How Our Choices Influence The Future
Kevin Hillstrom
President, MineThatData

1995: Catalogs On Top Of The World

E-Commerce At Eddie Bauer: 1996

1996: Eddie Bauer
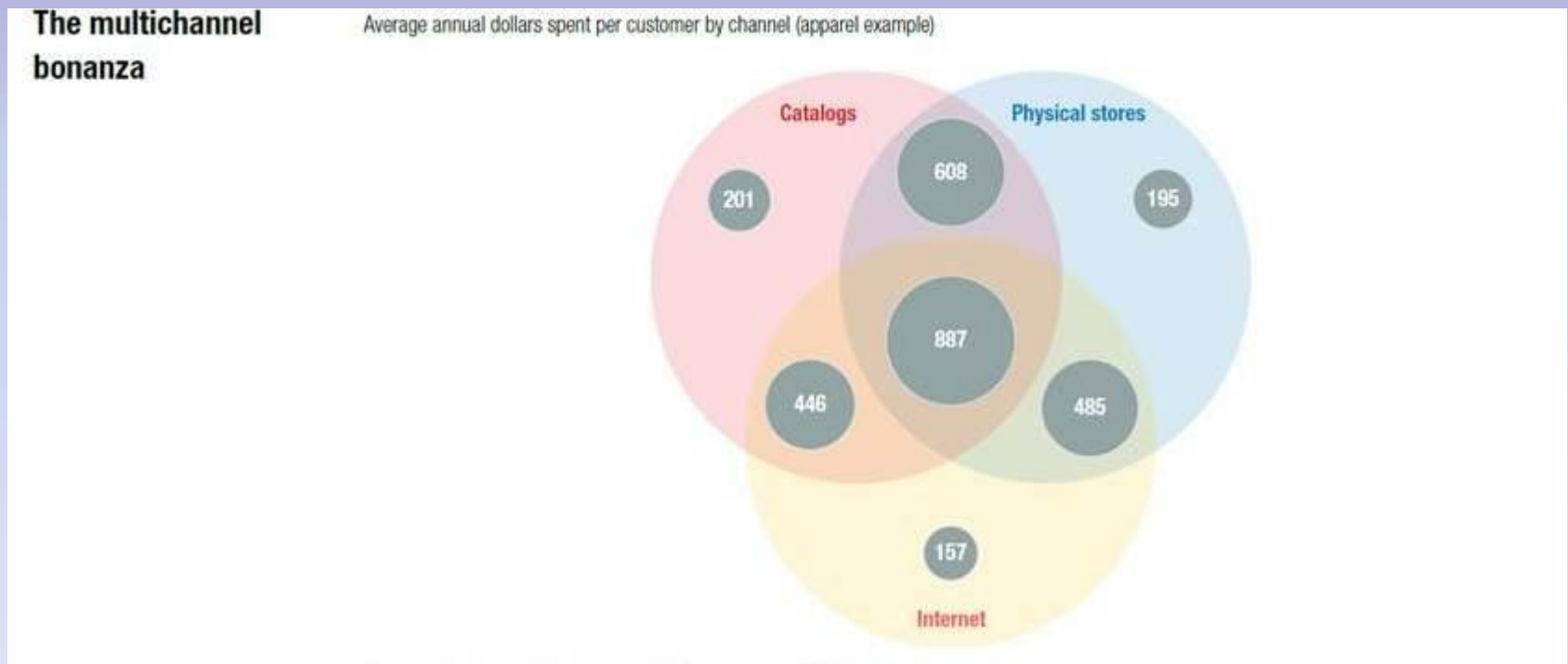
Billion Dollar Business

Thriving Stores

Thriving Catalog

$1,000,000 Annual E-Commerce Volume

Derision from Marketing Leadership … "*Did you get six or seven orders today? Six? You missed forecast by 14%, let's try to do better*."

2001: The Worst Advice We Ever Got

We chose to believe that customers who bought from multiple channels spent more. We chose wrong. If the thesis were true, then all of our businesses would have grown exponentially. The query failed us, because the query was highly biased.

The multichannel bonanza

Average annual dollars spent per customer by channel (apparel example)

Catalogs — Physical stores

201 · 608 · 195

887

446 · 485

157

Internet

The Query Format Guarantees The Outcome

Customers who buy from two merchandise categories are more valuable than customers who buy from one category.

