Modern Catalog Optimization Strategy

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Old School Strategies? They Work, But Not As Well As They Used To Work

The classic catalog marketing strategy of 1990 – 2005 still works, to some extent. You can get away with mailing 20 times per year, 64-128 pages per catalog, making vertical circulation decisions within each mailing.

But the strategy is no longer optimal. It hasn't been optimal since the 1980s.

In a modern world, your best customers should actually be mailed MORE OFTEN, while digital customers should be mailed MUCH LESS OFTEN. Brand new customers should receive on-demand personalized mailings kicked-out via a hotline program, given that the first three months in the life of a customer are the most important timeframe in Customer Development.

In a modern world, your digital efforts cannot be fully funded and optimally executed unless you transfer bloated ad-cost dollars from catalog marketing programs to digital tactics.

Holdout Tests: The Secret to Success

The foundation of traditional catalog marketing analysis is the matchback. Transactions are matched to a mail file, and if a customer ordered during the window when a catalog was mailed, the transaction is "matched back" to the mail file and consequently the order is attributed to the mailing of the catalog.

This technique works incredibly well with new-to-file customers.

This technique is horribly flawed when it comes to existing customers.

Horribly flawed.

When you execute mail/holdout tests, you quickly learn that matchback analytics do not capture the essence of the customer experience. Specifically, some customers love your merchandise. Maybe most customers. Why else would customers buy from you? Think about it. If e-commerce customers buy from e-commerce brands without the aid of print, why wouldn't your customers buy via e-commerce without the aid of print?

Holdout Tests: The Secret to Success

Mail / Holdout Test Results

	Cus-tomers	Total Sales	Call Center	Email Marketing	Search Marketing	Social Marketing	Other Digital	Direct Load
Mailed Segment	25,000	$14.00	$3.00	$3.00	$2.00	$1.00	$1.00	$4.00
Holdout Segment	25,000	$7.00	$0.10	$2.85	$0.75	$0.63	$0.67	$2.00
Increment		$7.00	$2.90	$0.15	$1.25	$0.37	$0.33	$2.00
Organic Percentage		50.0%	3.3%	95.0%	37.5%	63.0%	67.0%	50.0%

Holdout Tests: The Secret to Success

Mail / Holdout Test Results

	Cus-tomers	Total Sales	Call Center	Email Marketing	Search Marketing	Social Marketing	Other Digital	Direct Load
Mailed Segment	25,000	$14.00	$3.00	$3.00	$2.00	$1.00	$1.00	$4.00
Holdout Segment	25,000	$7.00	$0.10	$2.85	$0.75	$0.63	$0.67	$2.00
Increment		$7.00	$2.90	$0.15	$1.25	$0.37	$0.33	$2.00
Organic Percentage		50.0%	3.3%	95.0%	37.5%	63.0%	67.0%	50.0%

Look at the Total Sales column. The segment mailed a catalog spent an average of $14.00 in the next month (most spent $0, some spent $100 etc). The segment not mailed a catalog spent an average of $7.00 in the next month, considerably less … but considerably more than it represented via most matchback reports.

The next two rows are the rows that we care about. The first row, labeled “increment”, shows that the customer spent an incremental $7.00 because of the mailing of the catalog. As you read across the row, notice how much incremental volume was generated from each channel.

The last row is titled “Organic Percentage”. It shows the fraction of sales within the channel that happened independent of catalog mailings.

Holdout Tests: The Secret to Success

Mail / Holdout Test Results

	Customers	Total Sales	Call Center	Email Marketing	Search Marketing	Social Marketing	Other Digital	Direct Load
Mailed Segment	25,000	$14.00	$3.00	$3.00	$2.00	$1.00	$1.00	$4.00
Holdout Segment	25,000	$7.00	$0.10	$2.85	$0.75	$0.63	$0.67	$2.00
Increment		$7.00	$2.90	$0.15	$1.25	$0.37	$0.33	$2.00
Organic Percentage		50.0%	3.3%	95.0%	37.5%	63.0%	67.0%	50.0%

Read across the Organic Percentage row. 50% of total sales were organic (i.e. not generated by catalogs). 3.3% of call center demand was organic, meaning that almost everything generated via the call center is caused by catalogs. Meanwhile, 95% of email marketing demand was organic, meaning that almost everything generated by email marketing is independent of catalog mailings. Most catalogers don't like to hear this fact!

