CFC Print & Mail

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Vertical Market Kit

INSIGHTS IN THE RETAIL MARKET

Based on reports by:

KEYPOINT INTELLIGENCE

Canon

thINK

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Introduction

About this Document

This vertical market kit is designed to help print service providers capture more business in the retail market. It offers an analysis of trends, opportunities, key strategies, tips, and tools to target customers of varying types and sizes across a dynamic range of organizations. Successfully targeting a` vertical industry involves developing strategies that align internal resources with market needs, educating and training staff, and allocating resources for ongoing market monitoring.

This vertical market kit can be used to:

- Gain a solid understanding of the industry.
- Uncover industry trends.
- Pinpoint sales opportunities.
- Identify key print applications.
- Develop new sales strategies.
- Identify decisionmakers.
- Develop solutions and applications that are aligned with industry needs.

Key Highlights

- Keypoint Intelligence's research confirms that overall spend is shifting to digital. Financial respondents allocate 45% of their spending to digital media and about 35% to print.
- Because not all print is produced internally, there is an opportunity for PSPs to get in the door and sell print to financial institutions.
- Customization/personalization is a proven method for improving response rates for digital as well as printed media.
- Like those in other industries, retail firms are also improving their print campaigns with specialized printing (e.g., metallic/fluorescent colors, augmented reality, or specialty papers).
- Many printed documents are being enhanced with digital components for increased efficacy and to stand apart from the competition.

Defining the Industry

The retail market is a major power source of the world's economy and a major consumer of printed materials. Retailers, both brickandmortar and online, invest heavily in digitally printed marketing materials and documents to power their operations. The retail market offers opportunities in good and bad economic times as consumers continually need to purchase goods and retailers always need communication materials to drive store traffic and daytoday operations.

The retail market offers a huge opportunity for print service providers (PSPs), especially those that support innovative personalized and multichannel communication approaches to attract and retain buyers. Key printed products include brochures, direct mail, catalogs, postcards, coupons, sell sheets, signs, banners, and pointofpurchase displays. Retailers often integrate printed materials with digital media channels to create a seamless crosschannel experience while also maximizing communication efforts.

The retail industry is highly competitive and visually focused. Imagery influences purchasing regardless of the communication vehicle (e.g., online, catalogs, direct mail, signage). In addition, communication materials are increasingly versioned and/or customized with targeted messaging for specific audiences based on known buying habits and demographics.

Retailers sell merchandise, generally without altering it, and deliver services related to the sale of these products.

The retail trade sector falls into two categories:

- Store retailers operate fixed, pointofsale locations designed to attract a high volume of walkin customers. They typically sell merchandise to the general public for personal or household consumption, but some also serve business and institutional clients.
- Nonstore retailers serve the general public via ecommerce, infomercials, directresponse advertising, paper and electronic catalogs, doortodoor solicitations, portable stalls (street vendors), and vending machines.

It should be noted that these two categories are not mutually exclusive; most major retailers will have a combination of store and instore offerings so consumers and businesses can shop on their own terms.

Figure 1: Major Types of Store Retailers

Branded Stores	Exclusive venues either owned by a franchise or manufacturer
Specialty (MultiBrand) Stores	Stores that focus on a specific consumer need and carry most of the brands available in that category
Department Stores	Large stores carrying a variety of product types
Supermarkets	Large retail outlets selling food and other items
Discount Stores	Stores offering discounts on the retail price by selling high volumes (i.e., economies of scale)
Hypermarkets	Superstores that are the combination of a supermarket and department store
Convenience Stores	Small stores that carry food staples and other assorted items
Shopping Malls	Enclosed or openair structures that have many types of retailers in a single location

Figure 2: Major Types of NonStore Retailers

Direct Response TV/Infomercials	Selling via television with a prominent display of a tollfree number and/or Internet address given to purchase products
Catalogs (Print and Online)	Catalog orders are taken via phone, mail, or online ordering
Vending Machines	These machines sell a wide variety of products for immediate purchase and consumption, including skin care products, snacks, chewing gum, and electronics
eCommerce/Online	The buying and selling of products or services via the Internet and other online networks
MultiLevel/Network Marketing	Products are sold directly to consumers and potential business partners by relationship referrals and word of mouth (e.g., Amway, Nu Skin)

Times are changing and the shift to digital is undeniable, but print remains an important part of the retail industry's communications mix. Retailers are leveraging print to drive sales, increase loyalty, and improve customer satisfaction.

Ongoing Industry Trends

The Rise of OmniChannel Shopping

The rise of the Internet and the ability to make purchases online has rewritten the retail market. Today, retail purchasing crosses the traditional physical and digital channels. Traditional brickandmortar retail stores are no longer the dominant medium for purchasing goods. Instead, they are simply one of many potential connection points between retailers and consumers.

Many of today's retailers have become omnichannel providers. Their goal is to provide customers with seamless online and instore consumer shopping experiences. Successful retailers are engaging customers with a consistent, memorable experience that crosses all channels.

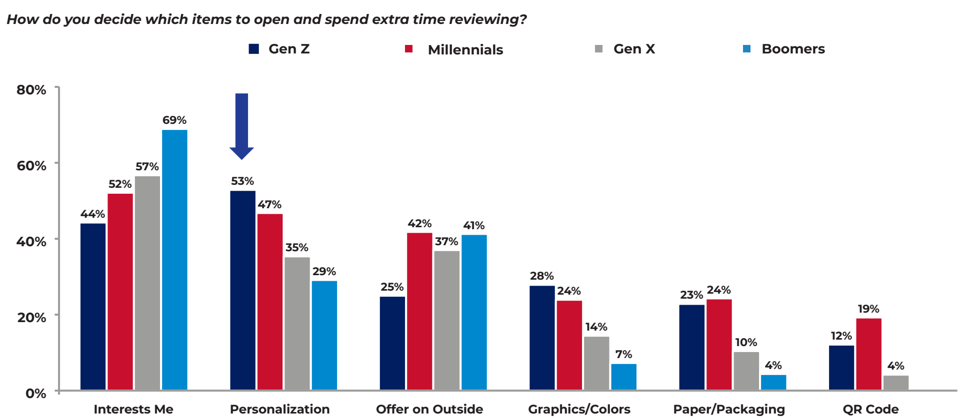
Customers are in control of how they want to be communicated with—print, online, mobile, social media—and are selecting their preferences. Print is important, but it is the synergistic use of media that is connecting retailers to buyers.

In fact, most marketers are using multiple channels to ensure that they are reaching consumers. Retailers are using a variety of media types that include print, online, social media, conventional advertising, email, and supporting these by measuring the results of those channels to optimize messaging and channel use. In today's multichannel/omnichannel media world, print still commands a high level of stature because it is a tangible and tactile conduit for blending/combining media channels to deliver even more to a purchaser. Even so, true marketing power lies in combining multiple media channels.

Engaging Customers with Personalization

Marketing communications (e.g., brochures, flyers, postcards, large format documents, shelf talkers and other pointofsale materials) account for a significant amount of print spend in the retail industry. Today's consumers, particularly younger ones, love personalization! In fact, personalization was the number one factor among Gen Z adults (ages 18 to 26) that made them want to open and review a piece of direct mail.

Figure 3: Factors that Contribute to Direct Mail Reviewing (By Age)



N = 1,500 Total Consumer Respondents; Multiple Responses Permitted
Source: *Annual State of Transactional Communications Consumer Survey*; Keypoint Intelligence 2023

Retailers are taking a more targeted approach in the battle for wallet share and making marketing more personal. Marketing materials are increasingly versioned and/or customized with targeted messaging for specific audiences based on known buying habits and demographics. Retailers are leveraging variable data technology and advanced data analytics to personalize marketing collateral, while attempting to predict buying and purchasing behaviors. Parlaying customer knowledge into printed datadriven communications prompts purchasing as consumers receive relevant offers in a media form that they must physically touch. A printed offer that demonstrates knowing the customer is more likely to capture attention and elicit the desired action. By using data mining tools to identify unique customers at the individual or household level, retailers can rely on actual customer buying behavior rather than the more generic segmentation to target offers.