Customers who buy using two payment types are more valuable than customers who buy using one payment type.

Customers who buy during two seasons are more valuable than customers buying from just one season.

Customers who buy from two stores are more valuable than customers buying from just one store.

Customers who buy from multiple price point ranges are more valuable than customers buying from one price point range.

Then We Botched Our Matchback Logic

The multi-channel query led catalogers and vendors to create matchbacks ... matchbacks grossly overstated catalog effectiveness.

Mail / Holdout Test Results	Mail	Phone	Online	Total
Mailed Segment	$0.25	$1.50	$1.50	$3.25
Holdout Segment	$0.00	$0.30	$0.75	$1.05
Lift	$0.25	$1.20	$0.75	$2.20
Matchback Demand per Book =			$3.25	
True Lift / Demand per Book =			$2.20	
Overstatement Factor			47.7%	

Overstated Demand = Overmailing Customers

Matchbacks tell us that $2.50 per book or $2.00 per book works!! Reality (mail/holdouts) show us we are actually losing profit. The lost profit opportunity means we cannot invest for growth elsewhere.

Mailing Decisions

	Matchback Results		Mail/Holdout Results	
Demand	$2.50	$2.00	$1.69	$1.35
Net Sales	$2.18	$1.74	$1.47	$1.18
Gross Margin	$1.31	$1.04	$0.88	$0.71
Less Ad Cost	$0.75	$0.75	$0.75	$0.75
Less Ship Exp.	$0.22	$0.17	$0.15	$0.12
Variable Profit	$0.34	$0.12	($0.01)	($0.16)

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

2000 – 2005 = Short-Term Choices, Long-Term ?

We chose multichannel tactics over earned business growth.

We chose co-ops over list organizations.

We chose to use the website as an order form and not as a demand generation channel.

We chose to listen to vendors, researchers, trade journalists, and consultants, when we should have listened to our customers.

We chose to market to our core customer base when we should have chosen to grow via customer acquisition.

2005 – 2010: Outsiders Flee Catalogers

Catalog Age Becomes Multichannel Merchant.

Walter Karl, Edith Roman, Rubin Response, Millard, Mokrynski-Direct, American Church Lists, Jami, Direct Media all folded into infoGroup / InfoUSA – the utter collapse of an industry – and the beginning of a dramatic brain drain in the catalog industry.

The final Catalog Conference was held in New Orleans in 2009.

Co-Ops dominate prospecting efforts for catalogers, at a time when online marketers learned how to use online marketing to acquire customers. The reliance on co-ops results in an acceleration of a customer demographic feedback look, a feedback loop that greatly spills over into customer merchandise preferences.
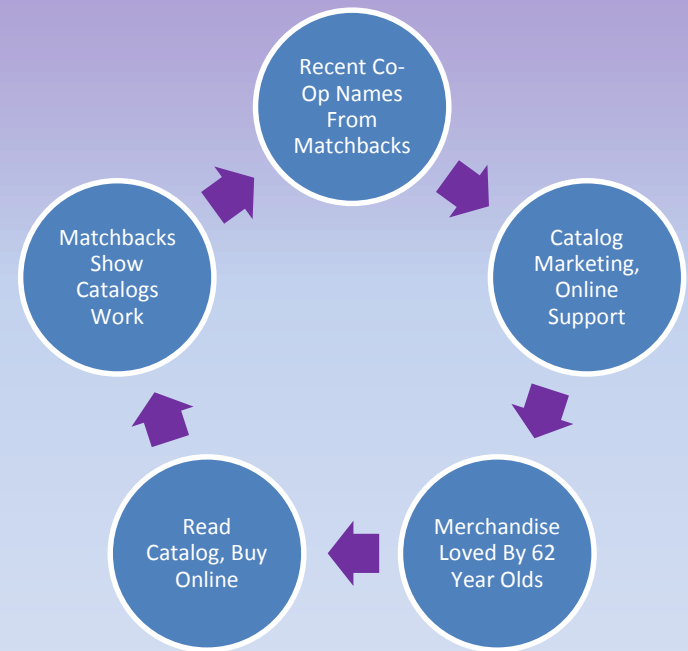
2005 - 2010: The Feedback Loop Accelerates

Our choices locked us into a feedback loop.

Our lust for inexpensive co-op names led to young modelers with no "boots-on-the-ground" catalog experience determining who our future customers would be.

