



## 2004 State of The Catalog and E-Commerce Report Extract

The chart below shows the importance of channel integration and dispels former fears of Internet cannibalization.

### Net Sales Generated by Media Source

		2004 Vs. 2002 Comparison	
		2004	2002
Do you track what percent of net sales are generated by outside media sources?	Yes	<b>40.3%</b>	34.0%
	No	59.7%	<b>66.0%</b>
	Total	100.0%	100.0%
What percent of overall net sales were generated by each media source? Please spread 100 points to the following media sources. (Averages)*	Direct mail	21.9%	<b>27.8%</b>
	Paper catalogs	15.4%	<b>27.3%</b>
	E-mail	11.1%	NA
	E-catalogs/Web site	15.7%	NA*
	Outlet stores	0.9%	1.7%
	Retail stores	6.7%	8.2%
	Wholesale	1.9%	4.6%
	Telephone	12.2%	<b>19.0%</b>
	Direct to merchant	NA	10.4%
Other	14.2%	0.0%	

The chart below clearly highlights the trend toward integrated backend operations.

### Customer Function Integration

		2004 Vs. 2002 Comparison	
		2004	2002
Which of the following customer functions are fully integrated across your telephone/fax based systems?	Customer service	91%	75%
	Order processing	73%	55%
	Product information	66%	62%
	Exchanges and returns for credit	60%	21%
	Real-time inventory status updates	43%	18%

(Note: In 2002, this question combined telephone/fax and Internet based systems).

The chart compares Web site and e-mail investment and revenue forecasts.

### Current and Future Web Site and E-Mail Investment

		Web Site	E-Mail
Anticipated 3 year investment in Web marketing/E-Mail (as % of sales):	Citing an increase	84%	81%
	Increase 25%+	51%	51%
Anticipated 3 year impact of Web/e-mail marketing on total revenue:	Citing an increase	78%	81%
	Increase 25%+	36%	30%
Percentage of total promotion expense invested in Web/e-mail marketing:	0 – 10%	52%	66%
	11 - >25%	37%	22%



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Average yearly circulation reported among catalogers is 5.2 million.

Percentage Mailed determined by responses to question: *what percentage was mailed to the following list sources.*

% of \$ Transactions determined by responses to question: *For your domestic flagship catalog, please list the percentage of net sales in 2002 derived from each of the following segments:*

### ROI Returns on Mailing Lists

List Sources	% Mailed	Number of Pieces Mailed	Response Rates	Number of Orders	% of \$ Orders x total orders
Catalog Lists	45.1%	1,543,948	4.2%	64,847	44.1%
Compiled Lists	13.8%	427,428	1.2%	5,129	11.6%
Donor Lists	0.4%	13,694	0.6%	81	2.3%
Subscription Lists	8.4%	287,565	1.4%	4,026	9.0%
E-mail Lists	2.7%	92,432	1.7%	1,571	3.0%
Cooperative Databases	26.6%	910,622	1.5%	13,659	26.6%
Other	3.0%	102,702	0.9%	924	3.3%
<b>Totals</b>	<b>100%</b>	<b>3,378,391</b>	<b>---</b>	<b>90,237</b>	<b>99.9%</b>

### Factors to Segment Online and Offline Customers – by Market\*

		Markets Products and Services to:			
		Consumer	B-to-B	Both	Total
What distinct factors do you use to profile and segment online customers?	<b>Online Customers:</b>				
	Purchase history	77.3%	60.0%	<b>88.6%</b>	77.9%
	Location/ZIP code	<b>68.2%</b>	45.0%	<b>68.6%</b>	62.3%
	Demographics (e.g. income)	40.9%	5.0%	48.6%	35.1%
	Estimated LTV	<b>45.5%</b>	20.0%	31.4%	32.5%
	Behavioral/hobbies/interests	31.8%	0.0%	31.4%	23.4%
	Other	0.0%	15.0%	5.7%	6.5%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
What distinct factors do you use to profile and segment offline customers?	<b>Offline Customers:</b>				
	Purchase history	91.3%	86.4%	88.2%	88.6%
	Location/ZIP code	<b>91.3%</b>	50.0%	82.4%	75.9%
	Demographics (e.g. income)	<b>82.6%</b>	27.3%	61.8%	58.2%
	Estimated LTV	56.5%	31.8%	44.1%	44.3%
	Behavioral/hobbies/interests	39.1%	0.0%	50.0%	32.9%
	Other	0.0%	9.1%	2.9%	3.8%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Overall, companies use the same two segmentation factors for their online and offline customers, namely purchase history and location/ZIP code. Compared to last year's results, using purchase history to segment online customers is noticeably on the rise. Those marketing to consumer-only individuals especially segment their offline customers through Location/ZIP code information, and demographics such as income and age. Companies marketing to both the consumer and B-to-B groups most often segment their online customers using the methods above. The only exception is that consumer-only marketers most often segment online customers using estimated LTV.

