

OVERVIEW

1.1 Scope

For 2010, Richard K. Miller & Associates (RKMA, www.rkma.com) assesses the consumer marketplace in this publication and a companion handbook, *Consumer Behavior 2010*.

This handbook focuses on the consumer marketplace from a marketer's perspective and assesses marketing activities by companies that sell products and services of all types to the consumer. *Consumer Behavior 2010*, provides insight from the consumer point-of-view and assesses consumers' shopping/spending behaviors.

Consumer marketing is an ongoing process of planning and executing the marketing mix (product, price, place, and promotion) of products and services to consumers. Marketing includes advertising, distribution, and selling, but it is also concerned with anticipating consumers' needs and wants, which are often discovered through market research.

In accessing the scope of consumer marketing, this handbook categorizes the field into 45 separate disciplines, each of which is assessed in a separate chapter.

1.2 Market Assessment

Brandweek estimates that U.S. companies spend about \$550 billion annually on retail marketing, approximately 25% of which is spent on media advertising.

RKMA estimates that including non-retail sectors—from healthcare to restaurants, from autos to travel, from financial services to entertainment—annual spending on consumer marketing exceeds \$1 trillion.

Other assessments of spending for consumer marketing estimate spending even higher. With the market defined to include advertising, branded entertainment, cause-related marketing, celebrity endorsements, consumer promotion, corporate communications, database/direct marketing, digital marketing, experiential marketing, grass roots marketing, in-store marketing, loyalty marketing, market research, package design, public relations, shopper marketing, sponsorships, and trade promotion, the Promotion Marketing Association (www.pmalink.org) estimates annual consumer marketing spending at \$2 trillion.

Estimates of the major components of consumer marketing spending are as follows:

- Media advertising (chapter 23): \$220.0 billion
- Direct marketing (chapter 11): \$ 78.3 billion
- Licensing (chapter 19): \$ 92.5 billion

- Promotions (chapter 33): \$ 45.8 billion
- Sports marketing (chapter 41): \$ 42.1 billion
- Custom publishing (chapter 8): \$ 37.4 billion
- Event & experiential marketing (chapter 15): \$ 37.0 billion
- Branded entertainment (chapter 4): \$ 27.5 billion
- Shopper marketing (chapter 38): \$ 25.0 billion
- Online marketing (chapter 29): \$ 21.2 billion
- Sponsorships (Chapter 40): \$ 16.5 billion
- Yellow Pages directories (chapter 46): \$ 16.4 billion
- Search engine marketing (chapter 36): \$ 14.1 billion
- Customer relationship management (chapter 9): \$ 8.9 billion
- Market research (chapter 21): \$ 8.0 billion
- Coupons (chapter 7): \$ 6.6 billion
- E-mail marketing (chapter 13): \$ 3.6 billion
- Behavioral targeting (chapter 3): \$ 2.6 billion
- Sampling (chapter 35): \$ 2.2 billion
- Loyalty programs (chapter 20): \$ 2.0 billion
- Cause marketing (chapter 6): \$ 1.6 billion
- Word-of-Mouth (chapter 45): \$ 1.7 billion
- Social marketing (chapter 39): \$ 1.2 billion
- Apps (chapter 2): \$ 1.0 billion
- Mobile marketing (chapter 24): \$ 760 million

COUPONS

7.1 Market Assessment

According to Coupons Inc. (www.couponsinc.com), marketers spend \$6.6 billion on coupons annually, a figure that includes both the cost of distribution and the revenues lost when coupons are redeemed.

The *Year-end 2009 Consumer Packaged Goods (CPG) Coupon Industry Facts Report* by NCH Marketing Services found that shoppers saved close to \$3.5 billion in 2009 by using coupons, nearly 30% more in savings than in 2008. And coupon distribution increased 11% over 2008 to 300 million—the largest single year distribution quantity ever recorded.

Coupon redemption in America peaked in 1992, at the end of a recession, when 7.9 billion coupons were redeemed, according to Inmar (www.inmar.com).

Coupons redemption in recent years has been as follows (source: NCH Marketing Services [www.nchmarketing.com]):

- 2003: 3.5 billion
- 2004: 3.1 billion
- 2005: 2.8 billion
- 2006: 2.6 billion
- 2007: 2.6 billion
- 2008: 2.6 billion
- 2009: 3.2 billion

The PMA Coupon Council (www.couponmonth.com) provides the following statistics about coupons:

- In 2009, \$3 billion of savings were achieved by consumers using packaged goods coupons.
- More than \$400 billion worth of packaged goods coupons are offered annually.
- The average value offered per coupon is approximately \$1.35.
- Ninety-four percent (94%) of the overall population reported that they used coupons when shopping for grocery, household, and/or healthcare items, an increase of five percentage points from 2008.
- Eighty-nine percent (89%) of the overall population report that they prepared a shopping list using coupons in 2009, up from 78% who said they did in 2008.