37.5% of search demand is generated independent of catalog mailings (in this example). In this case, catalogs drive customers to Google (and Google appreciates the fact that you pay them after paying your paper rep, your printer, and the USPS. 63.0% of social marketing is generated independent of catalogs. 67.0% of "other digital" is organic. Finally, 50% of Direct Load is generated independent of catalogs. All of those matchback algorithms make mistakes across digital marketing channels.

Holdout Tests: The Secret to Success

Mail / Holdout Test Results

	Customers	Total Sales	Call Center	Email Marketing	Search Marketing	Social Marketing	Other Digital	Direct Load
Mailed Segment	25,000	$14.00	$3.00	$3.00	$2.00	$1.00	$1.00	$4.00
Holdout Segment	25,000	$7.00	$0.10	$2.85	$0.75	$0.63	$0.67	$2.00
Increment		$7.00	$2.90	$0.15	$1.25	$0.37	$0.33	$2.00
Organic Percentage		50.0%	3.3%	95.0%	37.5%	63.0%	67.0%	50.0%

The Organic Percentage drives the lion's share of the Optimization Algorithm that I run.

Imagine two customers. The first customer is a Call Center customer. The second customer is an Email Marketing customer. Each customer can be equally valuable to the Brand. But one customer is loyal to Catalogs, the other customer is loyal to your daily Email Marketing campaigns.

How many catalogs should each customer receive? The answers will surprise you!

Brand Response Model

The first model is a Brand Response Model. I predict how likely a customer is to buy something over the next year.

A brand-new first-time buyer might have a 35% chance of buying in the next year.

A loyal buyer might have a 65% chance of buying in the next year.

A lapsed buyer might have a 5% chance of buying in the next year.

Brand Spend Model

The second model determines how much a customer will spend if the customer purchases in the next year.

In most cases, how much a customer spent historically directly correlates with how much a customer will spend in the next year if the customer purchases again. In other words, a customer with $1,000 of historical spend might spend $150 next year, while a customer with $100 of historical spend might spend $75 in the next year.

Brand Value

Brand Value is the multiplication of Brand Response and Brand Spend.

Assume a customer has a 35% chance of buying again next year. If that customer buys again next year, assume the customer will spend $100 in the next year.

Brand Value = 0.35 * $100.00 = $35.00.

Every customer is assigned a “Brand Value” score … the amount of sales the customer will generate in the next year.

Organic Percentage Model

The third model determines the future percentage of demand/sales that will be generated independent of catalog mailings.

Remember our example where 95% of email volume was organic, and only 5% was driven by catalogs? That 95% figure (multiplied by the amount of sales spend in the channel) becomes an independent variable in a model. If the customer also bought from a call center, then 3% of the sales from the call center are considered organic and are entered into the model as an independent variable.

The independent variables predict the percentage of future sales that will be organic.

Catalog Value

Catalog Value is defined as follows:

(Brand Response Model) * (Brand Spend Model) * (1 – Organic % Model).

Assume that we predict a customer to have a 35% chance of buying next year.
Assume that we predict the customer to spend $100 if the customer purchases.
Assume that we predict that the customer will generate 20% of future sales organically (without the aid of catalogs).

(0.35) * ($100.00) * (1 – 0.20) = $28.00.

$28.00 will be generated because of catalogs. $7.00 will be generated organically.

Two Ways To Use My Models

Many clients prefer to work with an existing vendor, a vendor who has already created catalog scoring models. In these cases, I recommend multiplying their existing catalog score by my organic percentage.

(THEIR SCORE * (1 – MY ORGANIC PERCENTAGE)).

This outcome will not provide an “optimal strategy”, but will provide a “better outcome”.

An “optimal strategy” happens when my scores are entered into an optimization routine.

Let’s look at a series of examples via what I call a “Customer Resume”.

Strategy in Practice

Here is a good example of implementing the optimal strategy in practice.

This customer just bought for the first time. On average, this customer receives 18 catalogs a year, generating $3.35 profit.

The “optimal” strategy results in 7 mailings per year, a demand reduction, and an additional dollar of profit.