Our matchbacks caused us to over-invest in circulation. Circulation was dictated by co-ops. Co-ops over-select 55+ customers.
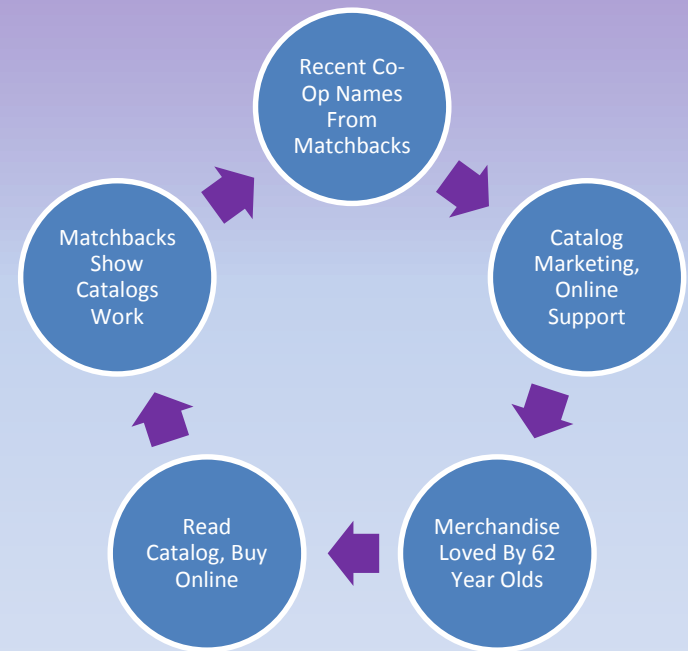
Recent Co-Op Names From Matchbacks

Catalog Marketing, Online Support

Merchandise Loved By 62 Year Olds

Read Catalog, Buy Online

Matchbacks Show Catalogs Work

2010 – 2015: Stuck In The Feedback Loop

Catalogers are now locked-in to the feedback loop.

The "best practices" and "pro tips" that promised success in 2005 led to major problems in 2015. We chose a path – now we have to deal with the consequences.

Countless "multi-channel" and current day "omnichannel" businesses failed after adhering to industry-leading advice.

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But The Experts Are Wrong … Often … Me Included!

Compare 2006 to 2014

Coldwater Creek – A 2006 Success Story

*"Coldwater Creek is an example of company that has benefited greatly from going public. The women's apparel retailer blossomed from $116 million in sales in 1996 to $1.1 billion in 2006. Interestingly enough, much of Coldwater Creek's growth can be attributed to the capital it raised through its IPO and its decision to move to become a multichannel merchant. **Coldwater was able to transform itself from the once solely catalog based merchant into a much more quickly growing multichannel merchant with storefront locations and a successful online store**. The company experienced a 33% increase in internet net sales in fiscal 2006. **With internet sales steadily increasing and catalog sales decreasing over the past five years**, Coldwater Creek has launched several successful marketing campaigns to bolster internet sales. **Coldwater's user friendly, attractive, and constantly updated website has allowed for the company to continue its growth via the internet**. Coldwater Creek's transformation demonstrates one company's successful IPO and willingness to adjust to an evolving market, **moving beyond a traditional direct mail cataloger to embrace the power of e-commerce**."*

http://www.tullyandholland.com/t-h-publications-page/items/changing-times-for-direct-marketers.html

Coldwater Creek – 2014 = Bankrupt

"Coldwater Creek's bankruptcy is not a harbinger of anything, nor is it a one-off. There are more reasons for a specialty retailer to fail than there are to succeed: **inability to keep up with the fast-changing fashion scene,** *poor locations, weather,* **a lousy website** *and, of course,* **very stiff competition.** *Coldwater Creek is just another victim of what was once a* [successful business](http://247wallst.com/retail/2014/04/12/coldwater-creek-bankruptcy-is-not-a-canary-in-the-coal-mine/) *model that management didn't move fast enough to change. That story will repeat itself several more times in the months and years ahead."*

http://247wallst.com/retail/2014/04/12/coldwater-creek-bankruptcy-is-not-a-canary-in-the-coal-mine/

Turns out that the experts were not right about Coldwater Creek. The very dynamics that seemed to guarantee success sunk the business.

If Multichannel Worked, Then ……………… ???