Print and Online Catalogs Still Drive Sales

As consumers have increasingly turned to the online world for information about products and services prior to purchasing, retail organizations have increased their web presence to include online stores and catalogs. The trend toward smallscale, more personalized retail catalogs presents an opportunity for digital printing. Online spending may be increasing, but the venerable catalog is not fading away. In fact, it is still an important part of business for retailers, especially around the holidays.

Printed catalogs are maintaining their relevance, but many retailers have cut the production of megasized printed catalogs in favor of mailing a larger volume of smaller, more customized catalogs to consumers to stimulate buying and visits to physical and online venues. In addition to reducing postal costs, this practice provides the consumer with a catalog that is more relevant to his/her known or suspected interests.

Opting in for a Better Experience

The new mobile frontier is shifting to a customer relationship management model that lets retailers know exactly who their customers are, while enabling consumers to opt in and define how they want to interact with businesses. By collecting data, retailers can develop a better understanding of their consumers and therefore communicate better offers. On the print side, digitally printed onetoone direct mail pieces based on individual customer behavior can power reward programs, customized coupons, and sales brochures that drive consumers to stores and result in sales. On the mobile side, retailers can communicate special offers with customers via text messaging. These messages can deliver exclusive offers, create an ongoing connection with consumers, and ensure a better experience when used in conjunction with other media channels.

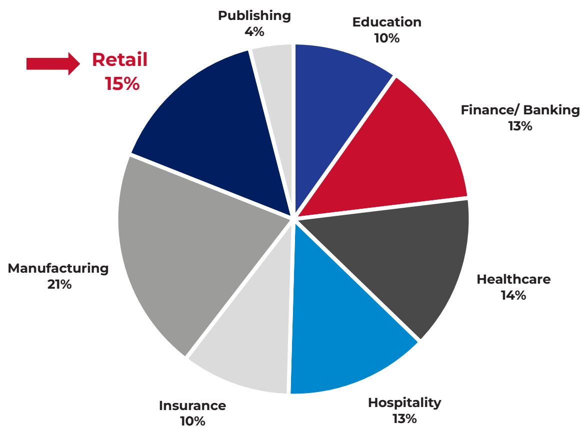
Survey Findings

In late 2023, Keypoint Intelligence completed a comprehensive multiclient study to gain a better understanding of how print demand is changing in key vertical industries. This survey serves as an update to similar vertical market research that was conducted in 2020. The vertical industries that we covered in depth include higher education, finance/banking, healthcare, hospitality, insurance, retail, and publishing.

Over 1,200 total respondents from businesses with 200+ employees participated in this study. Of these respondents, 182 (about 15% of the total) were from the retail industry. This document will focus specifically on these retail respondents.

Figure 4: Vertical Industry

Which of the following best describes the vertical industry that your company serves?



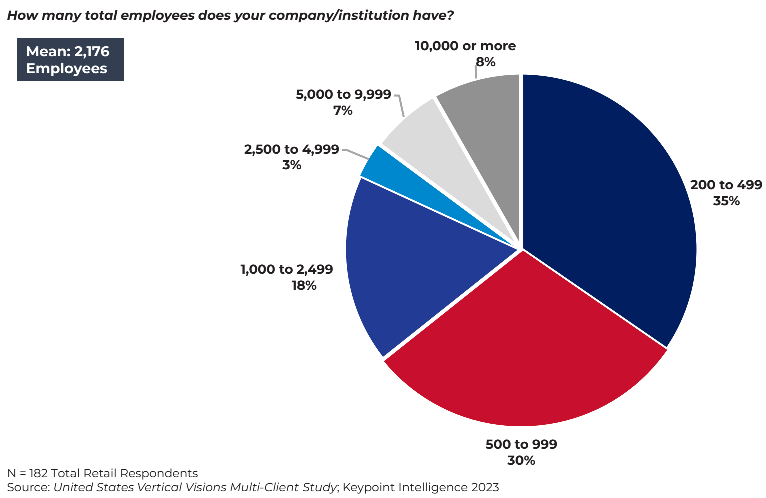
N = 1,215 Total Respondents
Source: *United States Vertical Visions Multi-Client Study* ; Keypoint Intelligence 2023

Although the number of total respondents within the retail industry (N=182) is statistically significant, there are times when questions are posed to a subset of retail respondents. Please refer to the N values at the bottom of each chart. A value of 30 (N=30) or lower should not be considered statistically significant and is only intended for anecdotal evidence.

General Demographics

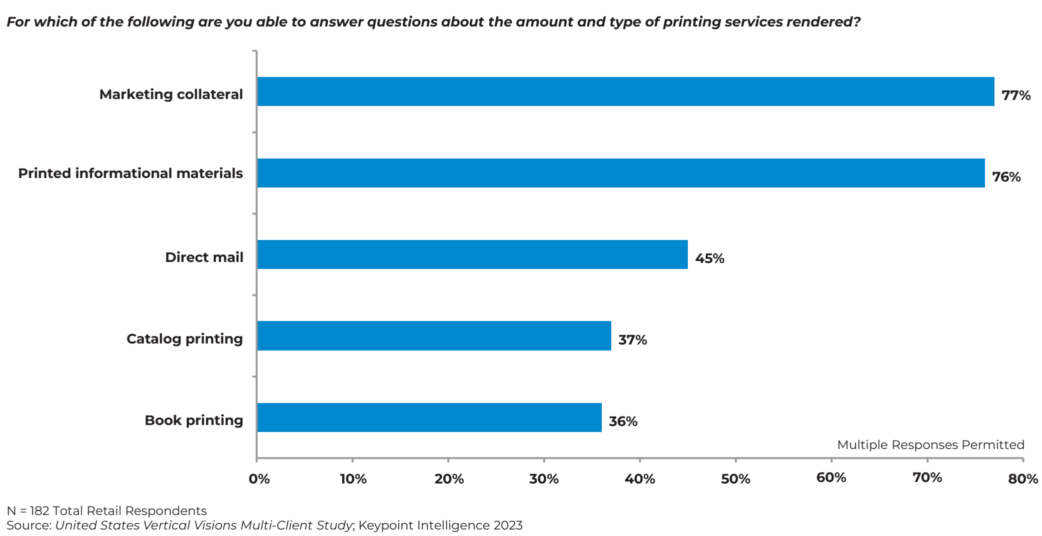
As noted earlier, this survey was open to respondents with at least 200 employees. Retail respondents reported working for institutions with an average of 2,176 employees. This average was very close to the mean for respondents across all industries (2,184).

Figure 5: Number of Employees



To qualify for participation in this survey, respondents were required to be able to answer questions about their companies' printing services. Within the retail sector, the greatest percentage of respondents were able to answer questions about marketing collateral (e.g., brochures, flyers, signage) and printed informational materials (e.g., booklets, manuals, training materials).

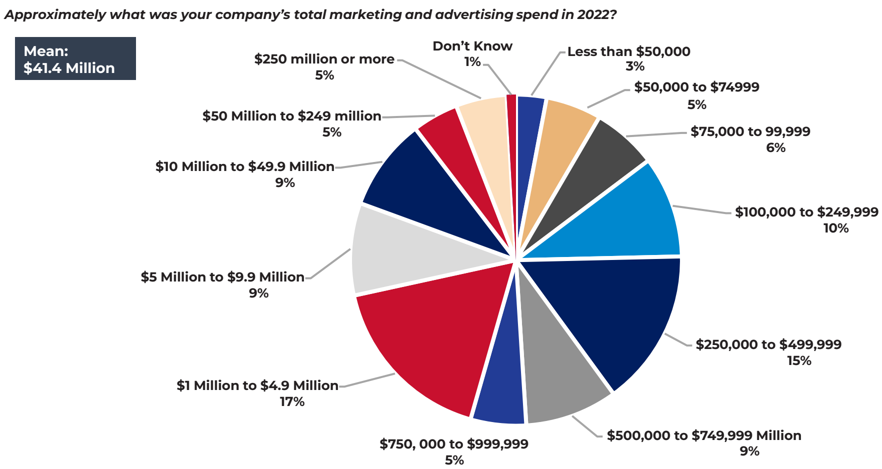
Figure 6: Knowledge of Printing Services



Spending and Media Split

On average, retail firms reported spending about $41.4 million on marketing and advertising in 2022. This is substantially higher than the $24.3 million average spending for total respondents across all verticals.

