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Dig Deeper for Better Names

VALUABLE NAMES ARE OUT THERE
FOR THE TAKING. YOU JUST HAVE TO
WORK A LITTLE HARDER.

BY GEORGE HAGUE

B-to-B

catalogers' prospecting list strategy has never been more important.

Why? "You have a universe of shrinking names," says Kim Lowenthal, executive vice president at American List Counsel. "To put it simply, the volume of business names is less than before."

Plain and simple, fewer names for prospecting can slow sales growth. And many mailers trace sluggish sales to list universes that shrank years before they felt the decline on their top lines.

To meet your file growth goals, you'll probably need to use several prospect list selection techniques and strategies. And by selecting the best lists from a variety of sources, you can develop a robust prospecting plan — even for small, vertical niche catalogers.

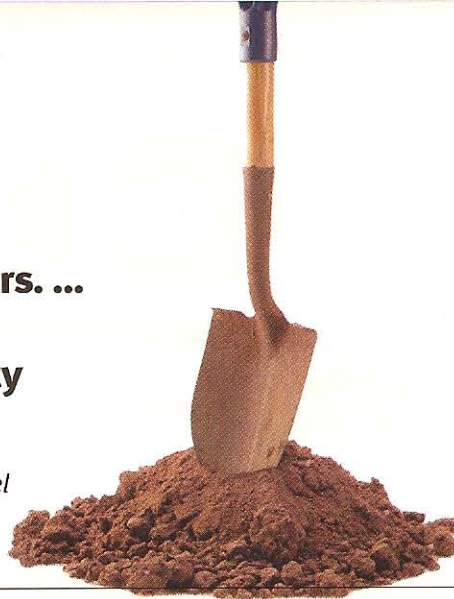
Many B-to-B mailers focus on their response rates and get frustrated by lists that respond with fractions of percentages. But that metric only tells part of the story. "You go for your lifetime value for customers," Lowenthal says. "A list that didn't seem to perform very well might look pretty good after 18 months."

If your database management or customer relationship management system calculates this metric, you're ahead ▷



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—Kim Lowenthal, executive vice president at American List Counsel



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of the game. If not, you may have some numbers to crunch. But it'll be worth the effort. With business catalogers, especially niche marketers, the quality of customers usually is more important than the quantity.

Why Quality Matters

One B-to-B cataloger not long ago discovered a key fact about his customers' lifetime value: New customers who ordered less than \$50 worth of merchandise in their original purchases caused his company a serious problem. These customers made a second purchase less than half of the time, compared to the new customers who purchased more than \$50 worth in their first go-round. Why the difference? In a word: SoHo (or small office/home office). Drumming up business from SoHo customers is a great way to make a few bucks on the side, but it can wreak havoc with B-to-B marketing.

When it comes to a single name on a single list, a SoHo may look like any other company. Filling a business name field in a database merely requires filing a DBA (doing-business-as statement), if that. So, if you see your house-file growing, but your sales remain flat, SoHos could be part of the reason.

"Vertically orientated, small businesses need to focus on the people who buy multiples of times," points out Chris Pickering, senior vice president of B-to-B list firm MeritDirect. "Conversions to second purchases are the key to lifetime value."

The lack of a second purchase conversion isn't necessarily because of the quality of your follow-up offer or bounceback piece in your fulfillment package, Pickering points out. In B-to-B, the key is finding customers who have the up-front need to make multiple purchases in the first place. The best designed bounceback in the world isn't going to create a high-volume repeat customer out of somebody who only needs one ream of paper.

Pickering explains that marketing to SoHos isn't necessarily a bad thing. Some B-to-B catalogers have thriving sales supported by entrepreneurs running businesses out of their homes. But other catalogers need to focus on larger players. "As a cataloger, it's very important to know which one you are," Pickering says. "If you get addicted to high response rates but low dollars per thousand, you could be hurting your business."

In this scenario, B-to-B prospecting takes a different tack. Instead of asking, "How do you find new customers?" ask, "How do you find

new customers predisposed to making a second purchase?"

"The ultimate goal is to build your own prospecting database and your own model," says American List Counsel's Lowenthal. "That's what the big-box retailers are doing with great results." Of course, smaller companies usually don't have that capability, but they still have options.