Orchard Brands

Blockbuster

Oriental Trading Company

Coldwater Creek

Delia's

Bombay Co.

The Sharper Image

Red Envelope

Harry and David

Burpee Holding Co.

Foster & Gallagher

Borders

Circuit City

G.I. Joes

Loehmann's

Linens' n Things

Mervyns

Alco Stores

Love Culture

Ashley Stewart

Brookstone

Dots LLC

Gottschalks

Deb Shops

Silver Jeans

Betsey Johnson

Filene's Basement

So Multichannel Failed Many, Many Companies, Not Delivering Riches.

What Is The Modern Day Answer To This Problem? Omnichannel!!

Why Doesn't This Stuff Work? A Misunderstanding Of The Interaction Between Merchandise And Demographics.

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

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A Quote From A Former Co-Op Executive

We are essentially recycling the same 10,000,000 customers who purchase from catalogers 0-3 every three months. These customers are generally age 55 and older, and they prefer to purchase over the telephone or via online catalog matchback.

A Quote From A Catalog Executive

I run a nine figure business. That's a big business. I asked my primary co-op to calculate the percentage of names they gave me that purchased from my product category in the past year. It was 45%. How is that possible? And when I queried my co-op about the low percentage, they told me they were finding names that had affinity to my product line. Some affinity. I spend more than a million dollars with them, and lose $.

We Chose Print, We Chose Co-Ops, We Chose Multichannel. What Did We Get?

We Earned An Aging Customer Base

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

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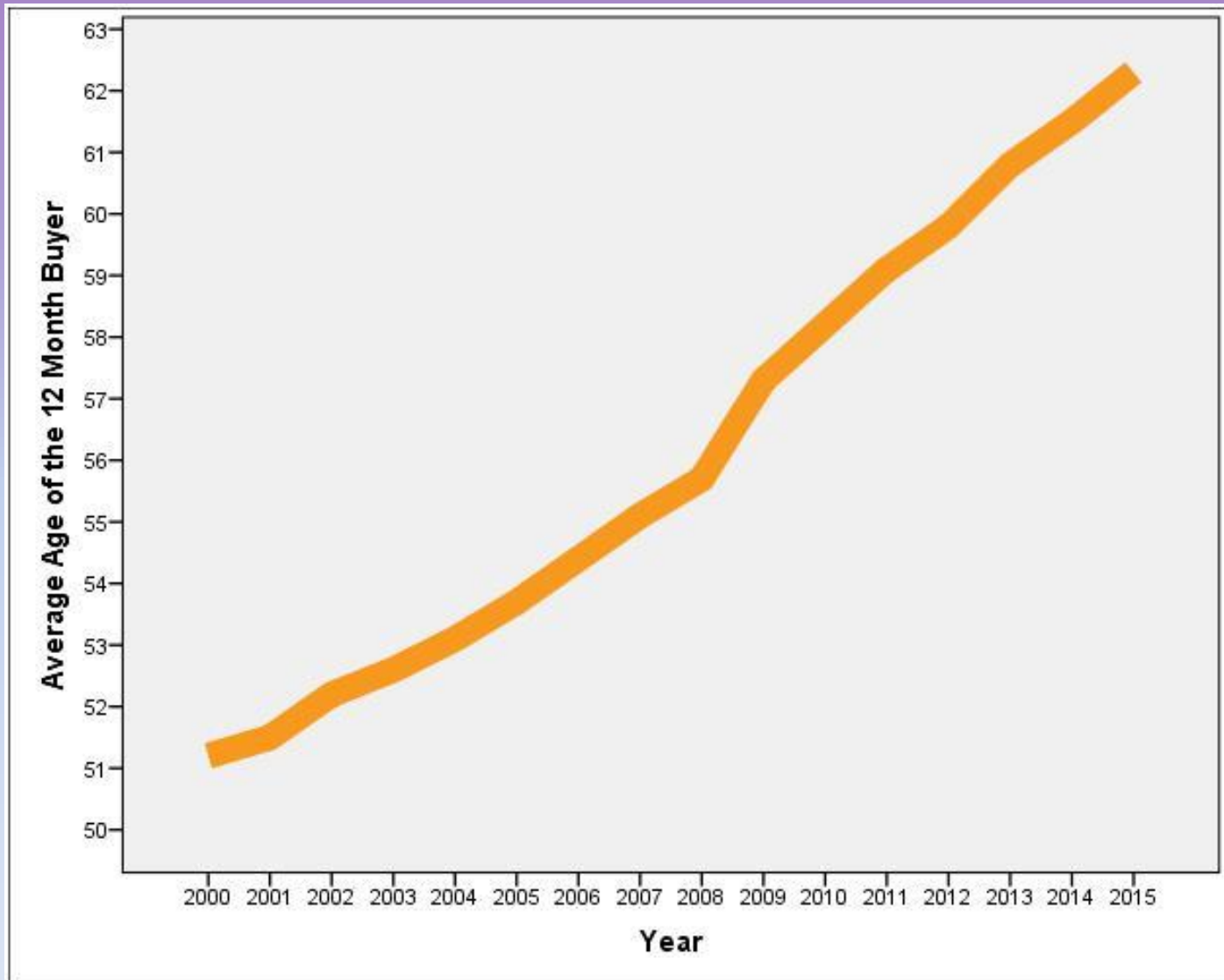
Print-Based Customers Are Disconnected

