

**THE CONSUMER PRODUCT DIRECT MARKETING INDUSTRY:
ITS SIZE, GROWTH, AND SHARE OF THE U.S. RETAIL TRADE MARKET**

by

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- Using a credit card through the Internet is still not entirely safe. In today's electronic shopping environment, consumers' charge card numbers are exposed to intruding strangers who could steal them and use them at will.
- In a recent survey by the ICSC Research Quarterly, 43% of respondents indicated that they were very concerned about their right to privacy when using the information superhighway. Only 12% said that they were not concerned. These opinions indicate that consumers still have a strong reluctance to shopping on-line¹⁰.
- Some have likened the Internet to the Wild West, calling it the "wide open frontier for commercial and legal use"¹¹. Since very little precedent exists for conducting business in cyberspace, new obstacles such as copyright and trademark infringement, ownership of material, dependability of service, etc. will surface as this industry evolves.
- Some have estimated that on-line sales were only \$350 million in 1995¹² while others say that figure is \$575.5 million¹³. This compares to roughly \$120 to \$140 billion in total mail order sales¹⁴.

In time, many obstacles to shopping on-line are likely to disappear. As today's younger consumers, who are embracing the personal computer as a tool of everyday living, overtake today's older consumers, who are comparatively computer illiterate, dominant behaviors will undoubtedly change. However, this shift is not likely to happen in the near future.

¹⁰ "Information Superhighway", *ICSC Research Quarterly*, Volume 3, Number 1, Spring 1996, page 30.

¹¹ Friedman, Neal, Attorney of Pepper & Corazzini, quote attributed to, *IntelliSeek for Business* (an Internet Service), May 1996.

¹² Nagle Green, Emily and Eichler, Sara H., "Analyzing the Impact of Technology on Consumers", *The Forrester Report*, People & Technology, Forrester Research, Inc., May 1995, page 7.

¹³ Goldgaber, Arthur, "Shopping Meets Net Surfing in Wal-Mart/Microsoft Deal", *Discount Store News*, February 19, 1996, page 17.

¹⁴ From this study, see Chapters 3.

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ABSTRACT

It has been commonly perceived that the U.S. direct marketing industry is a rapidly growing one. It is hard not to notice how much is being marketed to consumers through direct marketing. Mail order catalogs are only one prominent example of direct marketing. Their explosion through the eighties is evidence that retailers found an important alternative to selling their wares. Television shopping networks are another example. Their success during the past ten years indicates that this method of direct marketing is here to stay. More recently, commercial on-line services and the Internet are being touted as the next direct marketing frontier.

This thesis attempted to determine the amount of business that consumer product direct marketing generates. Its primary goal was to track the growth of the industry over the past fifteen year period, in total and by major retail sector, and to determine its share of total U.S. retail trade market. Its secondary goal was to infer the impact that it has had and is likely to have on the demand for retail space.

The exact size and growth of the consumer direct marketing industry is difficult to measure precisely due to its complex and dynamic nature. This fact was evidenced by the discrepancies found between the various data sources used in this study. In any case, it could be inferred that today consumer product sales attributed to direct marketing may be in the range of \$120 to \$140 billion per year. This figure was about \$40 billion in 1979 and is expected to be approximately \$175 billion by 2001. The direct marketing share of total retail sales is in the 6%-7% range today, it was approximately 5% in 1979, and is expected to grow to 6.5%-7.5% by 2001. This suggests that although direct marketing's volume of business is growing faster than retail sales as a whole, its growth is not extraordinary. The products which appear to have enjoyed the most success in direct marketing include books, magazines, newspapers, sporting goods, jewelry, stationary, toys and games, camera and photographic equipment, novelties and gifts, flowers, and other miscellaneous products. Communication technology innovations, such as commercial on-line services and the Internet, and demographic shifts (from computer illiterate to computer literate) are expected to aid direct marketing's future success.

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CHAPTER 1 - INTRODUCTION

1.1 - THE U.S. DIRECT MARKETING INDUSTRY: A BRIEF OVERVIEW

Recognizing that direct marketing is an effective way of capturing new customers, in the past decade U.S. businesses have dramatically increased their investment in direct marketing techniques. Over this period, direct mail expenditures have increased by 254%¹. On average, businesses today are spending 76% of their marketing budget on direct marketing. About half of Fortune 500 companies are now engaged in some form of direct marketing². It is estimated that in 1995, fifty-three percent of the population purchased a product or service through mail order and that over 70% of these individuals spent over \$100 during the year³. These statistics clearly show why some real estate observers have suggested that the traditional shopping mall may be in trouble⁴.

Direct marketing is not a new way of selling in this country. Some sources trace it back to the days of Benjamin Franklin, the country's first postmaster general. Mail order, which is only one direct marketing channel of distribution, goes back more than 100 years with Sears and Ward. However, it has only been since the 1950s that researchers and businesspeople have recognized direct marketing as an important component of retailing.

From its relative obscurity in the late 1800s, direct marketing has achieved widespread acceptance in the contemporary United States. With many women in the work force, time has become a scarce resource for most American families, making , for example, mail order an attractive shopping alternative. Technology continues to play a transforming role in consumers' lives. Credit cards and toll free numbers have made it possible to shop from the convenience of our livingrooms 24 hours a day, 7 days a week. More recently, personal computers have begun to offer a new channel of communication. Through

¹ *Direct Marketing Market Place*, 1996, page ix.

² Nash, Edward L., Editor in Chief , *The Direct Marketing Handbook*, Second Edition, 1992, page xviii.

³ *Direct Marketing Market Place*, 1996, page ix.

⁴ Nakashima, Julie, "Shopping Bagged", *California Real Estate Journal*, Volume 6, Number 5, May 1996.

commercial on-line services and the Internet, consumers may shop for goods and services without leaving their homes. Information technology advances are also allowing direct marketers to better know their customers and to successfully target their needs.

According to one source⁵, direct marketing as a marketing technique will continue to advance due to the changing U.S. age distribution and housing and marital status of individuals. As baby boomers age there will be continued opportunity to sell to an age group that earns and spends more but demands high quality and service. The increase in single-parent homes and the need to find time effective ways to shop, present another opportunity to direct marketers. In general, the increasing fragmentation of the market in terms of age and needs creates an ideal environment for direct marketers, who, with their sophisticated marketing methods, are positioning themselves to deal with customers on an individual basis.

The size and growth of the direct marketing industry in number of establishments and sales volume has been measured by many sources over the years. Although there are inconsistencies in their results, all show that this industry has made solid inroads during the past thirty years.

The consumer product direct marketing industry is not easy to quantify, as it not only includes retailers who engage exclusively in direct marketing, but many others who operate traditional retail stores and also sell through direct channels. In addition, it includes manufacturers who sell directly to consumers. Direct marketing also includes three channels of distribution: mail order, house-to-house selling, and vending machines.

Mail order houses are defined by the Standard Industrial Classification Manual as “retail establishments primarily engaged in selling, by catalog and mail order, dry goods in combination with apparel and accessories, with furniture and home furnishings, with small

⁵ Sroge, Maxwell, *The U.S. Mail Order Industry*, 1994, pages 59-60.

hardware, with farmers' supplies, or with automobile equipment"⁶. As mentioned earlier, this narrow definition excludes all other retailers and manufacturers who are also engaged in direct marketing activities (including selling house-to-house and through vending machines). In any case, the 1958 U.S. Department of Commerce, Census of Business listed 2,550 mail order houses, doing a volume of business of approximately \$2 billion⁷. According to the 1978 Statistical Abstract of the United States, the number of establishments classified as mail order houses increased to 8,000 in 1972 while sales rose to \$6.8 billion in 1977⁸. More recently, the Statistical Abstract showed that total sales of mail order houses rose to \$10.9 billion in 1982⁹. Although these figures are probably understated by a substantial margin, they indicate that the mail order sales volume increased by an average of 6.7% per year between 1958 and 1977 and by 9.9% per year between 1977 and 1982.

A 1959 study by B. Klein & Company indicated that retail mail order sales in 1958 were approximately \$3.5 billion¹⁰, a figure which is 75% higher than the Census of Business statistic. However, due to the practical impossibility of accounting for every mail order operation, this sales volume too was probably conservative. Total U.S. retail sales for that year were reported to be approximately \$199.6 billion. Therefore, in 1958 consumer product mail order sales accounted for approximately 1.75% of all retail sales¹¹. Another source estimates that in 1990 consumer mail order sales were \$98.2 billion¹². These figures indicate that mail order experienced a compound growth of 11% per year between 1958 and 1990 and that its share of the total retail market grew to 5.4% by 1990. (Total U.S. retail sales were \$1.826 trillion in 1990).

⁶ Ibid., page 15.

⁷ Griffin, Harold E. Jr., *Mail Order Retailing, Economic Considerations for Small Operators*, December 1963, page 14.

⁸ Simon, Julian L., *How to Start and Operate a Mail-Order Business*, Third Edition, 1981, page 14.

⁹ Simon, Julian L., *How to Start and Operate a Mail-Order Business*, Fifth Edition, 1993, page 19.

¹⁰ Ibid., page 15.

¹¹ Ibid., page 15.

¹² Ibid., page 19.

Another source estimated that consumer direct marketing sales were \$15.2 billion in 1974, \$23.5 billion in 1978, and approximately \$44 billion in 1984¹³. This represents an average increase of 11.5% per year between 1974 and 1978 and 11% per year between 1978 and 1984. In terms of market share, these figures suggest that direct marketing captured a 3.8% share of total retail sales in 1984. (Total retail sales in 1984 were approximately \$1.2 trillion).

The growth in number of direct marketing establishments is another way to measure the success of this industry. One source estimated that the number of consumer firms who employed direct marketing techniques (i.e., catalogues, direct mail advertising, telephone orders, etc.) in some aspect of their product marketing grew from an estimated 6,000 in 1974, to 10,000 in 1978, and 11,000 in 1982. By 1984 they were in excess of 12,000¹⁴. This represents an average increase of 7% per year over the 1974 to 1984 ten year period. Another source estimates that in 1982, the number of businesses involved in mail order selling were over 13,000. By 1991 that number had grown to nearly 17,000¹⁵. This represents a mere average increase of 3% per year between 1982 and 1991, possibly indicating that an industry consolidation was occurring.

Given the differences in statistical methodologies used to develop the various estimates, and the evolving methodologies employed to generate the same estimates, directly comparing figures and inferring rates of growth is not completely accurate. However, the increase in volume of sales and number of establishments through the years is enough evidence to reasonably conclude that the growth of the U.S. direct marketing industry is worth taking seriously.

¹³ Sroge, Maxwell, *Inside the Leading Mail Order Houses*, 1984, page ix.

¹⁴ *Ibid.*, page vii.

¹⁵ *Direct Marketing Magazine*, August, 1983, page 62, and July 1992, page 31.

1.2 - PURPOSE OF STUDY

As a selling venue, consumer product direct marketing theoretically does not require the operator to have to occupy store-front retail space. In this sense, it is easy to understand the direct impact that direct marketing can have on the demand for retail space. In the extreme situation where all transactions occur in a direct marketing fashion (i.e., through mail order, house-to-house selling, and vending machines), there would be no need for retail space at all.

The principal aim of this study was to measure the size and growth of the U.S. consumer product direct marketing industry vis-à-vis the total retail trade market. This was accomplished by analyzing the industry as a whole and by major retail sector, in the hope of determining which retail sector is most threatened by direct marketing. A secondary aim of this study was to infer the current and future impact of direct marketing on the demand for retail space in the U.S.

1.3 - FRAMEWORK OF ANALYSIS

Although more widely defined as an interactive marketing system¹⁶, direct marketing as an industry can be quantified by the volume of sales it accounts for through its three channels of distribution¹⁷: mail order, house-to-house (personal visit) selling, and vending machines. As a whole, the direct marketing industry includes the sale of products and services to consumers and to businesses (known as the business-to-business market) as shown in the matrix in Table 1.1.

Table 1.1 - Direct Marketing Market Matrix

Consumer Products	Business-to-Business Products
Consumer Services	Business-to-Business Services

¹⁶ A complete definition may be found in *Direct Marketing Magazine*, November, 1984 issue, page 31.

¹⁷ As outlined by *Direct Marketing Magazine* in the May, 1996 issue, page 3.

As mentioned earlier, this study analyzed only the consumer product component of this industry, as selling consumer products is an activity which is typically associated with retail real estate. Consumer services were not considered the selling of services is an activity commonly associated with commercial office space. The business-to-business market was also excluded, as business-to-business sales, which do not represent end value products, are not included in the calculation of the national gross domestic product. In addition, product business-to-business sales typically occur at the wholesale level and normally would not affect retail space. However, some business-to-business exchanges are transacted in a retail setting (e.g. a law office that purchases stationary from a nearby store). In this case, since the U.S. retail trade statistics include these retailer-to-business sales, while the data used in this analysis do not, the resulting market share figures may not be completely accurate. Nevertheless, because it was not feasible to make adjustments for this component of business, achieving more exact results was not possible.

The accuracy of this analysis was also restricted by the following two conditions:

- (1) Despite its limitations, ample research was found on consumer product mail order sales. The same cannot be said for consumer product sales through vending machines and house-to-house selling (with the exception of the U.S. Census of Retail Trade data, which is limited in scope). Therefore, this study was able to draw some general conclusions about the growth and market share of mail order sales, but could only provide a broad estimate of the growth and market share of the consumer product direct marketing industry as a whole.

According to Direct Marketing Magazine (please refer to Appendix 1) vending machine and house-to-house sales account for only approximately 20% of the entire U.S. direct marketing industry, which includes sales of products and services to consumers and businesses. By observation, it can be said that many vending machines are already located in retail settings (for example, in restaurants and food

establishments) and that according to at least one expert¹⁸ house-to-house consumer product selling has all but vanished. Therefore, there was a reasonable basis in this study for extrapolating direct marketing from mail order sales.

- (2) As mentioned earlier, an objective of this study was to determine the share of the U.S. retail market captured by the consumer product direct marketing industry. This percentage was derived by dividing total U.S. retail trade sales into consumer product mail order sales. However, a portion of mail order sales included in the studies, which were used as part of this thesis, are accounted for by manufacturers (like IBM, Dell Computers, and Gateway, to name a few) who also sell to consumers, while the total U.S. retail trade figures do not contain such sales. In this sense, the derived market share figures may be inflated, as the denominator in the equation is smaller than what it should be.

The consumer product direct marketing channels of distribution (i.e., mail order, house-to-house selling, and vending machines) may be described as follows. Although a fourth channel of distribution, electronic deliveries (as on-line deliveries of computer software), can be identified, this channel is still considered to be part of mail order.

1. Mail Order: A mail order sale is a sale of a good that occurs between a business and a customer (or business) at a distance, without face-to-face contact. Any mail, phone, or electronic order (e.g., on-line order) of a product qualifies as a mail order transaction. Mail orders are generated through direct response advertising communications by a variety of media, such as catalogs, newspapers, magazines, radio, TV (including TV shopping networks), telephone marketing, the Internet, etc. Many retailers, such as L.L. Bean in Maine, are almost exclusively mail order. At the same time, many traditional retailers also sell via mail order. The most prominent example of such a retailer/mail-order house is Sears Roebuck.

¹⁸ Schmidt, Craig, VP Securities Research, Merrill Lynch, New York, NY, interview on 7/12/96.

Increasingly, many wholesalers and manufacturers are selling directly to consumers and businesses via mail order (e.g., the computer manufactures Dell and Gateway).

2. House-to-House Selling: The classic example of a company that used house-to-house selling is the Fuller Brush Company. In the 40s and 50s Fuller Brush Company salesmen went door-to-door, selling mops, broom, and other cleaning products. The 1987 movie, "Tin Men" gave another representation of a house-to-house retailer, that of the door-to-door aluminum house siding salesman. A more recent form of house-to-house selling is used by companies such as Tupperware and Discovery Toys whose representatives host "parties" in consumers' homes. The direct marketer Amway, has a slightly different marketing approach since it seeks to build networks of loyal buyers by also making them salespeople. Much of the business these companies do is actually via mail order since many of the products they sell are not delivered to the home at the time of the visit. In fact, in the consumer product market, house-to-house selling appears to have virtually disappeared as more cost-effective channels of communication and distribution have developed. Today, the vast majority of door-to-door sales are arguably accounted for by services, such as insurance and finance.

3. Vending Machines: Vending machines sales include any sale that is transacted between a customer and a machine that delivers a product. Products that are typically dispensed by vending machines include newspapers, snack foods, beverages, and cigarettes.

Table 1.2 summarizes the consumer product direct marketing channels of distribution and their characteristics.

Table 1.2 - Direct Marketing Channels of Distribution

<u>Channel of Distribution</u>	<u>Customer Contact</u>	<u>Example</u>
Mail Order	Non/Face-to-Face	Mail Order House TV Shopping Network Internet Virtual Store
House-to-House	Face-to-Face	House-to-House Salesman
Vending Machines	Face-to-Vending Machine	Vending Machines that dispense: Snack Foods Beverages, Cigarettes.

1.4 - CONCLUSIONS

As indicated earlier, the exact size and growth of the consumer direct marketing industry was difficult to measure precisely. This fact was evidenced by the discrepancies found between the various data sources which were used in this study. Therefore, the reader is warned to interpret the results of this study as indicators of general trends rather than as hard and fast facts and figures.

Although in total the estimates of the U.S. consumer product direct marketing sales were found to be reasonably similar, the same was not true for the estimates by the major retail sectors. In most cases, the discrepancies were so wide that they put into question the reliability of the data as a whole. Nevertheless some possible reasons were given to reconcile these discrepancies.

Despite these limitations, it was judged that today the U.S. consumer product direct marketing industry may be in the range of \$120 to \$140 billion per year. This figure was about \$40 billion in 1979 and is expected to be approximately \$175 billion by 2001. These figures translate into a market share of approximately 6% to 7% today. In 1979 market share may have been about 4.5%, suggesting that the direct marketing industry has had a

modest historical market penetration. This study also found that the rate of market penetration may continue at a slow pace, allowing direct marketing to reach a market share of only 6.5% to 7.5% by the year 2001. From this information, it is fair to conclude that in general, direct marketing does not present a major threat to the owners of retail space for the foreseeable future.

Mail order sales of the other retailers sector (including books, magazines, newspapers, sporting goods, jewelry, stationary, toys and games, camera and photographic equipment, novelties and gifts, flowers, and other miscellaneous vendors) were consistently found to have the largest share of the retail market. In addition, according to projections, which were provided by only one of the data sources, this is the only mail order category that may be expected to grow faster than its corresponding retail sector as a whole. Today, mail order represents approximately 10% of the other retailers market sector and it may grow to approximately 14% by 2001. Based on these estimates, it may be judged that direct marketing may have a 12.5% share of this retail market sector today and it could grow to 17.5% by 2001. (These calculations are based on the assumption that mail order represents 80% of direct marketing as a whole). These figures suggest that direct marketing by these vendors may present a meaningful threat to the owners of retail real estate. Given the wide discrepancies in the data, no reasonable conclusions could be drawn for any of the other major retail sectors.

It was sufficiently clear from the data that despite its current small impact on the traditional retail trade, the direct marketing industry may still be growing at a faster rate than the retail market as a whole. Then, when will direct marketing reach a point of saturation? Although this thesis was not able to answer this question quantitatively, it provides some research to suggest that direct marketing as a shopping venue may continue to gain in popularity for a long time to come. Communication technology innovations, such as commercial on-line services and the Internet, and demographic shifts (from computer illiterate to computer literate) will likely drive direct marketing's continued success.

Still, direct marketing exhibits some very concrete barriers which prevent it from becoming a dominant shopping mode. One of these barriers is its inability to provide the consumer with the sensory stimulation and entertainment aspect of the shopping experience. Another is a weak delivery system. Although technology promises to greatly improve the social aspects of the direct marketing shopping experience (by providing virtual reality shopping venues), it is still far from developing a vastly improved product delivery system, with at least one exception (computer software products sold and delivered on-line). Given these barriers, it is unlikely that direct marketing will ever overtake traditional store shopping as the preferred venue in the foreseeable future.

CHAPTER 2 - DATA SOURCES AND METHODOLOGY

2.1 - BACKGROUND

In this study, the impact of direct marketing on the demand for retail space is inferred by the growth in market share of the direct marketing industry as a percentage of the U.S. retail trade industry.

For the purpose of this study, the U.S. retail trade industry is measured as retail revenues captured under Division G, Retail Trade, of the U.S. Standard Industrial Classification (SIC) system. Division G, is broken down into Major Groups as shown in Table 2.1.

Table 2.1 - U.S. Standard Industrial Classification Retail Trade Major Groups

<u>SIC</u>	<u>Major Group</u>
52	Building Materials, Hardware, Garden Supply, and Mobile Home Dealers
53	General Merchandise Stores
54	Food Stores
55	Auto Dealers and Gasoline Service Stations
56	Apparel and Accessory Stores
57	Home Furniture, Furnishings, and Equipment Stores
58	Eating and Drinking Places
59	Miscellaneous Retail

Source: U.S. Standard Industrial Classification

Major Groups are broken down further into Industry Groups and Industries which are identified by a 1-number and 2-number extension to the Major Group number respectively. For example, Home Furniture and Furnishings Stores are classified under Industry Group number 571 and Furniture Stores are classified under Industry number 5712.

Although Division G includes establishments primarily engaged in selling merchandise for personal or household consumption, these establishments can also be rendering services which are incidental to the sale of goods. In this sense, Division G captures more than pure consumer product retail sales.

At the same time, Division G establishments are considered to be retail in the trade. Therefore, consumer product retail sales of manufactures (such as IBM), which are likely classified under Division D, are not included in the total U.S. Retail Trade figures. In this sense, Division G captures less than the total U.S. retail trade activity.

Unfortunately, breakdowns of manufacturer consumer product retail sales or retailer service revenues are not available. However, despite these limitations, the sales figures accounted for under Division G of the SIC system represent the best measure of total consumer product retail sales in this country and, therefore, were used accordingly in this analysis.

Exact sales figures for the U.S. consumer product direct marketing industry are somewhat elusive due to the complexity and dynamic nature of this industry. In fact, few have attempted to quantify it. Those who have admit that their data is less than perfect since it is derived from surveys, extrapolations, and expert judgment. Therefore, this study explores more than one available data source in an attempt to acquire a more complete understanding of the size of the U.S. consumer product direct marketing industry.

One of these sources is the U.S. Census of Retail Trade. This census captures consumer product direct marketing sales under Industry Group 596, Nonstore Retailers, which is a sub-category of Major Group 59. This sub-category is further broken down into the Industries shown in Table 2.2. Coincidentally, these Industries correspond to the three direct marketing channels of distribution.

Table 2.2 - U.S. Standard Industrial Classification of Nonstore Retailers

<u>SIC-596</u>	<u>Nonstore Retailer</u>	<u>Direct Marketing Channel of Distribution</u>
5961	Catalog and Mail-Order Houses	Mail Order
5962	Automatic Merchandising Machine	Operators Vending Machines
5963	Direct Selling Establishments	House-to-House Selling

Source: U.S. Standard Industrial Classification

However, as mentioned in Chapter 1 of this report, it is widely recognized that only a residue of direct marketing activity is accounted for in these SIC codes as they include only direct marketing businesses not assigned to other retail classifications. In reality, much direct marketing is done by companies (both retail and manufacturing) whose primary aim is not direct marketing. For example, large department stores who also sell through mail-order are classified under SIC 531, Department Stores (e.g., J.C. Penny, Sears Roebuck, etc.) and not SIC 596. At the same time, many mail order houses (e.g., Land's End, L.L. Bean, etc.) have established retail outlets whose sales should not be accounted for under SIC 596.

Three more comprehensive surveys of the U.S. direct marketing industry also exist. However, they provide estimates of the mail order channel of distribution of direct marketing only. The first is a database compiled by the Maxwell Sroge Company (MSC) in its publication entitled *The U.S. Mail Order Industry*. The second is the *Direct Marketing Magazine (DMM)* annual survey of businesses using the mail order method of selling, which was prepared by Arnold Fishman, President of Marketing Logistics, Inc. And, the third is a Direct Marketing Association study entitled *Economic Impact: U.S. Direct Marketing Today*, which was prepared by The WEFA Group (WEFA).

Each of these data sources exhibits various limitations which are all cautiously considered in this analysis. The U.S. Census of Retail Trade figures are the most problematic as they clearly underestimate the size of the U.S. direct marketing industry. However, they

represent actual sales figures and not estimates and are, therefore, a valid first benchmark in the measurement of direct marketing sales.

Although not inclusive of house-to-house selling and vending machine sales, the other three studies (i.e., MSC, DMM, and WEFA), arguably represent the most comprehensive attempts to measure the size and depth of the mail order channel of distribution. They all include product and services mail order sales to both consumers and businesses, of which this study uses the consumer product component only. Each of these studies used a similar approach to develop their sales estimates. They conducted an analysis of a large sample of businesses and a literature review of government and private sources. In the 1991 DMM survey, the latest for which detailed estimates were available, DMM claimed to have analyzed approximately 17,000 consumer product businesses. The WEFA study which was completed in 1995, surveyed about 34,000 businesses in total (however, no breakdown was available for the number of consumer product businesses). MSC does not reveal the number of businesses it surveyed in any of its literature. With the exception of the DMM survey which includes sales of identifiable businesses only, DMM and MSC extrapolated total sales figures from the sample of businesses analyzed and then verified and adjusted these figures based upon available external data. The WEFA study also conducted a survey and interview component as part of their analysis. The results of these three data sources were, in some cases, very different from one another, suggesting that the data collection and verification and adjustment process was not consistent across surveys. (Because the DMM survey includes only estimates of sales of identifiable businesses, claiming that extrapolations can be inaccurate, it is perhaps the most conservative of the three studies). The cause of these differences could not be verified due to the lack of detailed information provided in the studies. For this reason, they are not rigorously compared in this analysis, but simply used to determine common trends.