Read down the columns on the right side of the Customer Resume. We observe how much profit is generated at each level of annual mailings. Profit is generally similar between 3 catalogs and 12 catalogs per year, optimal at 7 catalogs per year. Not 18 catalogs per year!

Customer Resume

Months Since Last Purchase	1
Life-To-Date Orders	1
Life-To-Date Spend	$100.00
Calculated: Average Order Value	$100.00
Historical Organic Percentage	20.0%
Profit Factor	40.0%
Average Cost per Catalog	$0.45
Avg. Annual Catalogs Mailed	18
Mailing Frequency Slope	0.6
Modeled Brand Response	36.1%
Modeled Brand Spend	$79.24
Calculated Brand Value	$28.62
Modeled Organic Percentage	20.1%
Calculated Catalog Value	$22.87
Calculated Organic Demand	$5.75
Future Annual Demand	$28.62
Future Annual Catalogs	18
Future Annual Ad Cost	$8.10
Future Annual Profit	$3.35
Optimal Annual Demand	$18.72
Optimal Annual Catalogs	7
Optimal Annual Ad Cost	$3.15
Optimal Annual Profit	$4.34
Change in Annual Demand	($9.89)
Change in Annual Catalogs	(11)
Change in Annual Ad Cost	($4.95)
Change in Annual Profit	$0.99

Optimal Catalog Mailing Strategy

Catalogs	Catg. $	Org. $	Total $	Ad Cost	Profit
0	$0.00	$5.75	$5.75	$0.00	$2.30
1	$4.04	$5.75	$9.79	$0.45	$3.46
2	$6.12	$5.75	$11.87	$0.90	$3.85
3	$7.80	$5.75	$13.55	$1.35	$4.07
4	$9.27	$5.75	$15.02	$1.80	$4.21
5	$10.60	$5.75	$16.35	$2.25	$4.29
6	$11.83	$5.75	$17.58	$2.70	$4.33
7	$12.98	$5.75	$18.72	$3.15	$4.34
8	$14.06	$5.75	$19.81	$3.60	$4.32
9	$15.09	$5.75	$20.84	$4.05	$4.28
10	$16.07	$5.75	$21.82	$4.50	$4.23
11	$17.02	$5.75	$22.77	$4.95	$4.16
12	$17.93	$5.75	$23.68	$5.40	$4.07
13	$18.81	$5.75	$24.56	$5.85	$3.97
14	$19.67	$5.75	$25.42	$6.30	$3.87
15	$20.50	$5.75	$26.25	$6.75	$3.75
16	$21.31	$5.75	$27.06	$7.20	$3.62
17	$22.10	$5.75	$27.85	$7.65	$3.49
18	$22.87	$5.75	$28.62	$8.10	$3.35
19	$23.62	$5.75	$29.37	$8.55	$3.20
20	$24.36	$5.75	$30.11	$9.00	$3.04
21	$25.08	$5.75	$30.83	$9.45	$2.88
22	$25.79	$5.75	$31.54	$9.90	$2.72
23	$26.49	$5.75	$32.24	$10.35	$2.55
24	$27.18	$5.75	$32.92	$10.80	$2.37
25	$27.85	$5.75	$33.60	$11.25	$2.19
30	$31.07	$5.75	$36.82	$13.50	$1.23
35	$34.08	$5.75	$39.83	$15.75	$0.18
40	$36.92	$5.75	$42.67	$18.00	($0.93)
45	$39.63	$5.75	$45.38	$20.25	($2.10)
50	$42.21	$5.75	$47.96	$22.50	($3.32)

A Common Outcome

You will lose top-line sales when implementing an optimization routine.

Don’t let other vendors tell you that you won’t lose sales. Other vendors are perfectly credible and will do a great job for you, but make sure they are honest with you about the impact on top-line sales. Some customers will spend less as a result of being mailed less often.

You will save $$$ on ad cost.

You will generate more profit as a result.

Most of my clients pocket some of the savings, and then reinvest the rest of the savings in customer acquisition tactics and digital marketing strategies, with the net result being minimal customer loss, minimal sales loss, and more profit.

High Value, Low Organic Percentage

Here is a good example of what I see in my project work. High value customers (this is a 4x buyer, recency = 1 month, AOV = $100) who are call-center loyal CAN ACTUALLY BE MAILED MORE OFTEN.

