



COVID-19 Economic Impact on The Catalog Mailing Industry

May 5, 2020

On behalf of the American Catalog Mailers Association (ACMA), ndp | analytics conducted an online survey of catalog mailers and suppliers to quantify the impact of COVID-19 on employment, financial viability, and business outlook. The survey was conducted during the second half of April 2020.

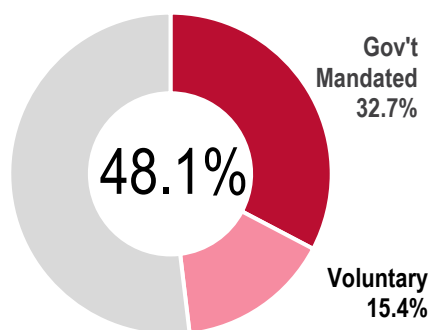
HIGHLIGHTS/OVERVIEW

- The survey focused heavily on the impact of the first complete month since the nationwide lockdown.
- Catalog merchants and their suppliers have clearly been impacted so far. Revenues have fallen; employees have been laid off or furloughed; catalog mailings have been cut back.
- However, some catalog merchants and suppliers have realized an increase in demand. Just over one-fifth reported an increase in revenue during the first month of lockdown. Some brands whose offerings are conducive to Americans being forced to remain at home, such as those who serve the gardening market, have enjoyed growth.
- About one-half believe their businesses will survive the economic fallout; however, a small but noteworthy portion (16%) say they won't last more than another three months.
- Respondents are worried about the current political environment threatening the future viability of the US Postal Service and thereby, their ability to continue to mail catalogs.

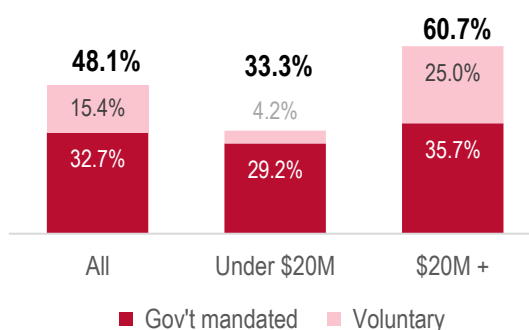
1. BUSINESS STATUS

By the end of April 2020, all companies in the catalog mailing industry were still open for business. About half (52%) of catalog mailers and suppliers are fully open while the other half (48%) have reduced their operating capacity. Among those who have reduced their operations, over two-thirds (68%) reduced their operations due to government mandates while the remainder (32%) voluntarily scaled back. 61% of larger companies (at least \$20 million annual revenues) reduced their operations compared to 33% of smaller companies (under \$20 million annual revenues).

Companies that reduced operations due to COVID-19



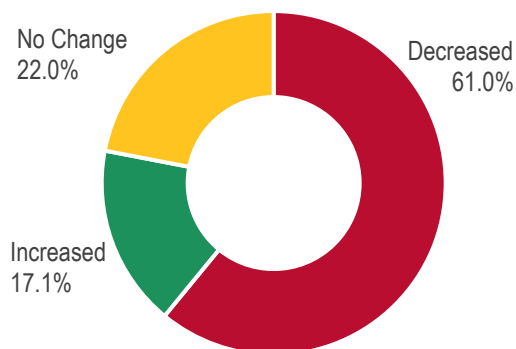
Companies that have reduced operations, by size



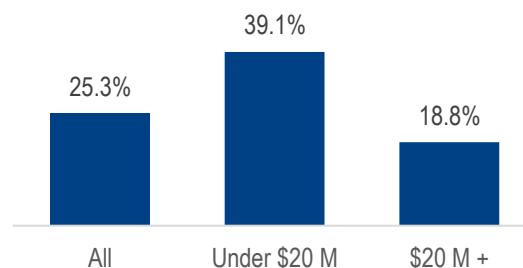
2. EMPLOYMENT IMPACT

Many companies have reduced their workforce as a result of COVID-19. 61% of catalog mailers and suppliers have laid off or furloughed employees while 17% have increased the size of their workforce. An average of workforce reduction was 25%, 39% in smaller companies (under \$20 million annual revenues) and 19% in larger companies (at least \$20 million annual revenues).