Unfortunately, each of these data sources also differs in classification methodology and in time periods covered. Therefore, (as discussed in the following sections) a number of

assumptions and adjustments were made in order to standardize these data according to the SIC Retail Trade format.

2.2 - TOTAL U.S. CONSUMER PRODUCT RETAIL SALES STATISTICS

Historical and projected U.S. retail trade sales figures by Division G Major Groups are shown in Table 2.3. Historical estimates from 1979 to 1995 were obtained from the U.S. Census of Retail Trade¹. Projections from 1996 to the year 2001 were obtained from The WEFA Group, Inc.² A few adjustments were made to this data in order to make it usable:

- (1) WEFA provided combined projections of SIC 56 and SIC 57 from 1996 to 2001. These figures were split between the individual SICs based upon their historical 1995 proportions. Although this methodology results in identical yearly sales growth rates for SIC 56 and SIC 57, which will unlikely be the case, the lack of better econometric forecasts made it impossible to derive better estimates of these figures.
- (2) The Miscellaneous group (i.e., SIC 59, Other Retailers) by definition includes both store and nonstore retailers (i.e., direct marketers). The nonstore portion of this group was, therefore, reallocated to the rest of the groups (including SIC 59, Nonstore Retailers, but excluding SIC 58, Restaurants. Restaurants were excluded as there is no such classification under Nonstore Retailers. This is perhaps because a restaurant that sells exclusively through direct marketing is a rare exception). based upon their historical proportions. Although the proportion of nonstore sales as a percent of total retail sales increased steadily from 2.28% in 1979 to 2.98% in 1995, it was conservatively assumed to remain constant at 3.0% from 1996 to 2001. Although these assumptions are unlikely to be completely accurate, they were considered to be reasonable for the purposes of this analysis.

¹ U.S. Department of Commerce, Bureau of Census, Business Division, Revised 4/96

² Obtained from Mike Raimondi in WEFA's Burlington, MA office

Table 2.3 - Historical and Projected Estimates of U.S. Retail Trade Sales (in nominal billion \$)

<u>Year</u>	<u>Build. SIC 52</u>	<u>Gen. SIC 53</u>	<u>Food SIC 54</u>	<u>Auto SIC 55</u>	<u>Appar. SIC 56</u>	<u>Furn. SIC 57</u>	<u>Rest. SIC 58</u>	<u>Other* SIC 59</u>	<u>Total</u>
1979	52.0	105.8	203.1	258.5	47.1	43.4	82.1	102.8	894.9
1980	52.3	111.1	225.7	265.2	50.3	45.2	89.9	114.5	954.3
1981	53.7	123.0	242.2	292.6	55.3	48.1	98.2	124.7	1,037.9
1982	52.2	126.9	252.2	297.5	56.9	47.8	104.5	129.4	1,067.5
1983	59.9	137.9	262.0	341.3	61.1	55.7	113.3	136.2	1,167.4
1984	68.6	152.9	278.3	389.9	65.6	62.7	121.1	144.8	1,283.8
1985	72.7	161.9	291.9	426.1	71.5	69.8	128.0	152.1	1,373.8
1986	79.0	173.0	304.2	439.3	77.2	77.3	139.4	159.9	1,449.2
1987	85.5	185.8	317.7	458.9	81.2	80.2	153.5	176.0	1,538.8
1988	93.4	195.9	333.4	495.3	86.7	87.4	167.4	189.0	1,648.6
1989	95.1	211.1	357.1	523.7	94.7	94.1	177.9	204.6	1,758.4
1990	97.4	221.6	379.0	541.0	98.5	94.3	190.2	223.1	1,845.1
1991	94.1	233.4	386.3	525.5	100.3	94.5	194.5	227.6	1,856.1
1992	103.9	253.1	388.4	560.6	106.7	99.5	199.9	232.6	1,944.6
1993	112.9	272.4	397.8	614.9	110.4	108.7	213.5	241.8	2,072.6
1994	122.2	291.3	412.2	684.8	112.9	122.5	223.2	253.7	2,227.8
1995	129.2	306.8	425.0	734.6	113.7	134.2	233.6	265.4	2,342.5
1996	132.4	320.3	430.6	740.7	116.8	137.9	242.0	273.9	2,394.7
1997	136.3	342.6	442.7	757.4	120.7	142.5	252.8	287.0	2,482.0
1998	142.2	369.1	455.2	804.5	125.1	147.7	263.7	302.2	2,609.6
1999	148.0	395.3	468.4	868.6	128.8	152.1	276.5	318.8	2,756.4
2000	154.2	419.2	481.4	937.6	132.6	156.6	290.1	336.0	2,907.7
2001	160.2	445.3	494.2	1,014.3	136.6	161.3	304.0	354.2	3,070.0

Note: Figures may not add up due to rounding.

* Includes store sales only. Nonstore sales were reallocated across other SICs, except for SIC 58, according to their fraction of total sales.

A detailed breakdown and assembly of the data presented in Table 2.3 may be found in Appendix 2.

2.3 - U.S. CENSUS OF RETAIL TRADE NONSTORE SALES STATISTICS

As explained earlier, the U.S. Census of Retail Trade captures consumer product direct marketing sales under Industry Group 596. Table 2.4 shows historical sales statistics for this Industry Group from 1979 to 1995³. A breakdown of these sales figures by the next sub-categories is also shown. Details of this data may be found in Appendix 2.

³ U.S. Department of Commerce, Bureau of Census, Business Division, Revised 4/96

Table 2.4 - Historical U.S. Nonstore Retail Sales (in nominal billion \$)

<u>Year</u>	<u>Mail Order SIC 5961</u>	<u>House-to-House and Vending Machines SIC 5962 + SIC 5963</u>	<u>Total Nonstore Retail Sales SIC 596</u>
1979	9.5	10.9	20.4
1980	10.7	12.0	22.8
1981	11.1	12.5	23.6
1982	11.3	12.5	23.8
1983	12.8	12.5	25.3
1984	15.0	12.8	27.8
1985	15.9	12.4	28.3
1986	17.1	13.2	30.3
1987	20.8	15.1	35.9
1988	23.7	16.8	40.5
1989	26.3	17.4	43.6
1990	26.6	19.1	45.6
1991	30.0	19.1	49.1
1992	35.2	20.0	55.2
1993	38.6	19.8	58.4
1994	43.4	20.6	64.0
1995	46.0	23.7	69.8

Note: Figures may not add up due to rounding

The Nonstore Retail Sales totals were not available as seasonally adjusted, while the rest of the U.S. Census of Retail Trade figures contained in this report are. However, the mismatch between seasonally and not seasonally adjusted data is usually small enough to make the difference negligible for the purposes of this analysis.

Although, as discussed earlier, the above data captures only a small portion of the direct marketing industry, it nonetheless reveals that the mail order channel of distribution has been steadily increasing its share of the market, moving from 46.6% in 1979 to 66.0% in 1995. This supports the observation that the house-to-house channel of distribution has been falling out of favor in the sale of consumer products.

2.4 - MAXWELL SROGE COMPANY U.S. CONSUMER PRODUCT MAIL ORDER INDUSTRY SALES ESTIMATES

The Maxwell Sroge Company (MSC) estimates of the size and composition of the U.S. mail order industry are the longest running of the data sources used in this study. These estimates are available from 1972 to 1991⁴. MSC used an evolving research methodology to develop their estimates up to 1978. Therefore, it warns readers not to compare these year-to-year figures as changes from one year to the next not only include real business growth and declines, but also reflect improved data sources and estimating methods. In order to avoid this pitfall, this study considers only estimates from 1979 through 1991, during which a supposedly consistent research methodology was used.

MSC's estimates include spending where the order for the good is placed through the mail, over the telephone, or electronically. The estimates exclude spending where the order is placed in a store (e.g., at a catalog showroom, etc.) or through personal selling. Therefore, it is clear that the Maxwell Sroge Company estimates do not capture the complete direct marketing universe.

The estimates include mail order sales of goods to consumers which are generated by any direct marketing channel of communication (i.e., catalogs, newspapers and magazine, radio, TV, Internet, etc.) and they are provided by major product segment. The basic research methodology for developing these estimates is described briefly below:

- (1) Sales estimates in each product category were developed for thousands of companies by reviewing various internal and external data sources.
- (2) Aggregate estimates were obtained for each category by (1) Summing up company estimates across each category, and applying an estimate of concentration of sales of

⁴ Initially this publication was entitled United States Consumer Mail Order Industry Estimates and it was later renamed The U.S. mail Order Industry.

the included companies to project a total for the category and (2) Comparing the estimate developed across companies with any available external estimates for the product category and making appropriate adjustments.

Although dated, a full text of the MSC research methodology may be found in Appendix 3.

MSC does not associate its product segments to any SIC code. However, with a few exceptions, these segments conveniently correspond to the Division G, Retail Trade, Major Group numbers as shown in Table 2.5. The segments which do not have a clear association to a specific SIC code are: General Merchandise/Housewares/Gifts, Health/Nutrition, Major Catalog Retailers, and Unclassified Merchandise.

General merchandise stores are listed under SIC 5399 and while they may carry housewares and gifts, housewares, generally understood as kitchenware, lamps, blinds, etc., are listed under SIC 5719 and gifts are listed under SIC 5947. Therefore, according to the SIC code MSC's General Merchandise/Housewares/Gifts segment should be split into three different SIC codes. In this study, it was assumed that the bulk of the business volume of this segment falls under general merchandise and, therefore, it is listed under SIC 53 only.

Health and nutrition may be interpreted as being products sold by health food stores, classified under SIC 5499, or by health food restaurants, classified under SIC 5812. Since MSC does not provide a restaurant (SIC 58) estimate, it was assumed that the Health/Nutrition product segment belongs only under SIC 54.

Major catalog retailers, which are assumed to be establishments such as L.L. Bean and Land's End, can carry a variety of products, but most often they sell apparel and general merchandise like household appliances, home furnishings, and electronic goods. Therefore, for the purposes of this study, the major groups associated with major catalog

retailers were assumed to be SIC 53, General Merchandise Stores, SIC 56, Apparel, and SIC 57, Home Furniture and Furnishings. Sales figures were allocated according to the historical proportion of these major groups. Although this methodology may not depict fact, it was considered to be reasonable.

Unclassified merchandise is a catchall segment which, as the definition implies, includes products not specifically attributable to any of the other broad segments. The SIC code includes all miscellaneous retailers under SIC 5999. Therefore, although the products included under unclassified merchandise are not specifically identified by MSC, the most logical SIC code in which to classify them was SIC 59.

Table 2.5 - MSC Retail Segments and Corresponding SIC Codes

<u>MSC Retail Segment</u>	<u>SIC Code</u>
Apparel	56
Automotive	55
Books	59
Collectibles	59
Cosmetics	59
Crafts	59
Electronic Goods	57
Food	54
Gardening/Horticultural	52
General Merchandise/Housewares/Gifts	57
Health/Nutrition	54
Jewelry	59
Magazines	59
Prescriptions	59
Records and Tapes	57
Sporting Goods	59
Tools/Home Repair	52
Major Catalog Retailers	53, 56 & 57
Department Stores	53
Unclassified Merchandise	59

As mentioned earlier, the MSC survey does not include restaurant (SIC 58) direct marketing sales.

Table 2.6 shows the MSC estimates grouped by Division G Major Groups according to Table 2.5. The 1992 through 1994 totals represent projections for which a sector by sector breakdown was not provided. The complete MSC data assembly may be found in Appendix 4.

Table 2.6 - MSC Historical Estimates of U.S. Consumer Product Mail Order Sales by Major Retail Trade Group (in nominal billion \$)

<u>Year</u>	<u>Build. SIC 52</u>	<u>Gen. SIC 53</u>	<u>Food SIC 54</u>	<u>Auto SIC 55</u>	<u>Appar. SIC 56</u>	<u>Furn. SIC 57</u>	<u>Other SIC 59</u>	<u>Total</u>
1979	0.7	3.9	1.0	0.2	2.2	5.6	7.3	20.9
1980	0.8	4.4	1.0	0.2	2.4	6.2	7.7	22.6
1981	0.9	4.8	1.1	0.2	2.6	6.5	8.6	24.8
1982	0.9	5.1	1.2	0.3	2.9	6.9	9.4	26.5
1983	0.9	5.7	1.2	0.3	3.1	7.4	10.2	28.9
1984	1.0	6.5	1.3	0.3	3.5	8.2	11.2	31.9
1985	1.0	7.1	1.3	0.4	4.0	8.9	12.1	34.7
1986	1.1	7.9	1.4	0.4	4.6	9.7	13.1	38.1
1987	1.2	8.4	1.4	0.4	5.0	10.5	14.3	41.1
1988	1.3	11.4	1.5	0.5	6.2	11.9	16.2	49.0
1989	1.5	12.6	1.7	0.5	7.8	14.3	18.8	57.1
1990	1.7	13.8	1.8	0.6	10.2	15.7	20.4	64.2
1991	1.9	15.1	1.9	0.6	12.6	17.6	22.6	72.3
1992								78.5
1993								86.3
1994								96.7

Note: Figures may not add up due to rounding

2.5 - DIRECT MARKETING MAGAZINE U.S. CONSUMER PRODUCT MAIL ORDER SALES ESTIMATES

Direct Marketing Magazine (DMM) published a comprehensive annual survey of businesses using the mail order method of selling from 1981 to 1995. From 1981 to 1986 this survey was entitled Mail Order Guide, while from 1987 to 1991 the title was changed to Mail Order Top 250 as it was expanded to include a listing of the 250 leading U.S. mail order sales companies. From 1992 to 1995 this survey had a much briefer format, containing only total estimates.

Like the MSC data, the DMM survey includes sales of goods where the consumer placed the order by mail, phone, or electronically, not requiring the consumer to visit a store. It excludes (1) sales through personal selling, (2) orders placed at a catalog desk, and (3) purchases at vending machines. However, it includes sales of products which are picked up by the consumer at a store, as long as the order was placed by mail, phone, or electronically.

The research methodology for developing the mail order sales estimates included in this annual survey is described as a two-fold process which involves the preparation of micro and macro estimates. Micro estimates are estimates of mail order sales of businesses by product segment which are obtained through various public and proprietary sources. Macro estimates are sales estimates based on aggregate sources of mail order sales in the segment. DMM is careful to point out that its total sales estimates are based on identifiable businesses only. Multipliers were not used as DMM believes that they can cause unwanted data distortions. Therefore, the DMM estimates are likely to be more conservative than the other sources. A full text of the DMM research methodology may be found in Appendix 5.

DMM cautions the reader against making year-to-year comparisons of the data since the estimates not only reflect actual growth in sales but also include (1) Improvements in the available information (i.e., an expanded database of companies), (2) Improvements in aggregation methodology, and (3) Recognition of additional product segments not previously incorporated. Therefore, year-to-year growth or decline rates of the sales figures calculated from the DMM data will only be used for reference in this study.

This DMM survey provides a breakdown of consumer product mail order sales by two major vendor categories: Specialty vendors and general merchandise vendors. These two major categories are further broken down into product segments and most are associated

with one or more business SIC code as shown in Table 2.7. A few product segments are not associated with any business SIC code at all.

Table 2.7 - Breakdown of DMM Vendor Categories and Associated SIC Codes

<u>Product Segment</u>	<u>Business SIC</u>	<u>SIC Division</u>
<u>Specialty Vendors:</u>		
Animal Care		
Apparel	23XX	Manufacturing
Audio-Video	3651	Manufacturing
Automotive/Aviation	3714	Manufacturing
Books	27XX	Manufacturing
Collectibles	5999	Retail Trade
Consumer Electronics/Science	357X/367X/3811	Manufacturing
Cosmetics/Toiletries	2844	Manufacturing
Crafts	3944	Manufacturing
Food	20XX	Manufacturing
Gardening	0181	Agriculture
Gifts	5947	Retail Trade
Hardware/Tools	342X	Manufacturing
Health Products	283X	Manufacturing
Home Construction		
Housewares	251X/323X/336X/3361	Manufacturing
Jewelry	391X/3964	Manufacturing
Magazines	2721	Manufacturing
Multi-Products		
Newspapers	2711	Manufacturing
Photographic Products	386X	Manufacturing
Records	3652	Manufacturing
Sporting Goods	3949	Manufacturing
Stationary	2771	Manufacturing
Tobacco	21XX/277X	Manufacturing
Toys/Games/Children's Products	3944	Manufacturing
Computer Software	7372	Services
Computer Hardware	7372	Services
<u>General Merchandise Vendors:</u>		
Big 5 Catalog Retailers	5311	Retail Trade
Department/Specialty Stores	5311/561X	Retail Trade
Catalog Showrooms		

The Big 5 Catalog Retailers product segment was named for the original large catalog sellers: Sears Roebuck, J.C. Penny, Montgomery Ward, Spiegel, and Aldens. However, Aldens dropped out after 1982 and Montgomery Ward dropped out after 1986, having sold its mail order unit in 1985.

It should also be noted that mail order sales for Sears Roebuck and J.C. Penny include insurance and auto club sales and that the Multi-Product segment includes travel and entertainment card company sales. Since these are likely to be services and not consumer products, the DMM estimates could be somewhat inflated. However, as mentioned earlier, the DMM estimates are based upon sales of identifiable business only, and therefore should still be conservative.

For the purposes of this study, the DMM product segments were reclassified under an appropriate Division G, Retail Trade, Major Group number as shown in Table 2.8. Although Health Products is not specifically identified in the SIC code, it is interpreted to be equivalent to Health and Dietetic Food Stores under SIC 5499. Although Home Construction may include floor covering stores which are under SIC 5713, most home construction products are under SIC 52. Therefore, the Home Construction segment was assigned to SIC 52. As mentioned earlier, Multi-Products includes a service component. However, the DMM survey never specifically identifies which products are included in this segment. In this case, the most logical classification for Multi-Products was SIC 53, General Merchandise Stores.

As was the case in the MSC estimates, the DMM survey does not provide estimates for direct marketing sales of restaurants (SIC 58).

Table 2.8 - Reclassification of DMM Vendor Categories Under Retail Trade SIC Codes

<u>Product Segment</u>	<u>Business SIC</u>	<u>Retail Trade SIC</u>
<u>Specialty Vendors:</u>		
Animal Care		59
Apparel	23XX	56
Audio-Video	3651	57
Automotive/Aviation	3714	55
Books	27XX	59
Collectibles	5999	59
Consumer Electronics/Science	357X/367X/3811	57
Cosmetics/Toiletries	2844	59
Crafts	3944	59
Food	20XX	54
Gardening	0181	52
Gifts	5947	59
Hardware/Tools	342X	52
Health Products	283X	54
Home Construction		52
Housewares	251X/323X/336X/3361	57
Jewelry	391X/3964	59
Magazines	2721	59
Multi-Products		53
Newspapers	2711	59
Photographic Products	386X	59
Records	3652	57
Sporting Goods	3949	59
Stationary	2771	59
Tobacco	21XX/277X	59
Toys/Games/Children's Products	3944	59
Computer Software	7372	57
Computer Hardware	7372	57
<u>General Merchandise Vendors:</u>		
Big 5 Catalog Retailers	5311	53
Department/Specialty Stores	5311/561X	53
Catalog Showrooms		53

Table 2.9 shows the DMM estimates grouped by Division G Major Groups according to Table 2.8. Sales figure breakdowns by major retail groups for 1987 were not available and therefore, were interpolated. As mentioned earlier, breakdowns were also not available for 1992 through 1995. The complete DMM data assembly may be found in Appendix 6.

Table 2.9 - DMM Estimates of U.S. Consumer Product Mail Order Sales by Major Retail Trade Group (in nominal billion \$)

<u>Year</u>	<u>Build. SIC 52</u>	<u>Gen. SIC 53</u>	<u>Food SIC 54</u>	<u>Auto SIC 55</u>	<u>Appar. SIC 56</u>	<u>Furn. SIC 57</u>	<u>Other SIC 59</u>	<u>Total</u>
1982	0.9	8.8	1.1	0.2	1.4	1.5	14.7	28.6
1983	1.0	10.2	1.4	0.3	1.8	1.8	13.6	30.2
1984	1.1	13.7	1.7	0.3	2.2	2.5	14.9	36.5
1985	1.2	14.8	1.9	0.4	2.4	3.0	15.4	39.0
1986	1.2	13.6	2.1	0.4	2.5	3.1	16.4	39.3
1987	1.4	12.7	2.9	0.5	3.2	3.6	18.4	42.8
1988	1.5	14.8	3.6	0.6	3.8	4.0	19.5	47.8
1989	1.7	18.9	3.6	0.6	3.6	4.2	21.3	53.9
1990	1.7	19.8	3.8	0.6	4.3	4.3	22.4	56.9
1991	2.2	22.8	4.3	1.1	4.4	5.0	24.4	64.2
1992								66.9
1993								71.4
1994								77.9
1995								85.8

Note: Figures may not add up due to rounding

2.6 - DIRECT MARKETING ASSOCIATION U.S. CONSUMER PRODUCT MAIL ORDER SALES ESTIMATES

The Direct Marketing Association study entitled Economic Impact: U.S. Direct Marketing Today provides the most recent estimates of direct marketing consumer sales as well as projections for the future. As mentioned earlier, this study was prepared by The WEFA Group which was formed in 1987 through the merger of two leading consulting firms: Chase Econometrics and the Wharton Economic Forecasting Associates. This study differs from the other data sources in that it not only tracks the historical trends in U. S. mail order sales, but also develops an econometric model to forecast future sales. The period covered by this study is from 1988 through the year 2001.

The definition of direct marketing used by WEFA in its study is media-based, in the sense that it measures sales generated by the various channels of communication: Direct mail (i.e., catalogs), television, radio, newspaper, magazines, telephone marketing, and other media, such as electronic communication. However, the WEFA study does not include any house-to-house or vending machine sales. The direct marketing communication by its intended purpose is broken down as follows:

Direct Orders: A direct marketing communication (by any medium) which is designed to solicit and close a sale. This includes communication which provides the consumer with enough information to make an immediate decision to purchase a product, and a response mechanism (i.e., telephone or mail order information).

Lead Generation: A direct marketing communication (by any medium) which is designed to generate interest in a product and provides a prospective buyer with the means to request additional information about the product.

Traffic Generation: A direct marketing communication (by any medium) which is designed to motivate a prospective buyer to visit a store, restaurant or other business establishment.

This study analyzes only the direct order category of direct marketing sales as it only seeks to establish the extent of impact that direct marketing has on the demand for retail space. Although the lead generation category may also generate direct order sales (i.e., sales of goods where the consumer placed the order by mail, phone, or electronically, not requiring the consumer to visit a store), this study makes the assumption that sales attributed to lead generation primarily result in store sales.

The WEFA study research methodology includes a combination of statistical data analysis, independent expert opinion, primary and secondary research, and economic modeling. The

study was also continually augmented by thorough literature and information searches on direct marketing and other industries. A full text of the WEFA research methodology may be found in Appendix 7.

The WEFA study organizes consumer product sales by Retail Trade SIC code Major Group numbers as shown in Table 2.10.

Table 2.10 - WEFA Classification of Consumer Product Sales

<u>SIC #</u>	<u>Major Group Description</u>
52	Building Materials/Garden Supplies
53	General Merchandise Stores
54	Food Stores
55	Auto Dealers/Service Stations
56 & 57	Specialty Retailers
58	Eating and Drinking Places
59	Miscellaneous Retail

Therefore, the DMA data did not have to be re-categorized extensively as was the case with the previous two data sources. However, two exceptions exist. The first lies with SIC 59 which includes both store and nonstore retailers (i.e., mail-order houses and direct selling establishments). In this case, the nonstore portion of these sales figures was reallocated to the other major retail groups, including SIC 59 store retailers, but excluding SIC 58, restaurants, based upon their fraction of total sales. (As was the case in the total retail trade reallocations, restaurants were excluded as there is no such classification under Nonstore Retailers). The nonstore portion of sales was determined based upon the historical proportion of nonstore sales of total U.S. retail trade sales.

The second exception lies with the Specialty Retailers category which is identified as a combination of SIC 56 and 57. Up to 1995 Specialty Retailers sales were split between SIC 56 and 57 according to the breakdowns of total U.S. retail sales. From 1996 through

2001, this category was split according to the 1995 breakdowns of total U.S. retail sales, which results in equal growths of SIC 56 and SIC 57. Although this methodology is unlikely to reflect fact, it was considered to be reasonable for the purposes of this study.

Table 2.11 shows the WEFA estimates grouped by Division G Major Groups. The complete WEFA data assembly may be found in Appendix 8.