Yes, they can be mailed more often!

In my project work, much of the sales loss from customers requiring fewer contacts can be offset by mailing more catalogs to best customers … but only best customers who are call-center loyal.

What happens if the customer is the same level of quality, but is a digital customer?

Customer Resume

Months Since Last Purchase	1
Life-To-Date Orders	4
Life-To-Date Spend	$400.00
Calculated: Average Order Value	$100.00
Historical Organic Percentage	20.0%
Profit Factor	40.0%
Average Cost per Catalog	$0.45
Avg. Annual Catalogs Mailed	23
Mailing Frequency Slope	0.6
Modeled Brand Response	48.6%
Modeled Brand Spend	$133.54
Calculated Brand Value	$64.85
Modeled Organic Percentage	20.1%
Calculated Catalog Value	$51.83
Calculated Organic Demand	$13.03
Future Annual Demand	$64.85
Future Annual Catalogs	23
Future Annual Ad Cost	$10.35
Future Annual Profit	$15.59
Optimal Annual Demand	$79.70
Optimal Annual Catalogs	35
Optimal Annual Ad Cost	$15.75
Optimal Annual Profit	$16.13
Change in Annual Demand	$14.85
Change in Annual Catalogs	12
Change in Annual Ad Cost	$5.40
Change in Annual Profit	$0.54

Optimal Catalog Mailing Strategy

Catalogs	Catg. $	Org. $	Total $	Ad Cost	Profit
0	$0.00	$13.03	$13.03	$0.00	$5.21
1	$7.90	$13.03	$20.93	$0.45	$7.92
2	$11.97	$13.03	$25.00	$0.90	$9.10
3	$15.27	$13.03	$28.30	$1.35	$9.97
4	$18.14	$13.03	$31.17	$1.80	$10.67
5	$20.74	$13.03	$33.77	$2.25	$11.26
6	$23.14	$13.03	$36.17	$2.70	$11.77
7	$25.38	$13.03	$38.41	$3.15	$12.21
8	$27.50	$13.03	$40.53	$3.60	$12.61
9	$29.52	$13.03	$42.54	$4.05	$12.97
10	$31.44	$13.03	$44.47	$4.50	$13.29
11	$33.29	$13.03	$46.32	$4.95	$13.58
12	$35.08	$13.03	$48.10	$5.40	$13.84
13	$36.80	$13.03	$49.83	$5.85	$14.08
14	$38.48	$13.03	$51.50	$6.30	$14.30
15	$40.10	$13.03	$53.13	$6.75	$14.50
16	$41.68	$13.03	$54.71	$7.20	$14.69
17	$43.23	$13.03	$56.26	$7.65	$14.85
18	$44.74	$13.03	$57.77	$8.10	$15.01
19	$46.21	$13.03	$59.24	$8.55	$15.15
20	$47.66	$13.03	$60.68	$9.00	$15.27
21	$49.07	$13.03	$62.10	$9.45	$15.39
22	$50.46	$13.03	$63.49	$9.90	$15.50
23	$51.83	$13.03	$64.85	$10.35	$15.59
24	$53.17	$13.03	$66.19	$10.80	$15.68
25	$54.48	$13.03	$67.51	$11.25	$15.75
30	$60.78	$13.03	$73.81	$13.50	$16.02
35	$66.67	$13.03	$79.70	$15.75	$16.13
40	$72.23	$13.03	$85.26	$18.00	$16.10
45	$77.52	$13.03	$90.55	$20.25	$15.97
50	$82.58	$13.03	$95.61	$22.50	$15.74

High Value, Mid-Organic Percentage

Now we are reviewing a customer with the exact same value, but the customer is digital loyal, with 50% of historical volume being classified as "organic".

Instead of 23 catalogs as a current strategy and 35 being optimal, we find that just 14 catalogs are optimal.

As the customer becomes more digital, the customer cannot achieve optimal profit with many catalogs.

However … HOWEVER … look at the profit column. Profit is virtually equal at 5 catalogs a year or 25 catalogs a year. You can make a lot of mistakes here and it has no impact on profit.