Change in company workforce due to COVID-19



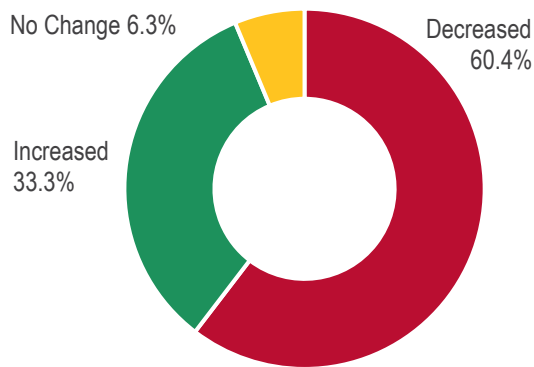
Average reduction in employment at companies that decreased their workforce, by size



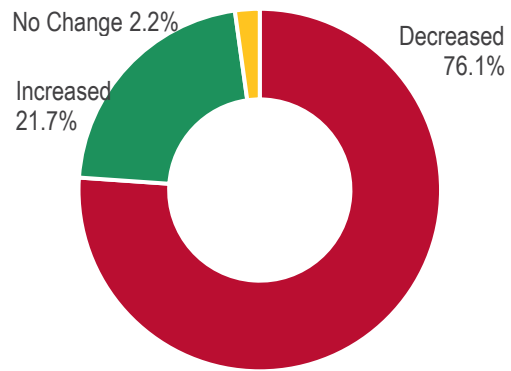
3. FINANCIAL IMPACT

The majority of respondents has seen a decline in revenue as a result of COVID-19. 60% of catalog mailers and suppliers realized a decrease in Q1 2020 revenue compared to Q1 2019, while 33% realized an increase in revenue, and 6% reported no change. As COVID-19 crisis escalated, more companies realized revenue losses. From March 9 to April 8, the first full month under lockdown, 76% of companies saw a decrease in revenue compared to SPLY while 22% realized revenue increases.

Revenue change in Q1 2020 vs. Q1 2019



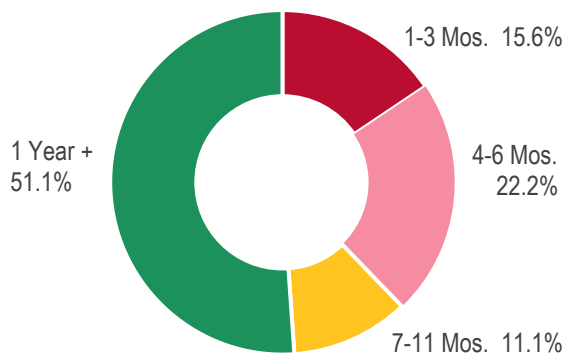
Revenue change during March 9-April 8 vs. SPLY



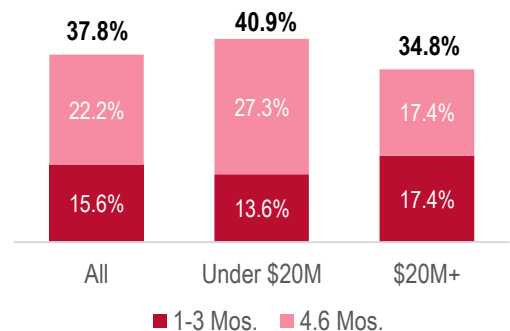
4. SURVIVAL & RECOVERY PLANS

Over half (51%) of catalog mailers and suppliers believe that they can survive financially for at least one year under the current COVID-19 conditions, while 38% believe they could survive 6 months or less (22% believe they could survive 4-6 months and 16% believe they could survive less than 3 months). A larger share of smaller companies (under \$20 million annual revenues) believe they can survive 6 months or less compared to larger companies (at least \$20 million annual revenues).