Today, half of the United States population is under the age of 45.

In my projects, it is rare to find a print-based business with more than 10% of the customer base under the age of 45.

Think strategically about what this means.
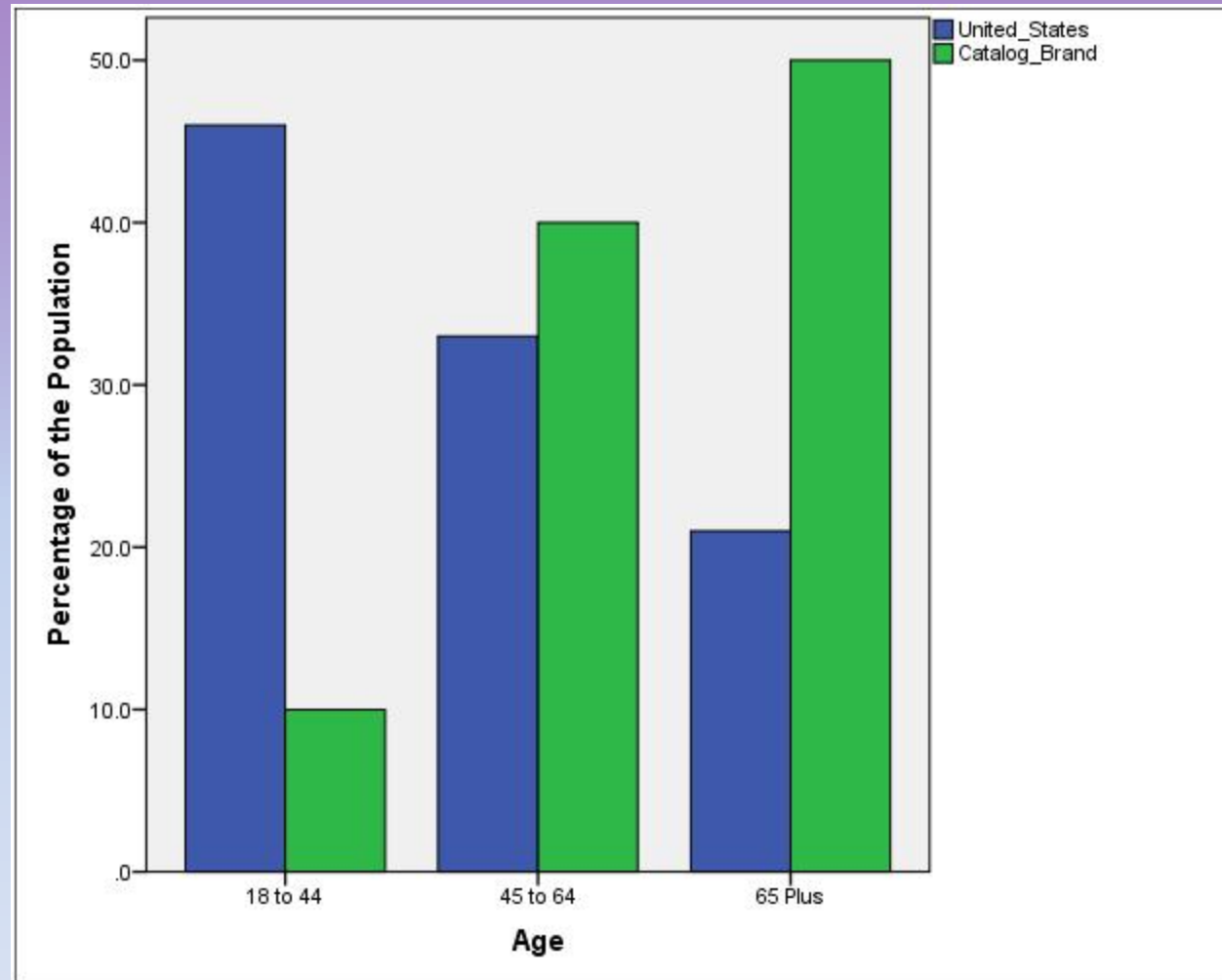
Judy Stayed With Us: She Is "Multichannel"