\* Total will not add to 100.0% due to multiple response.



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### Common Size Income Statements by Business Type (2002)

As a percent of net sales for 2002	All Respondents	Consumer	Hybrid	B-to-B
<b>Gross Sales</b>	107.8%	109.3%	107.6%	102.4%
(Less Returns & Allowances)	(7.8%)	(9.3%)	(7.6%)	(2.4%)
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	48.9%	47.1%	48.5%	55.9%
Gross Margin	51.1%	52.9%	51.5%	44.1%
<b>Marketing Expenses</b>				
Marketing staff salaries/wages (incl. taxes/benefits)	2.6%	2.2%	2.9%	2.9%
Creative (incl. design, photography, etc.)	1.6%	2.0%	1.6%	0.5%
Catalog (incl. printing/paper, merge/purge)	6.9%	8.0%	6.4%	4.3%
Postage (catalog & related mailings only)	6.9%	9.8%	5.8%	2.4%
List rental	1.5%	1.1%	2.0%	0.4%
Alternative media (space ads, card decks, solos, broadcast)	0.3%	0.3%	0.4%	0.2%
All other marketing expenses	0.8%	0.9%	0.6%	1.1%
<b>Total Marketing Expenses</b>	20.5%	24.3%	19.7%	11.8%
<b>Interactive Expenses</b>				
Interactive staff salaries	1.5%	1.2%	1.8%	---
Interactive marketing/advertising expenses	1.9%	2.5%	1.4%	---
Web site design/update expenses	0.8%	0.6%	0.9%	---
Web site hosting fees	0.5%	0.2%	0.6%	---
Web site maintenance expenses	0.5%	0.5%	0.5%	---
Other interactive expenses	0.5%	0.3%	0.7%	---
<b>Total Interactive Expenses</b>	5.6%	5.2%	5.9%	---
<b>Operating Expenses</b>				
Operations staff salaries/wages (incl. taxes/benefits)	2.4%	1.5%	2.3%	5.7%
Warehouse labor expenses	2.3%	1.8%	2.8%	2.2%
Cust. Service/telemarketing/order entry labor expenses	4.1%	4.3%	4.6%	1.4%
Shipping & packing materials	1.4%	1.6%	1.5%	0.5%
Outbound freight expenses	6.9%	8.3%	5.4%	8.4%
(Gross shipping & handling revenues)	(8.7%)	(7.9%)	(7.3%)	(16.8%)
All other operations expenses	1.7%	1.3%	2.3%	0.9%
<b>Total Operating Expenses</b>	10.1%	10.9%	11.6%	2.3%
<b>General &amp; Administrative Expenses</b>				
G&A staff salaries/wages (incl. taxes/benefits)	3.4%	3.5%	3.4%	1.1%
Merchandising salaries	0.7%	0.9%	0.5%	0.3%
MIS expenses (incl. salaries, non-capital)	1.1%	0.7%	1.5%	0.7%
Credit card fees	1.6%	1.7%	1.6%	0.7%
All occupancy expenses (rent/mortgage/property/taxes)	2.3%	1.7%	3.0%	1.7%
All interest expenses	0.9%	0.4%	1.4%	0.5%
All other G&A expenses	2.8%	2.8%	3.1%	1.2%
<b>Total G&amp;A Expenses</b>	12.6%	11.8%	14.5%	6.3%
<b>Total Expenses</b>	48.3%	52.2%	51.7%	20.4%
<b>Operating Income (Loss)</b>	3.2%	1.1%	1.2%	24.2%
Net List Rental Income	1.7%	0.7%	2.3%	2.2%
<b>Income (Loss) – EBIT</b>	4.9%	1.8%	3.5%	26.4%