The Evolution of Circulars: From Print to Digital

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Overview

It happens thousands of times every day in stores across America. A shopper walks in, grabs a cart and reaches for the store circular to find out what’s on sale. The ongoing consumer love affair with the store circular continues unabated in the digital age—with an electronic twist. A whole new generation of consumers now views their circulars online or checks a mobile app. While most retailers are currently serving up digital images of their print ads, the future-state will be a shift to custom-tailored offers that match shopper interest and purchase patterns.

According to one global manufacturer, almost half of our category shoppers rely on circulars to draft their shopping lists and three-quarters of buyers make purchase decisions before setting foot in the store. Despite the overwhelming popularity of printed circulars, forward-looking retailers are experimenting with multiple digital pathways that will enrich and enhance the circular experience in the 21st century with the addition of video, interactive elements and smart features that serve up information based on loyalty or location. Circulars represent a marketing idea that’s not just getting older—it’s getting better!

Highlights

Migrating to electronic platforms affords marketers the opportunity to breathe new life into the time-honored store circular, elevating diminishing lift rates with more dynamic, engaging and personalized content. Here are some recommendations for achieving a smooth transition:

• Develop a circular migration strategy that envelops all consumer segments and access points—print, PCs, tablets and smartphones.

• Optimize circular content by medium, leveraging the capabilities and strengths of each, such as location-awareness for digital and at-a-glance views across products for paper versions.

• Adapt successful online marketing techniques like paid search to the digital environment, decomposing circulars into individual elements and buying keywords to facilitate search.

• Know your customers well and demonstrate that understanding by reaching them when, where and how they wish with offers specific to their unique needs and interests.

Discussion

“What’s black and white and read all over?” Old joke, but the answer applies to circulars as well as newspapers. Everybody still reads them, but in parallel formats. Although 82 percent of Americans connect to the Internet and 93 percent own a mobile phone, retailers continue to invest 60-70 percent of marketing dollars in printed circulars—for good reason.

Circulars reign as an effective marketing tool embedded in the consumer consciousness and shopping ritual. Nielsen research shows that the majority of shoppers, across generations, income segments and ethnic groups, still want access to paper circulars for the foreseeable future.

But the circular pattern is changing. Courtesy of rapid consumer-adoption of e-commerce, home delivery and mobile shopper apps, retailers are in discovery mode, trying to figure out their best options to attract or funnel shoppers toward a digital environment accessible through multiple pathways. Rather than a dramatic discard of a proven marketing vehicle, the transition to electronic delivery is expected to be more gradual, a gentle migration that will accelerate in direct proportion to technology and device adoption rates as well as retailers’ comfort with digital.

Paper Chase

To determine the relative merits of print vs. digital media in today’s retail environment, Nielsen fielded an extensive survey among an 11,000-shopper subset of the Nielsen Homescan panel. Findings showed printed circulars [direct mail, newspaper inserts and in-store] leading the shopper popularity contest with roughly 60 percent of consumers looking at them once a week.
The only electronic vehicle demonstrating equivalent reach was retailer e-mail. Just 18 percent of shoppers have ever used a smartphone to determine what’s available in-store, 33 percent accessed that information on a tablet device and almost two-thirds rely on their personal computer to pre-shop.

While these high tech touchpoints don’t enjoy extensive reach presently, each demonstrates strong weekly usage. The social media and smart/mobile phone weekly use rates of 45 and 39 percent, respectively, outstrip in-store vehicles of all types [print, kiosk, TV] with tablet devices closing in fast.

**Latest technology lowest reach, but strong weekly usage**

<table>
<thead>
<tr>
<th>How often do you look at sales &amp; product information from...?</th>
<th>Conversion from any usage to weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials mailed to home</td>
<td>67%</td>
</tr>
<tr>
<td>Emails from retailers</td>
<td>67%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>69%</td>
</tr>
<tr>
<td>Printed material in-store</td>
<td>38%</td>
</tr>
<tr>
<td>Store site using computer</td>
<td>37%</td>
</tr>
<tr>
<td>In-store kiosk</td>
<td>24%</td>
</tr>
<tr>
<td>In-store TV</td>
<td>21%</td>
</tr>
<tr>
<td>Social media</td>
<td>45%</td>
</tr>
<tr>
<td>Store site using tablet PC</td>
<td>35%</td>
</tr>
<tr>
<td>Smart or mobile phone</td>
<td>39%</td>
</tr>
</tbody>
</table>

**Store Choice**

Although paper and retailer e-mail deliver equal reach, their influence on store choice differs greatly, with paper media significantly more effective than e-mail and almost three times more likely to affect store choice than social media or smart/mobile phones. Interestingly, store choice for the youngest generation of shoppers [Millennials] was the most heavily influenced by print vehicles.