7.2 Impact of the Economic Downturn

As families continued to be vastly affected by the economic downturn through 2009, and with budgeting and saving a mainstay for many, more and more consumers throughout the year embraced coupon usage.

Even though 22% of consumers admitted in a recent survey by ICOM Information & Communications (www.i-com.com) that they are self-conscious when it comes to redeeming coupons at the grocery store, increasingly more of them are easily at comfort with the savings they see from the use of coupons. The following are other findings of the survey:

- Fifty-seven percent (57%) of those who admitted that clipping coupons was awkward now say they don't care as long as they save money.
- Twenty-six percent (26%) of consumers under age 35 said the economic downturn has reduced their inhibitions about coupon usage.
- Nearly 23% who suffer financially have become less self-conscious about redeeming coupons.
- About 40% of people ages 35-to-54 said they used more coupons in the last six months, compared to 36% of consumers ages 55-to-64, and 25% of those 65 and older.

“With interest in coupons by consumers at an all-time high and lasting savings habits being formed, we expect that coupons will continue to be an important tool marketers will use to reach and motivate consumers in 2010 and beyond.”

Suzie Brown, CMO
Valassis, 1/29/10

Over 30% of respondents to a 2009 NCH consumer survey indicated they are now more careful about remembering to bring their coupons to the store, with 74% stating they would maintain this new habit. Twenty-five percent of respondents also said they are now clipping more coupons than in the past.

Results from other NCH consumer surveys indicate 88% of respondents plan shopping lists using coupons, up 10 percentage points from before the recession began. Seventy-seven percent (77%) of respondents also indicated they regularly use coupons, up from 64% in 2007.

One trend among coupons users is the increase in usage by high income families. According to Matthew Tilley, director of marketing for Inmar, coupon use was growing most among households earning \$70,000 or more a year, and this group was

the one driving traffic to websites with printable coupons.

7.3 Demographics of Coupon Users

Information Resources Inc. (IRI, www.usinfores.com) and Platform-A (www.clickz.com) provide the following demographics of coupon users (by age):

Age	Digital Coupon Users	Newspapers Clippers
• 18-to-24:	51%	68%
• 25-to-34:	40%	71%
• 35-to-44:	41%	78%
• 45-to-54:	41%	79%
• 55-to-64:	37%	80%
• 65 and older:	30%	83%

7.4 Online Coupons

Advertising Age called online coupons one of “the Bright Spots in 2009” and reported that coupon sites were the fastest-growing online category, up 32% between October and November, alone, to 35.6 million.

Hoping to further appeal to the coupon set, some marketers include coupons in their emails to consumers. And with findings that show a pronounced difference between open rates for emails that include a coupon offer and those that do not, more email marketers are likely to adapt with this approach. Open rates of around 24% to 25% for coupon emails dropped to 16% to 18% for non-coupon campaigns, according to Experian (www.experian.com).

The following comparative data is provided by Experian’s *The Coupon Report: Benchmark Data and Analysis for Email Marketers* (November 2009):

Open Rate for Coupon Offers vs. Other Mailings

- Coupons-store: 24.6%
- Coupons-online: 23.9%
- Other mailings-online: 17.8%
- Other mailings-store: 16.2%

Click Rates for Coupon Offers vs. Other Mailings

- Coupons-online: 4.0%
- Coupons-store: 3.6%
- Other mailings-online: 3.4%
- Other mailings-store: 2.9%

Experian also reported that 80% of online coupon mailings saw higher transaction-to-click rates and transaction rates than non-coupon campaigns, and 78% of that group also earned higher revenues per email.

7.5 Mobile Coupons

In the first half of 2009, nearly 10 million digital coupons—or coupons dispensed via mobile application—were redeemed, a 25% increase over the same period in 2008, according to Inmar.

At such websites as 8coupons.com, cellfire.com, and zavers.com, users can sign up for different retailers' promotions all in one place.

One interesting finding about mobile coupons revealed that about a third of users who signed up for Cellfire had never used paper coupons.

A location-based feature that will allow users to receive discount offers from nearby merchants is one of the newest mobile coupon applications.

But despite the new tools, and though usage has increased year-over-year, the concept still has only a small following when compared to online and print coupon usage.

“In the same way it took a while for A.T.M.’s to catch on, I think it’ll take a bit longer for mobile coupons to become mainstream.”

