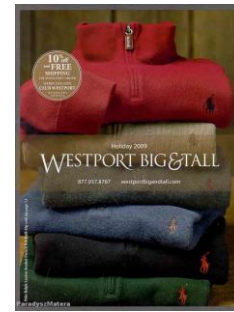




## Market Trends Highlights Apparel Catalogs – 2H 2009



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### Executive Summary

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Based on both promotion tracking and conversations with apparel marketers, there is optimism that the biggest recessionary challenges may finally be behind Apparel mailers. In 2H 2009, for example, September and November mailing activity was up. Other encouraging news came in the form of product expansion from the likes of Amazon-owned Zappos and new launches from the UK. NextDirect.com and Smart Turnout both launched stateside in the fall, following fellow European import Edo Popken earlier in the year. This report shows that many well known brands (Victoria's Secret, Urban Outfitters, Athleta) continue to see positive results, as evidenced by gains in housefile universe, or their continued online search popularity. Overall, 2009 saw increased use of incentives, as mailers worked hard to appeal to cautious consumers. Expectations of free shipping and deferred payment appear to be the "new normal" for today's buyer. Mailers, armed with an entire year's worth of experience catering to an increasingly discerning apparel buyer, are well positioned to continue testing and expand on what's been working. Nearly all would agree, however, that successfully engaging today's multichannel consumer remains a moving target.

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### Highlights

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**Direct Mail Campaign Activity:** In 2009, the total number of **Apparel** direct mail campaigns tracked by MarketRelevance fell 2.5% compared to 2008, with significant declines in 1H 2009. The fall months saw more of a rebound – September and November were up.

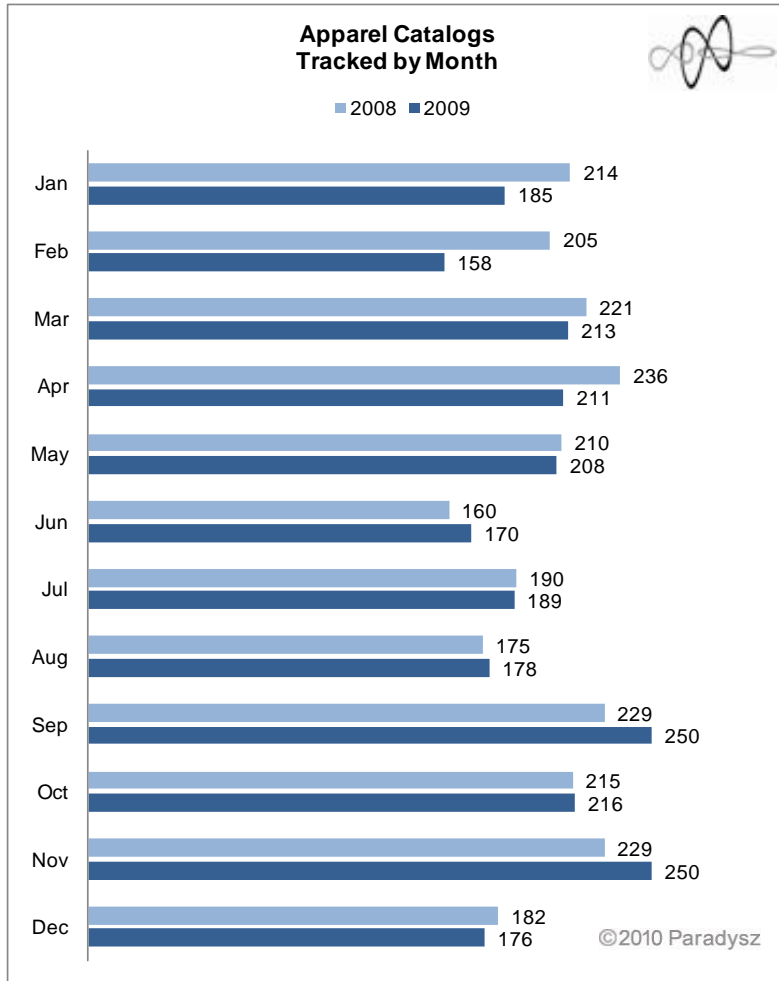
**Incentive Use:** The use of incentives continues to rise; in 2009, 53% of **Apparel** efforts included some kind of incentive, up from 46% last year. Free shipping and deferred payment remain the most popular.