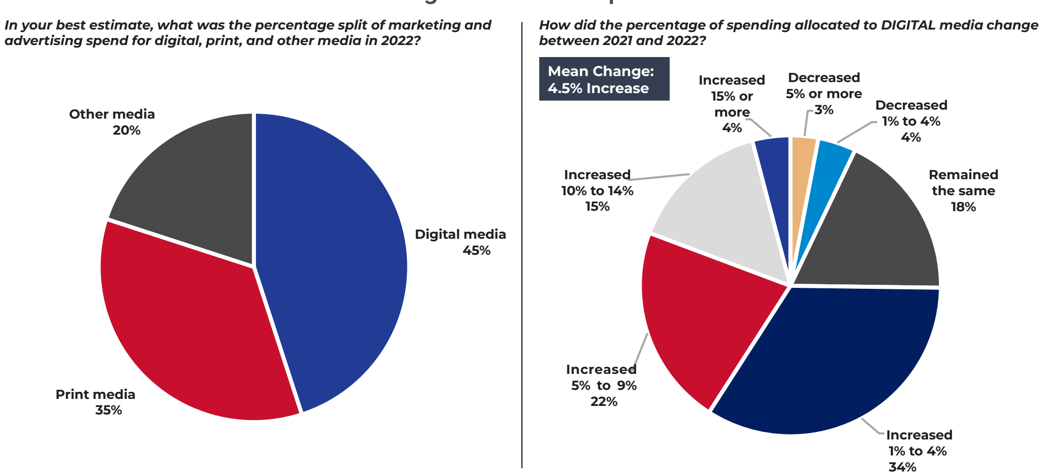
Figure 7: Marketing and Advertising Spend



N = 110 Retail Respondents in Sr. Leadership, Marketing, or Sales Roles
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

When retail respondents were asked about the media split for marketing and advertising spend, printed media accounted for 35% whereas digital represented 45%. Print remains an important, albeit smaller, media channel in relation to digital. These respondents indicated that the share of spending allocated to digital increased by an average of 4.5% between 2021 and 2022.

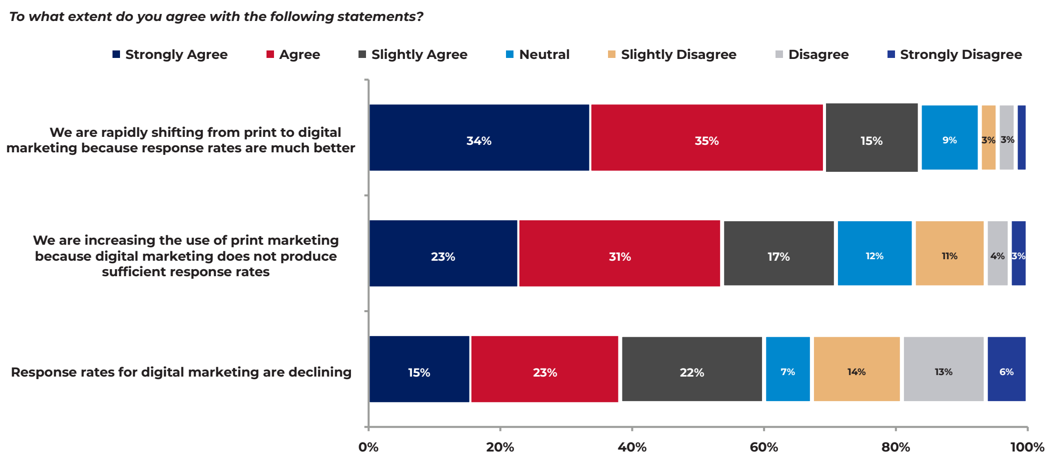
Figure 8: Media Split



N = 110 Retail Respondents in Sr. Leadership, Marketing, or Sales Roles
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

Not surprisingly, overall spend is shifting from print to digital channels—nearly 70% of retail respondents agreed or strongly agreed with this statement. At the same time, however, 54% of respondents agreed that they were increasing the use of printed marketing collateral because digital did not deliver sufficient response rates. In addition, 38% agreed that the response rates for digital marketing were declining.

Figure 9: Agreement with Statements about Media Split



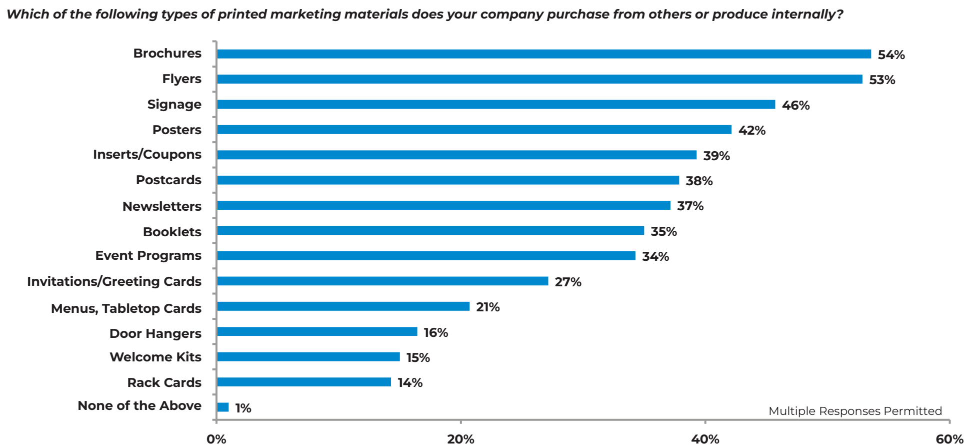
N = 110 Retail Respondents in Sr. Leadership, Marketing, or Sales Roles
Source: *United States Vertical Visions Multi-Client Study*; Keypoint Intelligence 2023

The shift toward digital spending is undeniable, but print remains a core area of investment.

Printed Marketing Collateral

Over threequarters of retail respondents (77%) use marketing collateral to reach their customers and prospects. The most common types of materials that were produced internally or purchased from others are brochures, flyers, signage, and posters.

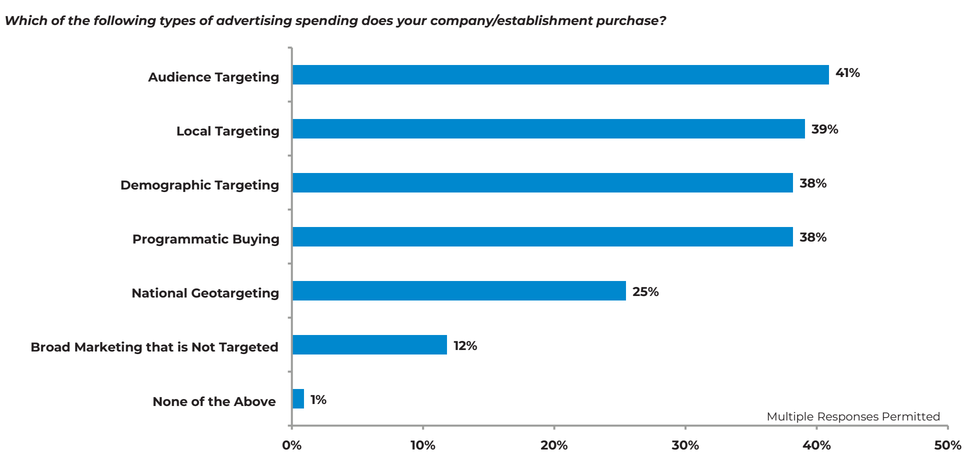
Figure 10: Types of Printed Marketing Materials



N = 140 Retail Respondents that use printed marketing collateral
Source: *United States Vertical Visions Multi-Client Study*; Keypoint Intelligence 2023

Personalization has become an important staple within the retail industry. Today's customers and prospects want to receive communications that cater to their specific needs and interests. In fact, about 60% of total retail respondents use targeting with their printed marketing collateral. Of these, the most common methods for personalization include demographic targeting (targeting subsegments of specific demographics) and local targeting (targeting audiences in specific locations).