The picture changes considerably when asking about the future, with digital preference rates approaching those of print. More than 70 percent of shoppers expressed a desire for basic digital delivery [store website using computer or retailer e-mail] and about one-third pressed for social media or smartphone apps. Nearly 90 percent wished to continue receiving paper at home or in-store, suggesting a preference for multi-media information delivery that maximizes the number and nature of contact points for on-the-go consumers. While it might be difficult for consumers to imagine a future without printed circulars, retailers should be open to the possibility.

Note to grocers: grocery circulars achieve twice the weekly reach and generate twice the number of trips as circulars for the next largest channel. Given their appeal to price-sensitive shoppers, it becomes imperative that a grocery circular’s price/value offering syncs with consumer demand and competitive pricing.
Purpose-Driven Media

To achieve an appropriate media mix, marketers will need to grasp the difference between shopper response to push formats like newspaper or direct mail [delivered at retailer behest, not shopper request] and pull formats [like web sites or mobile apps that the shopper actively seeks out.]

Push circulars attract deal-seekers to the store door who make more frequent trips with smaller baskets. This suggests that shoppers who respond to push circulars split their shopping list across many stores, cherry-picking promoted items. Conversely, pull circular adherents make fewer trips per household but have a higher basket ring with fewer items on deal. This indicates that pull-circular shoppers proactively go online to preferred store web sites and likely are the most store-loyal consumers.

Another consideration in the paper vs. digital circular decision is how consumers use each medium. Shoppers rely on newspaper, direct mail, retailer e-mail and the store web site to locate deals on their preferred products and discover widespread sales. High tech devices such as tablet PCs, social media sites and in-store kiosks serve to support product research and general browsing. In short, paper stands for value while emerging technologies facilitate information gathering and serve-up greater opportunities for marketing messaging to drive demand.

Lagging Lift

Given its continued importance as a marketing tool, printed circular performance merits a closer look. Unfortunately, circular lift rates have been declining gradually since 2005, resulting in an eight point drop in effectiveness to 20 percent. Remedies to counteract this trend should extend beyond the usual tendency to simply offer deeper discounts.

Other levers capable of improving lift include changing the item mix to achieve a higher overall lift profile, adjusting circular timing to leverage higher base sales in seasonal weeks or promoting during off-season weeks when competition is less intense. Yet another opportunity rests in exploiting a store’s competitive advantages by fostering positive price perceptions, highlighting department product quality, touting store service levels or featuring add-on offerings such as the pharmacy, banking services, coffee bar, drive thru pick-up, in-store dining or a wine sommelier.

Despite the overall downward trend, circular performance varied by category with some big gainers and decliners of note. Milk sales sprung a huge leak, losing 55 points in lift during the 2005-2010 period, while margarine lift slid 25 points and diapers dropped by 20 points. Conversely, paper towels absorbed a 29 point rise in lift, facial tissues cleaned up with an 11 point gain and cereal pored it on for a nine point lift increase.

The paper towel category stands as a classic example of circular power and its impact on channel sales. Grocery has not been the historical channel of choice for paper goods as shoppers took advantage of expanding channel options, but proper alignment between shopper demand and circular pricing mitigated the negative impact of channel blurring on sales.
Score the Store

Maximizing print circular impact relies on disciplined analysis beginning with an evaluation of who “won the week” among shoppers. This approach examines own store activity and competitive efforts on a page-by-page basis, looking at cover items, discounts, national brand allocation and ad density. Next, the lens turns to a department-by-department win/loss scorecard encompassing display compliance.

Also factoring into calculations is the contribution of online efforts such as paid search with links to the circular or key advertised items. Critical questions encompass areas such as item mix, price points, message impact, consumer segmentation, share and overall profitability metrics.

- Consistent circular strength is not influenced by temporary ad count peaks and valleys. However, savvy circulars avoid advertising multiple competing items that can confuse consumers, shun price multiples on new items that require trial first and steer clear of low penetration products.

Pre-Shopping Patterns

Inclusion in the shopper pre-consideration set remains critical to retailer success and requires an active online presence. More than 40 percent of Internet users decide where to shop or what to buy at least once a month in the food and personal care categories; 18 percent would not buy a personal care item without first consulting online; and 17 percent check online first before purchasing a food item.

A hotbed of amateur and expert online reviews and the growing influence of social media is undeniable. Managing it may prove critical to the long-term health of a retail franchise.