Customer Resume

Months Since Last Purchase	1
Life-To-Date Orders	4
Life-To-Date Spend	$400.00
Calculated: Average Order Value	$100.00
Historical Organic Percentage	50.0%
Profit Factor	40.0%
Average Cost per Catalog	$0.45
Avg. Annual Catalogs Mailed	23
Mailing Frequency Slope	0.6
Modeled Brand Response	48.6%
Modeled Brand Spend	$133.54
Calculated Brand Value	$64.85
Modeled Organic Percentage	45.3%
Calculated Catalog Value	$35.44
Calculated Organic Demand	$29.41
Future Annual Demand	$64.85
Future Annual Catalogs	23
Future Annual Ad Cost	$10.35
Future Annual Profit	$15.59
Optimal Annual Demand	$55.72
Optimal Annual Catalogs	14
Optimal Annual Ad Cost	$6.30
Optimal Annual Profit	$15.99
Change in Annual Demand	($9.13)
Change in Annual Catalogs	(9)
Change in Annual Ad Cost	($4.05)
Change in Annual Profit	$0.40

Optimal Catalog Mailing Strategy

Catalogs	Catg. $	Org. $	Total $	Ad Cost	Profit
0	$0.00	$29.41	$29.41	$0.00	$11.76
1	$5.40	$29.41	$34.81	$0.45	$13.47
2	$8.19	$29.41	$37.60	$0.90	$14.14
3	$10.44	$29.41	$39.85	$1.35	$14.59
4	$12.41	$29.41	$41.82	$1.80	$14.93
5	$14.19	$29.41	$43.60	$2.25	$15.19
6	$15.83	$29.41	$45.24	$2.70	$15.39
7	$17.36	$29.41	$46.77	$3.15	$15.56
8	$18.81	$29.41	$48.22	$3.60	$15.69
9	$20.19	$29.41	$49.60	$4.05	$15.79
10	$21.50	$29.41	$50.91	$4.50	$15.87
11	$22.77	$29.41	$52.18	$4.95	$15.92
12	$23.99	$29.41	$53.40	$5.40	$15.96
13	$25.17	$29.41	$54.58	$5.85	$15.98
14	$26.31	$29.41	$55.72	$6.30	$15.99
15	$27.42	$29.41	$56.84	$6.75	$15.98
16	$28.51	$29.41	$57.92	$7.20	$15.97
17	$29.56	$29.41	$58.97	$7.65	$15.94
18	$30.59	$29.41	$60.01	$8.10	$15.90
19	$31.60	$29.41	$61.01	$8.55	$15.86
20	$32.59	$29.41	$62.00	$9.00	$15.80
21	$33.56	$29.41	$62.97	$9.45	$15.74
22	$34.51	$29.41	$63.92	$9.90	$15.67
23	$35.44	$29.41	$64.85	$10.35	$15.59
24	$36.36	$29.41	$65.77	$10.80	$15.51
25	$37.26	$29.41	$66.67	$11.25	$15.42
30	$41.57	$29.41	$70.98	$13.50	$14.89
35	$45.60	$29.41	$75.01	$15.75	$14.25
40	$49.40	$29.41	$78.81	$18.00	$13.52
45	$53.02	$29.41	$82.43	$20.25	$12.72
50	$56.48	$29.41	$85.89	$22.50	$11.85

High Value, High-Organic Percentage

Oh oh.

This customer spent 95% of historical demand organically (i.e. is a strong email shopper).

Instead of 23 mailings per year, this customer should receive just 2 catalogs per year, with comparable profit observed between 0 catalogs per year and 8 catalogs per year.

The more digital the customer becomes, the fewer catalogs that should be mailed to the customer. Find other ways to relate to these shoppers, and save money in the process.