Judy:

Current Age = 62 Years Old.

Classic Baby Boomer, Raised On Catalogs.

Loves to thumb through the catalog, then is equally likely to shop via phone, or online.

75% of her demand is print driven.

She is among the 10,000,000 customers the co-ops send to us.

We Ignored Jennifer, She Chose Amazon

Jennifer:

Current Age = 46 Years Old.

Gen-X / Amazon shopper.

Presented her persona at Spring NEMOA 2012, heard audible groan from the audience (*i.e. the audience did not like this shopper*).

40%-ish of demand is print driven, measured via mail/holdout tests. Jennifer makes attribution vendors $$$$$$.

A Typical "Jennifer" Marketing Life Cycle

Awareness via Social Media.

Social Media leads to Paid Search, SEO.

Paid Search, SEO leads to Affiliates, Discount Seeking, and a Purchase via Desktop / Laptop.

Purchase yields and E-Mail Address.

E-Mail Address leads to Site Visits. Site Visits generated via Tablets.

Tablets lead to Mobile / Apps, Mobile / Apps are where Loyalty is finally realized.

We Ignored Jasmine. She Ignores Us

Jasmine:

Current Age = 30 Years Old.

Millenial / Mobile / Social shopper.

< 5% of catalog customer file, usually < 1%. Customer has no interest in catalog merchandise designed for Mom/Dad.

20% to 25% of demand is catalog driven, when measured via mail / holdout tests.

is a generational shift

Digital Is Reaching The New Generation
Top Five Media Mentions Among all Adults, 2013

Aged 75+	
Aged 65-74	
Aged 55-64	
Aged 45-54	■ Watch TV
Aged 35-44	■ Read Newspapers/Maga
Aged 25-34	■ Listen To The Radio
Aged 16-24	■ Go Online On A Compute Laptop/Netbook/Tablet
Total	■ Use A Smartphone
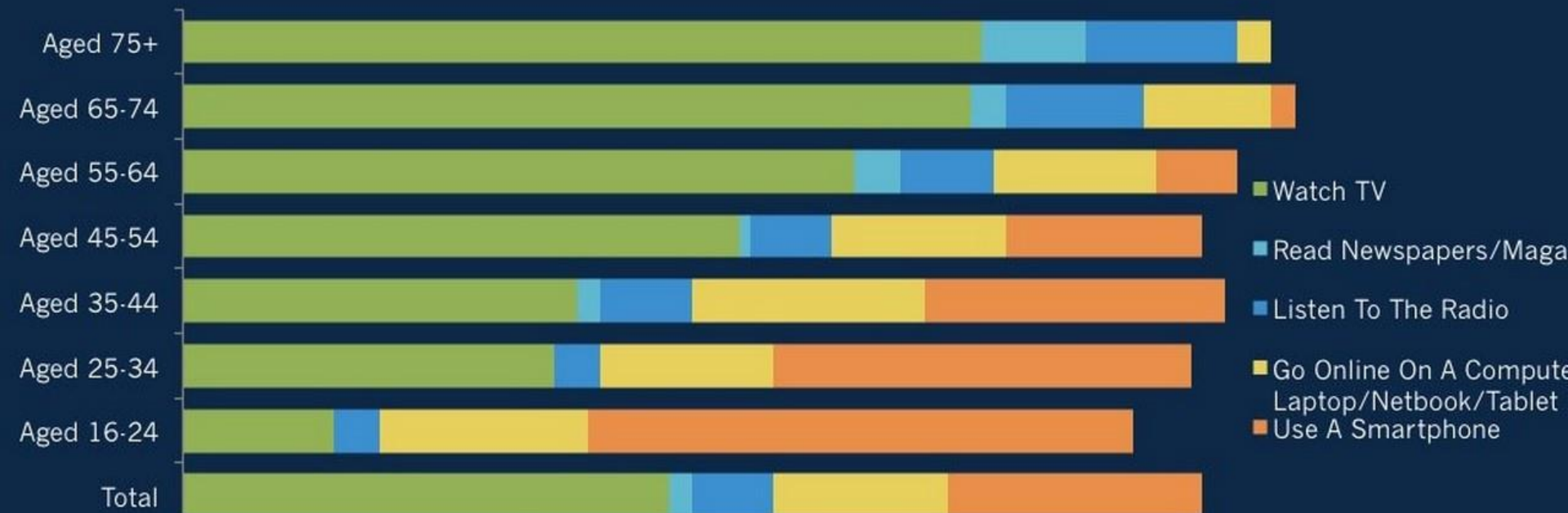
Demographics Impact How We Present Merchandise, And Demographics Impact The Merchandise We Choose To Sell.