Digital Does It Better

Six key attributes define the digital advantage:

1. Customized experience: personalize the visual interface with content and special views that reflect consumer interests.
2. Consumer sharing: cultivate brand ambassadors who share their “likes” with friends via reviews, recipes and write-ups.
3. High engagement: interactive, location-aware features allow shoppers to search, surf, entertain, query, comment and check-out electronically.
4. Lower costs: the economics of digital marketing through third parties such as Google, Facebook and Yahoo! can be much lower than traditional media.
5. Pinpoint offers: deliver specific deals tailored to each customer’s purchase history and demographic profile.
6. Environmentally friendly: going green has risen to the level of table stakes for responsible companies.

Print Principles

A handful of general rules govern print circular utilization. They include:

- Advertising high-penetration/high-purchase-frequency products for broad appeal. It pays to promote the products with solid response rates that shoppers buy most often, rather than relying on small scale, high percentage lift products.
- Avoid excessive price cuts by discounting smartly, satisfying the consumer demand for value without sacrificing margin needlessly.
- Evaluate promoted price elasticity and lift comparisons to maximize the lift profile for the entire circular. Removing price insensitive items opens up ad space for more circular-responsive products.
- Pull the price multiple lever on quick turn, easily stored products such as “5-for” deals on school lunch items.
- Consider the amount of ink given to national brands. Generally speaking, winning weeks feature a higher than average national brand ad share.
- Pinpoint offers: deliver specific deals tailored to each customer’s purchase history and demographic profile.
- Environmentally friendly: going green has risen to the level of table stakes for responsible companies.

Brick and mortar retailers face a number of common challenges when grappling with the digital transition. Perhaps the most fundamental issue is how to more effectively engage shoppers online. Next on the consideration list is how to drive offline sales through online retailer assets, followed by the difficulty of gaining online sales and staying relevant to shoppers. Lastly, what is the best way to acquire incremental offline sales through non-owned digital tools?

Good questions all, considering the fact that presently only 20 percent of store shoppers visit grocery/drug retailer sites. Yet the one in five consumers who research online first spend approximately 30 percent more in the store.
Table Stakes vs. Differentiators

The first attempts at online circulars were PDF versions of retailer's print circulars, lacking personalization, interactivity, and depth. However, a Nielsen study of 27 large retailers across the grocery, drug, mass, dollar, sporting goods, department and hardware/home improvement channels indicates that savvy merchandisers are raising the bar.

Table stakes these days include features such as filterable web sites for products, recipes linked to shopping lists and active Twitter feeds. More than half maintain active YouTube channels and mobile-friendly web sites designed to the small screen format.

To truly differentiate requires more sophisticated high tech marketing approaches including circular email subscription, paid search advertising, circular via Facebook and multiple language options.

Despite common high-tech attributes, retail digital efforts lack mobile, social, & personalization

<table>
<thead>
<tr>
<th></th>
<th>Minimum Stakes</th>
<th>Differentiators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Circular</td>
<td>31%</td>
<td>93%</td>
</tr>
<tr>
<td>Site Product Filters</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Shopping List &amp; Recipes</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Active Twitter Feed</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Circular #1 Search Result</td>
<td>74%</td>
<td></td>
</tr>
<tr>
<td>YouTube with Content</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Mobile-friendly site</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Circular Email Subscription</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Circular Search Ads</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Circular via Facebook</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Circular Item Search Ads</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Spanish Version</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen analysis

The ongoing importance of segmenting your audience as a tool to maximize online advertising efficiency can be illustrated in this comparison of impressions relative to incremental sales. While segment B received 49 percent of ad impressions, it barely moved the revenue needle, contributing just five percent to incremental sales. Conversely, segment C received 31 percent of impressions, but accounted for 69 percent of incremental revenues, confirming that spending against the right shopper segment outperforms more spending every time.

Conclusion

Digital success demands constant vigilance and a commitment to ongoing optimization beginning with carefully calibrated audience segmentation, measuring individual item contribution to circular performance, pre-testing each campaign to fine-tune creative executions, reviewing circular distribution strategies across media and devices and gauging the impact of all major online marketing activities.

Expect print and digital circular formats to co-exist for the near term and leverage the relative power of each to attract new customers, influence store choice, engage existing shoppers and drive incremental sales.

Online Ads = Offline Sales

It’s a classic case of synergy. Across more than 1,000 studies over the past five years conducted through Yahoo! Consumer Direct powered by Nielsen Catalina Solutions and NetEffect, Nielsen discovered that:

1. Online display banner ads drive in-store sales.
2. Online ROI typically trends higher than traditional media.
3. All campaigns are not created equal and results will vary.
4. Success typically comes from attracting new shoppers, not from increased spending from current customers.
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