Table 2.11 - WEFA Historical and Projected Estimates of U.S. Consumer Product Mail Order Sales by Major Retail Trade Group (in nominal billion \$)

<u>Year</u>	<u>Build.</u> <u>SIC 52</u>	<u>Gen.</u> <u>SIC 53</u>	<u>Food</u> <u>SIC 54</u>	<u>Auto</u> <u>SIC 55</u>	<u>Appar.</u> <u>SIC 56</u>	<u>Furn.</u> <u>SIC 57</u>	<u>Rest.</u> <u>SIC 58</u>	<u>Other</u> <u>SIC 59</u>	<u>Total</u>
1988	4.9	4.5	10.5	19.0	4.2	4.2	3.8	19.4	70.4
1989	5.1	4.9	11.2	20.5	4.5	4.5	4.1	21.3	75.9
1990	5.2	5.1	11.8	21.2	4.6	4.4	4.3	22.3	78.9
1991	5.1	5.4	12.1	20.6	4.6	4.3	4.5	24.4	80.9
1992	5.4	5.6	12.3	21.9	4.8	4.5	4.7	26.7	85.8
1993	5.7	6.0	12.7	23.1	4.9	4.8	5.0	29.0	91.3
1994	6.2	6.6	13.1	24.8	5.0	5.4	5.3	31.7	98.0
1995	6.8	7.1	13.5	27.4	5.1	6.0	5.6	33.3	104.7
1996	7.2	7.6	13.9	29.4	5.4	6.4	5.9	35.4	111.1
1997	7.6	8.0	14.3	31.1	5.7	6.7	6.1	37.9	117.3
1998	7.9	8.6	14.7	32.4	5.9	7.0	6.4	40.5	123.3
1999	8.2	9.2	15.1	33.9	6.1	7.2	6.8	43.1	129.6
2000	8.5	9.9	15.6	36.2	6.3	7.4	7.1	45.8	136.8
2001	8.9	10.7	16.0	39.2	6.5	7.7	7.5	48.4	144.9

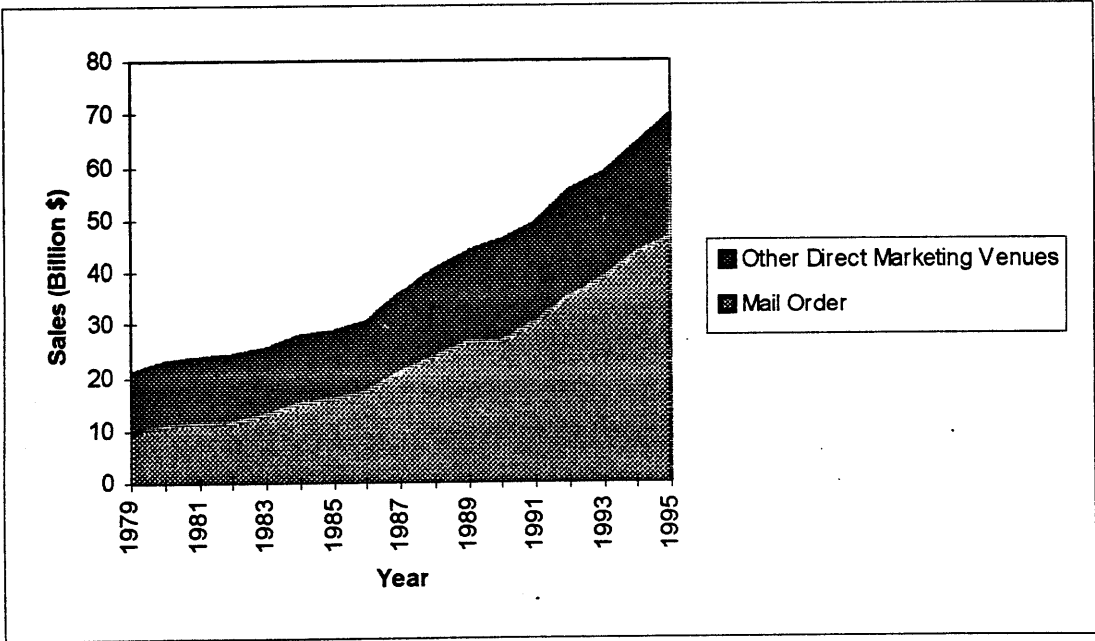
Note: Figures may not add up due to rounding

**CHAPTER 3 - SIZE AND GROWTH OF THE U.S. CONSUMER PRODUCT
DIRECT MARKETING INDUSTRY**

**3.1 - GROWTH TRENDS OF U.S. CENSUS OF RETAIL TRADE NONSTORE RETAILER
SALES**

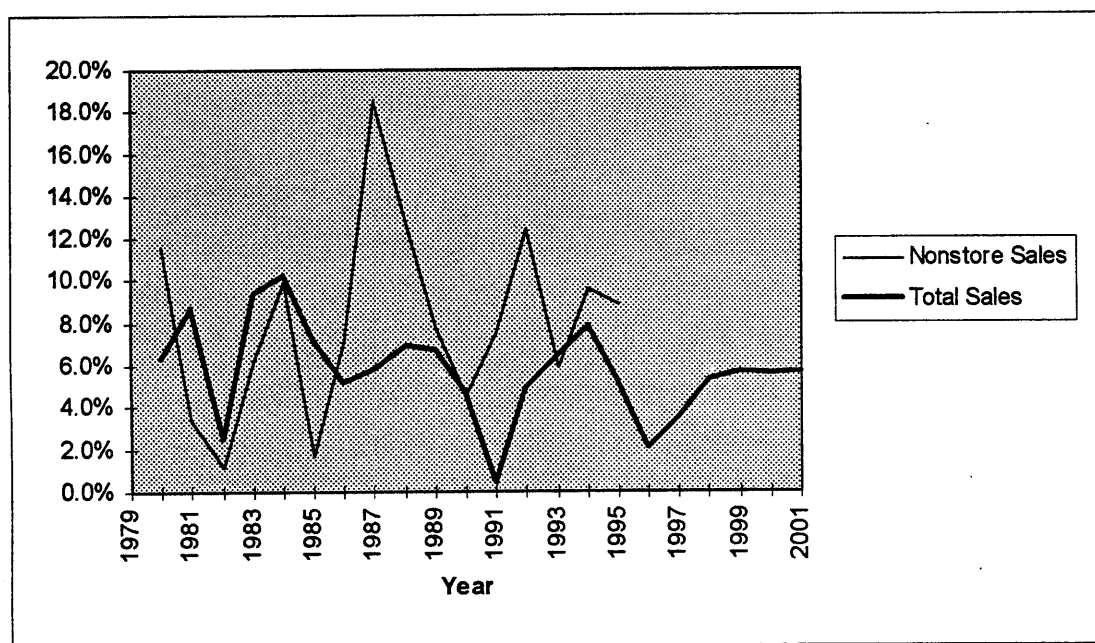
Figure 3.1 shows yearly sales of nonstore retailers from 1979 to 1995, as reported by the U.S. Census of Retail Trade, under SIC 596, Nonstore Retailers, including a breakdown between mail order establishments and other direct marketing establishments (i.e., vending machine and house-to-house sellers). The graph clearly shows the dominant position that mail order has secured over time. In 1995 mail order sales represented approximately 66% of all direct marketing sales. In total, U.S. Census of Retail Trade direct marketing sales grew from approximately \$20 billion in 1979 to approximately \$70 billion in 1995.

Figure 3.1 - U.S. Census of Retail Trade Nonstore Retailer Sales



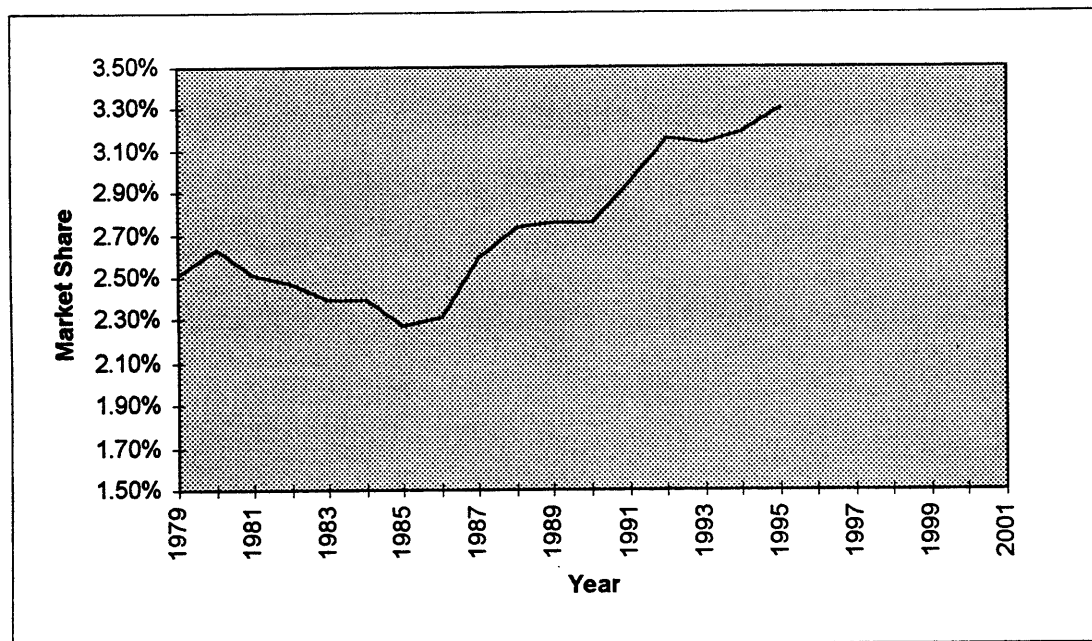
Annual growth rates of nonstore sales and total retail sales are compared in Figure 3.2. (For a more meaningful comparison, restaurant sales (SIC 58) have been excluded from total retail sales as there is no restaurant classification under Nonstore Retailers). The graph suggests that nonstore sales growth moved in a more volatile fashion than retail sales as a whole. However, while nonstore and total sales growth generally followed each other from 1980 to 1986-87, there appears to be a lead-lag relationship thereafter.

Figure 3.2 - Nonstore Versus Total Retail Sales (Excluding Restaurants) Growth Rates



Compound growth rates from 1979 to 1995 for nonstore and total retail sales (less restaurants) were approximately 8.0% and 6.1% per year respectively. This means that over this period, businesses involved exclusively in direct marketing grew at a faster pace than traditional retailers, translating into a higher share of total retail sales. This point is illustrated in Figure 3.3, which shows that the nonstore sales market share grew from approximately 2.5% in 1979 to over 3.3% in 1995. (If restaurant sales are included as part of total retail sales, the nonstore market share would have been 2.3% in 1979 and 2.9% in 1995).

Figure 3.3 - Nonstore Sales as a Percent of Total Retail Sales (Excluding Restaurants)



According to the U.S. Census of Retail Trade figures, it can be concluded that direct marketing has indeed made some inroads into traditional store venues. It is significant to point out that, since U.S. Census of Retail Trade figures are actual and not estimated sales, these results should be quite accurate. In addition, given past trends, there is no reason to believe that the success of consumer product direct marketing firms will not continue. However, the nonstore retail market share remains at a level that hardly represents a threat to traditional retailers. Furthermore, market penetration has been on average only 0.05% per year, suggesting that unless there is a sudden shift in consumer shopping preferences it may be a very long time before traditional retailers will have to begin worrying about direct marketing.

As discussed in Chapter 2, it is acknowledged that the U.S. Census of Retail Trade underestimates, probably by a wide margin, direct marketing sales. However, even under the assumption that these figures are half of actual direct marketing sales and that market penetration is advancing at double the pace, the direct marketing industry would account

for only 6.6% of total retail sales today (excluding restaurants) and take approximately 66 more years to reach a market share that is twice the current one¹.

3.2 - GROWTH TRENDS IN U.S. MAIL ORDER SALES

The estimates for consumer product mail order sales obtained from the three data sources used in this study (i.e., MSC, DMM, and WEFA) are summarized in Table 3.1. This table also shows U.S. Census of Retail Trade figures for total and nonstore sales for reference.

For the purposes of making a proper comparison, restaurant (SIC 58) sales were subtracted from the WEFA estimates and total retail sales, since neither the DMM surveys nor the MSC estimates include this component of the consumer retail market. As mentioned earlier, the Nonstore Retailers (SIC 596) group does not contain a restaurant classification and therefore no adjustment had to be made to these figures.

The 1992 through 1994 MSC figures, 1994 through 2001 WEFA figures, and total retail sales from 1996 to 2001 are projections. (Please refer to Appendix 2, 4, 6 & 8 for the development of the data in Table 3.1).

¹ Assumes that market penetration is 0.1% per year.

**Table 3.1 - U.S. Mail Order Sales and Nonstore Retailer Sales vs. Total Retail Sales
Exclusive of Restaurant Sales (nominal billion \$)**

<u>Year</u>	<u>Consumer Product Mail Order Sales</u>			<u>Nonstore Retailer Sales</u>	<u>Total Retail Sales</u>
	<u>MSC</u>	<u>DMM</u>	<u>WEFA</u>		
1979	20.91			20.42	812.81
1980	22.60			22.79	864.39
1981	24.76			23.56	939.69
1982	26.50	28.56		23.82	962.94
1983	28.95	30.24		25.30	1,054.13
1984	31.91	36.49		27.81	1,162.69
1985	34.72	38.95		28.28	1,245.83
1986	38.10	39.33		30.28	1,309.85
1987	41.12	42.78		35.91	1,385.27
1988	48.97	47.78	66.62	40.48	1,481.12
1989	57.15	53.89	71.87	43.64	1,580.52
1990	64.19	56.90	74.59	45.63	1,654.91
1991	72.29	64.17	76.43	49.07	1,661.61
1992	78.47	66.91	81.05	55.18	1,744.70
1993	86.35	71.40	86.27	58.42	1,859.01
1994	96.72	77.86	92.72	64.03	2,004.56
1995		85.75	99.17	69.77	2,108.89
1996			105.25		2,152.63
1997			111.17		2,229.17
1998			116.85		2,345.91
1999			122.83		2,479.94
2000			129.68		2,617.59
2001			137.41		2,765.98

A comparison between the MSC and DMM data shows that the difference in estimates is mostly in the 10% to 15% range, with only a few exceptions. The largest difference is in 1994 where the DMM estimate is approximately 19% less than MSC's. A likely explanation for this greater divergence may be due to the fact that the MSC figures for the 1992 to 1994 period are projections, while DM magazine's are actual estimates. Another difference between these two data sources is that up to 1987 the MSC figures are lower than DMM's, while from 1988 on the opposite is true.

Interestingly, although nonstore retailer sales of the U.S. Census of Retail Trade would be expected to be considerably lower than the mail order sales estimates, they are remarkably close to MSC's estimates up to 1981. The difference begins widening in 1982 and increases rapidly through 1995, reaching a 20% to 50% variance. Perhaps this reflects the

fact that during this period more and more traditional retailers were entering into the mail order business.

WEFA's estimates are up to 37% more than the MSC's and 38% higher than DMM's. However, between 1991 and 1994 they are very close to MSC's and approximately 15% to 20% greater than DMM's. The wide range in estimates between these data sources is likely due to the differences in estimating methodologies and illustrates how difficult it is to calculate an exact figure for total U.S. mail order sales. However, all of the estimates indicate a growing trend in mail order sales as shown in Figure 3.4.

Figure 3.4 - Estimates of U.S. Mail Order Sales vs. U.S. Census of Retail Trade Nonstore Retailer Sales

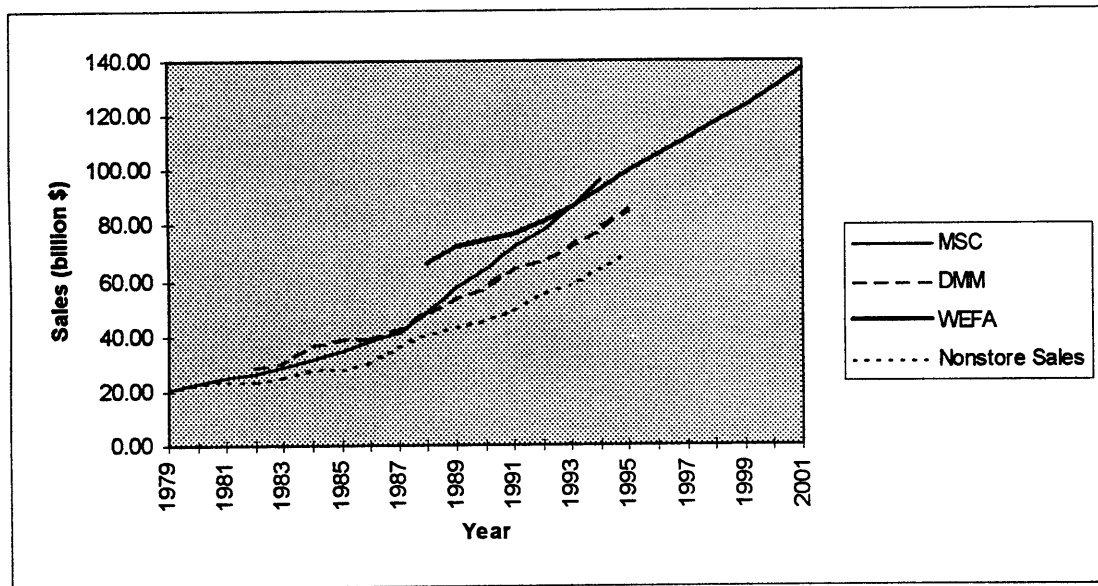
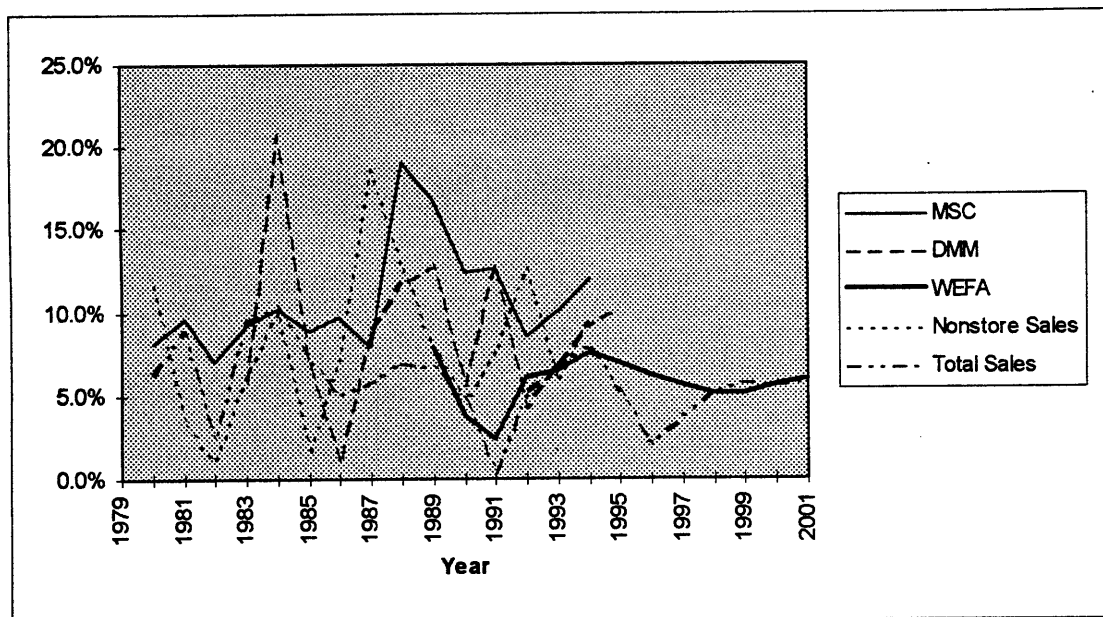


Figure 3.5 shows annual growth rates of U.S. mail order sales according to the MSC, DMM, and WEFA estimates, as well as growth rates of nonstore and total retail sales.

Figure 3.5 - Annual Growth Rates: Mail Order, Nonstore, and Total Retail Sales



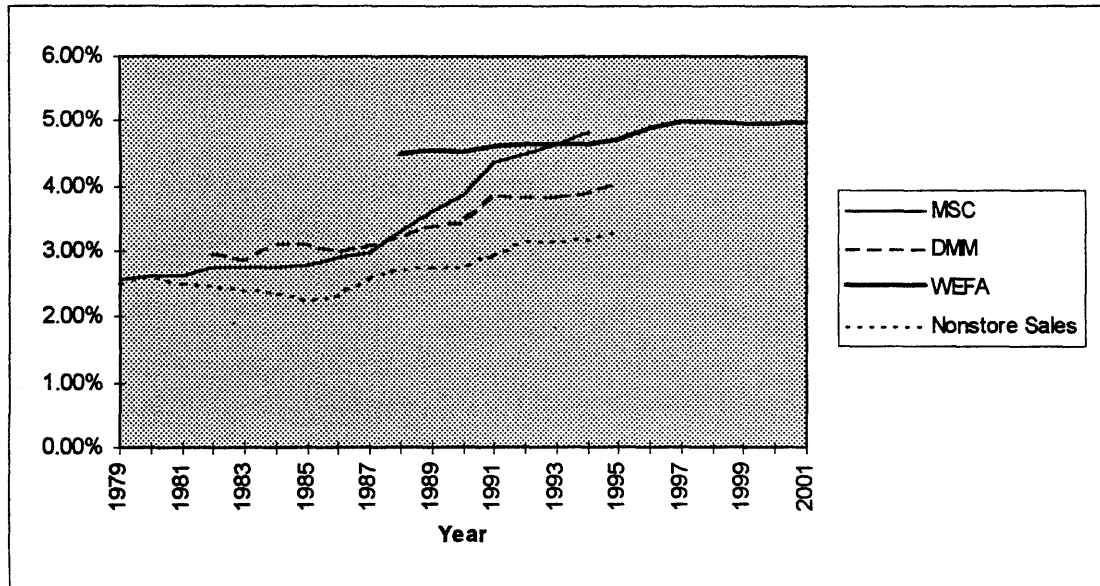
This graph shows that, in general, mail order sales were more volatile than retail sales as a whole, with the exception of the WEFA data which shows a relatively close correlation to total retail sales movements. As mentioned in Chapter 2, the DMM growth rates should be used with caution as they reflect an evolving data collection methodology. In any case, according to all of the estimates, mail order sales grew at a faster compound rate than retail sales as a whole (excluding restaurants) over any of the time periods. Table 3.2 summarizes these findings.

Table 3.2 - Compound Growth Rates (Excluding Restaurants - SIC 58)

<u>Time Period</u>	<u>MSC</u>	<u>DMM</u>	<u>WEFA</u>	<u>Nonstore Sales</u>	<u>Total Retail Sales</u>
1979 - 1994	10.8%				6.2%
1982 - 1995		8.7%			6.2%
1988 - 2001			5.7%		4.9%
1979 - 1995				8.0%	6.1%

This indicates that mail order sales have been capturing and are projected to continue capturing an increasing share of the total retail market. This point is illustrated in Figure 3.6.

Figure 3.6 - Mail Order Sales as a Percent of Total Retail Sales



According to the MSC estimates, the mail order share of total retail sales grew from approximately 2.6% in 1979 to 4.8% in 1994, which represents an average market penetration of 0.15% per year. According to the DMM estimates, the mail order share grew from approximately 3.0% in 1982 to 4.1% in 1995, which represents an average market penetration of 0.08% per year. According to the WEFA estimates, the mail order share will grow from approximately 4.5% in 1988 to 5.0% in 2001, which represents an average market penetration of 0.037% per year. As mentioned earlier, the nonstore retailer market share grew from 2.5% in 1979 to 3.3% in 1995. Therefore, although WEFA's data shows a relatively higher historical market share than the other estimates, WEFA's projections indicate that annual mail order market penetration will continue at a slower pace than that charted by the other estimates in the future. It is expected to move from approximately 4.7% in 1995 to only 5.0% in 2001.

If it is assumed that mail order represents roughly 80% of the entire consumer product direct marketing industry (as presented in Appendix 1), these estimates would indicate that, excluding restaurant sales, direct marketing represented approximately 5% to 6% of total retail sales in the 1994-95 time frame. With restaurant sales, which according to WEFA are approximately \$4 to 5\$ billion per year (please refer to Appendix 8), direct marketing's share of the consumer product retail market was calculated to be approximately the same.

In conclusion, these estimates of the U.S. mail order industry suggest that the size of the consumer product direct marketing industry as a whole may still be relatively small and is not expected to grow rapidly in the future. Even if the most optimistic historical market penetration rate of 0.15% per year is used, this industry would take 40 more years to double its market share to 12%. Although any increase in market share by direct marketers represents a very real threat to traditional retailers, it is probably safe to assume that its impact may be very gradual rather than immediate.

3.3 - CONCLUSION

After making a few sensible assumptions, both the U.S. Census of Retail Trade data and the U.S. mail order industry studies used in this analysis suggest that today the consumer product direct marketing industry may be in the range of \$120 to \$140 billion in sales which represents approximately 6% to 7% of the total U.S. retail trade market. Although this market share has steadily grown over the past 10 to 15 years, the rate of market penetration has been very small, suggesting that, barring a considerable shift in consumer shopping patterns, it may not grow substantially in the near to moderate future. Therefore, given its relatively small size vis-à-vis the total retail trade market, the direct marketing industry has not had a substantial impact on the overall demand for retail space. In addition, given its expected growth, it may not represent a considerable threat to the demand for retail space in the future.