Kit Yarrow, Ph.D.
Professor of Psychology and Marketing
Golden Gate University
The New York Times, 9/24/09

7.6 Market Resources

2009 Printable Coupon Consumer Pulse, Experian Simmons , April 2009.
(www.smr.com)

Coupon Council of the Promotion Marketing Association, 257 Park Avenue South, New York, NY 10010. (212) 420-1100. (www.pmalink.org) and (www.couponmonth.com)

Coupon Information Center, 115-D South Saint Asaph Street, Alexandria, VA 22314.
(703) 684-5307. (www.cents-off.com)

The Coupon Report: Benchmark Data and Analysis for Email Marketers, Experian, November 2009.

CUSTOM PUBLISHING

8.1 Overview

Typically, custom media is sponsored by a single marketer and is designed to reach a tightly focused audience of customers, members, or other constituency. One of the primary benefits of custom publishing is that publishers have the capacity to control content and how their brand is presented.

Numerous companies and organizations publish magazines and newsletters as a means of communicating with their customers. Airline magazines found in the seatback-pockets on most commercial flights, for example, and magazines offered by retailers and apparel companies are among the most common examples of custom publishing. The custom publication *AARP The Magazine* (www.aarpmedia.org), with a paid circulation of 23.5 million, has the largest circulation among all magazines, more than double that of *Reader's Digest* and *Better Homes and Gardens*, which rank second and third.

While custom media can be produced in-house, the publication of most magazines is usually outsourced to advertising agencies, public relations firms, or specialized publishing and custom media firms who handle editorial, production, and distribution. Most custom publishers are members of the Custom Publishing Council (CPC, www.custompublishingcouncil.com), which spun off from the Magazine Publishers of America (www.magazine.org) in 2002.

According to a survey of chief marketing officers by GfK Roper Public Affairs (www.gfkamerica.com), the following are the types of custom media most frequently used for consumer marketing communications (percentages represent “often” or “sometimes” responses in the survey):

- Customized web content/websites: 87%
- Customized print newsletters: 68%
- E-newsletters: 67%
- Conferences: 63%
- Customized print magazines: 56%
- Advertorials: 46%
- Webcasts/podcasts: 30%
- Webinars: 28%
- Digital magazines: 18%
- Blogs: 14%
- Infomercials: 10%

The field of custom publishing is well established, and expansion of the concept into digital media and other marketing disciplines is a relatively new concept.

8.2 Market Assessment

According to Veronis Suhler Stevenson (VSS, www.vss.com), annual spending for outsourced custom publishing is \$5.5 billion.

Annual spending for custom media of all types is \$37.4 billion, according to VSS.

Characteristics Study: A Look at the Volume and Type of Custom Publications in America, a 2009 study from the CPC and ContentWise (www.contentwise.com), found that the custom publishing industry has remained strong amid the economic downturn and the challenges facing other consumer media.

Detailed findings of the study are as follows:

Circulation Soars

- Circulation per issue: The average circulation per issue for custom publications increased from 30,044 in 2007 to 37,340 in 2008.
- Circulation per title: The average circulation per title per year has increased to 336,060 copies, up from 270,000 in 2007.
- Circulation volume in the market: The total number of custom publication copies distributed increased 7.4% over the last year. Since the survey was first conducted in 1999, circulation volume has grown 228.3%, from 11.9 billion units to 41.6 billion.

Steady Frequency

- The average annual frequency of custom publications has remained steady at 9 times per year. Although it is lower than it was at its peak in 2003, frequency is still 42.9% higher than it was in 1999, when this study began.

Movement Toward Newsletters, Online

- The use of online publications increased from 18% to 22%. Meanwhile, newsletters retained a slight edge over magazines as the preferred format.

New Directions in Distribution

- Twenty-seven percent (27%) of publications on average are now distributed via the Internet. Before 2007, the survey didn't include Internet distribution as an option. Meanwhile, the USPS continues to be the preferred distribution channel for custom publications, with 55% of titles using the service.

More Pages Per Issue

- The average pages per issue for custom publications increased from 22.2 to 23.2. Since 1999, the number of pages per issue has grown 68.1%.

Unique Page Decrease

- The total number of unique pages produced in 2008 was 25.8 million, a 9.7% decrease over the previous year. However, since the study began in 1999, unique page volume has expanded, with an average growth rate of 14.7% and an overall growth rate of 207.2%.

Change in Primary Audience

- For the sixth year running, titles targeting external audiences exceeded those targeting internal audiences (69% versus 31%).

Presence of Advertisements Decreases

- For the third year in a row, the percentage of custom publications using paid advertising decreased by 4%. Also for the third year in a row, the percentage of custom publications carrying no advertisements increased, with 70% of companies reporting no ads in their publications.