**Direct Mail Universe Size:** The **Apparel** segment totaled 50MM mailable names in 2H 2009, stable from last quarter, and down 3.8MM (7%) from the prior year. Most individual housefiles saw decline in file size.

**Direct Mail List Costs:** In 4Q 2009, the average list cost per thousand (CPM) for the **Apparel** catalog market was \$115.23/M, on par with \$115.16 the previous year.

**Promotions of Interest:** Amazon-owned Zappos expanded its offerings beyond shoes to include clothing and accessories. 2H 2009 also introduced U.S. customers to UK imports NextDirect and SmartTurnout.

**Campaign Timing Analysis**

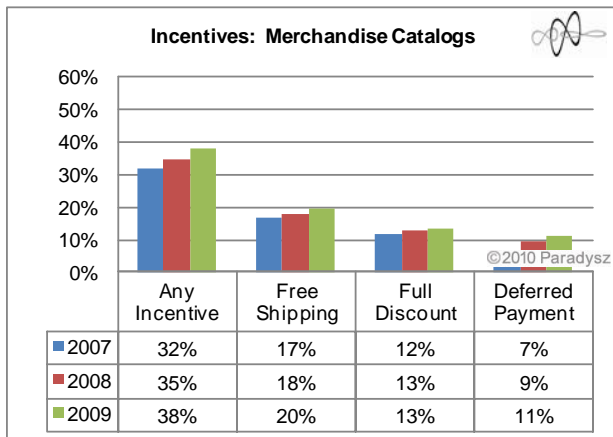
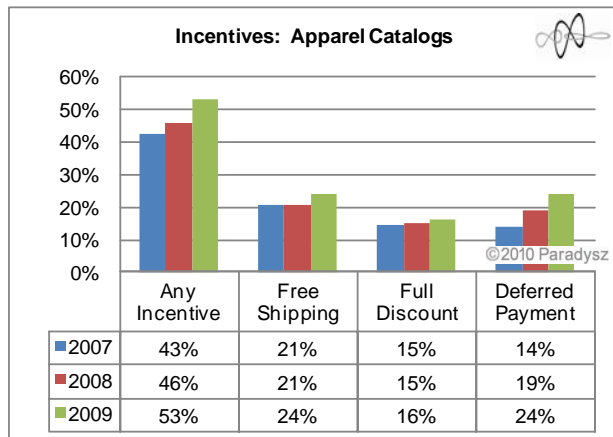


The total number of **Apparel** campaigns declined 2.5% (2,404 vs. 2,466). Most months of 2009 were down as mailers continued to respond to economic uncertainty. January, February and April saw the biggest declines (down 29, 47 and 25 campaigns respectively), while September and November were each up 21 campaigns.

**Incentive Trends**

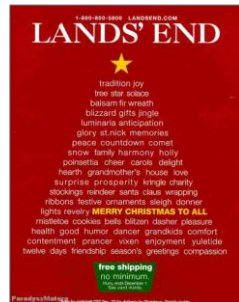
The charts below detail the use of the most common purchase incentives (free shipping, discounts on total order, deferred payment) within the **Apparel** catalog market as compared to the consumer merchandise marketplace.

Over half (53%) of **Apparel** catalogs have offered at least one incentive (free shipping, discount or deferred payment) in 2009, continuing an upward trend from 46% last year and well above the rate observed among merchandise catalogs in the same time period (38%).



The **Apparel** catalog statistics above are drawn from 2,757 apparel catalogs tracked in 2007, 2,744 in 2008 and 2,699 in 2009. Merchandise catalog statistics are drawn from 4,814 non-apparel merchandise catalogs tracked in 2007, 4,433 in 2008 and 3,960 in 2009.