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

An Example? Here's Footsmart

Compare FootSmart to Zappos

Compare FootSmart to Shoemint

Merchandise / Creative / Demographics

Key FootSmart Themes:
- **Foot Health, Body Health, Ailments, Bunion Relief.**
- **Free Shipping on Orders > $59.**

Key Zappos Themes:
- **Fashion, Brands, Gender/Kids**
- **Free Two Day Business Shipping, All Orders, Free Returns.**

Key Shoemint Theme:
- **Personalization – It's About You.**

Pretend you are age 25-45. Which message resonates?

Demographics, Messaging, Merchandise all interact, don't they?

Geography Increasingly Dictates The Audience

Urban = Retail, Fast Broadband, 4G, Mobile/Apps Drive Business.
Suburban = Omnichannel + Amazon. Search. Affiliates.
Rural = Print, DSL. Co-Op Sourced Names.

Demographic Cohorts Influence Channels

Nine year ago, 38% of survey respondents thought it would be hard to give up the internet. Last year, that percentage was 53%.

Conversely – nine years ago, 44% of survey respondents thought it would be hard to give up television. Today, that percentage is 35%. And land-line phone dropped from 48% to 28%.

What does this have to do with catalogs? The numbers are driven by demographic cohorts … the impact of Jasmine on society shifts the direction of the numbers in the chart. These numbers are also impacting catalog growth in 2015.

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

Americans More Attached to Internet, Cellphones

Percent who say ... would be very hard to give up

60%

50
48%

44%
43%

40

38%

30

0

2006   2014

INTERNET
53% of internet users

CELLPHONE
49% of cellphone owners

TELEVISION
35% of all adults*

LANDLINE TELEPHONE
28% of landline telephone owners
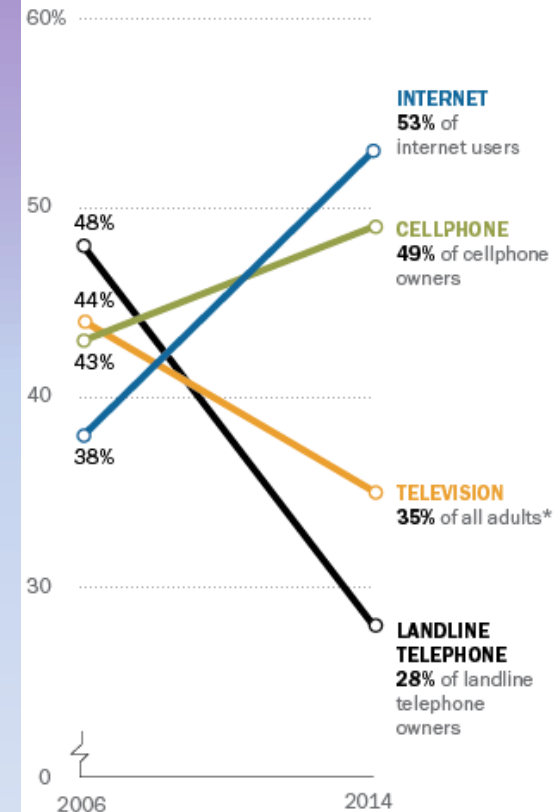
*Only 12% of those ages 18-29 say television would be very hard to give up.

