

Altman Dedicated Direct

STRATEGY... TACTICS... RESULTS

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Topic: ***Gaining Greater Efficiencies -- Marketing and Merchandising Working Together***

Merchandising and Marketing -- the Art and Science of successful catalog management. Both have artistic elements where experience, creativity and intuition count more than numbers and cold hard facts; however both have numeric benchmarks that if ignored, can spell disaster for customer acquisition, customer retention and brand integrity.

Both marketing and merchandising skill sets are critical, both viewpoints impact the bottom line, and when they are in sync with each other, the resulting catalog is invariably better than either one can deliver on it's own. Interaction between the two disciplines is not a linear path, but rather a two-way street. The variety of successful catalogs today demonstrate that there is more than one way to work together to leverage the expertise of each group. Even when catalogers have the same parts – catalog, store and web, their approaches to executing the best possible catalog are unique relative to its brand, target audience and mission.

The “art” of successful catalogs lies in finding and visually presenting the perfect product(s) to your target audience. Merchandisers excel here with their in-depth understanding and knowledge of a merchandise category. Expertise in a particular product category is developed; resources are discovered and nurtured; strong vendor/buyer relationships are forged; opportunities for new, and often exclusive, products emerge. A cycle is created that will strengthen brand recognition with consumers. The product selections will reflect the mission of the company and set the tone for the marketing efforts for your catalogs, websites and other promotions.

Marketers’ artistic touch is evident when they suggest a call-out for the cover, or know to sweeten the offer with special pricing or other incentives. Marketers also apply creativity to customer file and prospect list analysis. Strong success with certain list segments should be noted and brought to the merchants’ attention so the product line can be enhanced or positioned to appeal to this segment. Database derived marketing reports often reveal demographic and lifestyle information on customers that provides a goldmine of information to Merchandisers.

The “science” involves knowing what your numbers mean and responding appropriately in communications with customers about the products your company offers. Guided by statistics governing circulation plans, response rates, and print production expenses, the savvy marketer excels in advertising the products to the optimal group of potential customers. Merchandisers’ review of product sales and inventory issues get factored into the advertising plans. But numbers only go so far given the future is never identical to the past. A two-way flow of hard data gleaned from statistics and historic performance, and intuition based upon thorough knowledge of your niche is necessary for a winning strategy.



106 Powhatan Circle, Charlottesville, Virginia 22901
Tel: (434) 973-0674
Fax: (434) 973-0674
E-Mail: SBates@AltmanDedicatedDirect.com
Web: www.AltmanDedicatedDirect.com



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Multi-channel efforts mean marketers will be identifying opportunities for prospecting in venues such as space ads or TV. Capitalizing on these prospecting opportunities and their inherent requirements for a hero product of a certain price, etc. requires that marketing and merchandising work together to identify an appropriate product, potentially acquiring new items specifically for this purpose but which still supports the overall brand and attracts a prospect with strong lifetime value to that brand.

Successful expansion ideas will flow in both directions. The synergy between marketing and merchandising at the Smithsonian Catalogue has long been a key to success with this 30+ year old catalogue. When reviewing sales performance by product, Sid Bakke, a veteran Catalogue Buyer with the Smithsonian Institution observed strong performance in the product category of miniature dollhouse furniture. Communicating this information to the marketing department, Susie Boghosian, the Smithsonian Catalogue's Director of Marketing & Strategic Planning sought out lists for mini-furniture buyers. Identifying these lists that performed very well for the catalogue resulted in the Buyers seeking out new trade shows that specialize in this product category. This example of the Smithsonian Catalogue's ability to adjust their mailing plans and refine their buying strategy has resulted in an opportunity for sales growth that might have otherwise been missed.

Sometimes the collaborative effort between merchandising and marketing will reveal information that will challenge a well-established company practice. For the past 16 years, Flax art & design, a merchandise driven catalog "where creative people shop™" has sponsored a Cover Art Contest for their customers. The winning design was proudly featured on their catalog cover. Craig Flax, Vice President of Marketing, shared that recent analysis of their numbers revealed that covers featuring product out-perform these art covers. Plans are currently being adjusted and refined to incorporate this new information into future catalog campaigns without alienating a carefully cultivated customer base.

