significantly more likely to purchase than non-catalog quick order shoppers.

The explosive growth of holiday retail Web sales during a lukewarm retail year points to an important shift in the larger retail world: E-commerce sales growth outpaced growth in offline channels and will continue to do so. For retailers, the implications of this trend reverberate beyond just the company's online strategy, but suggest the centrality of the multi-channel approach.

It is a truism that multi-channel shoppers are most valuable. By some estimates, multi-channel shoppers spend up to three times as much as their single-channel or two-channel counterparts. Taken together, the fact that the multi-channel shopper is an MVC – most-valued-consumer – and that retail sales are increasingly shifting to the online channel, there are significant incentives for retailers to provide a well-planned and -executed multi-channel experience. [Catalogs Integral to Multi-Channel Strategy](#)

There are many aspects to a truly integrated multi-channel business, including selling online, allowing online merchandise to be returned in-store, allowing in-store pickup of online orders, providing catalog quick order, and clickable catalogs. The data and analysis in this report will focus on the role of catalogs in the online component of the multi-channel approach.

Why catalogs? Because catalogs are at a critical transition point. Web sales are expected to overtake catalog sales next year. Indeed, catalog spending represented only 7 percent of online shoppers' total holiday budget in 2003, with 79 percent devoted to in-store purchases, and the remaining 14 percent earmarked for online purchases. Costs associated with generating and distributing catalogs will continue to rise, while technology simultaneously becomes cheaper.

The precarious role of catalogs in a multi-channel strategy is illustrated by retailers like REI, which learned that efforts to push catalog consumers onto the Web while limiting catalog circulation hurt sales. Other retailers like Target recently announced that Target Direct will function as a Web-only business, shuttering its catalog operations. [Retailers Reap Catalog Quick Order Benefits During Holidays](#)

Holiday shoppers surfed at retailer Web sites in record numbers during 2003, and some of those shoppers arrived with a catalog in hand, and products in mind. Table 1 presents data for several online retail stores, showing the percent of audience utilizing the catalog quick order feature, along with a comparison of conversion rate for the audience as a whole, as well as the catalog quick-order audience. Finally, Table 1 shows the percent of overall conversion attributed to catalog quick-order sales.

The proportion of audience utilizing the catalog quick-order feature at these select online retailers ranged from a low of 1 percent at Nordstrom.com, to a high of 7 percent at LandsEnd.com during the November and December 2003 period. These findings are not surprising, since Lands' End is among the strongest catalog companies, and much of Nordstrom's brand involves the in-store experience.