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In Digital Era, Marketers Still Prefer a Paper Trail

Glossy Printed Catalogs, Low on Recycled Content and Often Discarded by Consumers, Continue to Deliver for Retailers

Never is the elusiveness of a paperless world more evident than at this time of year, when mailboxes overflow with catalogs.

More than 17 billion catalogs were mailed in the U.S. last year—about 56 for every American.

The quantity of paper consumed by catalogs is daunting. In the U.S., catalogs account for 3% of the roughly 80 million tons of paper products

POWER SHIFT



By Jeffrey Ball

While a 3% share of the paper market might not sound like a lot, much of that paper traffic is unsolicited, and little of it—less than 2% by one estimate—prompts a sale. But catalogs pay. Like so many environmental initiatives, from solar energy to hybrid cars, reducing the impact of catalogs runs into economic realities that favor the old way of doing things.

Much of what used to be done through the mail, including bill payments and personal correspondence, is now handled electronically.

So why does the catalog, which helped Richard Sears launch his eponymous retail empire more than a century ago, continue to thrive in the electronic age? Because glossy catalog pages still entice buyers in a way that computer images don't. Catalogs, marketers say, drive sales at Web sites, making them more important than ever.

Among retailers who rely mainly on direct sales, 62% say their biggest revenue generator is a paper catalog, according to the latest survey by the Direct Marketing Association of its members. Only a fifth of

those retailers said they draw their biggest sales from their Web sites.

That is why virtually no one expects the mail-order catalog to go away—even though only 1.3% of those catalogs generated a sale, the survey found. The average U.S. catalog retailer reported mailing about 21 million catalogs in 2007, sending out a new edition every 26 days.

"There will be some paper version for as long as I'm in the business," says Steve Fuller, chief marketing officer for L.L. Bean, the Maine-based outdoor-goods purveyor famous for its hunting boots and fleece jackets. Bean sends out about 250 million catalogs a year, making it one of the country's biggest catalog retailers. The company won't disclose how much paper those catalogs use.

Internet retailing has environmental consequences, notably energy-consuming Web servers. But so does the paper industry. It is the third-largest energy user within the U.S. manufacturing sector, trailing the energy and chemicals industries, according to the Department of Energy's Energy Information Administration. Making paper accounted for 2.4% of U.S. energy use in 2006, the most recent year for which statistics are available.

Little data exist on how much energy is used specifically to make catalogs. A 1999 report by the Environmental Defense Fund, an advocacy group that sought to highlight catalogs' impact, said they consumed more energy in one year than one million homes.

The catalog industry says it is working hard to reduce the environmental impact of its mailings, by pushing retailers to increase their reliance on recycled paper and by making it easier for consumers to opt out of mailings they don't want to receive.

The paper typically used in catalogs contains about 10% recycled content, according to industry consultant RISI. That is far less than paper in general,

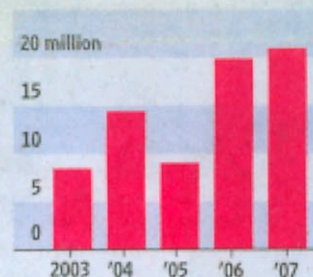


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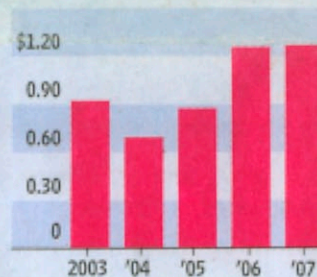
Paper Trail

As catalogs became more numerous and costly in recent years, they also generated fewer orders.

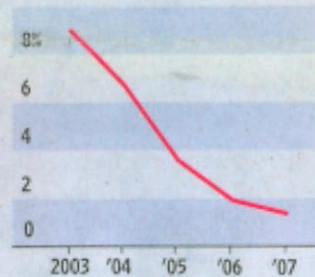
Average number of catalogs mailed in the U.S. per retailer



Average cost per catalog to retailer*



Average order rate (percentage of catalogs that resulted in a sale)*



Source: Statistics are based on U.S. catalog retailers that responded to a survey by the Direct Marketing Association.

*Catalogs mailed to existing customers

which typically contains about 30% recycled content. For newspapers, a bigger paper user than catalogs, the amount of recycled content is roughly 40%.

Catalogs tend to use thin, glossy paper, which is difficult to make from recycled fibers.

Even environmentalists say there is a limit to the amount of recycled paper that the average catalog is likely to be able to use. "You need to sell stuff in a catalog—the sweater has to look like a sweater," says Victoria Mills, managing director for corporate partnerships for the Environmental Defense Fund. The group has worked with several major catalog companies to help them nudge

the percentage of recycled paper in their catalogs into the double digits.

Frustrated with the pace of progress, some activists are calling for a crackdown against catalogs. A San Francisco environmental group called Forest Ethics is circulating an online petition calling on government to set up a "Do Not Mail" list that commercial mailers would have to honor, modeled after the National Do Not Call Registry that allows consumers to block telemarketers' phone calls. By signing up, consumers would block unwanted junk mail, including catalogs. The group says it has gathered about 100,000 signatures.

Those efforts, while nascent, worry the U.S. Postal Service, which depends on catalogs as an important source of revenue. The do-not-mail campaign is an environmental indulgence the nation can ill afford, Postmaster General John Potter suggested in a recent speech in Washington. "Ad mail helps pay for universal mail service in America," he said. He rejected the notion that printed mail causes undue environmental damage. "The mailing industry was at the forefront of the green movement a long time before the movement even had a name," he said. Certain trees are grown specifically to make pa-

per, he noted, adding: "They're renewable resources."

To protect its catalog revenue amid the recession, the post office recently hired a consultant to conduct a study that concluded that consumers who received catalogs from a retailer spent 28% more on that retailer's Web site than those who didn't get a catalog. "The more often you mail," the study said, "the more sales you could see."

Consumers always have the option of contacting retailers to stop receiving their catalogs. And some Web sites launched in the past few years allow consumers to opt out of receiving individual catalogs they don't want. Catalog Choice, a nonprofit group in Berkeley, Calif., runs one such site, and the Direct Mail Association runs another.

But the sites let consumers reject catalogs only from those companies that agree to participate. Though hundreds of the biggest catalog retailers have signed up, others haven't.

Chuck Teller, executive director of Catalog Choice, is working on an idea that could wean catalog retailers away from paper-based marketing without hurting their businesses. His "iCatalog" aims to adapt the accessibility of a paper catalog to the digital realm. Using an online widget that consumers can install on a personal Web page or social-networking site, Catalog Choice continually updates and customizes retailers' product selections.

Still, so far there are widgets available for only a few dozen titles. The National Directory of Catalogs, meanwhile, lists 12,524 catalogs, the vast majority of which include a paper version. That directory runs to 1,266 pages.

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