Figure 11: Types of Advertising Spending

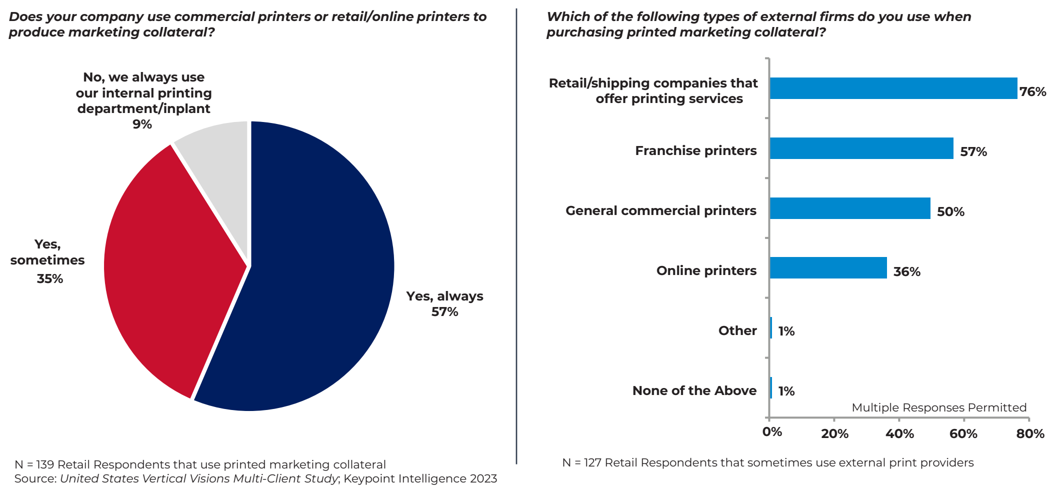


N = 110 Retail Respondents in Sr. Leadership, Marketing, or Sales Roles that perform audience targeting
Source: *United States Vertical Visions Multi-Client Study*; Keypoint Intelligence 2023

Customization/personalization is a proven method for improving response rates for digital as well as printed media, so it is unsurprising that targeting is popular. Because retail institutions have access to a wealth of data about their customers and prospects, they can easily create personalized materials that attract attention and stand out from the competition.

Our research on the retail market found that most print is purchased externally rather than being produced by an internal inplant. Because not all print is produced internally, there is an opportunity for print service providers (PSPs) to get in the door and sell print. The most popular types of external printing companies included retail/shipping firms (e.g., Staples, FedEx Office) and franchise printers (e.g., Alphagraphics, MinuteMan Press).

Figure 12: Internal vs. External Printing (Marketing Collateral)

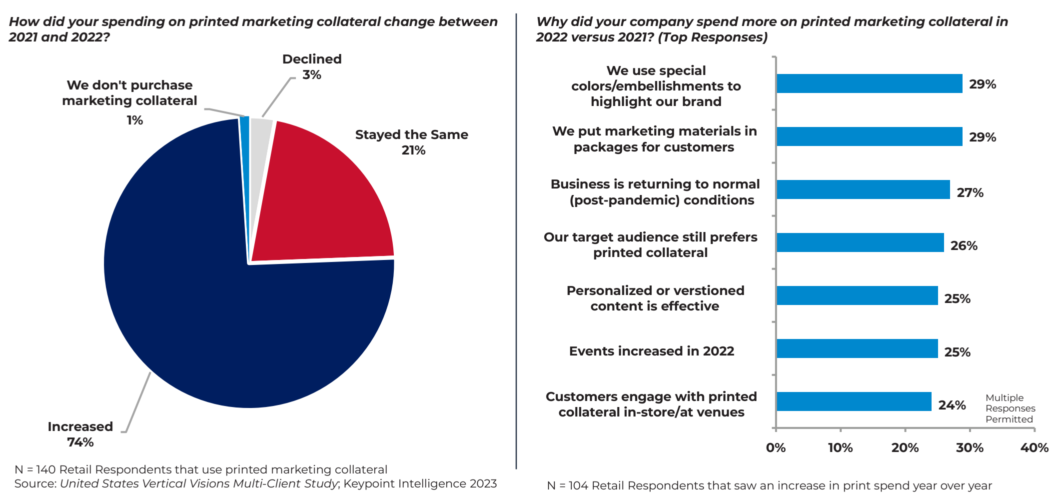


Competition is stiff for external PSPs when it comes to purchasing marketing collateral within the retail industry. Consider the following statistics:

- A heavy majority of retail firms (90%) always or sometimes shop around for sales/promotions when they need to purchase printed marketing collateral.
- About 83% of retail firms frequently or sometimes compare prices for services before selecting a print provider.
- Over 90% of retail respondents agreed that a sale would influence them to purchase printed marketing collateral from a particular provider.

Even though print is viewed as a declining channel, nearly threequarters of retail respondents reported that their spending on printed marketing materials increased between 2021 and 2022. Only 3% reported a decline in print spend during this same timeframe. Among those respondents whose spending increased year over year, the most common reasons for this increase included plans to use specialized colors/embellishments and plans to put marketing materials in packages.

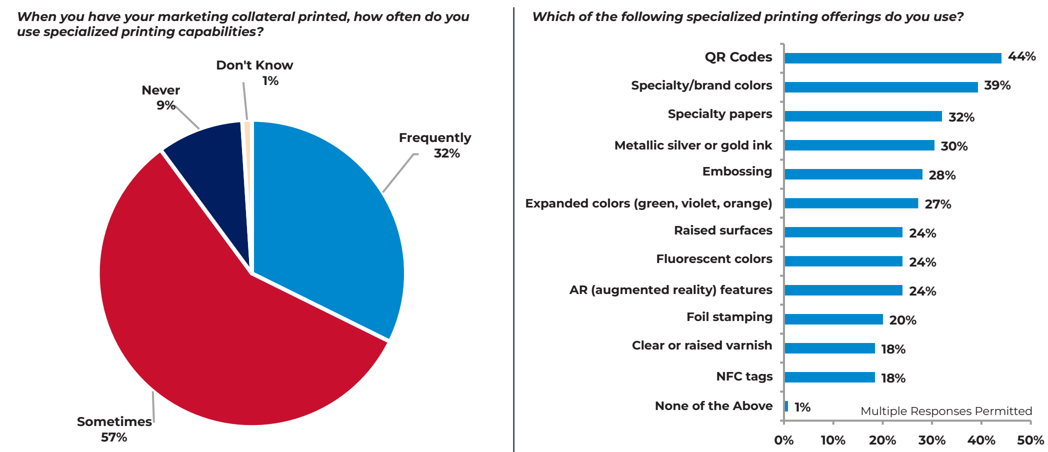
Figure 13: Spending on Printed Marketing Collateral



This increase in print spend is expected to continue too. The share of retail respondents that expected their spending on printed marketing collateral to increase between 2022 and 2023 exceeded those that expected a decrease in nearly all categories.

Like customization/personalization, the use of specialized printing capabilities (e.g., metallics, embellishments, QR codes, NFC tags, augmented reality) is common with printed marketing collateral. In fact, 90% of retail respondents reported using specialized capabilities with their printed marketing materials at least sometimes. The most commonly used capabilities included quick response (QR) codes and specialty/brand colors.