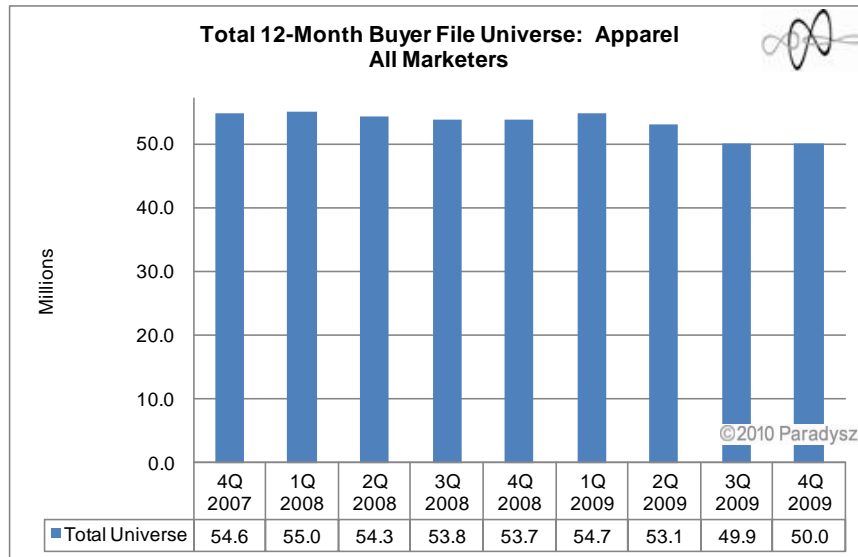
Free shipping and deferred payment are the most popular incentives. In 2009, 24% of **Apparel** mailers offered these incentives, up from 21% and 19% respectively. Mailers that sometimes offer free shipping include L.L. Bean, Blair, Lands' End, and Woolrich.



**Apparel** catalogs that typically offer deferred payment include Blair, Chadwick's, Newport News and Silhouettes (all tied to some form of credit card offer).



**Direct Mail Universe Study**



In 4Q 2009, the total 12 month active universe for the **Apparel** catalog market was 50MM names, down 3.8MM (7%) from the prior year. Declines are due to removal of the 1.8MM name JC Penney list, plus falloff in some of the category's biggest files. The final two quarters of 2009 remained very steady.

**New Apparel Launches and Other Promotions of Interest**

**NextDirect.com**

Next, an apparel and housewares retailer based in the UK, debuted stateside with its US Launch Edition of the NextDirect.com print catalog. The inside cover offers a bit of company background, detailing its 25 year history and noting the 500 store locations throughout the UK. The 84-page catalog presents a table of contents listing apparel for women and children, newborn and up. Products include a women's Black Sequin Jacket (\$128), the Signature Vintage Party Dress (\$93 - \$104) for girls ages three to 16 years, and the Dinosaur Top and Camouflage Trousers (\$24) for newborn boys. A sweepstakes for a \$1,000 shopping spree was also promoted, directing recipients to visit the website.

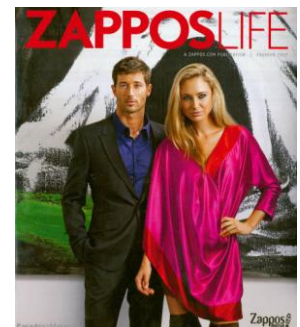


**Smart Turnout**

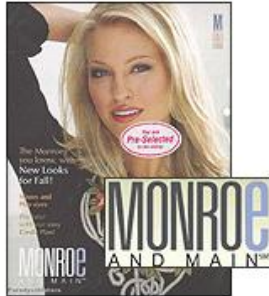
London-based apparel retailer Smart Turnout specializes in timeless British style, combining vibrant colors into bold patterns, often incorporating historic school or famous university colors. Products in the 76-page catalog include jackets, shirts, ties, socks, cufflinks, watches, belts and scarves, including the Charterhouse Jacket, pictured on the cover (\$499), a long sleeve Harvard Cricket Sweater (\$295) and an Oakham School Scarf (\$179). Other unique items include hand-painted Cast Iron Doorsteps (\$399), Needlepoint Cushions (\$135), and Key Wallets (\$80).

**ZapposLife**

The latest edition of ZapposLife included a variety of apparel and accessories in addition to its traditional wide selection of footwear. The company's well-known CEO Tony Hsieh introduced the collection in the company letter, noting the additional product categories as well as the company's 10-year history. Fashion brands included in the book range from UGG to Roberto Cavalli. Product examples include the UGG Mid-Town Belted Parka (\$454), True Religion jeans (\$385) and Hunter boots (\$114.95). Amazon purchased Zappos in July 2009.