Customer Resume

Months Since Last Purchase	1
Life-To-Date Orders	4
Life-To-Date Spend	$400.00
Calculated: Average Order Value	$100.00
Historical Organic Percentage	95.0%
Profit Factor	40.0%
Average Cost per Catalog	$0.45
Avg. Annual Catalogs Mailed	23
Mailing Frequency Slope	0.6
Modeled Brand Response	48.6%
Modeled Brand Spend	$133.54
Calculated Brand Value	$64.85
Modeled Organic Percentage	73.9%
Calculated Catalog Value	$16.90
Calculated Organic Demand	$47.95
Future Annual Demand	$64.85
Future Annual Catalogs	23
Future Annual Ad Cost	$10.35
Future Annual Profit	$15.59
Optimal Annual Demand	$51.86
Optimal Annual Catalogs	2
Optimal Annual Ad Cost	$0.90
Optimal Annual Profit	$19.84
Change in Annual Demand	($13.00)
Change in Annual Catalogs	(21)
Change in Annual Ad Cost	($9.45)
Change in Annual Profit	$4.25

Optimal Catalog Mailing Strategy

Catalogs	Catg. $	Org. $	Total $	Ad Cost	Profit
0	$0.00	$47.95	$47.95	$0.00	$19.18
1	$2.58	$47.95	$50.53	$0.45	$19.76
2	$3.90	$47.95	$51.86	$0.90	$19.84
3	$4.98	$47.95	$52.93	$1.35	$19.82
4	$5.92	$47.95	$53.87	$1.80	$19.75
5	$6.76	$47.95	$54.72	$2.25	$19.64
6	$7.55	$47.95	$55.50	$2.70	$19.50
7	$8.28	$47.95	$56.23	$3.15	$19.34
8	$8.97	$47.95	$56.92	$3.60	$19.17
9	$9.62	$47.95	$57.58	$4.05	$18.98
10	$10.25	$47.95	$58.21	$4.50	$18.78
11	$10.86	$47.95	$58.81	$4.95	$18.57
12	$11.44	$47.95	$59.39	$5.40	$18.36
13	$12.00	$47.95	$59.95	$5.85	$18.13
14	$12.55	$47.95	$60.50	$6.30	$17.90
15	$13.08	$47.95	$61.03	$6.75	$17.66
16	$13.59	$47.95	$61.55	$7.20	$17.42
17	$14.10	$47.95	$62.05	$7.65	$17.17
18	$14.59	$47.95	$62.54	$8.10	$16.92
19	$15.07	$47.95	$63.02	$8.55	$16.66
20	$15.54	$47.95	$63.49	$9.00	$16.40
21	$16.00	$47.95	$63.96	$9.45	$16.13
22	$16.45	$47.95	$64.41	$9.90	$15.86
23	$16.90	$47.95	$64.85	$10.35	$15.59
24	$17.34	$47.95	$65.29	$10.80	$15.32
25	$17.77	$47.95	$65.72	$11.25	$15.04
30	$19.82	$47.95	$67.77	$13.50	$13.61
35	$21.74	$47.95	$69.69	$15.75	$12.13
40	$23.55	$47.95	$71.51	$18.00	$10.60
45	$25.28	$47.95	$73.23	$20.25	$9.04
50	$26.93	$47.95	$74.88	$22.50	$7.45

Mailing Strategy

In most of my projects, there is a stark difference between what is being executed and what "should" be executed.

What is typically executed is 1.5 to 2.0 cataloger among high value customers, a monthly catalog among medium value customers, and a catalog every two months (+/-) to lower value customers.