Figure 14: Use of Specialized Printing (Marketing Collateral)



N = 140 Retail Respondents that use printed marketing collateral
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

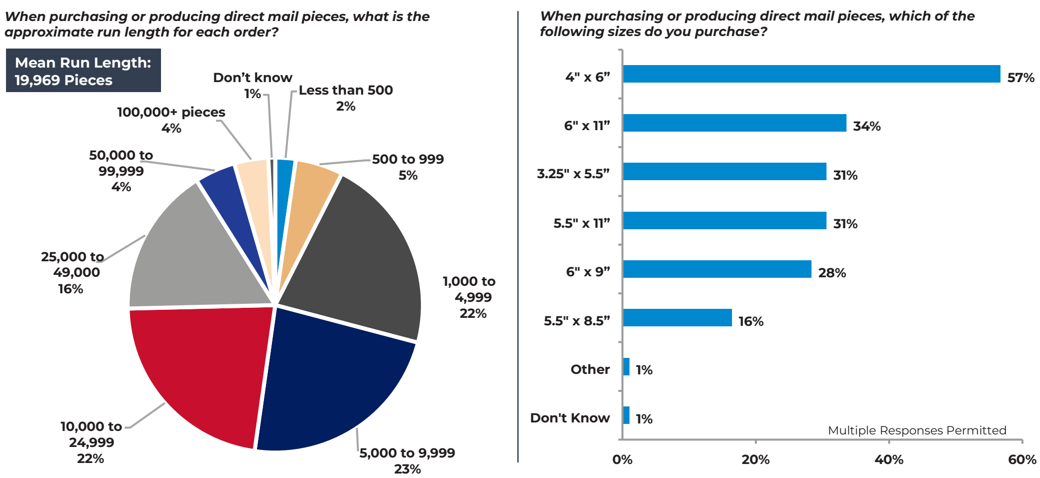
N = 125 Retail Respondents that use specialized printing

Direct Mail

Of our 182 total retail respondents, nearly 74% were sending direct mail to their customers. As might be expected, larger institutions sent more direct mail pieces than their smaller counterparts. Whereas retail establishments with under 500 employees sent an average of 11,925 direct mail pieces in a typical month, the average was 76,689 for firms with 500+ employees.

Among all retail respondents that sent direct mail to their customers, the average run length per order was 19,969 pieces. The most popular sizes for direct mail were 4" x 6" and 6" x 11".

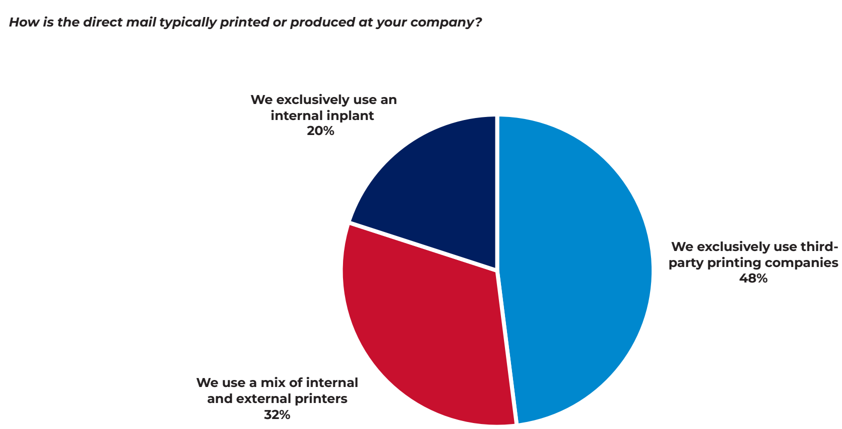
Figure 15: Run Length and Size



N = 134 Retail Respondents that send direct mail to customers Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

As was the case with printed marketing collateral, most retail firms are using external printers at least some of the time.

Figure 16: Internal vs. External Printing (Direct Mail)

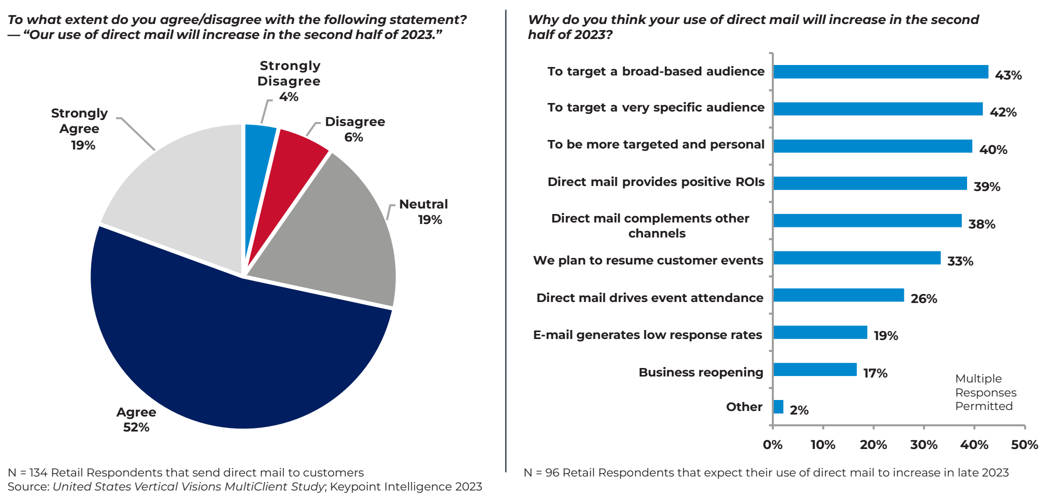


N = 134 Retail Respondents that send direct mail to customers
Source: *United States Vertical Visions Multi-Client Study*; Keypoint Intelligence 2023

PSPs understand that even in a digital first world, printed direct mail remains relevant. One important benefit of direct mail is that it plays well with digital media types. This might take the form of a QR code on a postcard or a digital link providing directions to a local store or other information on a printed catalog. Of those retail respondents that sent direct mail to their customers, a strong majority (91%) were sometimes or frequently coordinating their direct mail and digital media campaigns.

Further underscoring the continued importance of traditional direct mail in the retail sector, nearly threequarters of respondents agreed that their use of direct mail would increase in the second half of 2023 in comparison to the first half. The primary reasons for this expected increase included positive ROIs from direct mail and a desire to be more targeted and personal.

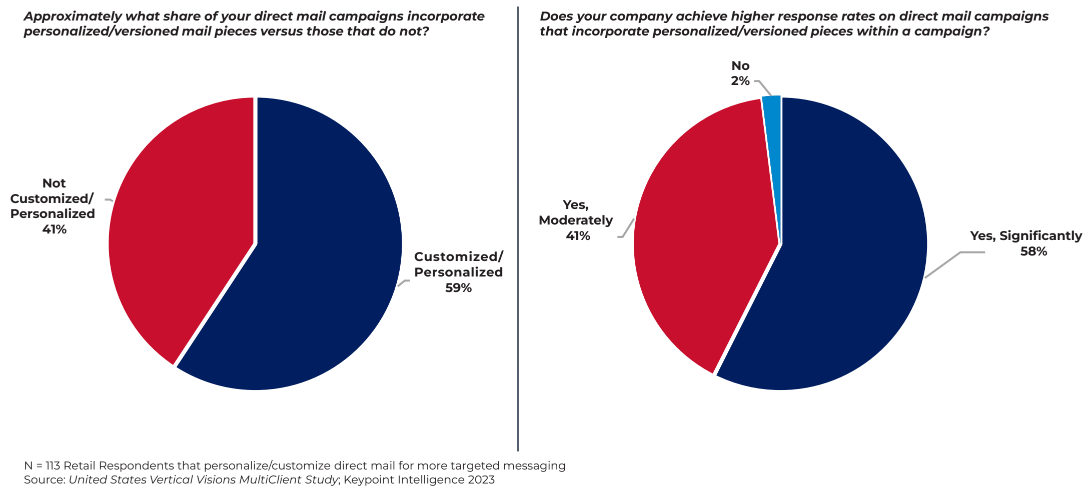
Figure 17: Increased Use of Direct Mail



Another means of improving the efficacy of direct mail is personalizing or customizing the content to deliver more targeted messages. This customization might involve changing images or modifying text based on the recipient's interests.

