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Signs of Life in Print ROI for Retailers

Despite an uncertain future, print ROIs are rebounding toward positive territory.

There has been a lot of noise in the advertising industry about the impending “death of print” as an advertising tactic, and it's certainly hard to argue with ongoing circulation declines from data at ABC[1] and NAA[2]. **However, the ROI on circulars is actually increasing for most of our retailer clients. Why?**

1) Spend is "Desaturating"

By any name, circulars, inserts, FSI, and flyers, have always commanded an outsize portion of retailer marketing budgets. There are plenty of reasons for the high spend including justifying vendor funding, the lack of alternatives for price/item messaging, matching last year's impacts, and others.

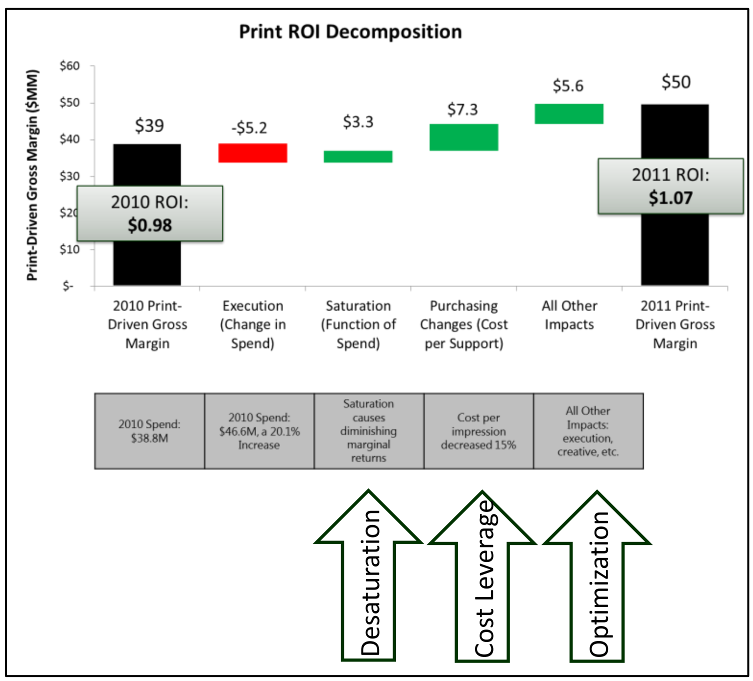
And as with any marketing vehicle, there is a point of diminishing marginal returns. This means that any time you increase spend, the new dollars do not work as well as the prior dollars have. Conversely, <u>when spend is reduced, the average performance actually increases</u>. In the end, as retailers reduce spend, they're doing so smartly and cutting the least effective dollars.

2) Costs are Falling Faster than Effectiveness

All else equal, if you're getting the same impact for lower cost, ROI will increase. For most of our retail clients effectiveness continues to slowly decline, but <u>costs are falling faster</u>. The net effect is a moderate tailwind to circular ROI.

3) Retailers continue to optimize

True optimization of the circular is a journey, not a destination. Best-in-class retailers continue to optimize across product allocations, print format, day of week dropped, size, page count, depth of discount, and more.



Regardless of where Print will land eventually, there are opportunities today for well-executed circulars to capture high ROIs.

1: Audit Bureau of Circulation www.accessabc.com 2: Newspaper Association of America www.naa.org