

# **Prospecting in 2007:**

## **What works ... and what no longer works**

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Imagine copying the names of doctors and lawyers from the phone book and mailing them a crude, black-and-white catalog. John Figi, founder of gift food cataloger Figi's Inc., did just this – and was rewarded with response rates over 10%! In the 1940s, Americans were starved for retail options.

Fast-forward to 2007: we have over 20 square feet of retail space per capita; your customers have thousands of websites from which to order, and probably get ten or twenty catalogs a week. Small wonder prospecting response rates have been declining.

Let's take stock of some of the techniques that are working today – and some that aren't:

### ***List Rental and Merge-Purge***

**Working: Using outside names to help 'prospect' in your housefile.**

A nice byproduct of renting names is the ability to "mark" your database with outside list information, which makes excellent fodder for housefile modeling.

**Working: Negotiating with the co-op databases.**

If you mail lots of names, you may be in a position to negotiate "off rate card." The greater the portion of your business with any one player, the better the deal they're likely to offer. Brookstone has made Abacus its single source for prospecting. "We've cut our merge-purge cycle time by 2-1/2 to 3 weeks," says Brookstone's Steve August, "and were able to expand our holiday mailing by 40% with minimal degradation in response." Another impetus for this trend is the desire to avoid wasteful duplication among outside lists.

**Not Working: Treating all prospect "singles" the same.**

Ever-escalating postage costs mean you probably can't afford to mail the weakest names that survive the dupe-elimination portion of your merge/purge – regardless of how much you paid for them. Generally, multis are strong enough to be mailed

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on their own, but smart mailers are finding ways to eliminate the least profitable names from the unique output. You may especially want to avoid mailing uncodable/non-zip+4 names, or those that can't be DPV (delivery point verified). Postage for these names is significantly higher. You can cull the best singles via modeling. And further downstream, you can use singles from your weaker lists when they contribute to carrier route qualification.

### ***Prospecting Online***

#### **Working: Three- and four-word paid search terms.**

The term "long tail" may suffer from over-exposure, but it's true that most catalogers we encounter are able to tap efficiently into these very specific but less-frequently-searched terms. Since major retailers and manufacturers tend to overlook them, hyper-specific terms are often a bargain. If you don't have thousands of terms on each of the major search engines, you may be leaving money on the table.

#### **Working: Customizing copy for your website.**

Dropping existing catalog copy into your website is no longer good enough. Since copy length on your site is not constrained by high square-inch costs, it's easy to feed the search engines plenty of relevant keywords. Think of all the different names for each product and make sure each all are sprinkled into the copy. This effort can be a hyper-efficient investment in prospecting, since buyers who arrive via "organic search" are usually new new-to-file. Says Craig Flax of Flax art & design, "We carry several thousand SKUs, so we concentrate our efforts on the most important products. Done right, optimization of the copy is subtle enough not to look obvious or to upset its selling ability."

#### **Not Working: Set 'em and forget 'em affiliate programs.**

Put half a dozen catalogers in a room and you can start a fight over whether affiliate programs are worthwhile. But even the most fervent advocates insist that you must keep a close eye on your program. Otherwise, it's quite possible a subset of your affiliates will be bidding on your brand keywords, posing as your company, or even sending spam emails. On the flip side, curry favor with the affiliates that bring in truly incremental sales. Treat them as partners in business, and you'll both benefit.

#### **Not Working: Giving away the farm.**

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In the rush to keep up with online retailers, catalog marketers have become much more promotional, sometimes without truly evaluating the economics. Even if the numbers work on the front end, promotion-generated customers may be more fickle, with lower lifetime values. And, outbound freight costs have risen dramatically, so the breakeven lift for a “free shipping” offer is higher than it was a year ago. Be sure to evaluate both front and back end numbers carefully before rolling out free S&H or other promotional offers.

### ***Inserts, DRTV, Space Etc.***

#### **Working: Lead generation with DRTV and DR radio.**

Companies like Drs. Foster & Smith, Vermont Teddy Bear and 1-800-Flowers have been enjoying success in generating new prospects via DRTV and DR radio spots. TV provides opportunities for exposure to a huge audience; responders call or visit the website to request catalogs or place first orders. Back end performance of these customers tends to be comparable to that of other sources. And, like the proverbial “tide that lifts all boats,” DRTV tends to lift overall response to your other catalog, internet and retail efforts.

#### **Working: Attention-grabbing space ads**

Space advertising still works for hundreds of catalogers, but it’s important to develop unique, attention-grabbing ads. You must take the time to test various headlines, sizes and ad approaches (such as an advertorial format versus a traditional DR ad). Cushman’s Fruit Company successfully uses alternative media in prospecting, including newspaper ads and FSI inserts. Eileen Schlagenhaft shares, “Space works well for us; we’ve developed a very strong ad for our flagship product, Cushman HoneyBells.”

#### **Not Working: Inserts with simple “Free Catalog” offers.**

In the past, many catalogers depended on a two-step acquisition process where package inserts simply offered a “Free Catalog.” According to Linda Callahan of Leon Henry, Inc., the days of “free catalog” inserts are largely over: “To cut through the clutter today, a catalog request ad should offer something more, like a free ‘how-to’ booklet, a discount off the first order or a free gift. Catalogers are picking up tactics that continuity marketers have used for years.”

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### **Sidebar: Let the numbers be your guide.**

We recently caught up with Jon Fleischman, CEO of multi-title cataloger Potpourri Group:

*Jon, tell us about your prospect mailing strategy.*

We take a disciplined approach to prospecting. For each title, we calculate breakevens by season, and maintain models of short- and mid-term customer value. Then we determine, based in part on risk, an acceptable cut-off for each source. These values are continually adjusted. We run the same analysis, whether we're looking at prospects from one of our twelve sister titles or from an outside source.

*Will you explain how seasonality figures in?*

Sure. A customer who comes on file in the spring has a higher 12-month value than a buyer acquired in the holiday season. This is due to different buying habits, and the fact that customers contribute most dramatically in the short term – which, in the case of the spring buyer, happens to be the very strong holiday shopping season.

*What else is working today?*

Lots of co-mailing (as a multi-title mailer, we've been doing it for 14 years). And, we're doing more versioning, often with different page counts, to optimize the offer made to each segment. We're very cautious with promotions, though, given the potential for lower LTVs. Finally, I'm excited about our participation in Alexa, a relatively new prospecting tool. When it reaches critical mass, overlaying Alexa RFM and demographic data onto list-specific selections should prove valuable.