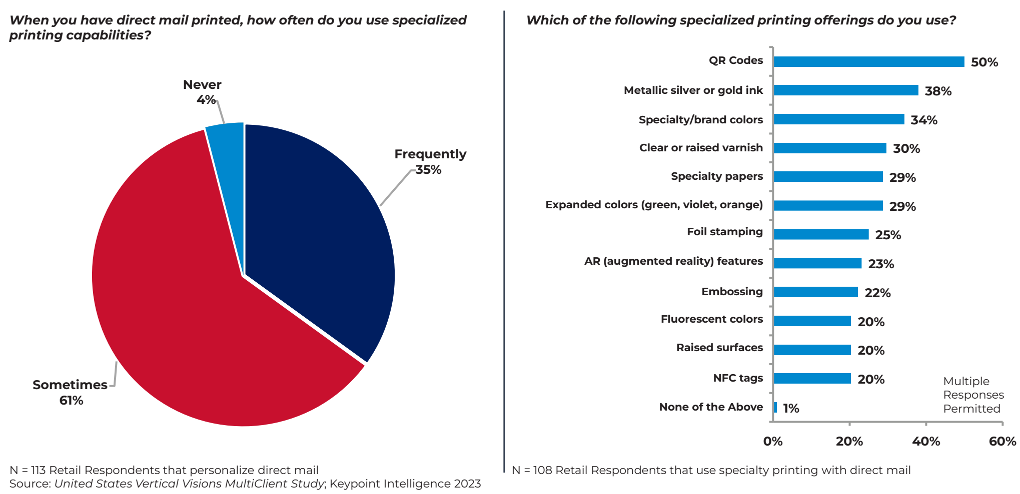
Retail respondents reported that on average, 59% of their direct mail campaigns were customized or personalized. In addition, 98% of campaigns that were personalized achieved significantly or moderately higher response rates.

Figure 18: Personalization versus NonPersonalization



Like those in other industries, retail firms are also improving their direct mail campaigns with specialized printing (e.g., metallic/fluorescent colors, augmented reality, or specialty papers). About 96% of retail respondents were using specialized printing at least some of the time. The most popular specialized printing techniques included QR codes and metallic inks.

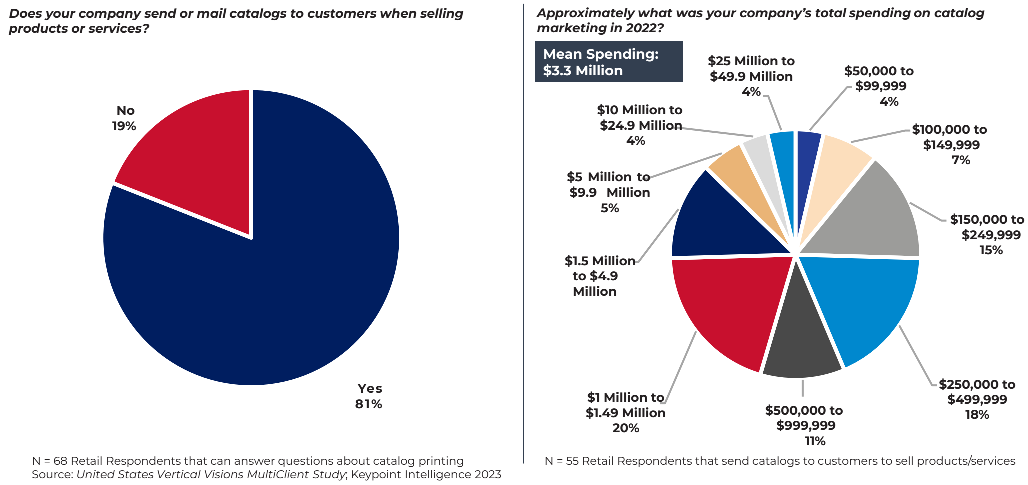
Figure 19: Use of Specialized Printing (Direct Mail)



Catalogs

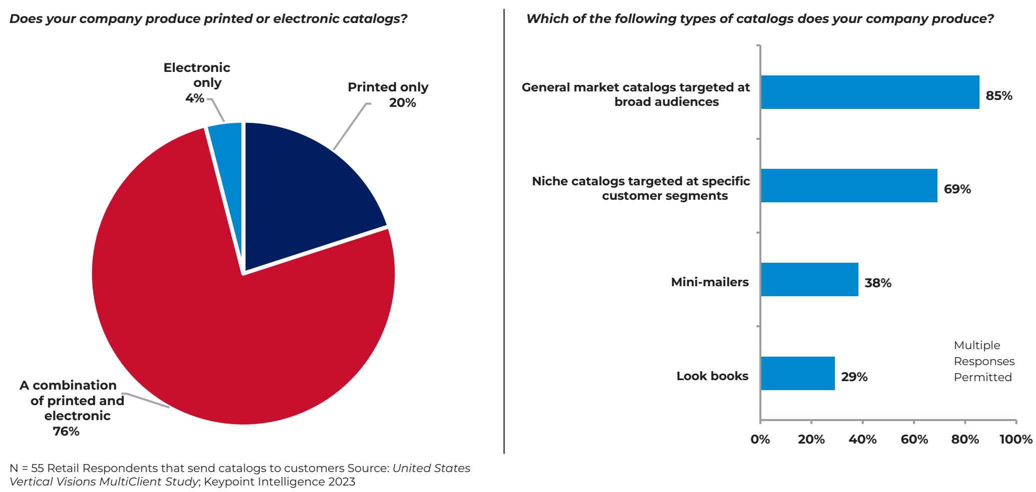
This section of the report focuses on retail respondents' catalog printing habits. These questions were only posed to a subset of respondents, so it should be noted that the sample sizes were relatively small. Of those retail respondents who were able to answer questions about catalog printing, 81% sent or mailed catalogs to their customers. On average, annual spending on catalog marketing was about $3.3 million.

Figure 20: Catalog Use and Annual Spending



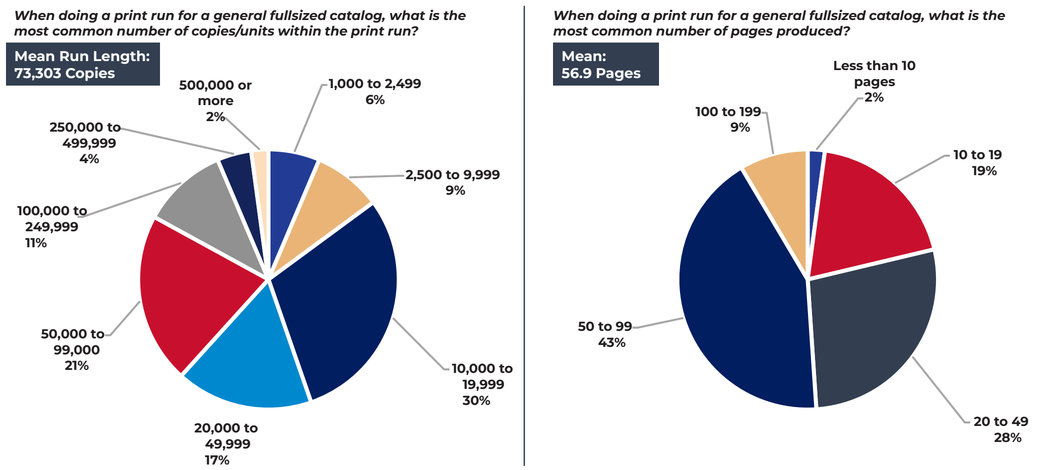
Whereas direct mail by its very nature is physical, catalogs can be printed or electronic. As shown below, most retail firms were producing both printed and electronic catalogs. Only a small percentage of businesses were exclusively producing electronic catalogs. Regardless of format, the most common types were general (full size) and niche catalogs.

Figure 21: Format and Types of Catalogs



The average run length for catalogs was 73,303 copies. This average was clearly drawn upward by the very large run lengths in the mix since 37% of retail respondents reported run lengths of under 20,000. On average, a typical catalog had 56.9 pages.