Marketing opportunities often lead to new merchandise ideas and products. Successful catalogers have in common the ability to quickly respond to unplanned marketing opportunities that present themselves. Smithsonian Catalogue marketers rely on merchandisers to identify a product on short notice when a newspaper offers the opportunity for a free mention in a "What's Hot" shopping article; Crutchfield marketers and merchants are ready to launch a web page within minutes of an announcement from a major electronics company of a new product; Flax art & design's Director of Merchandising, Patti Ansley has weekly meetings with Marketing to determine the optimal product to feature on the home page of the website.

Building in routine opportunities for regular communication and exchange of ideas is key to encouraging a creative communication flow between marketing and merchandising groups. Look at your current processes and build in regular meetings, reports and other forums to ensure the back and forth/give and take communication has an opportunity to flourish.

Whether your merchandising and marketing teams are large or consist of just a few key people wearing "several hats", constantly sharing information, interpreting data, adjusting plans and



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refining offers across department lines is essential in today's multi-channel environment. Companies with this lookout and corporate culture are thriving today. Catalog companies that are not able to achieve this synergy will likely struggle. Find a cooperative working model that fits your business and you will enjoy greater efficiencies, acquire new customers and retain your existing customer base.

SIDEBAR #1 – Case Study: Crutchfield Catalog (245 words)

Crutchfield catalog's Executive Vice President of Merchandising, Rick Souder states that new products are driven by their Merchandising staff which works very closely with manufacturers, and these merchants thrive on launching new products. Given the high-tech nature of consumer electronics, Merchandisers at Crutchfield are organized by product groups to gain an in-depth familiarity with a particular product category such as TVs or car stereos.

Marketers step in to determine if these new products will appeal to Crutchfield customers and if so, marketers will plan *how* and *when* to communicate this product information. To paraphrase Mr. Souder, “the marketing challenge is to get the word out about your products in a way that encourages people to trust you and buy from you. Marketing and Merchandising intersect with our value-added information on installation and our lifetime support for the purchased product”.

The creative teams at Crutchfield are organized by media, with a print group of graphic designers and a website group of web designers. Crutchfield recognizes that they must excel in customer service since their business is built around non-proprietary products. To achieve their nationally recognized success, they send Creative staff members to the major Consumer Electronics Show to learn the “techno speak” that must be communicated to their customers in user-friendly language by content and design in catalogs and on the web. As they enter their 33rd year of success, Crutchfield has clearly established that the *whole is greater than the parts* with this organizational approach.

SIDEBAR #2 – Setting the Goal (280 words)

Whether your corporate structure is a not-for-profit, large corporation or family owned business, your catalog will have sales goals to achieve. Marketers and merchandisers use the best tools available to plan catalogs so that stated goals can be achieved. The tools and methodology used may differ, but the steps necessary during the planning process do not. The basic roadmap to success is:

- Review past product sales history to identify products worth selling again in terms of units sold, gross profit and gross margin;
- Review list performance and sales by customer segment to identify lists worth repeating and list categories or segments worth testing or expanding;



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- Determine availability of merchandise inventory;
- Investigate additional list availability that matches demographic profile and historical prospecting successes for lists, list categories or segments;
- Expand product offerings with new, but similar merchandise; consider kits and combos and/or suitable “2 for” offers;
- Identify primary feature products to emphasize, along with sub-feature products and products to line list;
- Identify optimal mailing dates based upon seasonality;
- Determine circulation plan
- Project sales by product, circulation plan, and by list productivity;
- Refine, adjust, compromise various components, then project sales again until a reasonable plan emerges that looks capable of achieving the target sales goal for the campaign.

As each of the above steps is worked on, marketing and merchandising enhance the result of the other by ongoing communication, bouncing ideas and preliminary conclusions off one another. Each is working towards the same goal, but with a different “set of lenses” so this collaborative effort and view will bring concerns and opportunities to the fore to the benefit of the bottom line.



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