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Donald R. Libey, Editor

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Watershed for Catalogs

Don Libey

Everywhere you look, some company is being bailed out of their financial mess, or is getting in line for assistance. The greatest shower of money ever seen in the United States is being washed over the commercial landscape. The outcome is unknown, but there can be little doubt that we are in the process of pushing the Reset Button in every aspect of our economy. So, what is the current and future value of and support for the American catalog industry?

Pogo Was Right

Few people remember Pogo, the cartoon opossum created by Walt Kelly in 1949. Pogo had a way of turning a phrase so that we saw ourselves and recognized our shortcomings. Pogo was that most wonderful of all beings, a sage in the midst of lesser lights; a jester in a kingdom run by fools; a wise man with a funny nose. His most famous observation, after looking at the dismal reality of the situation in the Okefenokee Swamp where the characters all lived (some thought the swamp and the cartoon characters were a parallel world to Washington, D.C. and Congress), was, "We have met the enemy and he is us." I believe Pogo discovered a universal truth when he first spoke those words to Porky, his

porcupine confidant, in 1971. For all his homespun naïveté and innocence, at that moment Pogo took his place alongside the greatest philosophers throughout all of history.

“We have met the enemy and he is us.”

As a long-time practitioner of the art and science of the business-to-business and consumer catalogs, an observer of the industry, a direct marketing futurist with an eye firm on the decade ahead, and a reputation for speaking out at times of peril and pain, it once again falls to me to sound the claxon alarm—only this time I feel an impending sense of doom.

Here, in the swamp we have created through our own isolationist attitudes, our own neglect, our own failure to demand professional representation, our own failure to put the money where we know it is needed, our own failure to look beyond our own corporate walls, our own failure to aggressively battle those who wish to see us destroyed, our own failure to get off our dead behinds and fight for the future of our highly specialized form of business—we are now looking straight into the eyes of oblivion. We are, indeed Pogo, our own worst enemy.

The Coming Economics

There is going to be another massive postage increase, perhaps as much or more than the postage disaster of 2005. You know all the reasons why, and you know all the political reasons why the problem can't be solved, only periodically mitigated. Spending federal money on something like a postal service that might actually support business and spur economic growth is simply lost on the idiot *body politic* in Washington. They are simply consumed with pettiness and personal pork to the exclusion of any idea that might be even remotely good for the country.

The recession is likely going to deepen further. The ‘wise men’—those who are consistently correct in their view of the near-future—have all warned against the next two years. This is a major, cyclical event that must cause a major, cyclical correction; it is not new; it has happened before—many times. There could easily be an eight to sixteen year downturn before these unprecedented, global financial events have been sorted out. This is the end of a way of life based on consumption and the new model has not been constructed.

American Catalog Mailers Association

This is a small group of some sixty-five members led by the most intelligent and effective association executive director ever to work in the catalog and direct marketing industry. Hamilton Davison has gotten things done and has made a meaningful economic difference. The directors of ACMA are committed and active and have equally made a difference. Individuals and groups—particularly NEMOA (New England Mail Order Association)—have made major contributions and have made a difference. Over these past two years, this is the first time in the history of American direct marketing that we have had an organization representing the unique needs and positions of *catalogers*. It is *not* an organization that caters to banks and their Number 10 letters; it is *not* an organization that caters to home shopping networks; it is *not* an organization catering to huge suppliers, or software or media firms; it is *not* an organization that sees its future tied to the Internet. It is an organization formed by catalogers, for catalogers and *only* about catalogs. Read the name: American *Catalog* Mailers Association. It is only concerned with American companies mailing catalogs. It doesn't have interest in European associations, and it doesn't sponsor clubs, or foundations, or awards; it doesn't hire Jay Leno to tell funny stories at its meetings; it doesn't schmooze, rather it lobbies directly with the Postmaster

General and the PRC telling your story—the story that no one has ever told before.

But, sixty-five companies spending \$5,000 each or so cannot win the battle for the catalog industry future. It's a beginning—and a very positive beginning—but just how far do you think \$350,000 is going to go in the Washington swamp? The pharmaceutical industry would spend that much to partially buy a newly elected Representative from an unimportant state. They would spend ten times that amount to own a junior Senator. Wake up: Congress is a *business!* It has nothing to do with fairness or the “greater good for the greater number.” It runs on lobbying, and lobbying is fueled with cash. You want something done to benefit your industry . . . You have to do it yourself. And you have to play by the rules and know all the secret handshakes.

To be effective, the catalog industry must mount \$10 million annual campaigns, at a minimum, to make any headway. If there are 10,000 catalogs in the U.S. (and there are probably closer to 15,000, perhaps 20,000 if you count all the manufacturers), that is \$1,000 per company a year. Is it worth it? Would you prefer to a 40 percent postage increase? Or 50 percent?