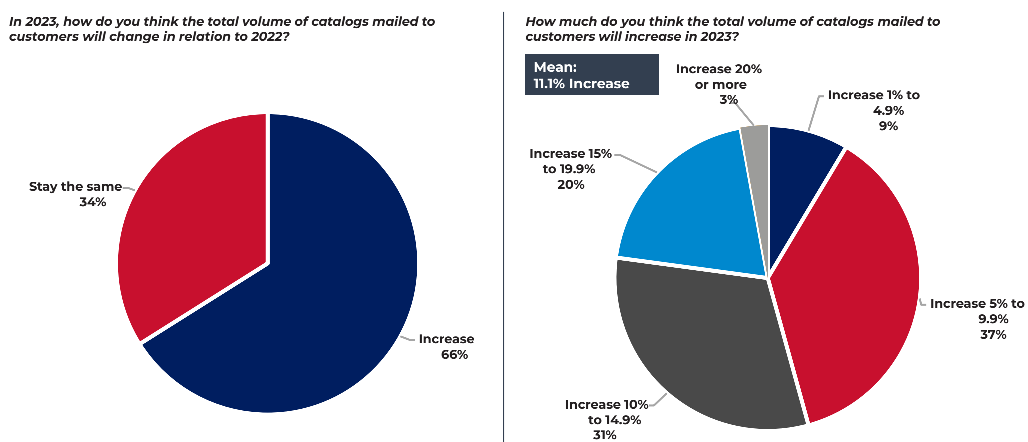
Figure 22: Run Length and Page Count (Catalogs)



N = 47 Retail Respondents that produce fullsize general catalogs for customers/prospects
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

During the entirety of 2022, retail respondents reported sending a mean of 625,056 catalogs to customers. In relation to 2022, 66% of these respondents expected the number of catalogs sent to customers to increase during 2023. By contrast, no respondents expected their printed catalog volumes to decrease year over year. Of those respondents who expected an increase, the average volume growth was 11.1%.

Figure 23: Change in Printed Catalog Volumes

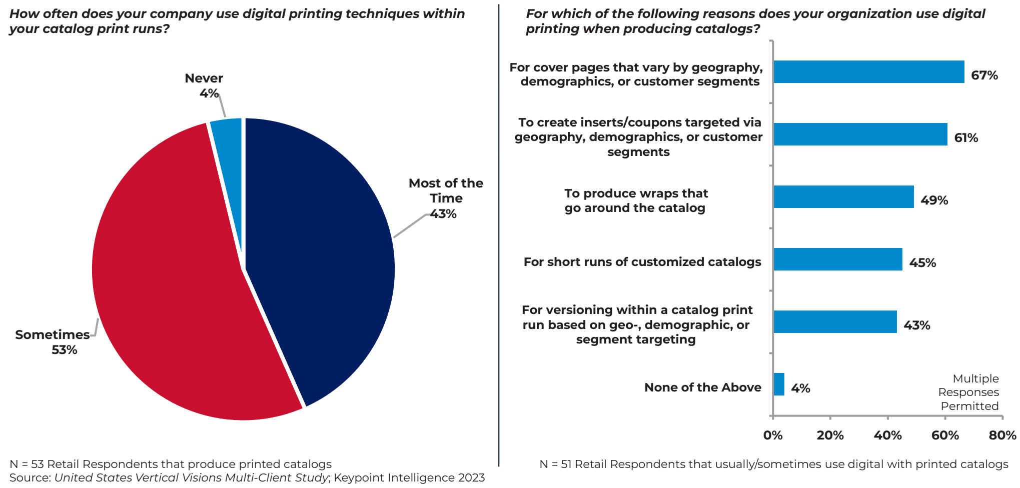


N = 53 Retail Respondents that produce printed catalogs
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

N = 35 Retail Respondents that expect the number of catalogs sent to increase

Most retail respondents were incorporating digital technologies with their printed catalogs at least sometimes. The most common reasons for doing so included creating varying cover pages and creating targeted inserts/coupons.

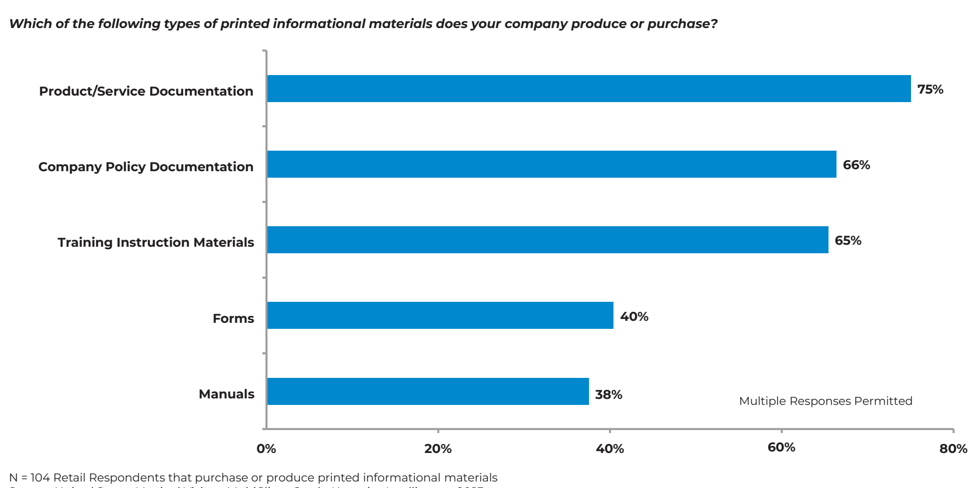
Figure 24: Use of Digital with Printed Catalogs



Informational Materials

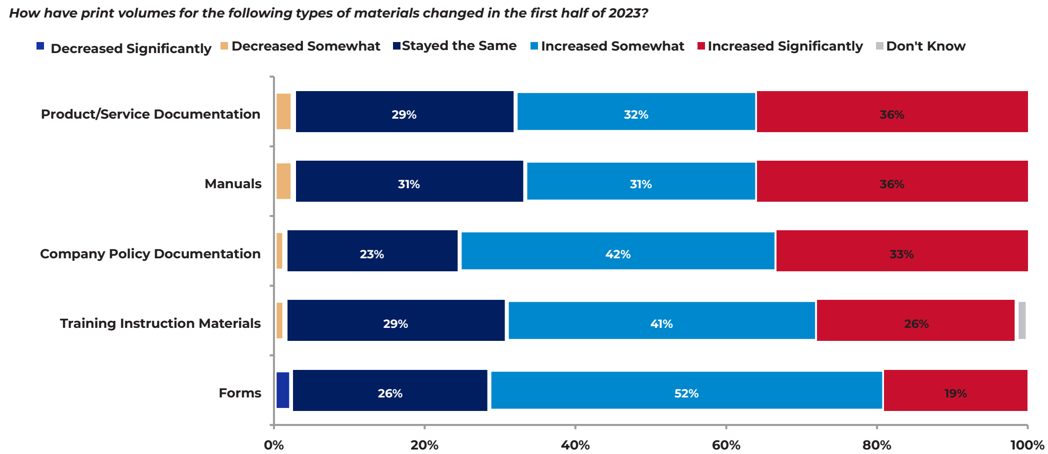
About 57% of total retail respondents were purchasing or producing informational materials (e.g., booklets, manuals, training materials) for their offerings. Of these, the most common types included product/service and company policy documentation.

Figure 25: Types of Informational Materials Purchased/Produced



As shown in the Figure below, a majority of retail respondents reported that their volumes of various informational materials increased year over year. Decreases—even slight ones—were quite uncommon.

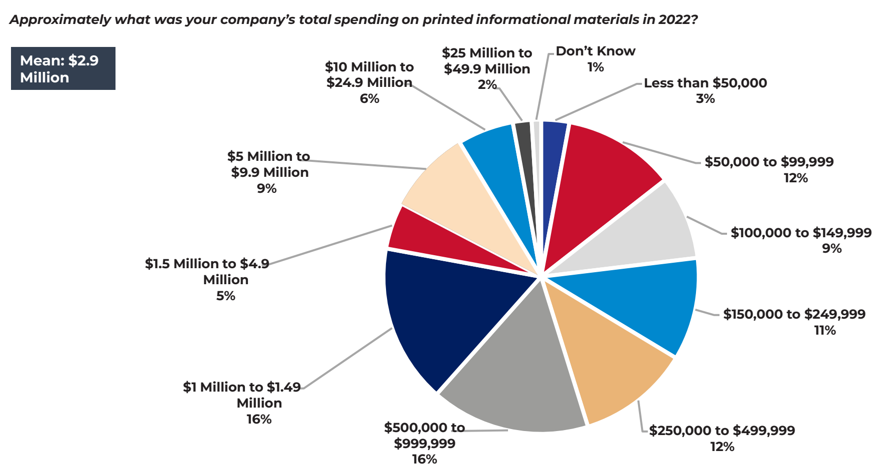
Figure 26: Change in Volumes of Informational Materials



N = Varies; Base: 104 Retail Respondents that purchase or produce printed informational materials
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

Retail firms reported spending an average of nearly $2.9 million on printed informational materials in 2022. This is somewhat higher than the $2.5 million spent by businesses across all verticals.