CHAPTER 4 - U.S. DIRECT MARKETING INDUSTRY GROWTH TRENDS BY MAJOR RETAIL SECTOR

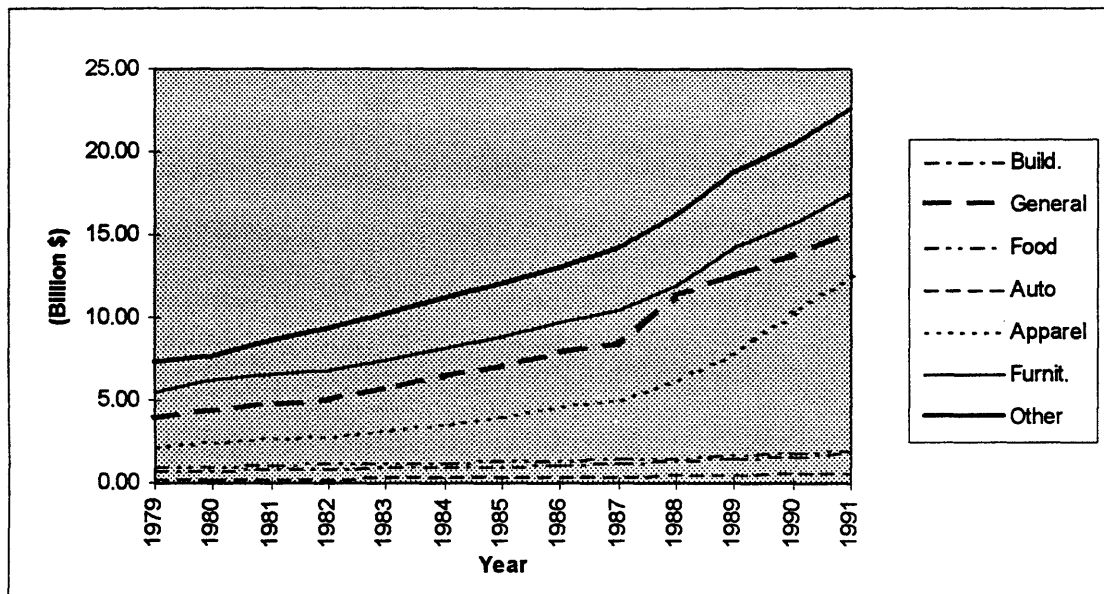
4.1 - METHODOLOGY

Direct marketing growth trends by major retail trade sector are useful in understudying the success that the direct marketing industry has had and is expected to have in penetrating particular retail sectors. To this end, growth trends by retail sector were first analyzed by considering each of the mail order industry data sources (i.e., MSC, DMM, and WEFA) separately. (The U.S. Census of Retail Trade data was not used in this part of the analysis as it does not provide breakdowns by major retail sector). Then, each of these mail order retail sales estimates was compared to its corresponding retail trade sector in order to infer direct marketing penetration. Lastly, the results of the various data sources were compared, highlighting their differences and providing possible explanations for their discrepancies.

4.2 - MAXWELL SROGE COMPANY U.S. MAIL ORDER INDUSTRY SALES ESTIMATES

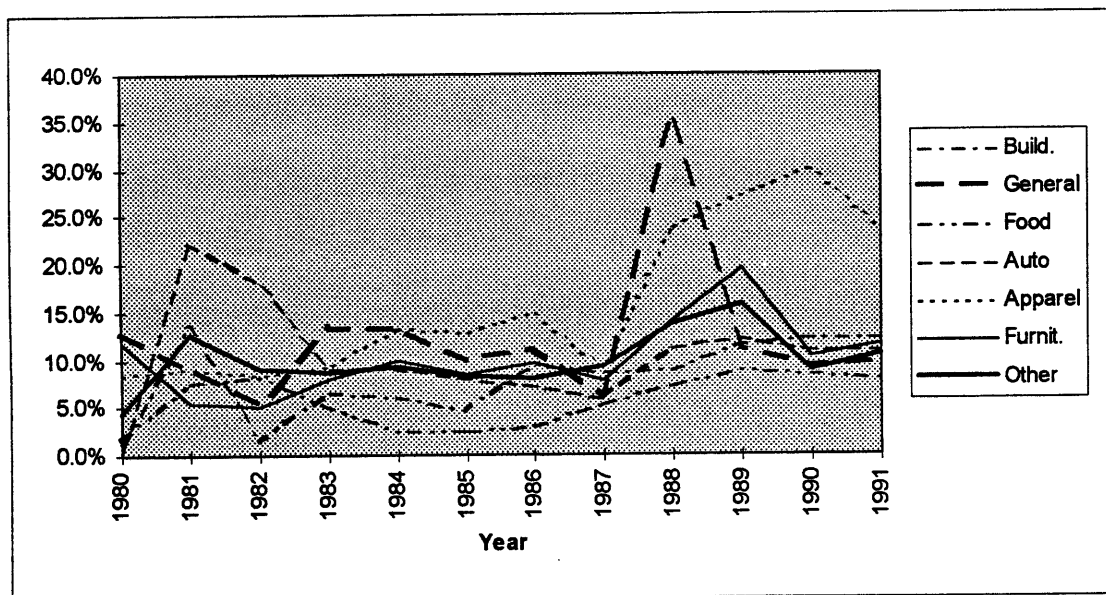
As discussed in Chapter 2, the MSC estimates cover the 1979 to 1994 period. However, major retail segment breakdowns were only available for the 1979 to 1991 (please refer to Appendix 4). The graph in Figure 4.1 presents mail order sales for each of the major retail sectors for this time period. It shows that auto, building materials, and food maintain a relatively small share of the consumer product mail order market. On the other hand, apparel, general merchandise, home furniture and furnishings, and other retailers have been capturing an increasing share of this market. Other retailers, which include book, collectible, craft, jewelry and magazine sales, as well as sales of other miscellaneous items, account for the largest volume of the consumer product mail order sales.

Figure 4.1 - U.S. Consumer Product Mail Order Sales by Major Retail Group



The graph in Figure 4.2 shows annual sales growth rates by major retail sector. In this graph it can be seen that, generally, mail order growth reached low points in 1980, 1982, 1987, and around 1990. This growth pattern usually follows that of the U.S. retail market as a whole. U.S. economic recessions occurred around 1982 and 1991, suggesting that retail sales are more volatile than the economy as a whole. Some sectors, such as food, appear to have grown at lower than average rates, but were generally less volatile, while others, like general merchandise and apparel, appear to have grown at higher than average rates, but were generally more volatile than other mail order sectors.

Figure 4.2 - U.S. Consumer Product Mail Order Sales Annual Growth Rates by Major Retail Group



In the aggregate, the MSC estimates indicate that U.S. consumer product mail order sales grew at a compound rate of 10.9% per year from 1979 to 1991 versus a 6.3% per year compound rate for retail trade as a whole (excluding restaurant sales). Annual compound growth rates by major retail sector of both mail order and total retail trade are shown in Table 4.1.

Table 4.1 - Annual Compound Growth Rates of U.S. Consumer Product Mail Order Sales vs. Total Retail Trade by Major Retail Sector (1979 - 1991)

<u>Major Retail Sector</u>	<u>Mail Order</u>	<u>Total Retail Trade</u>
Building Materials (SIC 52)	8.0%	5.1%
General Merchandise Stores (SIC 53)	12.0%	6.8%
Food Stores (SIC 54)	5.7%	5.5%
Auto (SIC 55)	10.3%	6.1%
Apparel (SIC 56)	15.6%	6.5%
Home Furniture and Furnishings (SIC 57)	10.1%	6.7%
<u>Other Retailers (SIC 59)</u>	<u>9.8%</u>	<u>6.8%</u>
Total	10.9%	6.1%

Lower than average growth rates translate into a shrinking share of the total market, while higher ones translate into an expanding share. Therefore, over this thirteen year period, building materials, food, and other retailers realized a mail order market share decrease, auto and home furniture and furnishings generally kept pace, while general merchandise and apparel increased their mail order market share. Table 4.1 also shows that the mail order industry grew faster than total retail trade in every major retail sector over this period, indicating that mail order increased its market share of total retail sales in all sectors. This point is illustrated in Figure 4.3.

Figure 4.3 - U.S. Mail Order Sales as a Percent of Total Retail Sales by Major Retail Group

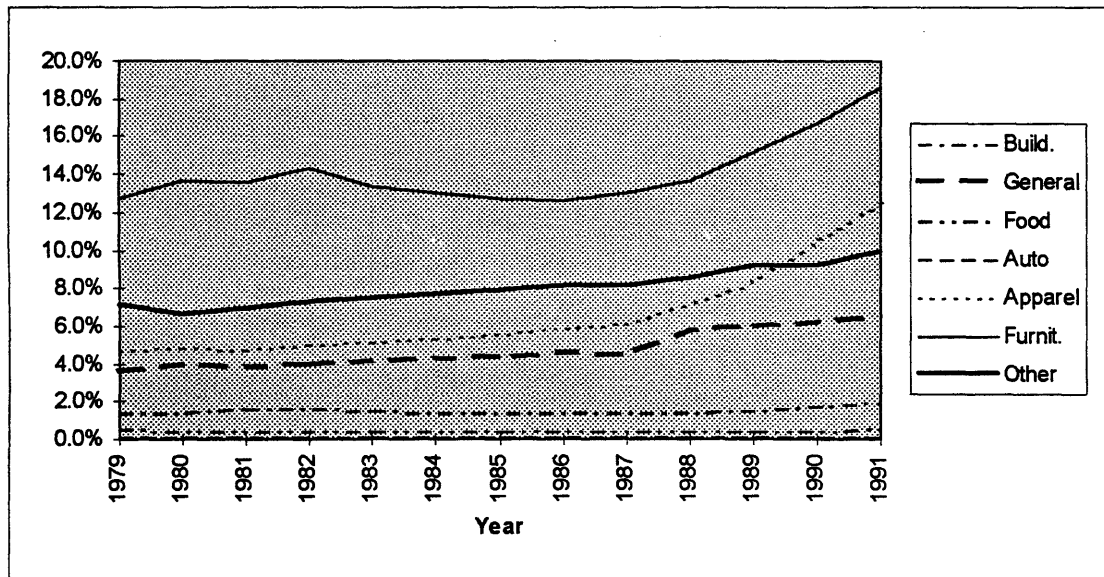


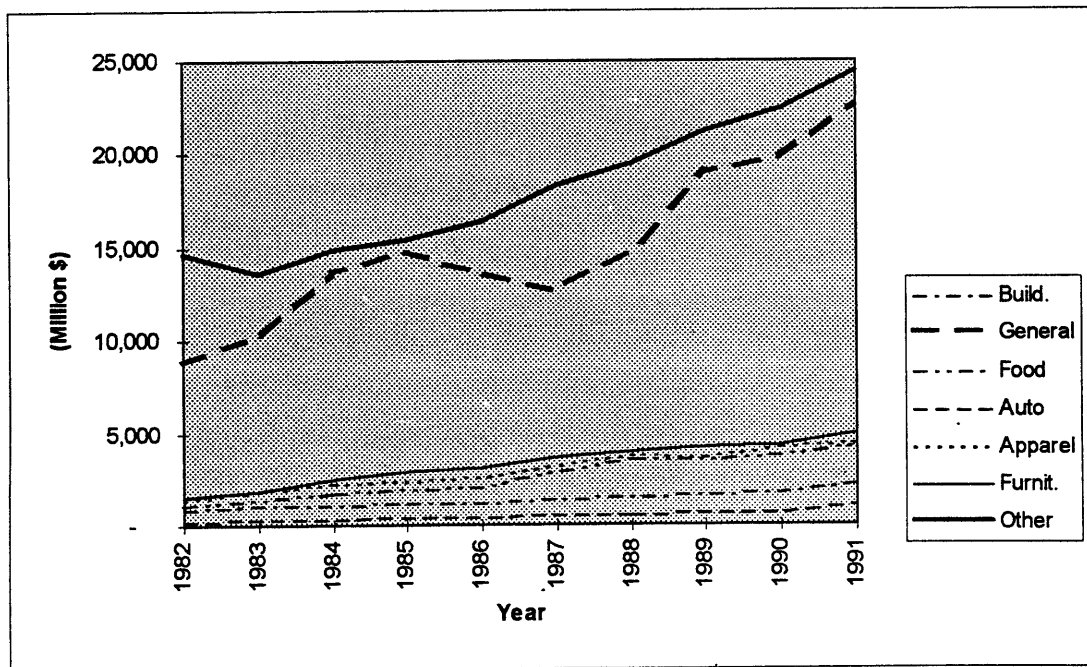
Figure 4.3 shows that despite their relatively higher growth with respect to total retail sales, the auto, building material, and food mail order sectors captured a relatively small fraction of the total retail market. Their market share remained at less than 2% over this thirteen year period. While the general merchandise mail order market share remained relatively constant through 1987 it grew more rapidly from 1987 to 1991, increasing its market share from 4.5% to 6.5%. Similar mail order market share increases occurred in the apparel and furniture and furnishings sectors which from 1987 to 1991 jumped considerably from 6.1% to 12.6% and 13.1% to 18.6% respectively. The other retailers'

mail order market share grew more gradually from approximately 7.1% to 9.9% over this thirteen year period.

4.3 - DIRECT MARKETING MAGAZINE U.S. MAIL ORDER INDUSTRY SALES ESTIMATES

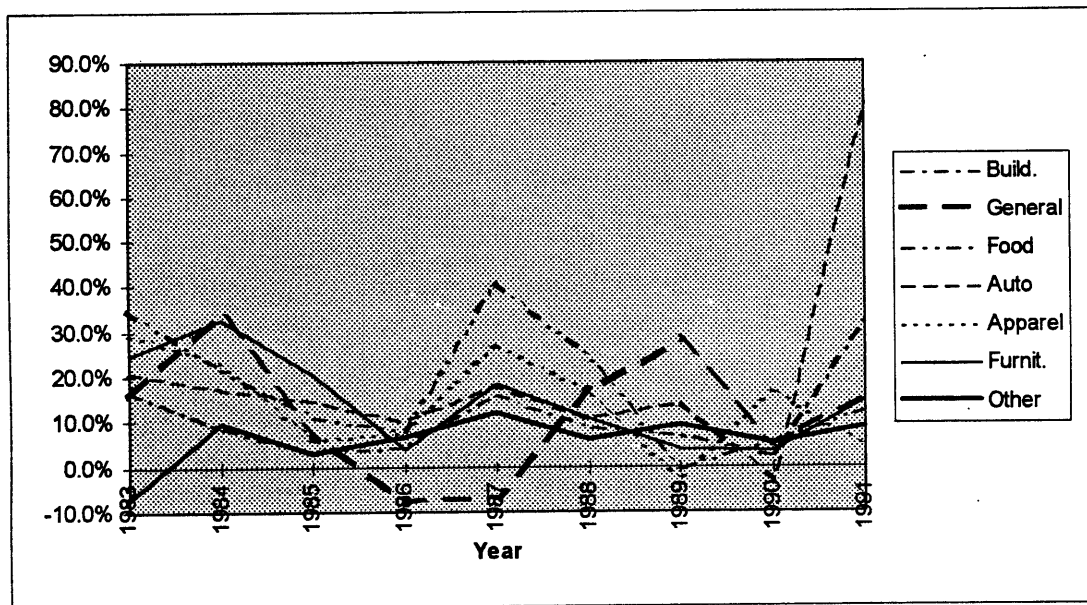
Detailed breakdowns by product for the DMM U.S. mail order industry sales estimates were available for the 1982 to 1991 period only (please refer to Appendix 6). The graph in Figure 4.4 presents this data by major retail sector. The DMM estimates indicate that the auto, building materials, and food sectors account for a small proportion of the total U.S. mail order market, while the other retailers sector (i.e., miscellaneous) accounts for the largest. The DMM data also shows that the general merchandise sector is the second largest category, while the home furniture and furnishings and apparel sectors are distant second and third place finishers.

Figure 4.4 - U.S. Consumer Product Mail Order Sales by Major Retail Group



The graph in Figure 4.5 shows annual sales growth rates by major retail sector. In this graph it can be seen that there occurred a general decline in mail order sales growth in 1983, 1986-87, and 1989-90. This growth pattern is not unlike that of the U.S. retail market as a whole. However, according to the DMM data, mail order growth appears to be more volatile than retail trade growth. In any case, the DMM growth rates should be used with some caution as mail order sales estimates from one year to the next may not have been consistently measured (see discussion in Chapter 2).

Figure 4.5 - U.S. Consumer Product Mail Order Sales Annual Growth Rates by Major Retail Group



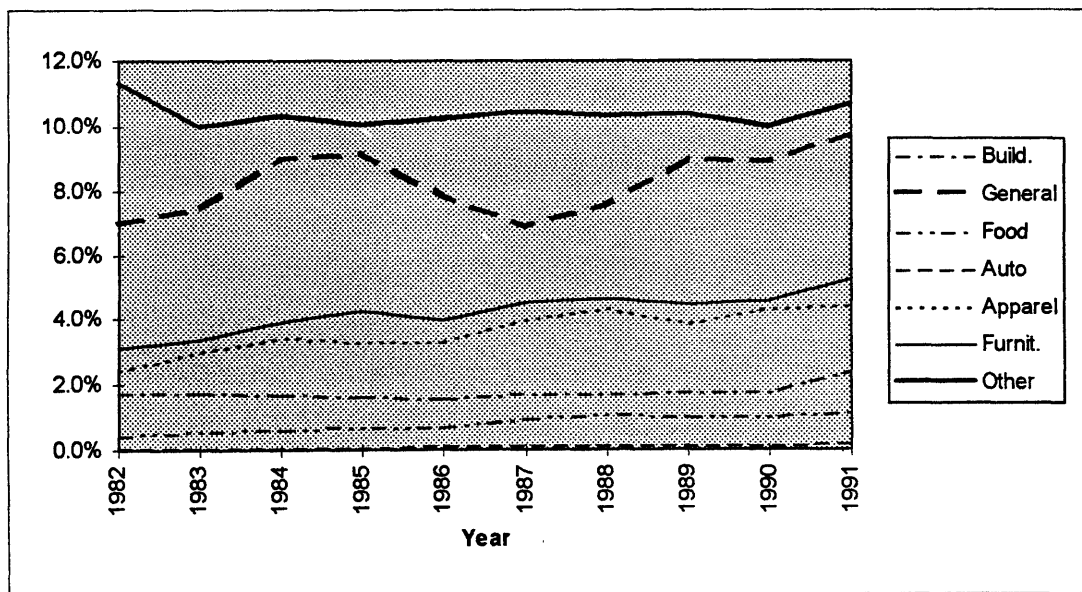
In the aggregate, the DMM estimates indicate that U.S. consumer product mail order sales grew at a compound rate of 9.4% per year from 1982 to 1991 versus a 6.2% per year growth rate for total retail trade (excluding restaurants). Annual compound growth rates by major retail sector for both mail order and total retail trade are shown in Table 4.2.

Table 4.2 - Annual Compound Growth Rates of U.S. Consumer Product Mail Order Sales vs. Total Retail Trade by Major Retail Sector (1982 - 1991)

<u>Major Retail Sector</u>	<u>Mail Order</u>	<u>Total Retail Trade</u>
Building Materials (SIC 52)	10.7%	6.8%
General Merchandise Stores (SIC 53)	11.1%	7.0%
Food Stores (SIC 54)	16.9%	4.9%
Auto (SIC 55)	18.7%	6.5%
Apparel (SIC 56)	13.7%	6.5%
Home Furniture and Furnishings (SIC 57)	14.4%	7.9%
<u>Other Retailers (SIC 59)</u>	<u>5.8%</u>	<u>6.5%</u>
Total	9.4%	6.2%

According to the DMM data, all mail order sectors, except other retailers, grew at a higher than overall mail order growth rate over the 1982 to 1991 period. This indicates that all of these sectors captured an increasing market share of the mail order industry at the expense of the other retailers category. Table 4.2 also shows that over this nine year period the mail order industry grew faster than total retail trade in all retail sectors, indicating that mail order increased its market share of the total retail market in all sectors. This point is illustrated in Figure 4.6.

Figure 4.6 - U.S. Mail Order Sales as a Percent of Total Retail Sales by Major Retail Group



This graph shows that while the other retailer sector (i.e., miscellaneous) market share fluctuated between 10% and 11% over this period, the general merchandise, home furniture and furnishings and apparel sectors gained healthy market share increases, moving from 7% to 10%, 3% to 5.3%, and 2.4% to 4.4% respectively. Although growing at a faster rate than total retail trade, the building material, auto, and food mail order sectors captured relatively small shares of the total retail trade market. Their market shares ranged from 0.2% to 2.4% in 1991.

4.4 - WEFA U.S. DIRECT ORDER SALES ESTIMATES

WEFA provided mail order sales estimates (defined as direct order sales) by major retail sector from 1988 to 2001. The 1994 through 2001 figures represent projections (refer to Appendix 8). Figure 4.7 shows that according to the WEFA data, the other retailers and auto sectors account for the largest share of the mail order market. The food sector falls in third place followed by the remaining sectors which are all of approximately the same size. The projections from 1994 to 2001 indicate that this order is not expected to change.

Figure 4.7 - U.S. Consumer Product Mail Order Sales by Major Retail Group

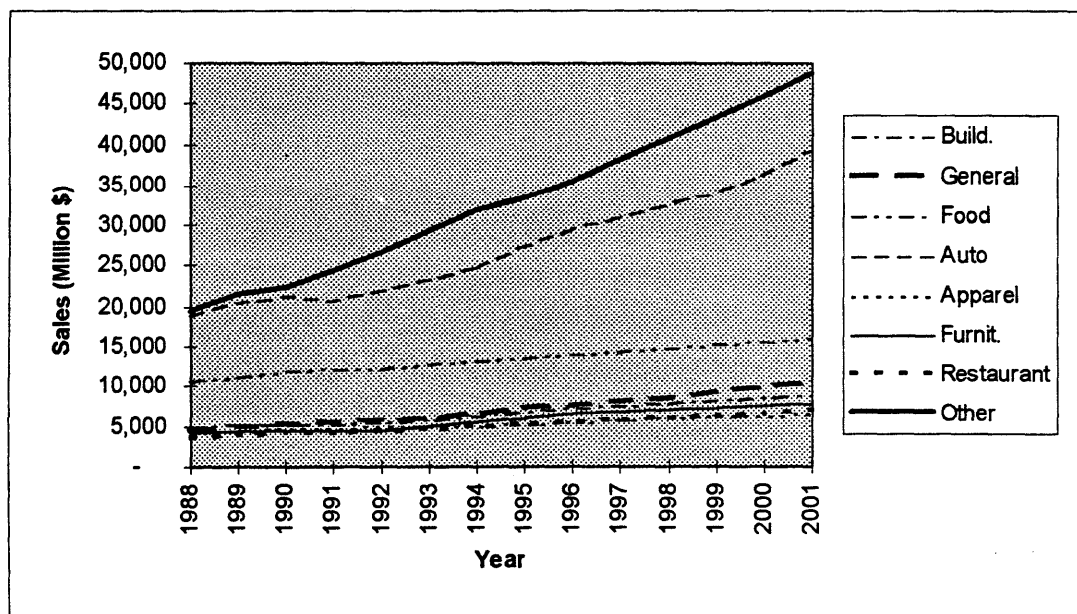
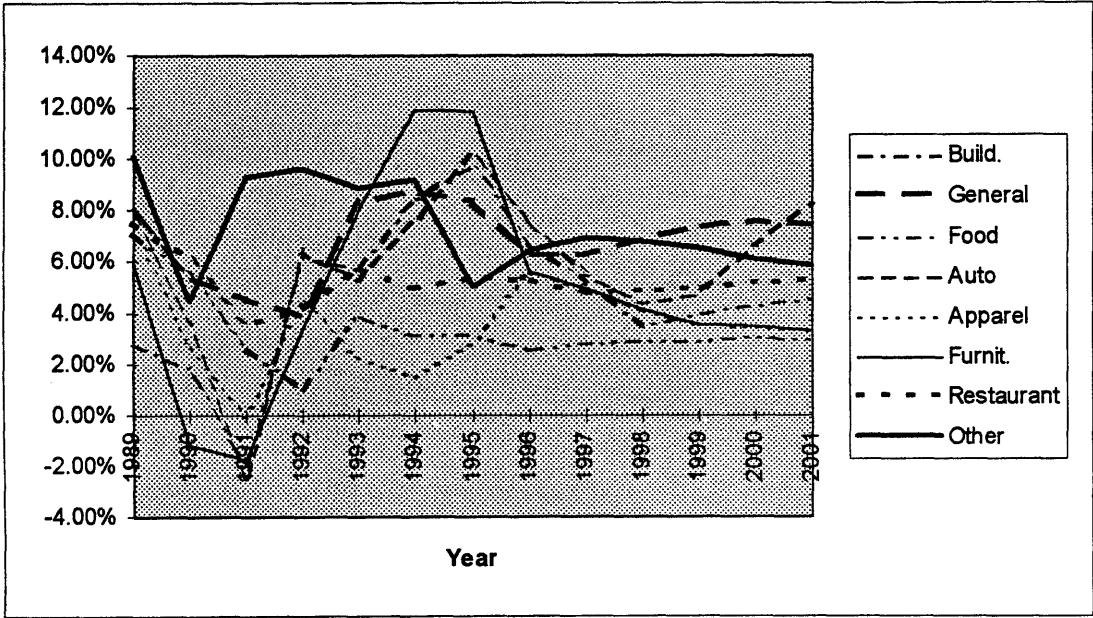


Figure 4.8 shows growth rates by mail order sector. Generally, declines in growth rates occurred across every major mail order retail sector during the 1990-1991 period, which corresponds to the latest economic recession. Figure 4.8 also shows that while historical growth rates in mail order sales are relatively volatile, the projected growth rates appear to be smoother. This is possibly due to the econometric model employed by WEFA.