To my knowledge, the ACMA is the only organization that returned a rate savings on postage this year that was more than the members' dues. And that is probably the first time ever in the star-crossed history of the catalog industry and the U.S. Postal Service.

Unless this industry takes charge of itself and supports pure catalog interests, it will be faced with oblivion. Don't believe all the 'nice talk' about 'shared interests' and the 'larger agendas'—this is all about self-preservation and we catalogers are on the bottom of the food chain.

When your right coronary artery blocks and you have a Myocardial Infarction in the anterior, lower portion of the heart, and you may die in the next hour, who do you want—a general practitioner who dabbles in a little cancer, a little dermatology, a little pulmonary obstruction, and a little high blood pressure treatment? No! You want an Interventional Cardiologist who can open the blockage with angioplasty as quickly as possible. You want a precise, focused specialist who knows what the hell he/she is doing. And that is exactly what the catalog industry had better wake up, realize, understand and support.

The Poor PR and Green Threats

As an industry, we have never told our story effectively. No one ever 'storyboarded' the catalog industry and told the world why we are valuable. There is no effective public relations—*whatsoever*—about the catalog industry. If there were, how could some rogue organization like Catalog Choice be so successful at brainwashing little children in schools to deliver catalog cancellation requests from Grandma like they do donations for Jerry's Kids? Over 1,125,000 people have signed up. At 6-8 catalogs each at a mailing frequency of 6 a year that could be 50 million catalogs the U.S. Postal Service won't earn any money on, and that means you will pay more.

Who is telling our story? Why doesn't the world know that on all the UPS trucks, every day, there are enough catalog-created packages to keep 279,000 cars off the road for an average of 6 miles each? We catalogers are green! And we have been green for years! Why isn't America (and the world) told that?

And, as for the “trees” that Catalog Choice is supposedly saving, why isn't America being told the facts: there are more trees *right now* growing in the U.S. than there have ever been—even before the Europeans arrived. *Trees are a sustainable crop.* That little horticultural achievement occurred in the

last 50 years; nobody seems to have noticed or told anyone.

And, if you care to compare the carbon footprint excesses of a mall of merchants versus a group of catalog companies, I think we all know where the advantage will be found.

Every hog farmer and soybean grower here in Iowa pays a penny or two per pound or bushel for association lobbying and representation at the state and federal levels. For each \$1 those farmers donate from their businesses, they receive anywhere from \$3 to \$6 back in agricultural program benefits. As an industry, the Pork Producers Association is a whole lot smarter and evolved than the direct marketing industry. And that ought to scare you to death.

The People You Choose to Get Into Bed With

Abacus and similar companies have been around a long time now and, like addictive drugs, catalogers have had to have more and more ‘Magic Names’ to get the same ‘high’. It’s not good for you.

Over time, you have abdicated your primary skill: investment prospecting. Somebody else does that for you. After a few years, you lose all corporate skill and memory of how you built your niche business. That information is now somewhere inside the ‘black box.’ You no longer have sharp marketing analysts who know your customer base and your prospect pool as well as they know themselves. You are blind in a spiraling vortex.

All of these external ‘outsourcers’ are taking a dime here, a dime there. And you don’t get any real information back like you do with a list broker/partner. Pretty soon, you don’t have any information, any awareness of the dynamics of the names, any understanding of what is happening; you only know that you need more of the white powder. A dime bag here, a nickel bag there, a quarter-bag next. You’re hooked, and you can’t remember how to do direct marketing and profitable investment prospecting. You’re giving your lunch money to the guys on the corners.

Stop it! Take back control of your own destiny. If you cannot create the profit you need, no one else is going to do it for you. There is no silver bullet, magic amulet, or secrets. Cataloging is a formulaic, metrics-based discipline and is a highly specialized combination of art and science. You cannot ‘rent the talent’ and you cannot abdicate the work.

With loss of tactile understanding of our prospect and house universes, we seek a solution anywhere we can find one, except where it will be found. Instead of getting our CRM systems in order and fully functional, we rush off to illusionary predictive web promises of systems like Mercado that prove to be an unending morass of system fixes, bugs, patches, and work-arounds. We become distracted by the inanity of ‘data’ and lose sight of the simple purity of basic customer service, transactional accuracy, database understanding, and fulfillment excellence. We do it to ourselves over and over. We have met the enemy . . . and keep meeting the enemy . . . and it is still us!