Number of months companies believe they could survive financially under current COVID-19 conditions



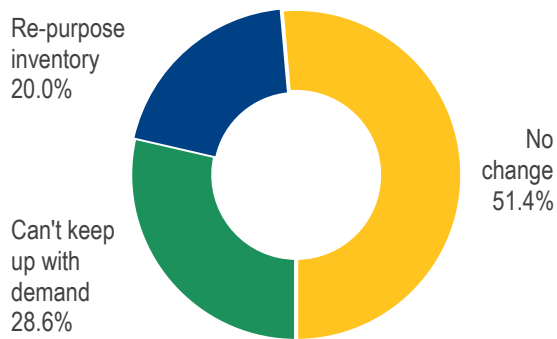
Companies that could survive 6 months or less under the current COVID-19 conditions, by size



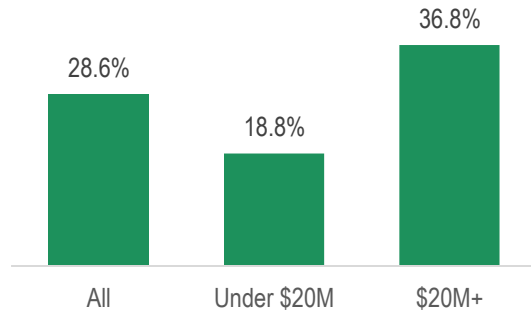
5. IMPACT ON INVENTORY

COVID-19 has had an impact on catalog mailers' inventory – and in some cases, significantly. While 51% of mailers have made no changes to their inventory, 20% have repurposed inventory, and 29% have not been able to keep up with demand. 37% of larger mailers (at least \$20 million annual revenues) have not been able to keep up with demand compared to 19% of smaller mailers (under \$20 million annual revenues).

COVID-19 impact on catalog mailers' inventory



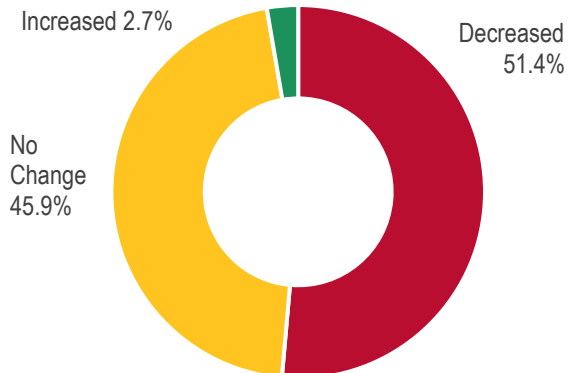
Share of companies that cannot keep up with demand, by size



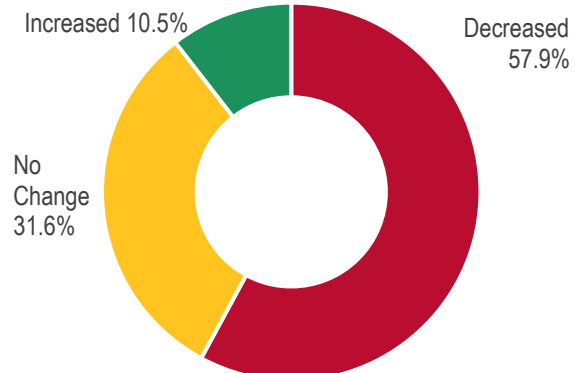
6. IMPACT ON CIRCULATION

Just over half of catalog mailers decreased circulation during the first month of widespread COVID-19 lockdowns (March 9 to April 8) while 46% made no changes and just 3% of mailers increased circulation. However, as the pandemic has continued, more mailers are changing circulation plans for Q2 2020: 58% are decreasing circulation, 11% are increasing circulation, and 32% are making no changes.