Figure 4.8 - U.S. Consumer Product Mail Order Sales Annual Growth Rates by Major Retail Group



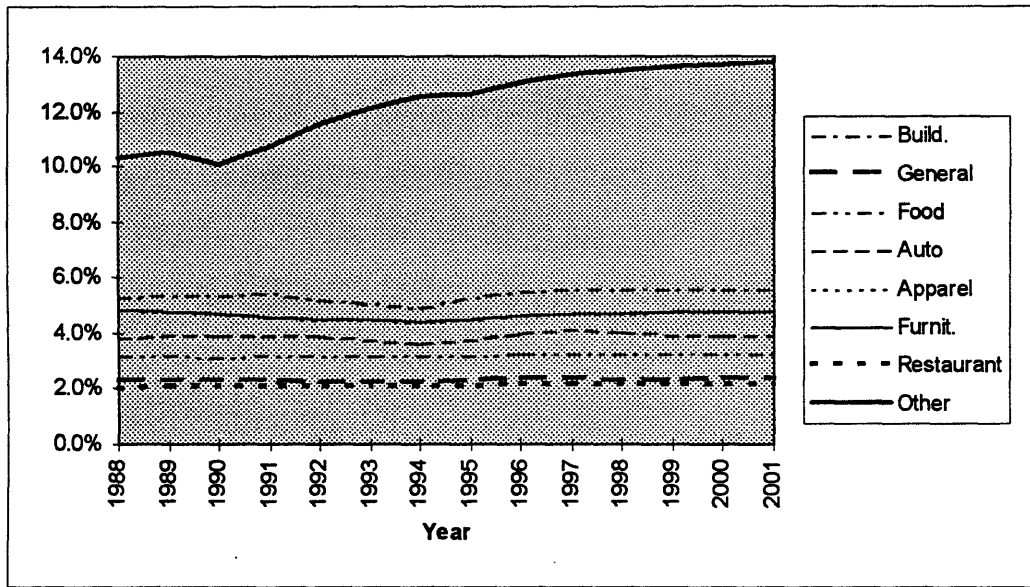
In the aggregate, the WEFA estimates indicate that the consumer product mail order market will grow at a compound rate of 5.7% per year from 1988 to 2001. This compares with a growth rate of 4.9% for total retail sales. Annual compound growth rates by major retail sector for both mail order and total retail trade are shown in Table 4.3.

Table 4.3 - Annual Compound Growth Rates of U.S. Consumer Product Mail Order Sales vs. Total Retail Trade by Major Retail Sector (1988 - 2001)

<u>Major Retail Sector</u>	<u>Mail Order</u>	<u>Total Retail Trade</u>
Building Materials (SIC 52)	4.6%	4.2%
General Merchandise Stores (SIC 53)	6.8%	6.5%
Food Stores (SIC 54)	3.3%	3.1%
Auto (SIC 55)	5.7%	5.7%
Apparel (SIC 56)	3.5%	3.6%
Home Furniture and Furnishings (SIC 57)	4.8%	4.8%
Restaurants (SIC 58)	5.2%	4.7%
<u>Other Retailers (SIC 59)</u>	<u>7.3%</u>	<u>4.9%</u>
Total	5.7%	4.9%

Over the 1988 to 2001 period, the other retailers, and general merchandise mail order sectors are expected to grow more than the mail order industry as a whole indicating that they will capture a larger share of this market. The auto and restaurant sectors are expected to keep pace, while the building materials, food, apparel, and home furniture and furnishings sectors are expected to decrease their share of the mail order market. Table 4.3 also shows that over this thirteen year period each mail order sector is expected to grow at approximately the same rate as its corresponding retail sector, indicating that mail order will maintain a relatively constant share of the retail market. One exception is the other retailers sector which is expected to outpace its corresponding retail sector and therefore, capture an increasing share of the retail market. These points are illustrated in Figure 4.9.

Figure 4.9 - U.S. Mail Order Sales as a Percent of Total Retail Sales by Major Retail Group

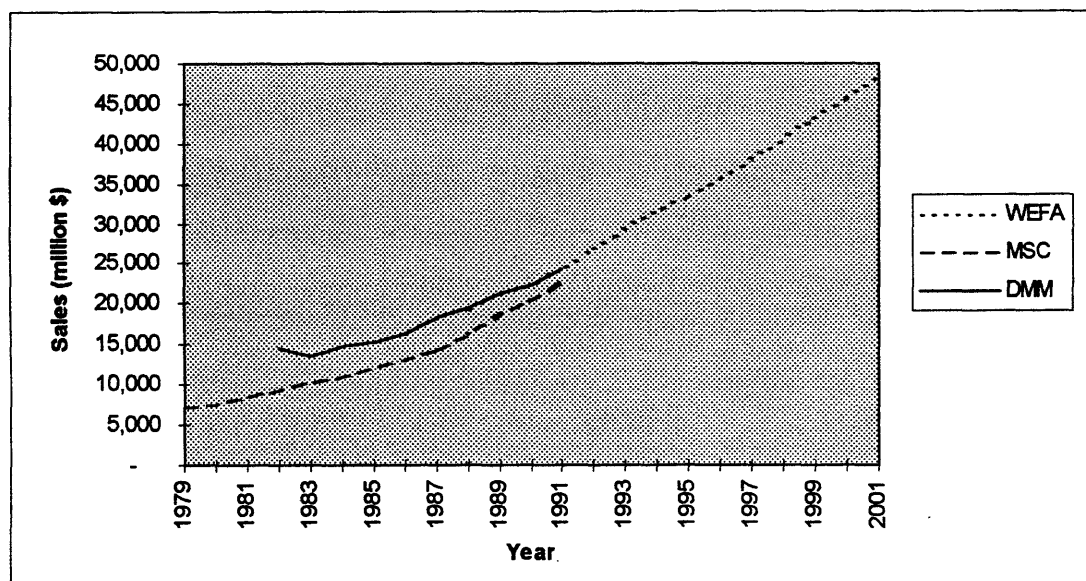


4.5 - CONCLUSION

Although due to their inherent methodological differences, it is difficult to directly compare the three mail order data sources discussed in the previous sections, some general conclusions can be drawn.

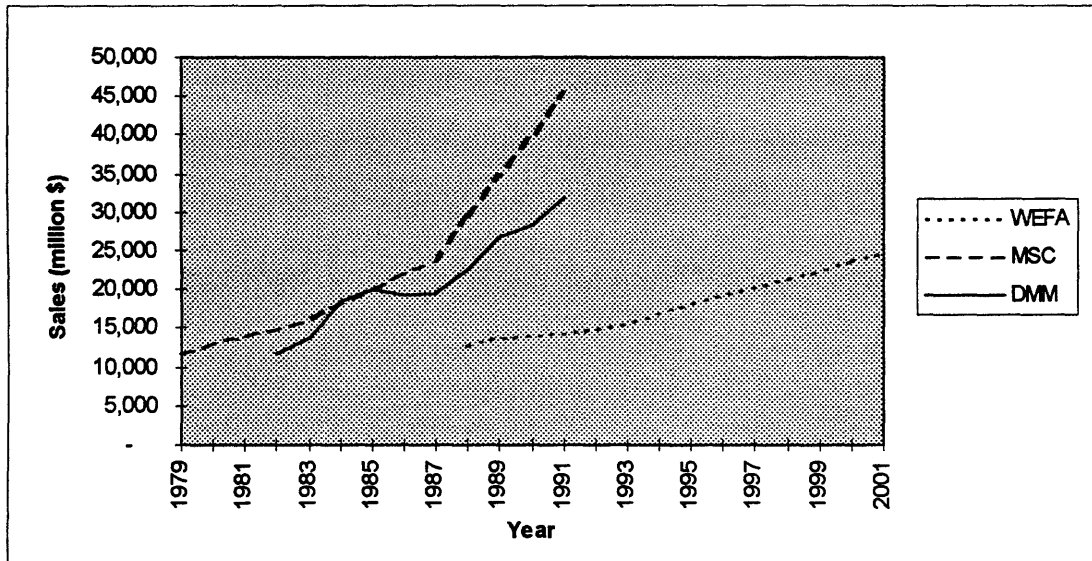
All data sources agree that the other retailers sector is the largest of the mail order market. DMM's and WEFA's sales volume estimates for this sector are very similar, while MSC's estimates are 10% to 20% lower. Figure 4.10, which shows DMM's, WEFA's, and MSC's historical and projected mail order sales for this sector, illustrates this point.

Figure 4.10 - Historical and Projected Mail Order Sales for Other Retailers Sector (SIC 59)



The MSC and DMM estimates agree, although not in the same order, that the home furniture and furnishings, general merchandise, and apparel sectors are the next largest mail order sectors. However, sales volume estimates for each year vary considerably between these two sources. Even when these three sectors are combined (since general merchandise, i.e., department stores, carry mostly apparel and home furniture and furnishings, it makes reasonable sense to combine these three sectors in order to eliminate possible classification differences between the three data sources), the variance in MSC and DMM estimates ranges from 20% to 40%. WEFA's estimates of these three sectors together are much smaller, ranging from one half to one third of the other estimates. Figure 4.11 illustrates these points.

Figure 4.11 - Historical and Projected Mail Order Sales for General Merchandise, Home Furniture and Furnishings, and Apparel Combined (SIC 53 + 56 + 57)



Surprisingly, WEFA's data shows that the second and third largest mail order sectors are auto and food, which MSC and DMM measure as being almost negligible. WEFA's estimates of the building material sector were also much greater than MSC's and DMM's, being approximately twice as large.

A likely explanation for the estimate discrepancies between MSC, DMM, and WEFA lies in the way products were categorized. It is possible for example, that WEFA classified many furniture items under the building materials sector, which includes garden furniture, thereby generating higher estimates than DMM and MSC. Similarly, DMM and MSC may have categorized many food items under general merchandise, since many department stores also sell food products, thereby obtaining lower food sector estimates and higher general merchandise sector estimates than WEFA.

Additional examples of classification differences may be found to explain other variances between the estimates. However, the auto sector discrepancies remain largely obscure. The auto sector not only includes auto dealers and auto supply stores but also boat and

aircraft dealers. It is possible that in this instance, while WEFA's estimates may be more inclusive, the MSC and DMM studies do not capture this entire market. If this assumption is correct, there would be a plausible explanation for why the MSC and DMM estimates in total are generally lower than WEFA's.

Given the discrepancies between the sales estimates, mail order market shares by major retail sectors also varied considerably from data source to data source. For example, according to the MSC data, the general merchandise sector was found to have a market share of 6.7% in 1991, while the DMM and WEFA estimates were 9.8% and 2.3% respectively. In another example, the 1991 apparel sector market share was found to be 12.9% according to MSC, 4.4% according to DMM, and 4.6% according to WEFA, while the home furniture and furnishings sector market share was 19.1% according to MSC, 5.3% according to DMM, and 4.6% according to WEFA. The only exception is the other retailer mail order sector, which as discussed earlier, was estimated to be similar by all data sources. In this case, mail order market share of the other retailers sector was found to be approximately 8% to 11% in 1991 by all data sources. MSC and DMM show that the historical market share of this sector varied little over a multiyear period (MSC data shows that it grew from 6% to 8.4% during the 1979 to 1991 period, while the DMM data indicates that it declined from 11.4% in 1982 to 10.8% in 1991). In addition, according to the WEFA data, the other retailer mail order sector will be the only sector to increase its market share significantly by 2001. Table 4.4 summarizes market share ranges by major retail sector for each of the data sources and time periods covered.

Table 4.3 - Mail Order Market Share Ranges by Major Retail Sector

<u>Major Retail Sector</u>	<u>MSC (1979-1991)</u>	<u>DMM (1982-1991)</u>	<u>WEFA (1988-2001)</u>
Building Materials (SIC 52)	1.5% - 2.0%	1.7% - 2.4%	5.3% - 5.6%
General Merchandise Stores (SIC 53)	3.8% - 6.7%	7.0% - 9.8%	2.3% - 2.4%
Food Stores (SIC 54)	0.5% - 0.5%	0.4% - 1.1%	3.1% - 3.3%
Auto (SIC 55)	0.1% - 0.1%	0.1% - 0.2%	3.8% - 3.9%
Apparel (SIC 56)	4.8% - 12.9%	2.4% - 4.4%	4.8% - 4.8%
Home Furniture and Furnishings (SIC 57)	13.1% - 19.1%	3.1% - 5.3%	4.8% - 4.8%
Restaurants (SIC 58)			2.2% - 2.4%
Other Retailers (SIC 59)	6.1% - 8.4%	11.4% - 10.8%	10.3% - 13.7%

In conclusion, with the possible exception of the other retailers sector, there is very little agreement between the MSC, DMM, and WEFA estimates on the size and growth of the U.S. mail order industry by major retail sector. As mentioned earlier, a possible explanation for these discrepancies may be a matter of product classification. However, having no access to the details behind the estimates makes it impossible to confirm this judgment. Therefore, it is difficult to draw any unequivocal conclusions about the size and growth of the mail order industry by major retail sector. Nevertheless, some inferences can be offered.

It appears that the other retailers mail order sector, which includes book, magazine, newspaper, sporting good, jewelry, stationary, hobby, camera and photographic supply, novelty and gift, and florist retailers, to name a few, will experience the highest growth in the foreseeable future. Its growth is expected to outpace that of the other retailers sector as a whole. Growth expectations of mail order in the other sectors is not clear. By the MSC and DMM estimates it can be inferred that mail order sales in the general merchandise, apparel, and home furniture and furnishings sectors may grow faster than mail order sales as a whole, while WEFA expects that mail order sales in these same sectors will only keep pace. Based on these inferences, it may be concluded that only mail order marketers in the other retailers sector are likely to impose a downward pressure on the demand for retail real estate.

CHAPTER 5 - CONCLUSION

5.1 - WHAT WE HAVE LEARNED FROM THIS ANALYSIS

The discrepancies found between the sales estimates of the various data sources used as part of this study confirm that the U.S. consumer product direct marketing industry is very difficult to quantify accurately. Although in the aggregate, the estimates of the U.S. consumer product mail order industry were found to be reasonably similar, when these estimates were broken down by major retail sector, wide discrepancies emerged. These discrepancies put into question the reliability of the data as a whole (although some possible explanations for these differences were given) and prevent this study from making any decisive conclusions about the size and growth of the U.S. direct marketing industry.

Nevertheless, it could be inferred that today consumer product sales attributed to direct marketing may be in the range of \$120 to \$140 billion per year. This figure was about \$40 billion in 1979 and is expected to be approximately \$175 billion by 2001. As a result, the direct marketing share of total retail sales may be in the 6%-7% range today. In 1979 this share was about 4.5%, indicating that the direct marketing industry has had a very gradual historical market penetration. This study also found that its rate of market penetration may be expected to continue at a slow pace, perhaps reaching the range of 6.25% to 6.5% by the year 2001.

As mentioned above, the estimates by major retail sector were found to exhibit wide discrepancies between the various data sources used in this study. One possible exception may be the other retailers sector (including books, magazines, newspapers, sporting goods, jewelry, stationary, toys and games, camera and photographic equipment, novelties and gifts, flowers, and other miscellaneous vendors) which the three sources estimate to be approximately the same size. In addition, according to projections which were provided by only one of the data sources, this is the only major mail order category which is expected to grow faster than its corresponding retail sector as a whole. Today, mail order

represents approximately 10% of the other retailers market sector and it is expected to grow to approximately 14% by 2001. Based on these estimates, it may be judged that direct marketing may have a 12.5% share of this retail market sector today and it could grow to 17.5% by 2001. (These calculations are based on the assumption that mail order represents 80% of direct marketing as a whole).

In conclusion, although the direct marketing industry appears to represent a relatively small part of the retail trade market, it is reasonably clear that it has grown more than the retail trade market over the past fifteen years, and that it is expected to grow more in the future. Direct marketers in the other retailers sector appear to have grown the most, vis-à-vis direct marketers in other retail sectors, and their share of the market is approximately twice as large as that of the direct marketing industry as a whole. In addition, this is the only sector which is expected to capture a growing share of the retail market in the foreseeable future. This suggests that products such as books, magazines, newspapers, sporting goods, jewelry, stationary, toys and games, camera and photographic equipment may lend themselves better than others to direct marketing.

When will direct marketing reach a point of saturation? Although this question is hard to answer quantitatively, the remainder of this Chapter explores the qualitative obstacles which may prevent mail order (and consequently direct marketing) from becoming a controlling form of shopping as well as the role that technology will likely play in helping direct marketers to be successful in the future.

5.2 - OBSTACLES TO DIRECT MARKETING AS A DOMINANT CONSUMER PRODUCT SHOPPING MODE

Despite the growth in U.S. mail order sales during the past fifteen years, obstacles still remain which prevent mail order from becoming a dominant shopping mode for consumer products.

Although consumer shopping preferences are fickle and complex to analyze, by and large, shoppers still thrive on the social experiences retail store shopping offers. Malls and retail strips are a satisfying destination for consumers who enjoy shopping with family and friends. From soda fountains in the shopping malls of the past, to food courts today (restaurant space in malls has increased by 8.3% from 1993 to 1995¹), to the urban entertainment centers planned for tomorrow, social interaction has always been a valued component of the traditional shopping experience. As the daughter of New England Development Chairman and CEO, Stephen R. Karp, aptly put it, "Dad, when you stop seeing teenagers roaming around your malls, you will know you are in trouble"². The presence of shop owners and sales associates offers further opportunity for the customer to socialize, ask questions about merchandise, and feel pampered.

The immediate gratification that in-store shopping provides is another draw towards retail shopping and away from mail order. The sensory stimulation that a customer experiences by being able to touch, hear and smell merchandise, as well as to view it in artistic displays, can not be underestimated. The trying on of apparel is a convenience that catalogs can not offer the customer. And it is by far more satisfying for the shopper to leave a store with purchase in hands than to have to wait three to four weeks for delivery (and have the added complication of coordinating receipt of packages.)

It is because of these factors that traditional retailers are still confident that they will survive the mail order. A recent survey of shopping preferences helps boost this position. This survey reports that while in 1993 only 1% of shoppers did not use catalogs to shop, that share had increased to 27% in 1995, indicating a trend away from catalog shopping³.

¹ Kutyla, Diane M., "Mall Morphing", *ICSC Research Quarterly*, Volume 3, Number 1, Spring 1996, page 4.

² Karp, Stephen R., quoted from a Lunch Box lecture at the MIT Center for Real Estate during the Fall of 1995.

³ Dwyer, Tom, "Survey of Shopper Preferences", *ICSC Research Quarterly*, Volume 3, Number 1, Spring 1996, page 7.

5.3 - COMMERCIAL ON-LINE SERVICES, THE INTERNET, AND CD-ROM: THE NEXT DIRECT MARKETING REVOLUTION?

In 1995, nearly 5 million U.S. households opened on-line accounts. This represents an increase of 79% over the previous year and brings the total number of users to 11.3 million⁴. This number is expected to reach 35 million by the year 2000⁵. With personal computers being made increasingly accessible to the general public, this prediction seems entirely possible. Since 1993, the growth in sales of personal computers for home use has outpaced the growth in the corporate account market and is expected to remain that way through the end of the decade⁶. Direct marketers are keeping close tabs with these statistics as they foresee a potential change in the marketing rules.

Thousands of businesses are setting up links with the Internet. One of the most talked about Internet ventures of recent months has been the jointventure between Wal-Mart, the largest retailer in the world, and Microsoft, the largest software developer in the world, to operate an on-line virtual store, which was launched in April 1996. But Wal-Mart has admitted that it will proceed with caution, not knowing how to predict consumers' reactions. Initially it will offer a limited assortment of items and increase product selection as business allows. Microsoft, for whom this venture is a pilot project, hopes that this type of arrangement will become the industry standard. Microsoft's CEO, Bill Gates, envisions thousands of "Merchant Servers" to be in circulation in the near future.

Wal-Mart has had a presence on the World Wide Web since July of 1995 through Sam's Club Gift Express. However, only a few products such as gourmet and specialty foods have been available for purchase. Another experiment that Wal-Mart has been part of is a service with Shopping Alternatives in Bethesda, Maryland which allows customers to buy groceries and other general merchandise via fax or phone. In the Boston, Massachusetts

⁴ "NetWatch", *Discount Store News*, February 19, 1996, , page 17.

⁵ Redgate, "Will New Technology Change The Marketing Rules?", *Direct Marketing Magazine*, October 1994, page 16.

⁶ *Ibid.*, page 14.

area a similar experiment is being conducted by Hannaford's HomeRuns. Although, for now, this still remains primarily a catalog business.

Other prominent retailers who currently offer shopping on-line include L.L. Bean, Land's End, Tower Records, and Spiegel who released a catalog on CD-ROM which features more than 3,000 items and gives users direct access to Spiegel's Internet site to shop on-line. Some Internet services, such as CompuServe, are creating electronic malls which allow users to shop in many different shops through one common system. Some small retailers such as the shops on Newbury Street in Boston, Massachusetts, have begun an initiative to create an electronic Newbury Street Mall.

CD-ROM technology, in particular, appears to be aiding the link to on-line shopping in a seamless way. In a project called 2Market, which was begun in 1995, America Online, Apple Computer, and Medior, Inc. are providing consumers with the capability to order from prominent retailers such as Eddie Bauer Home, FAO Schwartz, Godiva Chocolatier, The Nature Company, Starbucks Coffee, and The Sharper Image. A CD produced by The Merchant for Men features a number of top male-oriented catalogs, including JC Penny, Eddie Bauer, Day-Timer, Degree 7 Skiwear, and allows shoppers to view merchandise in every variety available, listen to audio descriptions, order on-line, and determine store locations. Shopping 2000 is another example of a CD driven shopping system which features other well-known companies, such as Barnes & Noble, NordicTrack, Spiegel, and The Discovery Channel. Even Amway Corp., one of the nation's largest direct selling companies, has produced a CD which contains detailed information on thousands of products to help their distributors and buyers make decisions. Although not yet linked to an on-line service, it will only be a matter of time until Amway decides to incorporate Internet shopping capabilities into its CD-ROM catalog.

Commercial on-line services, the Internet, and CD-ROM technology offer all of the ingredients for a new revolution in direct marketing. The possibilities seem endless. They give marketers a worldwide reach. They explode information and give consumers many

more buying options. They give consumers current information and allow them immediate access to it. Commercial on-line services could provide consumers with a much more detailed description of products, through 3-D shopping tours, sound, and video. They could also allow consumers to better tailor their spending interests. World Wide Web Homepages are inexpensive and would allow for relatively easy merchandise updates without the need to publish new catalogs. Businesses could save much in mailing costs by doing away with catalogs altogether.

However, it is still hard to anticipate the success of these new technologies as a shopping medium since it is not easy to predict how compatible they are with existing consumer behavior. For now, aside from the fact that most consumers still prefer to shop in person, many obstacles exist for these new technologies to take hold, and preliminary results look disappointing. Below are a few facts and figures:

- Even as numerous businesses are setting up their on-line stores, hoping that the Internet will produce a point-and-click impulse shopping spree, Time magazine reports that currently, only 1 in 14 Internet users has ever bought anything on the World Wide Web⁷.
- The demographics of on-line shoppers are still limiting. On average, 75% of on-line shoppers are men, while 65% of catalog shoppers are women, and ages range from the mid-20s to early 40s⁸.
- Catalogs are still easier to browse than a PC screen. They are also more portable⁹.

⁷ Barrett, Robertson, "How We Bought It on the World Wide Web", *Time Magazine, Time Digital*, June 24, 1996, page TD15

⁸ Nagle Green, Emily and Eichler, Sara H., "Analyzing the Impact of Technology on Consumers", *The Forrester Report, People & Technology*, Forrester Research, Inc., May 1995, pages 3 and 5.

⁹ *Ibid.* page 7.

Some companies are betting on the idea of making the Internet available through television which would make its accessibility much more widespread, eliminating the current demographic barriers¹⁵. If this idea catches on, one can envision that some day families will be able to shop together from the comfort of their couch in a virtual 3-D mall.

Charge card protection solutions are rapidly becoming available in the form of new Internet programs that use encryption technology to disguise credit card numbers, thereby making shopping on the Web safer. In addition, major credit card companies, such as Visa and MasterCard, are beginning to implement security standards which will indemnify consumers against fraud on the Internet. MasterCard is also developing an electronic signature system which will help eliminate fraudulent use of credit card numbers over the Internet.

It is foreseeable that for specific products the Internet will eliminate the obstacle of mail delivery, which is perhaps the biggest restraint to a greater mail order market penetration. Microsoft, for example, is already selling software through the Internet which can be downloaded directly on-line. One can envision, in the not so distant future, that perhaps books and music could also be shipped electronically.

Another feature of shopping on-line that has not been fully appreciated today is the ability for shoppers to truly comparatively shop from the convenience of their living room. While this ability exists today through the myriad of pamphlets included in the Sunday paper by local retailers, the Internet could give consumers the ability to compare products and prices on a national and even international level.

Future technology improvements, such as modems, the ordering process, and digital cash, and lower costs of on-line services to consumers should also help in re-shaping consumer behavior towards electronic shopping. A recent survey by the ICSC Research Quarterly indicated that consumers recognize that the Internet and other commercial on-line services

¹⁵ Krantz, Michael, "The Biggest Thing Since Color?", *Time Magazine*, August 12, 1996, page 42.

represent a powerful force in the future of retail shopping. Fifty-three percent of respondents in this survey indicated that they believe that shopping on-line poses some threat to the shopping center industry, and 12% say that this threat is extreme¹⁶.

Forrester Research, Inc. is optimistic about the on-line market. It projects that by the year 2000 consumer on-line spending will grow to \$6.9 billion from \$350 in 1995¹⁷. This represents an average compound growth of 81% per year! Another industry research group is also optimistic¹⁸. It reports that electronic retailing will show signs of accelerated growth and consumer acceptance and that by the year 2000 it will have taken a growing share of the retail market. This is inevitable as the economy is splitting into two: one physical, the other virtual. The virtual economy is going to experience exponential growth, while the physical economy will continue to be bound by the traditional laws of economics. At the same time, this report acknowledges that most of the electronic shopping gains will come at the expense of traditional catalog retailing. Therefore, for at least the foreseeable future, the Internet and commercial on-line services appear to pose little threat to the physical retail environment.