Overall money spent on custom publishing was down by 20%. A January 2009 forecast by the *Jack Myers Media Business Report* suggested an 8% decline for 2009, and 6.5% in 2010 after years of double-digit growth.

Meanwhile, the number of unique custom titles being published decreased to 123,157, down from 143,000 in 2007. While this represents a sharp change, the results are still 27.9% higher than when this metric was first studied in 1999.

A study commissioned by the CPC and conducted by GfK Roper Public Affairs finds that custom magazines and electronic custom media have increased in influence and acceptance since when the study was last conducted, in 2005. Findings of this newer study are as follows:

- Ninety-three percent (93%) of survey respondents are familiar with at least one type of custom publication.
- Seventy percent (70%) say they like custom publications because the publications provide articles and information targeted to the reader's specific interests.
- Nearly three-quarters of respondents (74%) prefer to learn about companies from "an interesting collection of articles" as compared to getting the same information from ads.
- Seventy-eight percent (78%) say that when it comes to custom publications, they don't mind the fact that sponsors are clearly selling their products and services, as long as the publications are filled with interesting information.
- Eight of 10 (78%) believe that companies that send custom publications are interested in building strong relationships with customers and "most feel better about the sponsoring company when they are reading a publication the company has provided".
- Sixty-eight percent (68%) of respondents say that the companies that provide information about their products in custom publications help them make better purchase decisions. Two-thirds of respondents said they were likely to buy from a

company that provided them a custom publication, and just about as many (63%) report they have bought something they saw in a custom publication. All of these percentages were up since the last survey was conducted in 2005.

The study also found that while electronic custom media still lag behind print, it is making inroads:

- Thirty-six percent (36%) say they look at electronic custom publications occasionally, or more often, than print publications—compared to the 59% of consumers who said, at a minimum, they occasionally pick up and look through print custom publications.
- Forty-five percent (45%) of the survey group said that electronic custom publications provide a valuable service, with the number skewing higher (57%) among those ages 18-to-34.

“The drop in spending appears to be a combination of several factors, most notably the growing use of less expensive electronic media for the presentation of branded content, coupled with an overall reduction in marketing spend because of the current economic climate. Clearly some custom publishers have had to change their business models in the face of these forces, but it’s equally clear, based on both this study and the Roper study, that there is increased consumer interest in custom media and that the industry has been less affected by these changes than have other forms of marketing and content distribution. The fact that circulation is at an all-time high and pages per issue have increased reaffirms that custom publishers and marketers are committed to this valuable medium and are continuing to invest in their top titles.”

Lori Rosen, Executive Director
Custom Publishing Council, 4/22/09

8.3 Trends in Custom Publishing

In line with the double-digit growth of custom publishing throughout the early 2000s, there has been a surge of companies entering the field. Competition has become keen. Despite the recent growth, however, custom publishing remains a relatively low profile component of the marketing media mix.

Some custom magazines include advertising, which serves to generate income as well as provide marketing communications. Opinions vary as to the benefits of including ads. Some custom magazines present strong advertising opportunities and ads can actually make a magazine look more professional.

Conversely, some within the field argue that the focus of custom content should be brand building, not making money. Anywhere from 68% to 70% of companies report no paid advertising in their publications, and 9% report only in-house ads.

Prof. Emeritus Don E. Schultz, Ph.D., at the Medill School of Journalism at Northwestern University, suggests custom publishers might consider consumer-generated content, noting the success of online social networks as a model.

8.4 Custom Marketing

Custom publishing is being transformed by new media options to the extent that the field is being referred to by some as “custom marketing.” Word-of-mouth, the Internet, email newsletters, mobile alerts, and complex behavioral modeling expand on traditional custom publishing.

According to Eric Schneider, CEO of Redwood Custom Communications (www.redwoodcc.com), custom publishers’ niche is content, regardless of medium. The transformation to digital media in custom publishing is not dissimilar from that in traditional media, where companies that have a magazine heritage are rapidly evolving into multiple platforms.

One example of the integration is the acquisition by Meredith Integrated Marketing (www.meredithim.com), which publishes *Food and Family* for Kraft and *Access DirecTV* for DirecTV, of Directive, a database-analytics company, as an arm in which to build out its custom abilities. And Time Inc. Content Solutions (www.timeincontentsolutions.com), whose publications include *MyFord* and *Merrill Lynch Rewards*, opened an interactive-specialist unit called Liquid Dialogue.

8.5 Market Resources

American Business Media, Custom Media Committee, 675 Third Avenue, New York, NY 10017. (212) 661-6360.

www.americanbusinessmedia.com/abm/Custom_Media.asp?SnID=1967133096