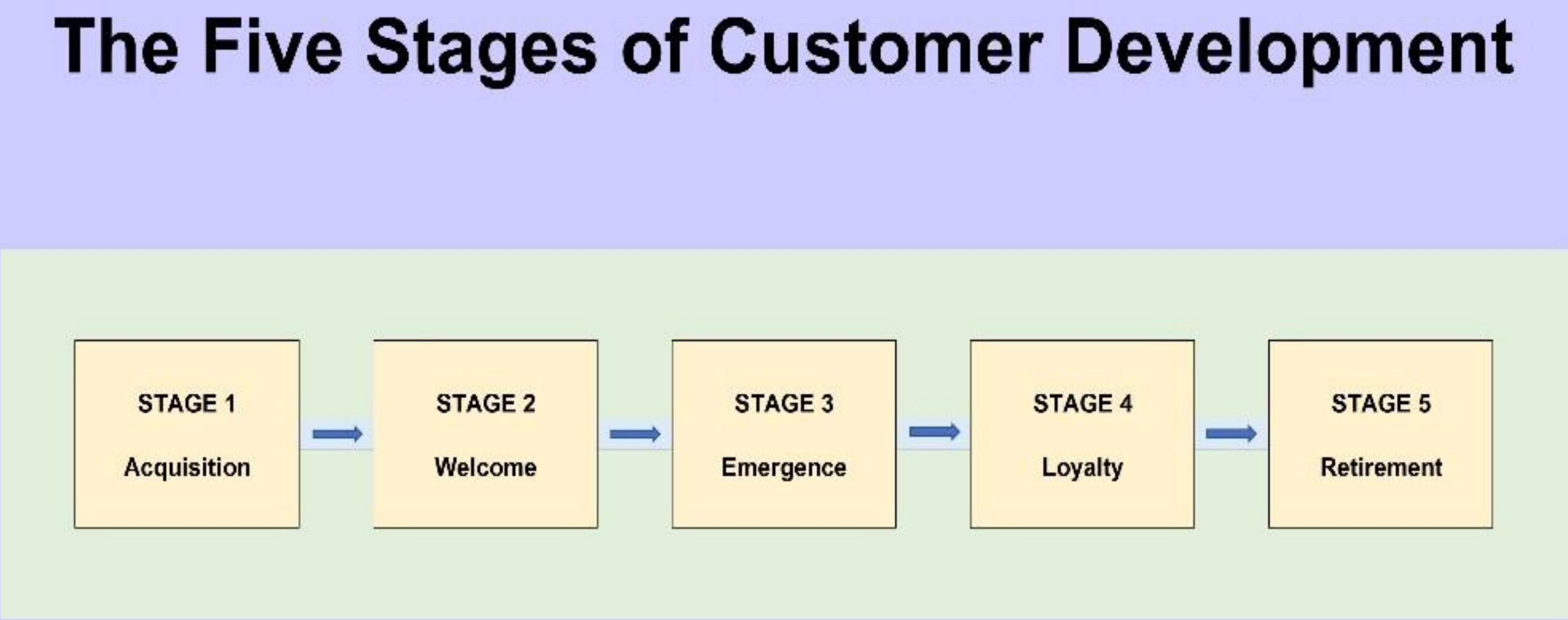
Optimal strategies offer a very different view of mailing strategy. Most catalogers cannot conceive of mailing some customers 35-50 times per year while mailing many(most) customers 1-3 times per year. The concept is appropriately foreign to companies with a marketing calendar that aligns around catalog mailing in-home dates.

Annual Mailing Strategy

	Low Organic Percentage	Medium Organic Percentage	High Organic Percentage
Current Strategy			
High Value	20.0	20.0	20.0
Medium Value	13.0	13.0	13.0
Low Value	6.0	6.0	6.0
Optimal Strategy			
High Value	50.0	30.0	9.0
Medium Value	20.0	8.0	2.0
Low Value	7.0	3.0	1.0
Optimal - Current			
High Value	30.0	10.0	(11.0)
Medium Value	7.0	(5.0)	(11.0)
Low Value	1.0	(3.0)	(5.0)

How Do I Optimize My Catalog Strategy?

Customer Development is Important



Mailings Matter for First-Time Buyers, Recent Buyers, Call-Center Buyers

Cumm 12 Month Repurchase Rate

Recency	Freq = 1	Freq = 2	Freq = 3	Freq = 4	Freq = 5	Freq = 6	Freq = 7
1	24.4%	43.0%	51.3%	58.8%	64.1%	69.2%	73.4%
2	18.6%	32.6%	40.2%	47.6%	52.8%	57.6%	61.6%
3	16.9%	30.5%	38.1%	45.7%	51.2%	56.0%	59.6%
4	16.0%	28.9%	36.6%	44.3%	49.6%	54.4%	57.3%
5	15.1%	27.5%	35.1%	42.8%	48.0%	52.6%	54.8%
6	14.3%	26.3%	33.7%	41.4%	46.5%	50.8%	52.2%
7	13.7%	25.1%	32.5%	40.2%	45.0%	48.8%	49.7%
8	13.1%	24.1%	31.3%	38.9%	43.3%	46.9%	46.9%
9	12.6%	23.2%	30.2%	37.8%	41.7%	44.7%	44.3%
10	12.1%	22.4%	29.1%	36.5%	40.1%	43.2%	41.7%
11	11.6%	21.6%	28.1%	35.4%	38.7%	41.2%	39.3%
12	11.0%	20.6%	26.7%	33.5%	36.2%	38.8%	37.5%
13	10.3%	19.3%	25.0%	30.4%	32.7%		
14	9.8%	18.3%	23.6%	28.0%	30.1%		
15	9.4%	17.7%	22.5%	26.6%	28.1%		
16	9.1%	17.1%	21.7%	25.4%	26.6%		
17	8.8%	16.4%	20.9%	24.3%	25.1%		
18	8.5%	15.9%	20.2%	23.3%	23.7%		
19	8.2%	15.3%	19.4%	22.3%	22.3%		
20	7.9%	14.8%	18.7%	21.2%	21.3%		
21	7.7%	14.4%	18.0%	20.2%	19.9%		
22	7.4%	13.8%	17.4%	19.1%	19.1%		
23	7.2%	13.2%	16.7%	18.0%	18.1%		
24	6.9%	12.6%	15.9%	17.0%	17.3%		