5.4 - AREAS OF FURTHER STUDY

As this study substantiates, the consumer product direct marketing industry is not well quantified. Although attempts have been and continue to be made to track the mail order channel of distribution, the data across studies is not similar enough to inspire complete confidence in the degree of accuracy of the figures. The research on consumer product house-to-house and vending machine sales remains largely obscure. As shown in Appendix 1, Direct Marketing Magazine has attempted to track sales of the U.S. direct marketing industry as a whole (i.e., direct marketing sales for products and services to consumers

¹⁶ "Information Superhighway", *ICSC Research Quarterly*, Volume 3, Number 1, Spring 1996, page 30.

¹⁷ Nagle Green, Emily and Eichler, Sara H., "Analyzing the Impact of Technology on Consumers", *The Forrester Report, People & Technology*, Forrester Research, Inc., May 1995, page 7.

¹⁸ Steidtmann, Carl, "Retailing 2000: A Mid-Decade Perspective", *5 Down and 5 to Go*, Management Horizons, A Consulting Division of Price Waterhouse LLP, Copyright 1995, page 1 and page 4.

and businesses), however, breakdowns of products and services are not provided. In addition, as discussed in Appendix 1, errors were found to indicate that the data should not be relied upon entirely.

The importance of direct marketing and its potential impact on the demand for retail space is unquestioned. However, as this study has shown, a precise quantification of this impact from the available data was hard to decipher. Therefore, a useful area of continued research would be a more exact quantification of the U.S. direct marketing industry as a whole and by industry sector (i.e., consumer products and services and business-to-business products and services).

Much is being written about the revolutionary effect of technology on the growth of the direct marketing industry. Although this effect is unlikely to be felt in the very near future, as evidenced by recent studies quoted in this report, it will undoubtedly have a profound effect on the way consumers behave in the distant future. Therefore, it is imperative that continued rigorous research be applied to this emerging field in order to have a timely understanding of its implications.

APPENDIX 1

HISTORICAL ESTIMATES OF DIRECT MARKETING SALES

Direct Marketing Magazine has provided one of the most consistent historical records of direct marketing sales by channel of distribution for both products and services to consumers and to businesses (known as the business-to-business market). From 1986 through 1994, the most recent available figures, these estimates are as follows¹ (The 1987 figures were not reported):

<u>Year</u>	<u>Vending Machines</u>	<u>Mail Order</u>	<u>House-to-House Business-to-Business</u>	<u>House-to-House Consumer</u>	<u>Total</u>
1986	\$20.0	\$111.0	\$2.9	\$6.1	\$140.0
1987	n/a	n/a	n/a	n/a	n/a
1988	\$23.0	\$164.5	\$3.1	\$6.7	\$197.3
1989	\$24.0	\$138.0	\$3.2	\$7.5	\$172.7
1990	\$24.0	\$152.0	\$3.3	\$8.5	\$187.8
1991	\$35.0	\$161.0	\$3.5	\$9.1	\$208.6
1992	\$33.0	\$170.0	\$3.7	\$9.5	\$216.2
1993	\$38.0	\$186.7	\$4.1	\$9.7	\$238.5
1994	\$39.0	\$200.8	\$4.4	\$10.2	\$254.4

These estimates show that the mail order channel of distribution accounts for approximately 80% of total direct marketing sales, while vending machines and house-to-house sales account for approximately 15% and 5% respectively.

¹ Estimates have been rounded to one decimal place. Direct Marketing Magazine reports 1993 house-to-house consumer sales and house-to-house, business-to-business sales to be \$9,722.300B and \$4,140.700B respectively and 1994 house-to-house consumer sales and house-to-house, business-to-business sales to be \$10,200.540B and \$4,364.700B respectively. This appears to be a mistake in the placement of the decimal place as all previous estimates (i.e., 1989 to 1992) were reported in the single digit billions of dollars. Direct Marketing Magazine was not able to clarify this apparent mistake.

APPENDIX 2

**HISTORICAL AND PROJECTED ESTIMATES OF U.S.
CONSUMER PRODUCT RETAIL SALES**

Total Retail Sales by SIC Code

Year	SIC 52 Building	SIC 53 General	SIC 54 Food	SIC 55 Auto	SIC 56 Apparel	SIC 57 Furniture	SIC 58 Restaurants	SIC 59 Store	SIC 59 Nonstore	Total
1977	38,687	86,728	158,255	206,961	36,814	33,200	63,357	79,425	16,531	719,958
1978	44,978	96,491	175,525	228,290	42,308	36,729	71,757	87,955	18,389	802,422
1979	50,736	103,121	198,002	251,979	45,934	42,344	82,131	100,275	20,423	894,945
1980	50,952	108,204	219,780	258,205	48,996	44,022	89,916	111,447	22,786	954,308
1981	52,370	119,956	236,133	285,252	53,945	46,939	98,192	121,535	23,555	1,037,877
1982	50,954	123,753	245,962	290,171	55,524	46,587	104,523	126,170	23,819	1,067,463
1983	58,472	134,552	255,724	333,136	59,668	54,349	113,290	132,927	25,298	1,167,416
1984	66,939	149,227	271,595	380,586	64,057	61,178	121,062	141,299	27,810	1,283,753
1985	71,080	158,184	285,294	416,392	69,843	68,091	127,997	148,673	28,275	1,373,829
1986	77,167	168,981	297,152	429,187	75,415	75,479	139,357	156,189	30,283	1,449,210
1987	83,276	181,023	309,479	447,022	79,060	78,096	153,508	171,401	35,913	1,538,778
1988	90,822	190,590	324,304	481,761	84,318	84,982	167,443	183,866	40,476	1,648,562
1989	92,520	205,306	347,288	509,257	92,047	91,496	177,928	198,968	43,637	1,758,447
1990	94,710	215,451	368,549	526,073	95,783	91,735	190,221	216,972	45,632	1,845,126
1991	91,295	226,467	374,867	509,967	97,340	91,693	194,481	220,914	49,066	1,856,090
1992	100,638	245,076	376,068	542,827	103,383	96,314	199,902	225,214	55,183	1,944,605
1993	109,399	263,829	385,332	595,606	106,949	105,246	213,542	234,232	58,415	2,072,550
1994	122,201	281,979	399,051	662,888	109,278	118,575	223,206	246,554	64,031	2,227,763
1995	124,927	296,633	410,943	710,340	109,896	129,743	233,574	256,642	69,770	2,342,468
1996	128,024	309,650	416,263	715,984	112,883	133,270	242,047	264,717	71,840	2,394,678
1997	131,735	331,117	427,903	732,134	116,690	137,763	252,791	277,369	74,459	2,481,961
1998	137,487	356,748	439,964	777,635	120,918	142,756	263,715	292,116	78,289	2,609,628
1999	143,064	382,109	452,774	839,590	124,511	146,998	276,494	308,204	82,693	2,756,437
2000	149,091	405,238	465,351	906,336	128,205	151,358	290,081	324,782	87,230	2,907,672
2001	154,849	430,492	477,696	980,527	132,044	155,890	304,033	342,378	92,100	3,070,009

Source: 1977 to 1995 are actuals from the U.S. Census of Retail trade. 1996 to 2001 are projections provided by WEFA.

Note: WEFA projections combined SIC 56 & 57. Here they were divided based upon 1995 proportions.

SIC 59 Breakdown

Year	Nonstore Retailers - SIC 596			SIC 59 Store Retailers	SIC 59 Total
	5961 Mail Order	5962+5963 Other	Total		
1977			16,531	79,425	95,956
1978	8,588	9,801	18,389	87,955	106,344
1979	9,523	10,900	20,423	100,275	120,698
1980	10,738	12,048	22,786	111,447	134,233
1981	11,102	12,453	23,555	121,535	145,090
1982	11,337	12,482	23,819	126,170	149,989
1983	12,770	12,528	25,298	132,927	158,225
1984	15,026	12,784	27,810	141,299	169,109
1985	15,865	12,410	28,275	148,673	176,948
1986	17,098	13,185	30,283	156,189	186,472
1987	20,779	15,134	35,913	171,401	207,314
1988	23,690	16,786	40,476	183,866	224,342
1989	26,275	17,362	43,637	198,968	242,605
1990	26,565	19,067	45,632	216,972	262,604
1991	29,981	19,085	49,066	220,914	269,980
1992	35,213	19,970	55,183	225,214	280,397
1993	38,601	19,814	58,415	234,232	292,647
1994	43,404	20,627	64,031	246,554	310,585
1995	46,041	23,729	69,770	256,642	326,412
1996	47,415	24,426	71,840	264,717	336,557
1997	49,143	25,316	74,459	277,369	351,828
1998	51,671	26,618	78,289	292,116	370,405
1999	54,577	28,116	82,693	308,204	390,897
2000	57,572	29,658	87,230	324,782	412,012
2001	60,786	31,314	92,100	342,378	434,478

Note: 1996 to 2001 breakdowns are based upon nonstore sales being 3.0% of total sales. Proportions of mail order and other nonstore sales are based upon the 1995 proportions of 66% and 34% respectively.

Total Retail Sales by SIC Code
Nonstore Sales Distributed Proportionately Among SIC Codes

Year	SIC 52 Building	SIC 53 General	SIC 54 Food	SIC 55 Auto	SIC 56 Apparel	SIC 57 Furniture	SIC 58 Restaurants	SIC 59 Store	Total	Total less SIC 58
1977	39,686	88,968	162,342	212,306	37,765	34,057	63,357	81,476	719,958	656,601
1978	46,139	98,982	180,057	234,184	43,400	37,677	71,757	90,226	802,422	730,665
1979	52,044	105,779	203,105	258,473	47,118	43,435	82,131	102,859	894,945	812,814
1980	52,331	111,134	225,730	265,196	50,323	45,214	89,916	114,464	954,308	864,392
1981	53,717	123,040	242,204	292,586	55,332	48,146	98,192	124,660	1,037,877	939,685
1982	52,246	126,892	252,200	297,531	56,932	47,769	104,523	129,370	1,067,463	962,940
1983	59,910	137,861	262,012	341,328	61,135	55,685	113,290	136,196	1,167,416	1,054,126
1984	68,579	152,884	278,250	389,912	65,627	62,677	121,062	144,761	1,283,753	1,162,691
1985	72,731	161,857	291,919	426,062	71,465	69,672	127,997	152,126	1,373,829	1,245,832
1986	78,993	172,980	304,185	439,344	77,200	77,265	139,357	159,885	1,449,210	1,309,853
1987	85,492	185,841	317,716	458,919	81,164	80,175	153,508	175,963	1,538,778	1,385,270
1988	93,374	195,945	333,416	495,296	86,687	87,370	167,443	189,032	1,648,562	1,481,119
1989	95,147	211,135	357,149	523,716	94,661	94,094	177,928	204,617	1,758,447	1,580,519
1990	97,396	221,560	378,999	540,990	98,499	94,336	190,221	223,124	1,845,126	1,654,905
1991	94,073	233,358	386,273	525,484	100,302	94,483	194,481	227,636	1,856,090	1,661,609
1992	103,925	253,081	388,351	560,557	106,760	99,460	199,902	232,570	1,944,605	1,744,703
1993	112,948	272,388	397,833	614,929	110,419	108,660	213,542	241,831	2,072,550	1,859,008
1994	126,233	291,283	412,218	684,761	112,884	122,488	223,206	254,689	2,227,763	2,004,557
1995	129,201	306,782	425,004	734,645	113,656	134,182	233,574	265,423	2,342,468	2,108,894
1996	132,444	320,341	430,635	740,704	116,781	137,871	242,047	273,856	2,394,678	2,152,631
1997	136,287	342,559	442,690	757,434	120,722	142,524	252,791	286,954	2,481,961	2,229,170
1998	142,234	369,065	455,154	804,483	125,093	147,684	263,715	302,201	2,609,628	2,345,913
1999	147,999	395,290	468,392	868,552	128,806	152,068	276,494	318,835	2,756,437	2,479,943
2000	154,231	419,208	481,393	937,580	132,624	156,576	290,081	335,978	2,907,672	2,617,591
2001	160,183	445,320	494,150	1,014,301	136,592	161,260	304,033	354,171	3,070,009	2,765,976

Note: CIS 59 Nonstore sales were distributed proportionately to all other categories except for restaurants (SIC 58)

Total Retail Sales Compound Growth Rates by SIC Code

SIC 52 Building	SIC 53 General	SIC 54 Food	SIC 55 Auto	SIC 56 Apparel	SIC 57 Furniture	SIC 58 Restaurants	SIC 59 Store	Total	Total less SIC 58
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1979	to	1991	12 Years								
5.1%	6.8%	5.5%	6.1%	6.5%	6.7%	7.4%	6.8%	6.3%	6.1%		
1982	to	1991	9 Years								
6.8%	7.0%	4.9%	6.5%	6.5%	7.9%	7.1%	6.5%	6.3%	6.2%		
1988	to	2001	13 Years								
4.2%	6.5%	3.1%	5.7%	3.6%	4.8%	4.7%	4.9%	4.9%	4.9%		
1979	to	1995	16 Years								
5.8%	6.9%	4.7%	6.7%	5.7%	7.3%	6.8%	6.1%	6.2%	6.1%		

APPENDIX 3

MAXWELL SROGE COMPANY RESEARCH METHODOLOGY

Methodology:

The estimate for 1978 U.S. mail order industry size involved a major reconstruction of the estimating base and methodology:

- (1) The U.S. mail order industry was structured by mode of ownership within product categories.
- (2) Within each product category a company structure was developed after a systematic review of:
 - Industry Lists
 - Fortune 1250
 - D&B Million Dollar Directory
 - Standard Rate and Data Service Directory
 - Economic Information Services Listings
 - Directories of Mail Order Companies
 - Maxwell Sroge Company Information
 - Research File
 - Catalog File
 - Special Reports
- (3) Estimates of sales were developed for each company in each product category. Data sources were:
 - Company reported data
 - D&B Million Dollar Directory data
 - Standard Rate and Data Service List data
 - Economic Information Service data
 - Data on individual lists
 - Business literature data
 - Maxwell Sroge Company data

The most authoritative available data was used for each company. Where list data was used for the derivation of the estimate, a method was applied based on extensions of active buyers, frequency of buying and average order size.
- (4) There were two steps in developing aggregate estimates for each product category:
 1. Summing up company estimates across each category, and applying an estimate of concentration of sales of the included companies, to project a total for the category.
 2. Comparing the estimate developed across companies with any available external estimates for the product category and making appropriate adjustments.
- (5) Employing estimates developed by mode of ownership within each product category to:
 - Build the overall industry estimate
 - Structure overall industry sales by:
 - Product Categories
 - Mode of Ownership

APPENDIX 4

**MAXWELL SROGE COMPANY HISTORICAL AND
PROJECTED ESTIMATES OF THE U.S. MAIL ORDER
INDUSTRY**

The United States Mail Order Industry
(Source: Maxwell Sroge Company)

Sales Estimates by Retail Segment (nominal billion \$)

Retail Mail Order Products	SIC	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Projected		
															1992	1993	1994
Apparel	56	1.41	1.48	1.73	1.94	2.15	2.47	2.84	3.36	3.93	5.03	6.53	8.62	10.78			
Automotive	55	0.20	0.20	0.24	0.29	0.31	0.34	0.37	0.39	0.42	0.46	0.52	0.58	0.64			
Books	59	1.45	1.53	1.70	1.67	1.68	1.69	1.71	1.73	1.76	1.83	1.92	2.02	2.10			
Collectibles	59	0.98	1.02	1.17	1.27	1.35	1.43	1.51	1.59	1.65	1.79	1.95	2.06	2.19			
Cosmetics	59	0.17	0.18	0.20	0.22	0.24	0.26	0.28	0.29	0.32	0.35	0.39	0.43	0.48			
Crafts	59	0.57	0.58	0.65	0.73	0.79	0.84	0.89	0.93	1.00	1.06	1.15	1.24	1.33			
Electronic Goods	57	0.36	0.36	0.51	0.59	0.68	0.78	0.90	1.05	1.26	1.59	2.07	2.65	3.34			
Food	54	0.54	0.55	0.59	0.62	0.65	0.67	0.69	0.71	0.74	0.78	0.83	0.89	0.95			
Gardening/Horticultural	52	0.41	0.41	0.46	0.43	0.44	0.45	0.43	0.46	0.48	0.50	0.53	0.56	0.60			
General Merch./Housewares/Gifts	57	2.70	2.98	3.28	3.51	3.86	4.32	4.75	5.32	6.17	7.22	8.81	9.52	10.42			
Health/Nutrition	54	0.46	0.47	0.50	0.56	0.59	0.60	0.61	0.64	0.68	0.75	0.83	0.90	0.98			
Jewelry	59	0.12	0.12	0.15	0.16	0.18	0.21	0.23	0.25	0.29	0.33	0.39	0.44	0.49			
Magazines	59	1.95	2.10	2.29	2.54	2.82	3.13	3.41	3.71	4.12	4.62	5.20	5.79	6.43			
Prescriptions	59	0.16	0.17	0.18	0.20	0.24	0.27	0.31	0.35	0.40	0.48	0.57	0.66	0.76			
Records and Tapes	57	0.45	0.46	0.52	0.57	0.59	0.62	0.67	0.75	0.81	0.91	1.01	1.14	1.27			
Sporting Goods	59	0.84	0.86	0.99	1.16	1.30	1.49	1.67	1.90	2.13	2.51	2.99	3.56	4.16			
Tools/Home Repair	52	0.33	0.33	0.39	0.43	0.48	0.53	0.58	0.65	0.73	0.82	0.94	1.09	1.25			
Major Catalog Retailers	53, 56 & 57	4.28	5.03	4.77	4.73	5.04	5.43	5.71	5.93	5.05	5.48	5.80	6.15	6.51			
Department Stores	53	2.46	2.69	3.15	3.43	3.94	4.53	5.08	5.79	6.60	9.25	10.51	11.67	12.95			
Unclassified Merchandise	59	<u>1.07</u>	<u>1.11</u>	<u>1.31</u>	<u>1.45</u>	<u>1.64</u>	<u>1.85</u>	<u>2.08</u>	<u>2.30</u>	<u>2.58</u>	<u>3.23</u>	<u>4.23</u>	<u>4.24</u>	<u>4.66</u>			
Sub-Total		20.91	22.60	24.76	26.50	28.95	31.91	34.72	38.10	41.12	48.97	57.15	64.19	72.29	78.47	86.35	96.72
Consumer Products as % of Total			78.6%	78.4%	77.8%	77.3%	77.0%	76.7%	76.7%	75.9%	77.1%	78.3%	78.6%	79.0%	78.0%	78.0%	78.0%
Retail Mail Order Services																	
Insurance/Financial			4.41	4.85	5.44	6.14	6.94	7.77	8.63	9.84	11.02	12.01	13.33				
Photofinishing			0.40	0.45	0.53	0.61	0.67	0.72	0.77	0.83	0.88	0.93	0.99				
Auto Clubs			0.90	1.04	1.07	1.13	1.22	1.32	1.40	1.54	1.68	1.81	1.95				
Educational Services			<u>0.43</u>	<u>0.47</u>	<u>0.54</u>	<u>0.60</u>	<u>0.68</u>	<u>0.74</u>	<u>0.80</u>	<u>0.87</u>	<u>0.96</u>	<u>1.11</u>	<u>1.24</u>				
Sub-Total			6.14	6.81	7.57	8.49	9.51	10.56	11.61	13.07	14.53	15.85	17.51	19.21	22.13	24.35	27.28
Total			28.75	31.56	34.07	37.43	41.42	45.28	49.71	54.19	63.50	73.00	81.70	91.50	100.60	110.70	124.00

Note: Total mail order sales for 1992 through 1994 are projections. Breakdown by retail segment was unavailable.
Consumer product sales figures for these years are based on the average historical percent of total mail order sales, which was calculated to be approximately 78%.

The United States Mail Order Industry
(Source: Maxwell Sroge Company)

Sales Estimates Grouped by Division G Major Groups (nominal billion \$)

<u>Retail Mail Order Products</u>	<u>SIC</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Projected</u>		
															<u>1992</u>	<u>1993</u>	<u>1994</u>
Gardening/Horticultural	52	0.41	0.41	0.46	0.43	0.44	0.45	0.43	0.46	0.48	0.50	0.53	0.56	0.60			
Tools/Home Repair	52	0.33	0.33	0.39	0.43	0.48	0.53	0.58	0.65	0.73	0.82	0.94	1.09	1.25			
		0.74	0.75	0.85	0.86	0.92	0.97	1.02	1.11	1.21	1.32	1.47	1.65	1.85			
Department Stores	53	2.46	2.69	3.15	3.43	3.94	4.53	5.08	5.79	6.60	9.25	10.51	11.67	12.95			
Major Catalog Retailers	53	1.43	1.70	1.64	1.62	1.77	1.93	2.03	2.11	1.78	2.11	2.11	2.13	2.18			
		3.88	4.38	4.78	5.05	5.71	6.47	7.11	7.90	8.37	11.36	12.62	13.80	15.13			
Food	54	0.54	0.55	0.59	0.62	0.65	0.67	0.69	0.71	0.74	0.78	0.83	0.89	0.95			
Health/Nutrition	54	0.46	0.47	0.50	0.56	0.59	0.60	0.61	0.64	0.68	0.75	0.83	0.90	0.98			
		1.00	1.02	1.10	1.19	1.24	1.28	1.31	1.35	1.42	1.52	1.65	1.79	1.94			
Automotive	55	0.20	0.20	0.24	0.29	0.31	0.34	0.37	0.39	0.42	0.46	0.52	0.58	0.64			
Apparel	56	1.41	1.48	1.73	1.94	2.15	2.47	2.84	3.36	3.93	5.03	6.53	8.62	10.78			
Major Catalog Retailers	56	0.82	0.93	0.90	0.91	0.97	1.06	1.14	1.22	1.06	1.15	1.31	1.58	1.81			
		2.22	2.41	2.63	2.85	3.12	3.53	3.98	4.58	4.98	6.17	7.84	10.20	12.59			
Electronic Goods	57	0.36	0.36	0.51	0.59	0.68	0.78	0.90	1.05	1.26	1.59	2.07	2.65	3.34			
General Merch./Housewares/Gifts	57	2.70	2.98	3.28	3.51	3.86	4.32	4.75	5.32	6.17	7.22	8.81	9.52	10.42			
Records and Tapes	57	0.45	0.46	0.52	0.57	0.59	0.62	0.67	0.75	0.81	0.91	1.01	1.14	1.27			
Major Catalog Retailers	57	2.04	2.40	2.24	2.20	2.30	2.44	2.53	2.60	2.22	2.22	2.39	2.43	2.53			
		5.55	6.20	6.54	6.87	7.43	8.17	8.86	9.72	10.47	11.94	14.28	15.74	17.55			
Books	59	1.45	1.53	1.70	1.67	1.68	1.69	1.71	1.73	1.76	1.83	1.92	2.02	2.10			
Collectibles	59	0.98	1.02	1.17	1.27	1.35	1.43	1.51	1.59	1.65	1.79	1.95	2.06	2.19			
Cosmetics	59	0.17	0.18	0.20	0.22	0.24	0.26	0.28	0.29	0.32	0.35	0.39	0.43	0.48			
Crafts	59	0.57	0.58	0.65	0.73	0.79	0.84	0.89	0.93	1.00	1.06	1.15	1.24	1.33			
Jewelry	59	0.12	0.12	0.15	0.16	0.18	0.21	0.23	0.25	0.29	0.33	0.39	0.44	0.49			
Magazines	59	1.95	2.10	2.29	2.54	2.82	3.13	3.41	3.71	4.12	4.62	5.20	5.79	6.43			
Prescriptions	59	0.16	0.17	0.18	0.20	0.24	0.27	0.31	0.35	0.40	0.48	0.57	0.66	0.76			
Sporting Goods	59	0.84	0.86	0.99	1.16	1.30	1.49	1.67	1.90	2.13	2.51	2.99	3.56	4.16			
Unclassified Merchandise	59	1.07	1.11	1.31	1.45	1.64	1.85	2.08	2.30	2.58	3.23	4.23	4.24	4.66			
		7.32	7.65	8.62	9.40	10.22	11.16	12.08	13.05	14.25	16.20	18.77	20.43	22.60			
Sub-Total		20.91	22.80	24.76	26.50	28.95	31.91	34.72	38.10	41.12	48.97	57.15	64.19	72.29	78.47	86.35	96.72

Note: Major Catalog Sales were allocated to SIC 53, SIC 56, and SIC 57 in proportion to the size of each group.