The Value of Net/Net

Some mailers arrange net/net agreements with a variety of lists, especially from trade associations and magazine titles that cater to the same niche. These mailers go into their merges with the intention of identifying and mailing multibuyer prospects. The resulting lists may be small, but the multibuyer hit can help identify the likelihood of purchase.

Negotiating and managing multiple list agreements is easier said than done. "The simple solution is to use the Direct Media Data Warehouse or the MeritDirect database," says Lowenthal, "though neither can give complete coverage of the available market."

Mike Tuohy, vice president of Direct Media, explains the basic concept behind the list firm's data warehouse. "Figure out all of your list agreements, your net/net arrangements, list sizes and merge ▶

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work. All that's done for you. Now you start."

The marketer then can identify across a variety of lists by contact title, site penetration, SIC code and sales volume — potentially dozens of significant variables. "You can get up to your elbows with it," Tuohy cautions.

Improving Results

List modeling techniques continue to improve. "You're able to leverage the processing of a very sophisticated model," says Pickering of MeritDirect. "It turns out that very innocuous pieces of information, when used together, can be very powerful."

There are two added benefits of these models. You don't have to let other mailers rent your names, and you don't have to share your data — factors that concern some catalogers regarding Abacus (considered by many marketers as completing the trinity of major players in B-to-B catalog cooperative databases). So why would any cataloger participate in a so-called "black box" co-op? Lowenthal says it straight: "Abacus is working."

For one B-to-B cataloger's fall season, several Abacus segments consistently delivered results in the upper 10 percent of all its rented lists in terms of both response and average order value. These results aren't unusual, says Abacus' Vice President of Business-to-Business Stacey Hawes. "Transactional data for B-to-B works."

With 400 B-to-B mailers in the alliance, Hawes says that Abacus can mine that database of transactional information so prospecting works. As in most business marketing, site penetration plays a key role in its strategy. "Finding additional buyers at a business with which you already have a relationship will help you gain more of a foothold at that site," she says.

"These prospecting models are providing strong results."

Wary of List Fatigue

Has this deep mining of transactional data exhausted the marketplace? Is list fatigue an epidemic waiting to happen, as it has on the consumer side? "Most mailers in the alliance haven't seen a decline in performance," Hawes claims. "Although we're not growing contacts as rapidly as we once were, we're increasing the number of transactions associated with each contact. We've flattened out to about 75 million contacts in the last 18 to 24 months, but the buying profile of these contacts has gotten much more robust." This past February, Abacus reported a 2 percent increase in B-to-B buyers compared to February 2005.

Marketers with broader product offerings are seeing stronger file growth, while niche mailers aren't seeing the same increases. "Some niche mailers can get a lot of success out of controlled circulation and other nonresponse files," which aren't included in the database, Hawes explains.

But even mailers with more general product offerings often use a number of different sources for prospecting. "Most of our mailers are filling out their prospecting with about 50 percent to 60 percent from Abacus," Hawes says. "After that, they usually go to one of the data warehouses like Direct Media or MeritDirect."

No Longer an Either/Or

Which, of course, brings us full circle. For many B-to-B mailers, it's no longer an either/or decision between using a more traditional list broker or Abacus. "You can mail so productively using the best of both worlds," says Tuohy of Direct Media. "B-to-B mailers that fit their sweet spot can fill about 30 percent

to 50 percent of their circulation with Abacus. That's a lot of names left to fill. You still have to do all of the other basic blocking and tackling. You can't get around it."

Though there may be a minor dispute over who gets the lion's share of the prospecting, few marketers deny the value of using multiple sources for prospect names. The smart marketer now can shop — or test — around to determine which lists from various sources produce the best results.

Of course, amidst all of these techniques remains the tried-and-true list rental and exchange. It may seem quaint compared to sophisticated database modeling, but it still works. One maxim typically reigns supreme for B-to-B mailers: The right list rental will produce the best results. The challenge is that those types of lists are limited and hard to find. Companies looking for solid growth will continue to mail and test from multiple sources.

Though the universe of business names may not be growing, the number of techniques for reaching them has exploded. For many catalogers, testing a variety of these options for acquiring prospecting lists is no longer an option. It's a necessity for future growth. <<

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