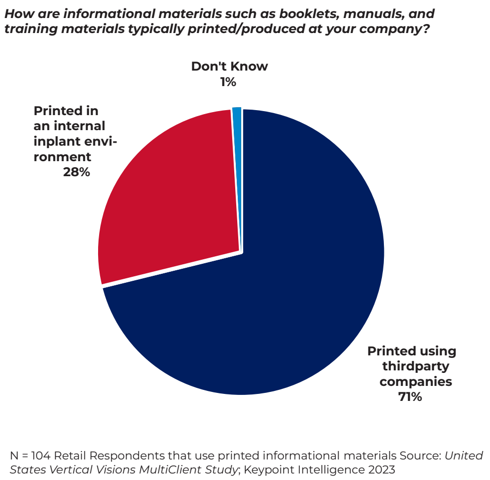
Figure 27: Spending on Informational Materials

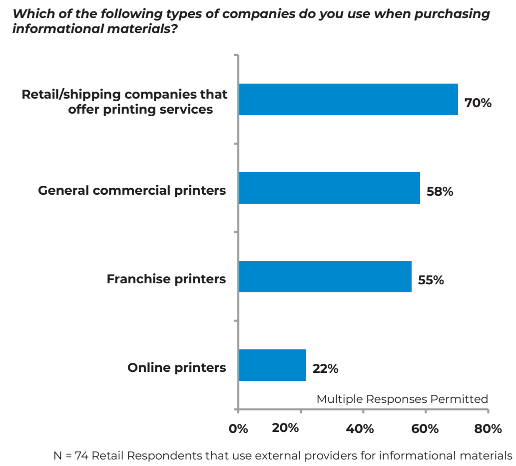


N = 104 Retail Respondents that purchase or produce printed informational materials
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

Nearly threequarters of retail respondents used thirdparty companies for producing informational materials. The most common types of companies used included retail/shipping firms (e.g., Staples, FedEx Office) and general commercial printers.

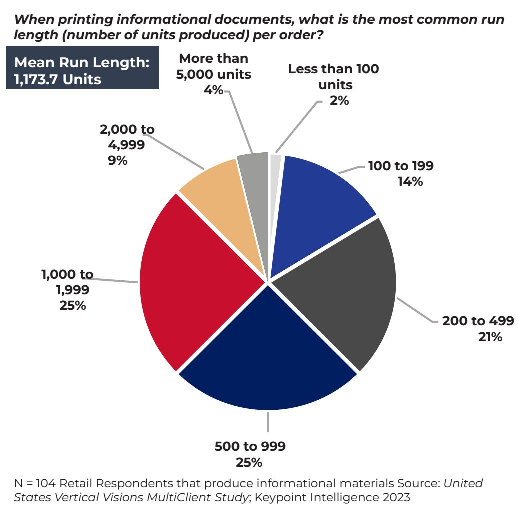
Figure 28: Internal vs. External Printing (Informational Materials)

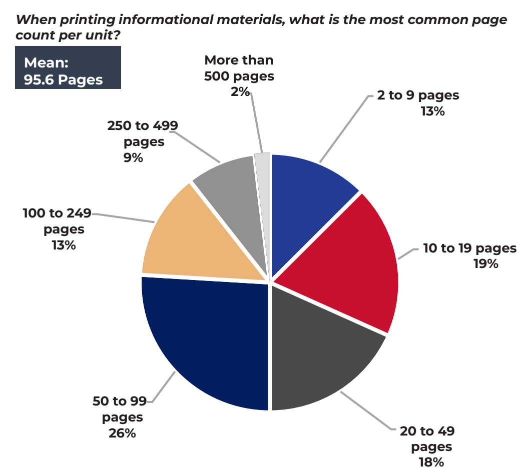




Within the retail industry, respondents reported an average run length of about 1,174 units for informational materi-als. Meanwhile, the average page count was 95.6 pages.

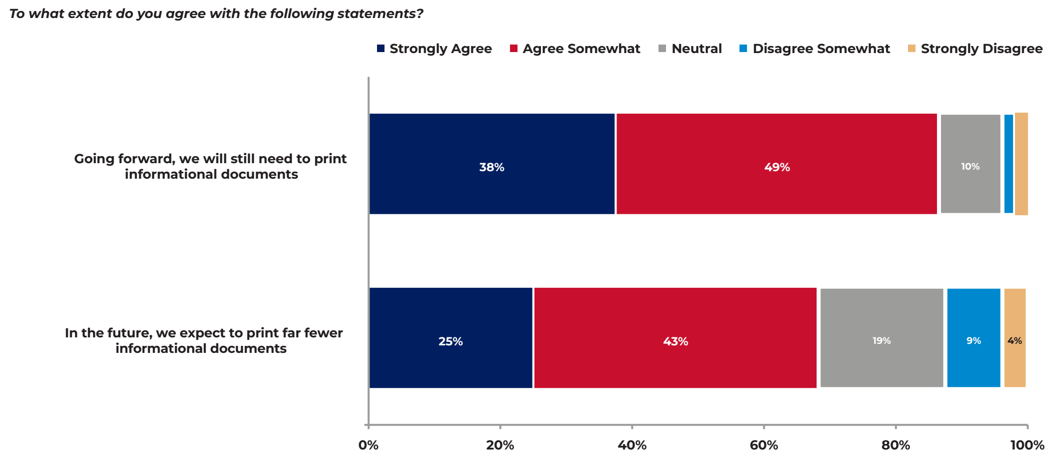
Figure 29: Run Length and Page Count (Informational Materials)





When retail respondents were asked to specify their agreement with statements about their printing habits for informational materials, about twothirds agreed that they would be printing fewer of these materials in the future. At the same time, however, the need for printing at least some of these documents is expected to persist; 87% of respondents expected to continue printing informational documents going forward.

Figure 30: Agreement with Statements about Informational Materials



N = 104 Retail Respondents that purchase or produce printed informational materials
Source: *United States Vertical Visions MultiClient Study*; Keypoint Intelligence 2023

Opinion

Print is playing a supportive role in today's multichannel world, but so are all media channels. Printed communications offer a unique advantage in that they play well with digital channels as retail businesses strive to create compelling campaigns across all channels. Adding ancillary services to offset declines in print revenues and better service to customers is the new equation for success in the retail market.

The retail market offers solid opportunities for PSPs to grow business and offer improved digital printing capabilities for customization and personalization. Communication buyers in the retail market want providers that can recommend products and services aligned with their unique needs today and in the future. They are seeking providers that truly understand their market and can leverage this knowledge to deliver the best possible offerings.

About CFC Print & Mail

CFC Print & Mail is a wholesale provider of printed documents and services catering to small businesses through large distributor channels. CFC separates itself from its competition by providing superior customer service, fast production, best pricing and quick turn times. We pride ourselves on being a resource for our loyal customers, fostering both our successes.

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Canon U.S.A. Inc. is a leading provider of consumer, business-to-business, and industrial digital imaging solutions to the United States and to Latin America and the Caribbean markets. With approximately $29.4 billion in global revenue, its parent company, Canon Inc. as of 2023 has ranked in the topfive overall in U.S. patents granted for 38 consecutive years. Canon U.S.A. is dedicated to its Kyosei philosophy of social and environmental responsibility. To learn more about Canon, visit them at www.usa.canon.com.

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