The Potential Implosion

The printers are reducing manufacturing costs significantly. There is overcapacity in the catalog industry—everywhere. If we fail to unify our industry and suffer further unsustainable price increases from postage, paper or other primary variable cost elements of the catalog channel, we will begin to see a downsizing of capacity in all areas. The print production world will shrink. The U.S. Post Office will shrink. The CRM world will shrink. The data world will shrink. The list world will shrink. The

merge/purge and data processing world will shrink. The fulfillment and shipping/freight world will shrink. The catalog world will shrink and could disappear.

The Potential Explosion

If we organize, invest in our image, take back control of our destiny, buy favor in Washington, educate businesses and consumers of our value, stand up and fight those who would have our demise, and join together in a common effort aimed at sustaining and improving our *catalog* industry and not our *multichannel* industry, we have a chance of reversing the velocity of the spiral.

It is doubtful that we will ever see the halcyon days of the catalog in the 1980s and 1990s. But it is possible, that the catalog can remain a viable and profitable marketing alternative for many companies—particularly business-to-business—for several more decades. It is likely to become a contained niche channel, much like infomercials and home shopping. On the great Bell Curve, the world has begun to move on past the catalog, but it still has a huge amount of market and volume under its arc. The catalog industry will survive and will deliver more profitable sales, but only if the catalogers themselves are willing to make it survive, and only if they are willing to support and fight for their unified future.

There are positives. Cataloging is still more profitable than most other go-to-market channels. Online sales are relatively small as a percentage of all sales, despite the enormous amount of attention the online world receives and the amount of time it consumes in our day. Cataloging is precise and relatively straight-forward; this isn't nano-technology, it's basic math. We still know more about our customers than any other channel (if we would only organize that information properly and accurately and use it to our greatest possible benefit). And, most significant, our customers *like* catalog buying. That is where we begin. That is where we start on the road ahead.

Sunrise or Sunset over the Okefenokee?

Pogo was drawn by Walt Kelley with his arm around Porky's shoulders, facing away from the reader, looking at either the sunrise or the sunset over the swamp when he said, "We have met the enemy and it is us." I think it was the sunrise.

Thoughts Looking From My Window

*A few thoughts that you may want to consider yourself.
A regular feature of the newsletter.*

My window here in Iowa has forty panes of glass—eight wide and five high. When I sit in my chair and write, I look out and notice that all of the earthly world is seen through the eight lower panes stretching across the bottom of the window, the 'sill' panes, as it were, panes #1 to 8, left to right as I look out. The corn field takes up about half of the height of the bottom row of panes; the horizon is straight across about half way up. The trees in the foreground reach a bit higher, depending on how far away they are. Cars go across in the distance, never leaving the lowest row of panes. All the planting, growing, fertilizing and harvesting is done in those eight panes. It's where the action is. The world in that lower tier of window panes varies between dry and wet, now and then flooded; between lush green and gray; snow-covered or whipped by tornadic wind; the trees are either full leaf or full bare; and the

evergreens keep getting a bit taller each season.

The next row up, eight across, on top of the bottom row, is where all the birds tend to fly, at least those that are within a hundred feet of the ground. Every morning at 6:30 a.m., in late March and early April, a robin perches on a branch of the tree planted just twenty feet from the window. He sits there, in pane #12, and calls up the morning. Then he turns and looks at me looking at him, sings a bit more and faces the breaking dawn sun that turns his orange breast almost golden. He plumps up, takes in the heat, does some exercises and flies off. He'll be back tomorrow.

When it is bud-break, usually April 8 to the 10th, the first leaf buds to open on the tree will be those framed in panes #14, #20 and #22. I don't know why; it just is. As the tree ages, I suppose they will appear in the higher panes, those in the mid-thirties to forty, but that will be a few years. Probably won't see that.

The Turkey Vultures and the Redtail Hawks are usually seen on hot summer afternoons, lazing their circles on the thermals up in panes #33 to #40, the topmost row. Now and again, a hawk will dive through the panes and snare something out of the field, usually in panes #6, #7, or #8.

The window is a metaphor for a direct marketing company. The lower row is where all the basics are found: products, merchandising, database, circulation, creative, customer service, fulfillment, IT; all the dying and living, and the pain and pleasure. The second tier is management and board-level territory. A lot of flying by and diving and swooping by the brightly colored birds, but not much productive rooting in the dirt. The third and fourth level is the high-flyers, the Social Media folks and the Twitter Tweets. And up on the fifth level—domain of the hawks and the vultures—that's where the EBITDA rules. And sometimes it plummets down and snares something in its claws.

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Libey Incorporated

Advisors and Intermediaries in Multichannel Direct Marketing

811 Church Road Suite 105
Cherry Hill, New Jersey 08002
Tel: (877) 903-9448 Fax: (866) 221-8346

E-mail: libey@libey.com
www.libey.com

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