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MARKETPLACE

A ZIP-Code Screen for Catalog Customers

By JENNIFER SARANOW

THE LATEST FALLOUT from the housing-market meltdown may be fewer catalogs in consumers' mailboxes.

To cut costs and better target potential buyers, **Williams-Sonoma Inc.** is trimming its catalog mailings, cutting off unlikely customers partly on the basis of data collected about their ZIP Codes.

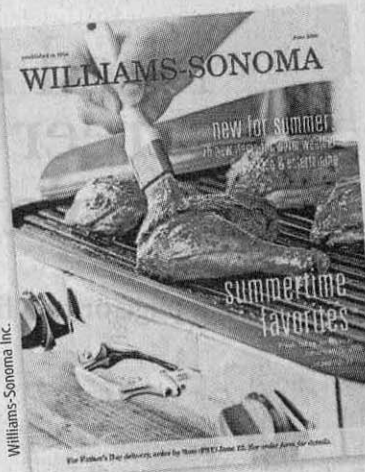
The company, whose six catalogs include Pottery Barn, Williams-Sonoma and West Elm, is a pioneer in the use of aggregated data about ZIP Codes, including declines in home prices and credit scores, to weed out people who probably won't buy its home goods. The company, which last year mailed 393 million catalogs, hopes to cut circulation by 10% to 15% this year for a savings of \$35 million to \$40 million—without hurting its sales.

The new strategy comes as catalog merchants from **L.L. Bean Inc.** to **Neiman Marcus Group** are looking for ways to cut mailings in the face of higher paper and postage costs and sluggish consumer spending.

The U.S. Postal Service says "standard" mail volume, which includes catalogs, declined 3% from a year earlier to 24.53 billion pieces in the quarter ended

March 31, marking the fourth quarterly decline for the category after years of growth.

Most catalog mailers base their decisions primarily on the purchasing history of particular households. Some have started to use data like second-home ownership and magazine subscriptions.



But many direct marketers are leery of using financial data for fear that consumers, if they found out, might see it as an invasion of privacy. "There's a sensitivity to it," says Donn Rappaport, chief executive of American List Council, a direct-marketing strategy consultancy, and the board chairman of the Direct Marketing Association.

Williams-Sonoma defends its strategy, noting it uses only aggregate data about ZIP Codes, not data about individuals. Other variables the company looks at—the relevance depends on the catalog—include the percentage of European automobiles in an area and the percentage of the population that is 4 years old or less.

Williams-Sonoma also applies its economic screen only to those people it has already deemed unlikely to buy, for instance those who haven't made a purchase from one of its stores or from similar catalog merchants or haven't browsed one of its Web sites in at least a year.

"It's very hard to understand people in that group and figure out who would buy versus who would not," says Patrick Connolly, Williams-Sonoma executive vice president and chief marketing officer.

Earlier this month, Williams-Sonoma reported a 42% decline in quarterly profit and lowered its revenue forecast for fiscal 2008. But it also raised its profit outlook for the year, saying that a number of significant cost cuts, including the reduced mailings and the sale of a company plane, would help make up for the weaker-than-expected sales.