COVID-19 impact on circulation for recent mailings (from March 9-April 6, 2020)

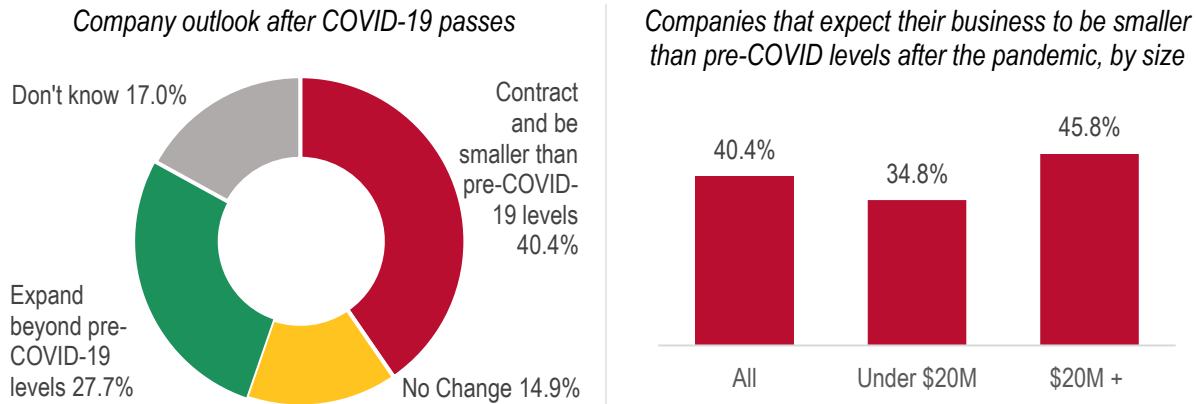


COVID-19 impact on circulation for the current quarter (April 1 - June 30, 2020)



7. OUTLOOK

About 40% of catalog mailers and suppliers believe their businesses will contract and be smaller than pre-COVID-19 levels after the pandemic passes. This outlook is more prevalent among larger companies (at least \$20 million annual revenues) where 46% believe their business will contract.



NOTABLE COMMENTS RECEIVED

Where do you see your business once the COVID-19 pandemic has passed and life returns to normal? What do you need right now?

- Our strong online growth over this period to cover shuttered brick and mortar presence has created the need to re-evaluate marketing approaches and strategies. This could lead to a very different methodology to our mailed portion of the marketing spend. Mobile and social efforts driven by influencers continues to drive increased revenue during this time.
- The longer we are at home the longer the impact on my clients. Some will go away completely. The uncertainty around USPS viability is working against a return to the mail and a move toward electronic marketing. Most of our clients do best with a mix of postal (more expensive, but higher value) and electronic (less expensive and lower value) marketing.
- Some of our clients may not be in business. Some clients have cancelled their services with us. We would have to re-establish those relationships and the need may not be there.
- We pivoted and added new products related to COVID-19 to replace revenue drop from products not selling as well as result of the virus.
- The states need to be prevented from going after businesses in other states aggressively for sales tax or gross receipts/income tax. PL 86-272 is under attack by the Multistate Tax Commission.

- State and Federal regulations and taxes need to be reviewed. Businesses need to be allowed to work towards recovery. Reporting to government agencies is an unnecessary distraction right now.
- Need lower postal rates with payment terms to get through this crisis.
- Having all of catalog/ecommerce be deemed to be essential nationally would be huge - we keep LOTS of people in their homes.
- Our resiliency has been impacted and we cannot take many more surprises. Most pressing are understanding the potential levers the USPS is considering. We have a feeling we are in for a repeat of 2008 when we had to navigate a big price increase in the face of declining performance of mail.
- We need the Small Business Loan/Grant. The fund ran out of money before our application was reviewed. The USPS is an important part of the work that we do. We do a needed service for the USPS.
- Catalogs still need to be mailed, especially during this crisis!
- [If something does not change soon] we will be largely out of the mail stream...potentially for good.
- We applied for PPP loan and our bank took too long to submit their loan paperwork to SBA. So, none of the bank customers got their PPP loans. Please ask Congress to fund money for additional PPP loans urgently needed.



About the American Catalog Mailers Association

The ACMA leads the fight in Washington and state legislatures on the most significant policy issues affecting direct marketers, online merchants and store retailers who mail catalogs, as well as their suppliers.



About ndp | analytics

ndp | analytics is a strategic economic and communication research firm. The company's research approach is data-driven, robust, and transparent. By uniting rigorous analysis with clear communication, ndp turns data into action.

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