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The Impact of Catalog Shopping on Traditional Retail

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Retailers, intent on seizing new opportunities to increase sales, continue to explore alternative routes to traditional retail, including catalogs, web-based retailing and TV home shopping. It is important to understand the significance of alternative retail approaches and their impact on the competitive environment in communities.

Retailing is expected to experience some change in the coming years as advances in telecommunications continue to alter shopping patterns. One indication of the changing retail environment is the rapid growth of mail order retailing, which includes catalog selling and home shopping via television or computer. Between 1987 and 1992, catalog mail order was the fastest growing single retail industry, adding 550 establishments and 27,000 employees. Since 1990, mail order sales have grown at a strong 9.9 percent per year, which was twice the average growth of non-auto retail sales and 1.7 times the average growth of general merchandise, apparel and furniture store sales.

Although potential in the area of mail order sales may be great, and sales are expected to grow significantly over the next decade, the reality today is that these sales actually account for a small share of total retail sales. Mail order sales are still modest in the overall scale of total retail trade and overall economic activity. Mail order sales represented 10.8 percent of general merchandise sales, 3.7 percent of retail sales and 1.9 percent of gross national product in 1995.

The 1996 Catalog Shopping Survey by *Catalog Age* found that the most popular items purchased through mail order continue to experience steady growth. These items include books, music and videos. The survey also found that the main reason people shop from catalogs are convenience, avoiding hassles that accompany retail shopping and product exclusivity. Demographically, the biggest spending group of people, those aged 45 to 64, are also the biggest catalog purchasers.

Expansion into the international marketplace represented a marked shift in the mail order business in 1994. This trend not only allowed retailers to meet mail order sales growth requirements in an increasingly competitive and saturated domestic market, but it also allowed them to meet the demand of an eager international market.

In terms of the catalog industry, apparel has slowed in growth over the years, but women's apparel and accessories still hold the largest market share in the consumer catalog market and it is the largest growing product category. Specialty food and beverage catalog products account for a small portion of consumer spending in the catalog market, but this product group is also experiencing steady growth. Children's merchandise spending has declined in recent years due to a decrease in the number of households buying and a decrease in the average transaction size.

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Among the most telling observations about the mail order segment of the retail market are:

- Overall catalog growth is strong in terms of sales and employment. From 1991 to 1996, total sales grew by 8.4 percent per year to \$74.6 billion. From 1996 to 2001, annual growth is expected to be 6.7 percent.
- Since 1991, consumer catalog sales have grown by 7.9 percent per year to a projected \$46 billion in 1996. Business catalog sales increased by 9.4 percent per year to \$28.6B.
- Among specific sales segments in the mail order marketplace, between 1994 and 1995, growth was above average for computer hardware and software, health products: drugs/vitamins and apparel: hosiery and lingerie. Growth was below average for cosmetics, food and hardware and tools.
- On a per-capita basis, Americans spent \$539 by mail order, up from \$300 in 1994.
- Specialty mail order vendors reap a significantly greater share of consumer mail order product sales than do general merchandising mail order vendors.
- Mail order sales of Christmas gifts have siphoned off sales from traditional retailers. This trend is reflected in examination of the trend in the November/December ratio of mail order to general merchandise, apparel and furniture (GAF) store sales. In 1990, the ratio was 5.4 percent. It grew significantly in 1992 to 6.9 percent and in 1995 the ratio reached 7.6 percent.
- Total employment in the catalog industry in 1996 was estimated to be 389,000 workers, having grown from 377,000 in 1995 and projected to exceed 445,000 by year 2001.
- Overall, the majority of sales via catalog came from: women's apparel and accessories (27.8%); home products (21.6%); gifts/collectibles (11.3%); sports & outdoor products (8.0%).
- The average consumer catalog buyer is: a

professional, has children in the household aged 0-3 or 13-18; has some college education; is a homeowner; and is married.

Another trend in the industry is the crossover that is taking place among many retailers--chain stores have expanded their catalogs and catalogs have expanded their stores, sometimes based on trends in catalog sales. Retailers use their catalog concentrations to assist in siting new locations. Catalogs and stores have launched web sites. As advances continue to be made in information and electronic technologies, innovative catalogs will be used in the new media and new ways to reach both consumers and businesses will be developed. Catalog retailers are aware of the factors that have contributed to the growth in catalog shopping, including an increase in the number of female workers and a growing use of credit cards. The crossover of traditional retailers into nonstore mediums is expected to continue as retailers take advantage of the fact that consumers are pressed for time and are not loyal to only one form of shopping.

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