The United States Mail Order Industry, Maxwell Sroge
(Source: Maxwell Sroge Company)

Summary

Mail Order Retail Sales (nominal billion \$) - Grouped by Division & Major Groups

<u>SIC</u>	<u>Description</u>	<u>Abbrev.</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>Compound Growth 1979-1991</u>
52	Building Materials/Garden Supplies	Build.	0.74	0.75	0.85	0.86	0.92	0.97	1.02	1.11	1.21	1.32	1.47	1.65	1.85				8.0%
53	General Merchandise Stores	General	3.88	4.38	4.78	5.05	5.71	6.47	7.11	7.90	8.37	11.36	12.62	13.80	15.13				12.0%
54	Food Stores	Food	1.00	1.02	1.10	1.19	1.24	1.28	1.31	1.35	1.42	1.52	1.65	1.79	1.94				5.7%
55	Auto Dealers/Service Stations	Auto	0.20	0.20	0.24	0.29	0.31	0.34	0.37	0.39	0.42	0.46	0.52	0.58	0.64				10.3%
56	Apparel and Accessory Stores	Apparel	2.22	2.41	2.63	2.85	3.12	3.53	3.98	4.58	4.98	6.17	7.84	10.20	12.59				15.6%
57	Home Furniture and Furnishings	Furnit.	5.55	6.20	6.54	6.87	7.43	8.17	8.86	9.72	10.47	11.94	14.28	15.74	17.55				10.1%
59	Other Retailers	Other	7.32	7.65	8.62	9.40	10.22	11.16	12.08	13.05	14.25	16.20	18.77	20.43	22.60				9.8%
			20.91	22.60	24.76	26.50	28.95	31.91	34.72	38.10	41.12	48.97	57.15	64.19	72.29	78.47	86.35	96.72	10.9%

% Change In Sales

<u>SIC</u>	<u>Description</u>	<u>Abbrev.</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
52	Building Materials/Garden Supplies	Build.	1.3%	13.6%	1.5%	6.5%	6.1%	4.6%	9.4%	8.6%	8.9%	11.6%	12.1%	12.3%			
53	General Merchandise Stores	General	12.9%	9.0%	5.6%	13.2%	13.2%	9.9%	11.1%	6.0%	35.6%	11.1%	9.4%	9.6%			
54	Food Stores	Food	1.8%	7.6%	8.1%	5.0%	2.6%	2.5%	3.0%	5.3%	7.2%	8.7%	8.5%	8.0%			
55	Auto Dealers/Service Stations	Auto	0.7%	22.2%	18.2%	9.1%	9.0%	7.9%	7.1%	5.9%	11.1%	12.1%	11.0%	11.0%			
56	Apparel and Accessory Stores	Apparel	8.5%	9.0%	8.5%	9.3%	13.2%	12.9%	15.0%	8.8%	23.9%	27.1%	30.1%	23.4%			
57	Home Furniture and Furnishings	Furnit.	11.7%	5.6%	5.0%	8.1%	10.0%	8.4%	9.7%	7.7%	14.1%	19.5%	10.3%	11.5%			
59	Other Retailers	Other	4.5%	12.7%	9.0%	8.7%	9.2%	8.2%	8.0%	9.2%	13.7%	15.9%	8.9%	10.6%			

U.S. Mail Order Retail Sales as a Percent of Total Retail Sales by SIC Major Group

<u>SIC</u>	<u>Description</u>	<u>Abbrev.</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
52	Building Materials/Garden Supplies	Build.	1.4%	1.4%	1.6%	1.6%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%	1.7%	2.0%			
53	General Merchandise Stores	General	3.7%	3.9%	3.9%	4.0%	4.1%	4.2%	4.4%	4.6%	4.5%	5.8%	6.0%	6.2%	6.5%			
54	Food Stores	Food	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%				
55	Auto Dealers/Service Stations	Auto	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%				
56	Apparel and Accessory Stores	Apparel	4.7%	4.8%	4.7%	5.0%	5.1%	5.4%	5.6%	5.9%	6.1%	7.1%	8.3%	10.4%	12.6%			
57	Home Furniture and Furnishings	Furnit.	12.8%	13.7%	13.6%	14.4%	13.3%	13.0%	12.7%	12.6%	13.1%	13.7%	15.2%	16.7%	18.6%			
59	Other Retailers	Other	7.1%	6.7%	6.9%	7.3%	7.5%	7.7%	7.9%	8.2%	8.1%	8.6%	9.2%	9.2%	9.9%			

APPENDIX 5

**DIRECT MARKETING MAGAZINE RESEARCH
METHODOLOGY**

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1984

Mail Order Guide

Compiled By Arnold Fishman

This article of *Direct Marketing* magazine is devoted to a statistical and qualitative survey of businesses using the mail order method of selling. The statistics were compiled by Arnold Fishman, president of Marketing Logistics, Inc. Mr. Fishman is also president of the Chicago Direct Marketing Group, Inc. a full service cooperative of Chicago area-based

direct marketing specialty services companies. Formerly president of the Consulting Group at Maxwell Sroge Company and director of marketing planning at Citibank, the Franklin Mint, and Paramount Pictures, Mr. Fishman is the founder of the Corporate Management Science Department at Miles Laboratories

Top Line Summary

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Direct marketing serves any one of three methods of selling:

A) In-store Sales

B) Personal Selling

Where seller seeks out buyer

C) Mail Order

Where seller entices buyer to respond by mail or phone

The subject of this report is:

C) Mail Order

It covers sales where the individual or business consumer places the order by mail, phone or electronically, not requiring the orderer to visit the store or the vendor to collect the order by visiting the home or the office.

It excludes sales:

- Through personal selling by any means even though outside the store.

- Where the order is placed at the catalog desk or elsewhere in the store even in response to a catalog or other direct response communication received in the home or office.

- Outside the store where the buyer seeks out the vendor's agent or vending machine.

- Where the order is obtained by personal selling even though an inquiry or lead obtained through a direct marketing communication.

On the other hand, it includes sales:

- Where the product or service is delivered in the store as long as the order was placed by mail, phone or electronically.

Methodologies For Mail Order Sales Estimates

Micro Estimates

Micro estimates developed for mail order sales segments on the basis of estimates of sales size of individual mail order businesses in the segment.

- Identify mail order businesses in the segment.
- For each identified mail order business in the segment estimate the size of mail order sales net of:
 - Retail, wholesale and non-mail order sales.
 - Non-U.S. sales where subject market is U.S. market.
- Utilize the most authoritative available sources for sales size estimating including:
 - Company reports
 - Press reports
 - Industry reports
 - List data
 - Publishing schedule data

Micro Estimated Segments

- Animal Care
- Apparel
- Audio/Video
- Auto Clubs
- Microlevel Aviation
- Books
- Business/Electronics
- Catalogs
- Clothing
- Computers
- Crafts
- Games
- Gardening
- Gifts

- Hardware/Tools
- Health Products
- Home
- Construction
- Housewares
- Jewelry
- Multi-Products
- Oil Company
- Syndication
- Photograph Product
- Sporting Goods
- Stationery

- Tobacco
- Toys/Games
- Children's Products
- Catalog Retailers
- Astrology/Occult
- Educational Products
- Entertainment
- Food
- Health
- Home
- Insurance
- Medical
- Pet
- Religious
- Services
- Travel
- Wine
- Youth

Macro Estimated Segments

- Books
- Magazines
- Newspapers
- Records
- Computer Software
- Department/Specialty Stores
- Catalog Showrooms
- Airline Syndication
- Cable TV
- Cultural Events
- Educational Services
- Home Study
- Photo/Sales Services
- Sports Events
- Mailing List Services
- Trade Subscriptions

- Aggregate estimates for the segment by addition of estimates of individual businesses.
- Segment estimates are restricted to identified businesses. No allowances are made for any residual unidentifiable businesses. Minimal estimates are made for businesses identified but lacking sales sources.
- Micro estimates are based on information in the proprietary Marketing Logistics, Inc. database of information on 6,000+ businesses and companies.

Macro Estimates

Macro estimates developed for mail order direct marketing sales segments on the basis of aggregate sources of mail order sales in the segment from a source for that sales segment.

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DIRECT MARKETING

Mail Order Sales Definitions

- Mail Order Sales

Orders placed by mail, phone or electronically without the person ordering coming to the point of sale to place the order or the seller coming to the office or home of the orderer to take the order or using an agent to collect the order.

- Mail Order Specialty Vendor Segments

Segments are defined by the primary merchandising classification of the specialty marketer and all the sales of the business are attributed to that segment. Thus the sales of the sporting goods segment contain apparel sales to the extent that apparel is included in the merchandise mix of mail order sporting goods businesses and sales of the apparel segment contain sporting goods to the extent that sporting goods are included in the merchandise mix of mail order apparel businesses. Mail order specialty segments are comparable to the sales outlet structure used by the Census of Retail Trade and not comparable to the Merchandise Line structure of the Census of Retail Trade.

Estimates of the U.S. mail order sales are substantially lower and more defensible than those provided elsewhere with estimates ranging up to \$200 billion. The estimates in this report:

- Are based on individual, identifiable businesses whose sales are stripped of retail, wholesale, non-mail order direct marketing and non-U.S. sales.

- Are not based on extrapolations where a multiplier (typically four or five to one) is applied against a global marketing expenditure aggregate. Distortions inherent in the indiscriminate use of multipliers are:

- Inclusion of in-store sales where sales consequence of direct marketing communication was traffic generation and in-store ordering.

- Inclusion of personal selling where consequence of direct marketing communication was lead or inquiry converted by personal selling

- Inclusion of non-sales where direct marketing communication through any medium occurred after the sale for billing, customer service, collection or some other non-sales purpose.

There is no transaction in the economy which is not or has not to some degree been influenced by a direct marketing communication. Indiscriminate use of expense multiplier methodologies can result in crediting of the entire gross national product to mail order.

Methodology: Commentary

There are two fundamentally different issues in measurement of mail order sales:

(1) Estimation of the size of mail order sales.

(2) Estimation of the growth rate of mail order sales.

From year to year estimates of the overall size of mail order sales vary with (1) actual growth in sales as well as (2) improvements in the available information base about sales segments and individual businesses as well as (3) improvements of aggregation methodology and (4) recognition of additional sales segments previously unincorporated in the base of sales segments. The first three factors also account for changes from year to year in the estimates of the sizes of individual sales segments, in addition to changes caused by occasional structural shifts in the assignment of sub-segments of mail order businesses to sales segments.

Because of the possible mix of actual growth and information base and methodology improvements, the reader is cautioned against making year to year comparisons of either overall mail order sales estimates or segment estimates to extrapolate growth rates.

The issue of growth rate estimation is fundamentally different and is addressed by a separately developed methodology with a separate information base of growth indicators. The section of this report on Growth Rates includes a listing of information indicators which were considered in drawing an inference on the growth rate range of mail order sales for 1984.

It is noteworthy that the difficulty of the task of estimating the size of total mail order sales is compounded by the anonymity of some very large firms quite willing to rent lists of customers but who don't want their own identity revealed. The task is already complicated by the void in realistic reporting by federal government sources, by the paucity of information provided by publicly held companies for their mail order profit centers, and by the information void about privately held businesses. To these must be added the practice of what appear to be significant mail order businesses to operate under pseudonyms, making verification and cross-checking of estimates even more difficult.

A few examples by sales segment are shown below of the as many as a hundred businesses in the anonymous class:

Sales Segment	Business Name	List Size (M's)
Multi Products	Creative Marketing	900
Consumer Electronics	Fenway Products	220
Multi Products	Ellsworth	1,000+

Introduction To Estimates

1. Estimates of 1984 mail order consumer sales of \$54.135B in this year's Guide compared to \$45.390B for 1983 in last year's Guide do not imply an increase in Consumer sales of \$8.745B or 19.3%. Growth estimated for 1984 consumer mail order compared to 1983 is in the 10%-14% range.

The change reflects changes in sources of update information, adjustments in treatment of some categories estimated at the macro level and of some companies as well as actual changes in the marketplace.

Non growth related changes includes:

- An upward revision in the estimate of mail order share in Sears catalog sales
- Upward revision in the estimate of the size of mailing list services mail order sales
- Upward revision in the estimate of the overall base of department/specialty store sales

- Incorporation of newsletter mail order sales in Business Services
- Incorporation of discount brokerage and no-load mutual funds, two mail order sub-segments, in financial services.

2. Estimates in sizes of individual sales segments can reflect changes in sources of updating information as well as actual changes in the marketplace.

3. The estimates contained in the Guide represent the best possible projections from available information sources and within the limits of reasonable aggregation procedures. The compilers and publishers of this report despite diligence and care in preparing this report do not hold themselves responsible for any residual errors or differences between their best estimates and actual fact.

4. This year for the first time, Consumer Services has been divided into Non-Financial and Financial segments and estimates have been included of the share of Non-Financial mail order and Financial mail order in their respective universes.

Mail Order: Continuing It's Maturation, Competitiveness

Overhear Pete Hoke and Arnold Fishman in intense conversation about the state of health of the lively art of surviving, even growing in mail order.

Interview With Arnold Fishman

This is Pete Hoke for *Direct Marketing Today*. We're going to be talking about mail order and especially the results of mail order business for 1984 with Arnold Fishman who has been doing these studies for a number of years.

A. Actually this is the fourth edition. This goes back to the edition that was published in the July 1982 magazine, *Direct Marketing* magazine covering mail order in 1981 so we have covered a lot of ground and a lot of history in mail order.

Q. What are we going to find out from you in terms of what happened in 1984 in mail order?

A. We're looking at the continuing maturity and competitiveness of mail order business, and that's going to show up in most of the major aspects and factors that we'll be looking at in mail order. The business has changed considerably even since the first edition of the mail-order guide we did, and we're looking at a very important phenomenon in American marketing and American business and we're looking at a kind of business which has become sufficiently mature to have created some very interesting developments in the calendar year 1984.

Q. You say again this year Arnie that the days of a booming mail-order business are over?

A. We're saying in effect that mail order is no longer the kind of infant business that was capable of generating growth at the rate of 20 to 25 percent a year. It's a tribute to U.S. mail order that we're no longer looking at the kind of growth that you associate with very small and very new businesses. We're looking at a kind of approach to marketing and selling that has had an opportunity of pervading a good part of the American economy, and it has had a sufficient opportunity in good time to attract businesses and enough professionalism into it so that you shouldn't expect the kind of growth that was typical of the business five to ten years ago when

it was much less important and had much less impact on the American economy.

Q. Give us some positioning here. There are a couple of things here right? There's the aggregate business aggregate sales of all six trillion businesses in this country. What did that turn out to be in 1984 versus 1983?

A. I think one good way to keep mail order in perspective in regard to what's happening in the economy and marketing in general and in correct perspective as a channel of distribution is to work down from the top. I think a useful way to start from the top is to consider the amount of receipts that are generated by U.S. businesses regardless of whom they're selling to, whether they're selling to other businesses, to governments, or selling to consumers, whether they're selling an end product or selling to other industries or businesses which use what they buy in order to further develop the value of a product or service which is eventually rendered to consumers. If you look at American business at that highest level you're looking at close to \$10 trillion in



Arnold Fishman is president of Marketing Logistics, Inc., Lincolnshire, Illinois, a direct marketing business development services company specializing in strategy concept development, business planning, test marketing, pilot management and information services. Mr. Fishman is also president of the Chicago Direct Marketing Group, Inc., a full service cooperative of Chicago area based direct marketing specialty services companies. Previously he was president of the Consulting Group at the Maxwell Sroge Company and director of marketing at Citibank, Franklin Mint and Paramount pictures. Mr. Fishman is also founder of the Corporate Management Sciences Department at Miles Laboratories.

APPENDIX 6

**DIRECT MARKETING MAGAZINE HISTORICAL ESTIMATES
OF THE U.S. MAIL ORDER INDUSTRY**

Direct Marketing Magazine Survey of the U.S mail Order Industry
(Source: Direct Marketing Magazine)

Mail Order Consumer Product Sales by Product (nominal million \$)

SIC	Specialty	1982	1983	1984	1985	1986	1987 (1)	1988	1989	1990	1991	1992	1993	1994	1995
	Animal Care	40	60	50	50	40	67	90	90	70	150				
23XX	Apparel	1,390	1,800	2,220	2,360	2,540	3,227	3,760	3,640	4,250	4,410				
3651	Audio-Video	165	210	300	390	400	478	530	610	630	580				
3714	Automotive/Aviation	240	290	340	390	430	507	560	640	620	1,120				
27XX	Books	1,845	2,000	1,975	2,080	2,150	2,382	2,500	2,520	2,760	2,770				
5999	Collectibles	1,035	1,200	1,350	1,410	1,240	1,445	1,580	1,510	1,690	1,810				
357X/367X/3811	Consumer Electronics/Science	350	460	740	1,020	710	856	960	810	710	730				
2844	Cosmetics/Toiletries	185	320	300	390	450	497	520	490	450	450				
3944	Crafts	385	540	570	480	530	615	670	830	840	910				
20XX	Food	555	720	780	820	830	884	1,090	1,050	1,310	1,490				
0181	Gardening	580	610	640	700	740	774	770	820	850	980				
5947	Gifts	860	1,090	1,140	1,140	1,180	1,296	1,350	1,680	2,020	2,010				
342X	Hardware/Tools	235	290	320	330	330	420	490	480	530	700				
283X	Health Products	490	690	940	1,090	1,230	1,816	2,510	2,530	2,480	2,770				
	Home Construction	75	140	170	140	150	220	280	350	310	540				
251X/323X/336X/3361	Housewares	340	440	570	580	750	902	1,010	1,130	1,220	1,470				
391X/3964	Jewelry	265	330	420	500	550	630	680	600	500	800				
2721	Magazines	3,435	3,810	4,150	4,310	4,660	5,113	5,320	6,360	6,020	6,580				
	Multi-Products	1,460	1,700	2,160	3,610	3,020	4,314	5,400	7,020	7,410	8,440				
2711	Newspapers	5,250	2,800	2,800	2,600	2,600	2,879	3,020	3,020	3,020	3,020				
386X	Photographic Products	285	310	430	420	380	400	400	400	410	470				
3652	Records	430	440	470	510	480	589	690	720	780	870				
3949	Sporting Goods	815	940	1,360	1,310	1,670	2,075	2,380	2,750	3,460	3,910				
2771	Stationary	145	180	220	280	460	415	350	300	440	470				
21XX/277X	Tobacco	25	50	50	50	50	46	40	40	30	40				
3944	Toys/Games/Children's Products	100	190	300	350	410	507	580	680	710	1,020				
7372	Computer Software	200	300	375	460	370	471	550	600	650	630				
7372	Computer Hardware	-	-	-	-	370	338	290	320	350	700				
	Total Specialty	21,180	21,710	24,940	27,770	28,720	34,370	38,370	41,990	44,520	49,840	52,860	57,760	64,810	70,920
SIC	General Merchandise	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
5311	Big 4 Catalog Retailers	4,430	5,080	6,220	6,020	4,730	3,502	4,002	5,841	6,945	7,998	-	-	-	-
5311/561X	Department/Specialty Stores	2,250	2,550	4,365	4,170	5,100									
	Catalog Showrooms	695	900	960	990	780									
		7,375	8,530	11,545	11,180	10,610	8,410	9,410	11,900	12,380	14,330	14,050	13,640	13,050	14,830
(2)	Oil Company Syndication	500	550	550	500	400									
	Airline Syndication	20	20	20	20	20									
		520	570	570	520	420	600	600	600	600	600	600	600	600	600
	Total General Merchandise	7,895	9,100	12,115	11,700	11,030	9,010	10,010	12,500	12,980	14,930	14,650	14,240	13,650	15,430
	Total Consumer Products (w/out Oil and Airline)	28,555	30,240	36,485	38,950	39,330	42,780	47,780	53,890	56,900	64,170	66,910	71,400	77,860	85,750
	Total Consumer Products	29,075	30,810	37,055	39,470	39,750	43,380	48,380	54,490	57,500	64,770	67,510	72,000	78,460	86,350
	Top 5 Catalog Retailers	1982	1983 (4)	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Sears Roebuck	1,760	1,973	2,830	2,670	1,890	1,393	1,597	1,520	2,215	3,445				
	J.C. Penny	1,330	1,557	1,740	1,730	1,860	1,182	1,021	3,171	3,315	3,170				
	Montgomery Ward (3)	650	972	930	860	90	-	-	-	-	-				
	Aldens	200	-	-	-	-	-	-	-	-	-				
	Spiegel	490	578	720	760	890	927	1,384	1,150	1,415	1,383				
		4,430	5,080	6,220	6,020	4,730	3,502	4,002	5,841	6,945	7,998	-	-	-	-

Notes: (1) Breakdown by product category was interpolated.

(2) Oil company and airline syndication are assumed to be services and therefore were subtracted from the totals. 1987 through 1995 figures were estimated to be a constant \$800 million.

(3) Sold Mail Order Unit in 1985

(4) Top 5 Catalog Retailer Sales added to a total of \$5,382 million when individual figures were considered. Totals were instead reported as \$5,080 million. To reconcile this difference, individual totals were reduced p

Direct Marketing Magazine Survey of the U.S mail Order Industry
(Source: Direct Marketing Magazine)

Mail Order Consumer Product Sales Grouped by Retail SIC Segment (nominal million \$)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
SIC 52 Building Materials/Garden Supplies														
0181 Gardening	580	610	640	700	740	774	770	820	850	980				
342X Hardware/Tools	235	290	320	330	330	420	490	480	530	700				
Home Construction	75	140	170	140	150	220	280	350	310	540				
	890	1,040	1,130	1,170	1,220	1,414	1,540	1,650	1,690	2,220				
SIC 53 - General Merchandise Stores														
General Merchandise	7,375	8,530	11,545	11,180	10,810	8,410	9,410	11,900	12,380	14,330				
Multi-Products	1,460	1,700	2,160	3,610	3,020	4,314	5,400	7,020	7,410	8,440				
	8,835	10,230	13,705	14,790	13,830	12,724	14,810	18,920	19,790	22,770				
SIC 54 - Food Stores														
20XX Food	555	720	780	820	830	984	1,090	1,050	1,310	1,490				
283X Health Products	490	690	940	1,090	1,230	1,916	2,510	2,530	2,480	2,770				
	1,045	1,410	1,720	1,910	2,060	2,900	3,600	3,580	3,790	4,260				
SIC 55 - Auto Dealers/Service Stations														
3714 Automotive/Aviation	240	290	340	390	430	507	560	640	620	1,120				
SIC 56 - Apparel and Accessory Stores														
23XX Apparel	1,390	1,800	2,220	2,360	2,540	3,227	3,760	3,640	4,250	4,410				
SIC 57 - Home Furniture and Furnishings														
3651 Audio-Video	165	210	300	390	400	476	530	610	630	580				
357X/367X/3811 Consumer Electronics/Science	350	460	740	1,020	710	856	960	810	710	730				
251X/323X/336X/3381 Housewares	340	440	570	580	750	902	1,010	1,130	1,220	1,470				
3652 Records	430	440	470	510	480	599	690	720	780	870				
7372 Computer Software	200	300	375	460	370	471	550	600	650	630				
7372 Computer Hardware	-	-	-	-	370	338	290	320	350	700				
	1,485	1,850	2,455	2,960	3,080	3,642	4,030	4,190	4,340	4,980				
SIC 59 - Other Retailers														
27XX Books	1,845	2,000	1,975	2,080	2,150	2,382	2,500	2,520	2,760	2,770				
2771 Stationary	145	180	220	280	460	415	350	300	440	470				
391X/3964 Jewelry	265	330	420	500	550	630	680	600	500	800				
3944 Toys/Games/Children's Products	100	190	300	350	410	507	580	680	710	1,020				
5947 Gifts	860	1,090	1,140	1,140	1,180	1,296	1,350	1,680	2,020	2,010				
386X Photographic Products	285	310	430	420	380	400	400	400	410	470				
3944 Crafts	385	540	570	480	530	615	670	830	840	910				
21XX/277X Tobacco	25	50	50	50	50	46	40	40	30	40				
2721 Magazines	3,435	3,810	4,150	4,310	4,660	5,113	5,320	6,360	6,020	6,580				
2711 Newspapers	5,250	2,600	2,600	2,600	2,600	2,879	3,020	3,020	3,020	3,020				
3949 Sporting Goods	815	940	1,360	1,310	1,670	2,075	2,380	2,750	3,460	3,910				
Animal Care	40	60	50	50	40	67	90	90	70	150				
2844 Cosmetics/Toiletries	185	320	300	390	450	497	520	490	450	450				
5999 Collectibles	1,035	1,200	1,350	1,410	1,240	1,445	1,580	1,510	1,690	1,810				
	14,670	13,620	14,915	15,370	16,370	18,366	19,480	21,270	22,420	24,410				
Total	28,555	30,240	36,485	38,950	39,330	42,780	47,780	53,890	56,900	64,170	66,910	71,400	77,860	85,750

Direct Marketing Magazine Survey of the U.S mail Order Industry
(Source: Direct Marketing Magazine)

Mail Order Retail Sales (nominal million \$) - Grouped by Division & Major Groups

SIC	Description	Abbrev.	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Compound Growth 1982-1991
52	Building Materials/Garden Supplies	Build.	890	1,040	1,130	1,170	1,220	1,414	1,540	1,650	1,690	2,220					10.7%
53	General Merchandise Stores	General	8,835	10,230	13,705	14,790	13,630	12,724	14,810	18,920	19,790	22,770					11.1%
54	Food Stores	Food	1,045	1,410	1,720	1,910	2,060	2,900	3,800	3,580	3,790	4,260					16.9%
55	Auto Dealers/Service Stations	Auto	240	290	340	390	430	507	560	640	620	1,120					18.7%
56	Apparel and Accessory Stores	Apparel	1,390	1,800	2,220	2,360	2,540	3,227	3,760	3,640	4,250	4,410					13.7%
57	Home Furniture and Furnishings	Furnit.	1,485	1,850	2,455	2,960	3,080	3,642	4,030	4,190	4,340	4,980					14.4%
59	Other Retailers	Other	14,670	13,620	14,915	15,370	16,370	18,366	19,480	21,270	22,420	24,410					5.8%
			28,555	30,240	36,485	38,950	39,330	42,780	47,780	53,890	56,900	64,170	66,910	71,400	77,860	85,750	9.4%

% Change in Sales

SIC	Description	Abbrev.	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
52	Building Materials/Garden Supplies	Build.	18.9%	8.7%	3.5%	4.3%	15.9%	8.9%	7.1%	2.4%	31.4%				
53	General Merchandise Stores	General	15.8%	34.0%	7.9%	-7.8%	-8.7%	16.4%	27.8%	4.6%	15.1%				
54	Food Stores	Food	34.9%	22.0%	11.0%	7.9%	40.8%	24.2%	-0.6%	5.9%	12.4%				
55	Auto Dealers/Service Stations	Auto	20.8%	17.2%	14.7%	10.3%	17.9%	10.4%	14.3%	-3.1%	80.6%				
56	Apparel and Accessory Stores	Apparel	29.5%	23.3%	6.3%	7.6%	27.1%	16.5%	-3.2%	16.8%	3.8%				
57	Home Furniture and Furnishings	Furnit.	24.6%	32.7%	20.6%	4.1%	18.3%	10.6%	4.0%	3.6%	14.7%				
59	Other Retailers	Other	-7.2%	9.5%	3.1%	6.5%	12.2%	6.1%	9.2%	5.4%	8.9%				

U.S. Mail Order Retail Sales as a Percent of Total Retail Sales by SIC Major Group

SIC	Description	Abbrev.	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
52	Building Materials/Garden Supplies	Build.	1.7%	1.7%	1.6%	1.6%	1.5%	1.7%	1.6%	1.7%	1.7%	2.4%				
53	General Merchandise Stores	General	7.0%	7.4%	9.0%	9.1%	7.9%	6.8%	7.6%	9.0%	8.9%	9.8%				
54	Food Stores	Food	0.4%	0.5%	0.6%	0.7%	0.7%	0.9%	1.1%	1.0%	1.0%	1.1%				
55	Auto Dealers/Service Stations	Auto	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%				
56	Apparel and Accessory Stores	Apparel	2.4%	2.9%	3.4%	3.3%	3.3%	4.0%	4.3%	3.8%	4.3%	4.4%				
57	Home Furniture and Furnishings	Furnit.	3.1%	3.3%	3.9%	4.2%	4.0%	4.5%	4.6%	4.5%	4.6%	5.3%				
59	Other Retailers	Other	11.3%	10.0%	10.3%	10.1%	10.2%	10.4%	10.3%	10.4%	10.0%	10.7%				

APPENDIX 7

WEFA RESEARCH METHODOLOGY



Methodology

The research methods used by The WEFA Group were a combination of statistical data analysis, independent expert opinion, primary and secondary research, and economic modeling.