When Should You Mail Catalogs?

All customers with Recency = 1/2/3 and Frequency = 1 should be over-mailed. They should get your typical diet of mailings and any possible “on-demand” mailings constructed by your printer featuring a personalized merchandise assortment (this is a modern spin on the old-fashioned “hotline” programs). Your printer has been asking you to implement this strategy for fifteen or more years!

Customers in a “seasonal window” of Recency = 11/12 months are generally more responsive and deserve mailings in this timeframe.

Mail catalogs during your most productive timeframes (often April, October, November, early December).

Email / Notifications Should Complement and/or Replace Catalog Marketing Programs

If a customer purchases via email marketing programs (clicks are good, purchases are gold), then you have a high “organic percentage” and will likely swap out catalog mailings for personalized email/notification programs.

My most productive clients generate 20% - 40% of TOTAL ANNUAL NET SALES from email marketing and/or notification programs. They personalize (via merchandise) everything. They take money saved in catalog marketing programs and re-invest it in the best possible email / notification programs.

If The Metrics Work, Reinvest Housefile Catalog Dollars In Catalog Customer Acquisition

I realize that the era of co-op infused customer acquisition is over. But for those of you who can still make it work, please run your lifetime value numbers and then invest properly in catalog customer acquisition tactics. Customers acquired via catalogs tend to perform well in catalog marketing when on your housefile.

Digitally acquired customers tend to be "organic" in nature, not buying as much (or anything) because you mailed a catalog.

Most Clients Reinvest Housefile Catalog Savings In Digital Marketing Tactics

This becomes a self-fulfilling prophesy, one that “future-proofs” your business.

When you acquire a digital customer, the customer is less likely to buy via catalogs in the future, forcing you to modernize your marketing tactics, which enables you to acquire more digital customers in the future who respond to future digital tactics.

If your customer is < 60 years old, this is mandatory, of course.

If your customer is > 60 years old, this tactic WILL NOT WORK.

The Secret to Success?

A typical Catalog Optimization project might save you 15% to 40% of your housefile mailing expense, paired with a million dollars of incremental profit per $100,000,000 business.

You will be faced with the likely mitigation of a top-line sales loss. The secret to success?

- **Pocket some of your savings (your CFO will thank you).**
- **Reinvest in catalog customer acquisition where financially appropriate.**
- **Invest in email marketing / notifications / personalization.**
- **Invest in digital marketing efforts (if your customer is < 60 years old), then mail these buyers far fewer catalogs in the future.**
- **Consider mailing more frequently with fewer pages, personalizing the assortment along the merchandise categories an individual customer prefers.**

Current Contact Strategy Models

Brand Response, Brand Spend, Organic Percentage Models.

Catalog Optimization Model (Brand Response * Brand Spend * (1 – Organic %)).

Email Marketing Response Model (predicts who will buy from email marketing).

Primary / Secondary Merchandise Category Preference Models (used in personalization programs).

Welcome Program Model (used only for the first three months of a customer's life) … used to target customers appropriately early in the life stage (when conversion to a second order is of the utmost importance).

Project Work?

Models without any customer inferences or additional research = $14,000 per brand, $42,000 maximum.

Models and Full Customer Development Project Work = $25,000 per brand, $50,000 maximum.

Half of the project fee is due up-front, half is due within 15 days of project completion.

Models can be implemented via your existing vendor(s).

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