**Other Promotions of Interest**



Monroe & Main new design

**Monroe and Main**

Monroe and Main debuted a new look in 2H 2009. The cover of the Fall 2009 catalog sported an updated logo with, "The Monroe you know, with New Looks for Fall!" The new logo puts less emphasis on "and Main," placing it below the larger sized "Monroe." Like other Swiss Colony titles, the catalog offers a line of credit with monthly payments as low as \$20. Products include the City Smart Trench (\$99.95 - \$109.95), the Take Note! Dress (\$89.95 - \$99.95), and the Monterey Handbag (\$49.95).



Monroe & Main old design



**Talbots**

A quote from Katharine Hepburn -- "if you obey all the rules you miss all the fun" -- appeared in large cursive text on the cover of Talbots' September 2009 catalog, which was dedicated to promoting "The Pant." Style icons Katharine Hepburn and Grace Kelly are both pictured throughout. Three new pant fits -- Heritage, Signature and Classic Side Zip -- were introduced; specific products include Heritage Fit Flannel Pants (\$129), the Signature Fit Cord Pants (\$69), and Classic Side Zip Bi-Stretch Pants (\$79). Additional merchandise featured in the catalog includes the Boyfriend Cardigan (\$69) and Darcy Wingtip Boots available in four colors (\$179).

**DeSantis Collection**

Menswear retailer DeSantis Collection appealed to holiday shoppers with big discounts and two new incentives in its Holiday 2009 book offering "Essential Neckwear for the Well-Dressed Gentleman." Wicker reindeer decorations on the front cover sport the Svelte Solid Red Combo Tie & Pocket Square set, regularly priced at \$175, but marked down to \$50. Like previous efforts this year, regular prices throughout the 16-page catalog are marked out and replaced with a "Now" price. Silk ties and scarves include the Oval Office Woven Tie (regularly \$110, now \$50) and the seasonal Tinsel Stitch Narrow Woven in red or green (regularly \$98, now \$50). The Collezione Artista collection of ties that feature artwork are also reduced to \$150 from the regular price of \$225. The newly added incentives include free shipping on any order as well as a "Bonus Savings!" discount offer of 10%/15%/25% off \$100/\$250/\$400+ orders.



**Fossil**

Fossil's 25th anniversary Vintage Revival book included a very modern way to connect. The "Vintage Revival" contest was detailed on the inside of the back cover. Contestants are asked to "simply upload a photo from your past and tell us how it inspires you today." Fossil's favorite photos will then be voted for online, with vintage-inspired Fossil prize packages awarded to the top three vote-getters. Throughout the book, a "posted" note tells recipients to "Join us on Facebook..."



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**About MarketTrends**

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MarketTrends is a product of Paradysz Research, designed to give mailers timely and actionable competitive intelligence within their core market category. Our goal is to provide clients with targeted information and reporting on a semiannual basis to more quickly benchmark progress relative to their specific marketplace and to aid in strategic planning.

The MarketTrends **Apparel** market set is comprised of those mailers with a consistent product mix focused primarily on apparel or footwear. There are 279 unique catalog titles and 157 lists in this market set, including *Anthropologie, Athleta, Auditions, B.A. Mason, Bachrach, Barrie Pace, Bedford Fair, Ben Silver Collection, Blair Corporation, Boden, Casual Male XL, Chadwick's, Charles Tyrwhitt, CWD Kids, Eddie Bauer, FootSmart, J. Crew, Jos. A. Bank, L.L. Bean, Orvis, Paul Fredrick Menstyle, Silhouettes, Spiegel, Talbots, TravelSmith* and *Victoria's Secret*.

Data for promotion tracking charts and statistics are drawn from MarketRelevance, Paradysz's proprietary media and promotion tracking tool. MarketRelevance tracks direct mail throughout the United States using a proprietary network of consumer and business units. Our national penetration includes 9 distinct geographic regions with diverse Nielsen county coverage (A, B, C and D) in every region. Only direct mail promotions with verifiable in-home mail dates are included in this study. Promotion and new media articles were originally published in Insight, Paradysz's client e-newsletter.

Data for mailer and marketplace universe growth are a product of the MarketRelevance proprietary universe tracking system. MarketRelevance maintains a database of historic 12 month/active counts on 96,000+ total U.S. list properties. The 43,000+ active properties, combined with those properties that were active during any given study period, are used for all universe trending. Only rental or exchange files with consistently verifiable 12 month/active counts are included in this study.

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