Initial Overview Research: The study began with, and was continually augmented by, thorough literature and information searches on direct marketing and other industries. Key secondary resources included:

- U.S. Bureau of the Census, Census of Agriculture
- U.S. Bureau of the Census, Census of Mining
- U.S. Bureau of the Census, Census of Manufacturing
- U.S. Bureau of the Census, Census of Transportation Industries
- U.S. Bureau of the Census, Census of Wholesale Trade
- U.S. Bureau of the Census, Census of Retail Trade
- U.S. Bureau of the Census, Census of Service Industries
- U.S. Bureau of the Census, Census of Annual Service Survey
- U.S. Bureau of the Census, Census of Country Business Patterns
- U.S. Bureau of Labor Statistics, Industry Output and Employment Datasets
- U.S. Bureau of Labor Statistics, Industry Occupation Matrices
- U.S. Bureau of Economic Analysis, National Income and Product Accounts
- U.S. Bureau of Economic Analysis, Input-Output Tables of the U.S. Economy
- U.S. Bureau of Economic Analysis, Gross Product Originating by Industry
- The WEFA Group U.S. Macro Service
- The WEFA Group Industry Analysis Service
- The WEFA Group Regional Economics Service
- McCann-Erickson Advertising Expenditures
- Leading National Advertisers/Competitive Media Reports
- U.S. Postal Service, Mail, Volume, and Revenue Reports
- U.S. Postal Service, Household Diary Study
- Newspaper Advertising Bureau
- DMA Membership Database
- DMA Library and Information Center
- Various Professional Associations and Trade Groups



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Methodology *(Continued)*

Direct Marketing Usage by Specific Industry/SIC Penetration Analysis: As direct marketing is not isolated as a separate line of business in the federal government's identification of businesses by its major standard industrial classification (SIC) code system, it is important to develop an understanding of which lines of business are using direct response techniques.

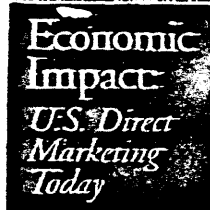
To understand the penetration of usage of direct marketing techniques throughout all U.S. industries, WEFA undertook an extensive analysis of the DMA member database (2,800 U.S. companies), a larger DMA database of non-member companies participating in DMA conferences, seminar, council, and other events (25,200 additional U.S. companies), and the membership of nine major regional direct marketing clubs and associations across the country (6,000 additional companies). Thus, an approximate total of 34,000 U.S. individual companies were included in this industry analysis.

Through the generous cooperation of Dun & Bradstreet and American Business Information, each of these 34,000 companies were assigned primary and secondary SIC codes. The resulting analysis showed a significant amount of penetration of direct marketing usage in U.S. companies in more than 49 major industries.

Survey Research: There are many issues and much information that were resolved through in-depth primary research and lengthy discussions with members of DMA and key users of direct response advertising activities. These include:

- How much money is actually spent internally and externally on direct response advertising by media type?
- How many people are employed in this effort?
- How much is spent on various input costs to support these direct response advertising activities?
- How much sales revenue is generated through these activities?
- What percentage of leads are converted to sales?
- What products and services are actually sold through these media?





Methodology *Continued.*

Survey Research *(Continued)*

Two extensive questionnaires — one directed to “users” of direct response techniques and the other sent to “suppliers” of support services to these users (including advertising agencies — were circulated to more than 6,000 organizations (a combination of DMA members and separate members of regional clubs and associations). More than 300 responses from large and small companies across all industry groups were received in late 1993. According to WEFA’s experience with this type of detailed survey analysis, the response was both respectable and sufficient. Again, the primary research was conducted to verify assumptions made during the modeling process.

Also, during 1995, in-depth telephone interviews and on-going conversations continued with several organizations that use direct response advertising to promote and sell their products and services. The information contained in these responses and interviews were compiled and integrated with the rest of the data to specify the direct response advertising model.

Research Data Verification

To further support the findings of secondary and primary research, WEFA undertook an extensive review of national and local mail, television, radio, newspaper, magazine, and other media to verify the ratios of direct response to total advertising. The following quantities were actually reviewed to understand the separate ratios of ads intended to generate either a direct order, a qualified lead, or store traffic through each medium:

- 1,124 Direct Mail advertising pieces (*Admails*)
- 1,330 Magazines including both business and consumer, as well as national and regional publications, for a total of 5,012 pages of direct response advertising
- 265 Newspapers including both national and local papers, as well as weeklies and dailies, for a total of 1,352 pages of direct response advertising
- 987 Television direct response commercials
- 695 Radio direct response commercials

This data was supplemented with interviews of organizations that use direct response advertising. Government-published data were used as control totals.

In addition, an advisory panel of the DMA Board of Directors reviewed a sampling of the above direct response advertising examples that WEFA advanced as meeting the criteria for the three classifications of direct order, lead generation, and traffic generation, as well as a sampling of ads that did not meet the criteria. The panel members separately analyzed the samples and agreed with more than 95 percent of WEFA’s designations.



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Methodology *Continued*

Information Integration & Economic Modeling: The data and analysis from this comprehensive analysis was used to identify important relationships between DM advertising and economic activity. Based on the applied economic analysis conducted for DMA, the final research provides data sufficient for the integration of direct response advertising impacts on the WEF's U.S. Economic, Industry Analysis, and Regional economic models to allow for the determination of total economic contribution by direct marketing media, intent of advertising, consumer and business markets, 49 industries, and on a state-by-state basis.



APPENDIX 8

**WEFA HISTORICAL AND PROJECTED ESTIMATES OF THE
U.S. MAIL ORDER INDUSTRY**

Direct Order Consumer Retail Sales by SIC and Medium (nominal million \$)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Building Materials/Garden Supplies (SIC 52)														
Magazines	218	235	233	216	238	246	259	284	305	322	334	348	364	382
Direct mail	1,826	1,837	1,884	1,872	1,965	2,102	2,268	2,506	2,856	2,780	2,855	2,951	3,061	3,189
Newspaper	550	558	546	496	516	533	569	608	649	677	695	721	756	792
Other	789	822	840	819	857	906	987	1,074	1,144	1,199	1,233	1,279	1,328	1,379
Radio	142	149	153	146	151	162	180	211	228	245	260	276	294	314
Telephone Marketing	686	723	748	744	786	815	854	894	952	1,005	1,040	1,072	1,108	1,151
Television	450	463	479	451	486	504	565	648	705	755	798	847	898	954
	<u>4,661</u>	<u>4,787</u>	<u>4,883</u>	<u>4,745</u>	<u>4,998</u>	<u>5,268</u>	<u>5,684</u>	<u>6,224</u>	<u>6,640</u>	<u>6,983</u>	<u>7,215</u>	<u>7,492</u>	<u>7,809</u>	<u>8,162</u>
General Merchandise Stores (SIC 53)														
Magazines	93	106	109	107	116	122	130	141	152	162	175	188	204	221
Direct mail	2,085	2,212	2,354	2,490	2,560	2,797	3,039	3,328	3,521	3,731	3,967	4,243	4,550	4,878
Newspaper	653	698	709	685	698	737	792	839	894	946	1,005	1,079	1,170	1,262
Other	522	573	607	630	647	699	767	828	882	935	997	1,071	1,150	1,230
Radio	43	48	51	52	53	58	66	75	80	86	93	102	112	123
Telephone Marketing	669	741	796	842	872	926	980	1,018	1,084	1,159	1,243	1,328	1,422	1,523
Television	186	202	217	218	230	243	274	312	341	371	407	448	492	539
	<u>4,251</u>	<u>4,581</u>	<u>4,843</u>	<u>5,026</u>	<u>5,174</u>	<u>5,583</u>	<u>6,048</u>	<u>6,541</u>	<u>6,952</u>	<u>7,390</u>	<u>7,887</u>	<u>8,460</u>	<u>9,101</u>	<u>9,776</u>
Food Stores (SIC 54)														
Magazines	187	210	216	210	219	223	224	231	239	247	256	264	274	284
Direct mail	4,167	4,375	4,651	4,835	4,833	5,074	5,223	5,442	5,554	5,692	5,828	5,972	6,134	6,309
Newspaper	1,360	1,440	1,462	1,388	1,375	1,396	1,420	1,431	1,470	1,504	1,538	1,582	1,642	1,699
Other	1,980	2,154	2,282	2,326	2,319	2,405	2,501	2,566	2,632	2,700	2,769	2,846	2,927	3,001
Radio	159	174	186	186	183	193	206	227	237	249	262	275	289	305
Telephone Marketing	1,541	1,694	1,820	1,893	1,903	1,937	1,938	1,913	1,961	2,026	2,090	2,136	2,187	2,243
Television	471	506	543	535	549	559	596	645	676	709	748	788	828	870
	<u>9,865</u>	<u>10,553</u>	<u>11,159</u>	<u>11,373</u>	<u>11,382</u>	<u>11,787</u>	<u>12,107</u>	<u>12,455</u>	<u>12,769</u>	<u>13,127</u>	<u>13,491</u>	<u>13,863</u>	<u>14,282</u>	<u>14,710</u>
Auto Dealers/Service Stations (SIC 55)														
Magazines	499	567	569	520	572	587	617	678	737	782	822	864	929	1,011
Direct mail	10,827	11,496	11,942	11,654	12,247	12,985	13,946	15,468	16,564	17,407	18,069	18,842	20,020	21,629
Newspaper	757	810	803	715	745	764	811	870	938	984	1,021	1,069	1,149	1,249
Other	998	1,097	1,135	1,086	1,140	1,195	1,297	1,418	1,528	1,608	1,673	1,751	1,864	2,010
Radio	333	369	384	360	374	399	444	526	580	628	674	720	783	867
Telephone Marketing	3,517	3,901	4,090	3,993	4,226	4,352	4,553	4,792	5,163	5,477	5,734	5,972	6,338	6,840
Television	957	1,038	1,088	1,008	1,087	1,117	1,245	1,431	1,572	1,690	1,809	1,942	2,118	2,343
	<u>17,888</u>	<u>19,277</u>	<u>20,011</u>	<u>19,336</u>	<u>20,391</u>	<u>21,397</u>	<u>22,913</u>	<u>25,182</u>	<u>27,081</u>	<u>28,576</u>	<u>29,801</u>	<u>31,161</u>	<u>33,201</u>	<u>35,949</u>
Specialty Retailers (SIC 56 & 57)														
Magazines	30	34	33	31	33	34	35	38	41	43	45	47	49	51
Direct mail	4,664	4,899	4,953	4,916	5,059	5,358	5,729	6,249	6,585	6,896	7,161	7,408	7,657	7,911
Newspaper	719	762	735	667	680	696	736	776	823	861	893	927	968	1,006
Other	568	619	623	606	623	651	704	756	801	839	873	906	937	965
Radio	8	9	9	8	8	9	10	11	12	13	14	15	16	17
Telephone Marketing	1,872	2,059	2,103	2,089	2,161	2,219	2,307	2,383	2,523	2,664	2,787	2,875	2,962	3,052
Television	17	19	19	18	19	19	22	24	26	28	30	32	34	36
	<u>7,879</u>	<u>8,400</u>	<u>8,475</u>	<u>8,335</u>	<u>8,584</u>	<u>8,987</u>	<u>9,542</u>	<u>10,237</u>	<u>10,811</u>	<u>11,344</u>	<u>11,803</u>	<u>12,210</u>	<u>12,624</u>	<u>13,039</u>

Direct Order Consumer Retail Sales by SIC and Medium (nominal million \$)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Restaurants (SIC 58)														
Magazines	131	147	152	152	164	171	174	181	191	200	210	220	231	243
Direct mail	812	852	909	974	1,008	1,086	1,130	1,188	1,237	1,284	1,331	1,383	1,441	1,505
Newspaper	465	492	501	490	503	524	539	548	575	595	617	643	677	711
Other	712	775	824	865	894	950	999	1,034	1,083	1,125	1,168	1,217	1,269	1,322
Radio	242	267	285	294	298	323	348	385	408	434	462	491	523	559
Telephone Marketing	295	324	349	374	390	407	411	410	429	449	468	485	504	525
Television	891	957	1,031	1,047	1,112	1,162	1,254	1,368	1,463	1,554	1,661	1,772	1,888	2,014
	<u>3,548</u>	<u>3,814</u>	<u>4,051</u>	<u>4,195</u>	<u>4,370</u>	<u>4,623</u>	<u>4,854</u>	<u>5,115</u>	<u>5,385</u>	<u>5,642</u>	<u>5,917</u>	<u>6,210</u>	<u>6,533</u>	<u>6,879</u>
Other Retailers (SIC 59)														
Magazines	1,016	1,178	1,251	1,302	1,442	1,518	1,637	1,761	1,886	2,021	2,170	2,293	2,430	2,573
Direct mail	17,619	19,213	19,775	21,853	24,323	26,689	29,299	30,957	32,891	35,039	37,292	39,764	42,206	44,704
Newspaper	1,035	1,140	1,190	1,208	1,278	1,343	1,458	1,535	1,632	1,732	1,839	1,931	2,042	2,156
Other	604	685	744	805	861	926	1,027	1,103	1,175	1,255	1,341	1,415	1,493	1,573
Radio	78	88	96	102	108	118	133	152	164	178	194	209	224	242
Telephone Marketing	1,680	1,914	2,096	2,299	2,483	2,642	2,859	2,994	3,205	3,459	3,730	3,939	4,164	4,411
Television	255	284	311	326	357	376	424	473	512	555	604	646	690	737
	<u>22,286</u>	<u>24,503</u>	<u>25,464</u>	<u>27,895</u>	<u>30,853</u>	<u>33,612</u>	<u>36,836</u>	<u>38,976</u>	<u>41,464</u>	<u>44,239</u>	<u>47,170</u>	<u>50,196</u>	<u>53,250</u>	<u>56,396</u>
TOTAL	70,378	75,915	78,886	80,904	85,751	91,258	97,983	104,730	111,104	117,300	123,286	129,593	136,800	144,911

Source: WEFA

Summary of Direct Order Consumer Product Sales by SIC - With Combined SIC 56 & SIC 57 (nominal million \$)

<u>SIC</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
52	4,661	4,787	4,883	4,745	4,998	5,268	5,684	6,224	6,640	6,983	7,215	7,492	7,809	8,162
53	4,251	4,581	4,843	5,026	5,174	5,583	6,048	6,541	6,952	7,390	7,887	8,460	9,101	9,776
54	9,865	10,553	11,159	11,373	11,382	11,787	12,107	12,455	12,769	13,127	13,491	13,863	14,282	14,710
55	17,888	19,277	20,011	19,336	20,391	21,397	22,913	25,182	27,081	28,576	29,801	31,161	33,201	35,949
56 & 57	7,879	8,400	8,475	8,335	8,584	8,987	9,542	10,237	10,811	11,344	11,803	12,210	12,624	13,039
58	3,548	3,814	4,051	4,195	4,370	4,623	4,854	5,115	5,385	5,642	5,917	6,210	6,533	6,879
59	<u>22,286</u>	<u>24,503</u>	<u>25,464</u>	<u>27,895</u>	<u>30,853</u>	<u>33,612</u>	<u>36,836</u>	<u>38,976</u>	<u>41,464</u>	<u>44,239</u>	<u>47,170</u>	<u>50,196</u>	<u>53,250</u>	<u>56,396</u>
	70,378	75,915	78,886	80,904	85,751	91,258	97,983	104,730	111,104	117,300	123,286	129,593	136,800	144,911

Summary of Direct Order Consumer Product Sales by SIC - With Divided SIC 56 & SIC 57 (nominal million \$)

<u>SIC</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
52	4,661	4,787	4,883	4,745	4,998	5,268	5,684	6,224	6,640	6,983	7,215	7,492	7,809	8,162
53	4,251	4,581	4,843	5,026	5,174	5,583	6,048	6,541	6,952	7,390	7,887	8,460	9,101	9,776
54	9,865	10,553	11,159	11,373	11,382	11,787	12,107	12,455	12,769	13,127	13,491	13,863	14,282	14,710
55	17,888	19,277	20,011	19,336	20,391	21,397	22,913	25,182	27,081	28,576	29,801	31,161	33,201	35,949
56	3,924	4,213	4,329	4,292	4,444	4,529	4,576	4,695	4,958	5,202	5,413	5,599	5,789	5,979
57	3,955	4,187	4,146	4,043	4,140	4,457	4,966	5,543	5,853	6,142	6,390	6,611	6,835	7,059
58	3,548	3,814	4,051	4,195	4,370	4,623	4,854	5,115	5,385	5,642	5,917	6,210	6,533	6,879
59	<u>22,286</u>	<u>24,503</u>	<u>25,464</u>	<u>27,895</u>	<u>30,853</u>	<u>33,612</u>	<u>36,836</u>	<u>38,976</u>	<u>41,464</u>	<u>44,239</u>	<u>47,170</u>	<u>50,196</u>	<u>53,250</u>	<u>56,396</u>
	70,378	75,915	78,886	80,904	85,751	91,258	97,983	104,730	111,104	117,300	123,286	129,593	136,800	144,911

Note: SIC 56 & SIC 57 were divided based upon 1995 proportions

Summary of Direct Order Consumer Product Sales by SIC - With Divided SIC 59 Store and Nonstore Sales (nominal million \$)

<u>SIC</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
52	4,661	4,787	4,883	4,745	4,998	5,268	5,684	6,224	6,640	6,983	7,215	7,492	7,809	8,162
53	4,251	4,581	4,843	5,026	5,174	5,583	6,048	6,541	6,952	7,390	7,887	8,460	9,101	9,776
54	9,865	10,553	11,159	11,373	11,382	11,787	12,107	12,455	12,769	13,127	13,491	13,863	14,282	14,710
55	17,888	19,277	20,011	19,336	20,391	21,397	22,913	25,182	27,081	28,576	29,801	31,161	33,201	35,949
56	3,924	4,213	4,329	4,292	4,444	4,529	4,576	4,695	4,958	5,202	5,413	5,599	5,789	5,979
57	3,955	4,187	4,146	4,043	4,140	4,457	4,966	5,543	5,853	6,142	6,390	6,611	6,835	7,059
58	3,548	3,814	4,051	4,195	4,370	4,623	4,854	5,115	5,385	5,642	5,917	6,210	6,533	6,879
59 (Store)	18,265	20,096	21,039	22,825	24,781	26,903	29,242	30,645	32,614	34,876	37,201	39,578	41,976	44,441
59 (Nonstore)	<u>4,021</u>	<u>4,407</u>	<u>4,425</u>	<u>5,070</u>	<u>6,072</u>	<u>6,709</u>	<u>7,594</u>	<u>8,331</u>	<u>9,362</u>	<u>9,970</u>	<u>10,619</u>	<u>11,274</u>	<u>11,955</u>	<u>12,624</u>
	70,378	75,915	78,886	80,904	85,751	91,258	97,983	104,730	111,104	117,300	123,286	129,593	136,800	144,911

Note: SIC 59 mail order store and nonstore sales were divided based upon projections of store and nonstore sales of total retail trade sales.

Summary of Direct Order Consumer Product Sales by SIC - With SIC 59 Nonstore Sales Allocated Proportionately Across SICs (nominal million \$)

<u>SIC</u>	<u>Abbrev.</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Compound Growth 1988-2001</u>
52	Build.	4,959	5,099	5,190	5,081	5,401	5,710	6,188	6,792	7,246	7,622	7,885	8,198	8,549	8,936	4.6%
53	General	4,523	4,879	5,147	5,381	5,591	6,052	6,585	7,138	7,588	8,066	8,620	9,256	9,964	10,703	6.9%
54	Food	10,496	11,240	11,861	12,178	12,299	12,776	13,182	13,592	13,936	14,328	14,744	15,168	15,635	16,105	3.3%
55	Auto	19,034	20,532	21,269	20,704	22,035	23,194	24,947	27,481	29,556	31,191	32,568	34,096	36,346	39,358	5.7%
56	Apparel	4,175	4,487	4,601	4,596	4,802	4,910	4,983	5,123	5,411	5,679	5,915	6,127	6,338	6,546	3.5%
57	Furnit.	4,208	4,460	4,407	4,329	4,474	4,831	5,408	6,048	6,388	6,704	6,984	7,233	7,482	7,729	4.8%
58	Restaurant	3,548	3,814	4,051	4,195	4,370	4,623	4,854	5,115	5,385	5,642	5,917	6,210	6,533	6,879	5.2%
59 (Store)	Other	19,435	21,404	22,361	24,440	26,779	29,161	31,838	33,442	35,594	38,068	40,654	43,305	45,953	48,655	7.3%
		70,378	75,915	78,886	80,904	85,751	91,258	97,983	104,730	111,104	117,300	123,286	129,593	136,800	144,911	5.7%
Less 58		66,830	72,101	74,835	76,710	81,382	86,634	93,129	99,616	105,718	111,658	117,368	123,382	130,267	138,032	

Note: SIC 59 Nonstore sales were distributed proportionately to all other categories except for restaurants (SIC 58)

% Change in Sales

<u>SIC</u>	<u>Abbrev.</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
52	Build.	2.81%	1.78%	-2.10%	6.30%	5.72%	8.38%	9.75%	6.69%	5.18%	3.45%	3.97%	4.28%	4.53%
53	General	7.88%	5.49%	4.55%	3.91%	8.24%	8.81%	8.40%	6.30%	6.31%	6.86%	7.39%	7.64%	7.42%
54	Food	7.09%	5.52%	2.68%	1.00%	3.88%	3.17%	3.11%	2.53%	2.81%	2.90%	2.88%	3.08%	3.01%
55	Auto	7.87%	3.59%	-2.65%	6.43%	5.26%	7.56%	10.16%	7.55%	5.53%	4.41%	4.69%	6.60%	8.29%
56	Apparel	7.46%	2.54%	-0.12%	4.49%	2.24%	1.48%	2.82%	5.62%	4.94%	4.17%	3.58%	3.44%	3.30%
57	Furnit.	5.98%	-1.20%	-1.76%	3.34%	8.00%	11.90%	11.87%	5.62%	4.94%	4.17%	3.58%	3.44%	3.30%
58	Restaurant	7.49%	6.23%	3.54%	4.17%	5.81%	4.98%	5.37%	5.30%	4.76%	4.89%	4.95%	5.19%	5.30%
59 (Store)	Other	10.13%	4.47%	9.30%	9.57%	8.89%	9.18%	5.04%	6.43%	6.95%	6.79%	6.52%	6.12%	5.88%

U.S. Mall Order Retail Sales as a Percent of Total Retail Sales by SIC Major Group

<u>SIC</u>	<u>Abbrev.</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
52	Build.	5.3%	5.4%	5.3%	5.4%	5.2%	5.1%	4.9%	5.3%	5.5%	5.6%	5.6%	5.6%	5.6%	5.6%
53	General	2.3%	2.3%	2.3%	2.3%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.3%	2.3%	2.4%	2.4%
54	Food	3.2%	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.3%	3.2%	3.3%	3.3%
55	Auto	3.9%	3.9%	3.9%	4.0%	3.9%	3.8%	3.7%	3.8%	4.0%	4.1%	4.1%	3.9%	3.9%	3.9%
56	Apparel	4.8%	4.8%	4.7%	4.6%	4.5%	4.5%	4.4%	4.5%	4.6%	4.7%	4.7%	4.8%	4.8%	4.8%
57	Furnit.	4.8%	4.8%	4.7%	4.6%	4.5%	4.5%	4.4%	4.5%	4.6%	4.7%	4.7%	4.8%	4.8%	4.8%
58	Restaurant	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
59 (Store)	Other	10.3%	10.5%	10.1%	10.8%	11.6%	12.1%	12.5%	12.6%	13.0%	13.3%	13.5%	13.6%	13.7%	13.8%

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