PEW RESEARCH CENTER

Meanwhile … Amazon

On pace to hit one trillion dollars ($1,000,000,000,000) in annual sales in the next 5-10 years. Current annual net sales are the same as the sum of 1,000 catalogers with annual sales of $100,000,000. Let that one sink in!

Amazon did not use catalogs.

Amazon did not leverage retail.

Amazon focused on merchandise assortment, price, customer service, devices.

Could have generated a profit, but folded profits back into the business instead.

An Actual Graph From Amazon

(Source: Amazon)

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

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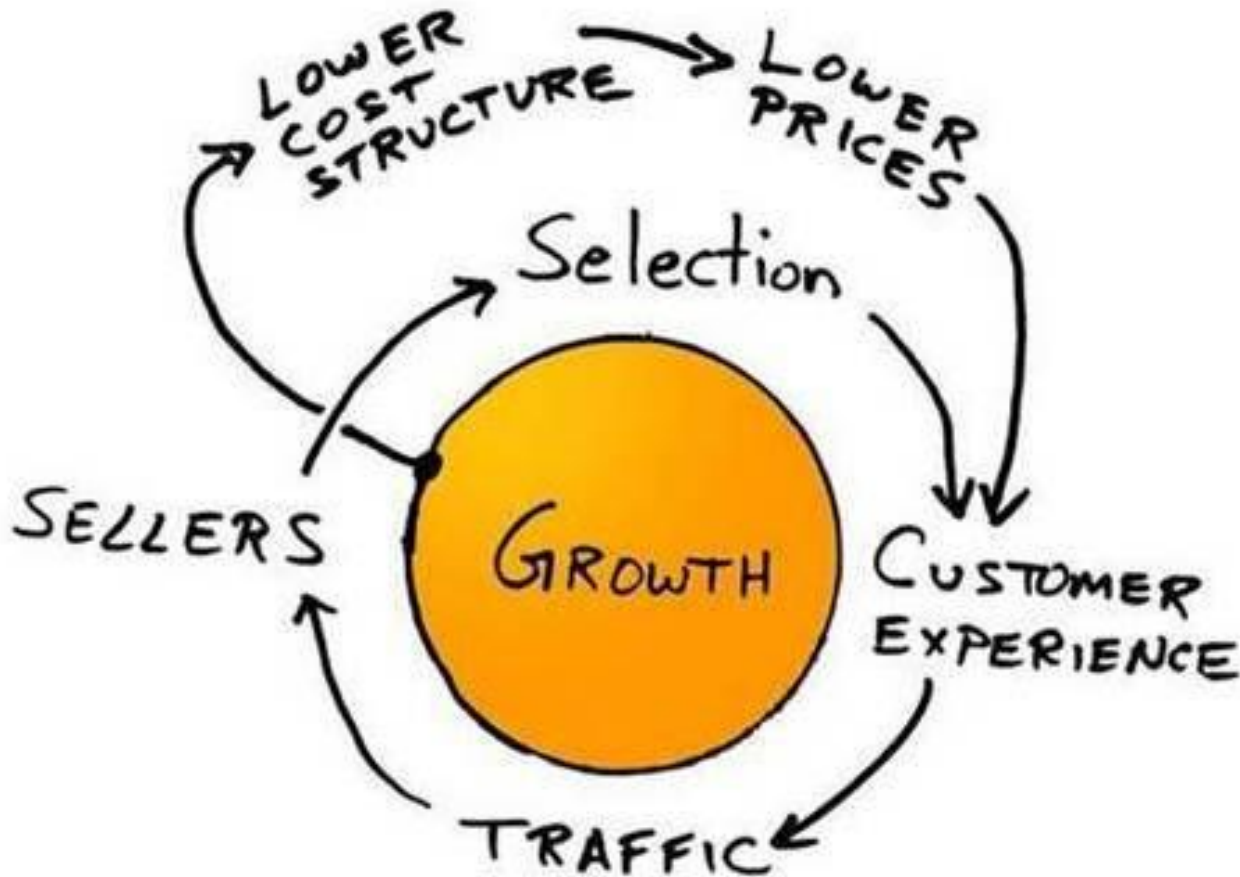
A Graph From A Print-Centric Business

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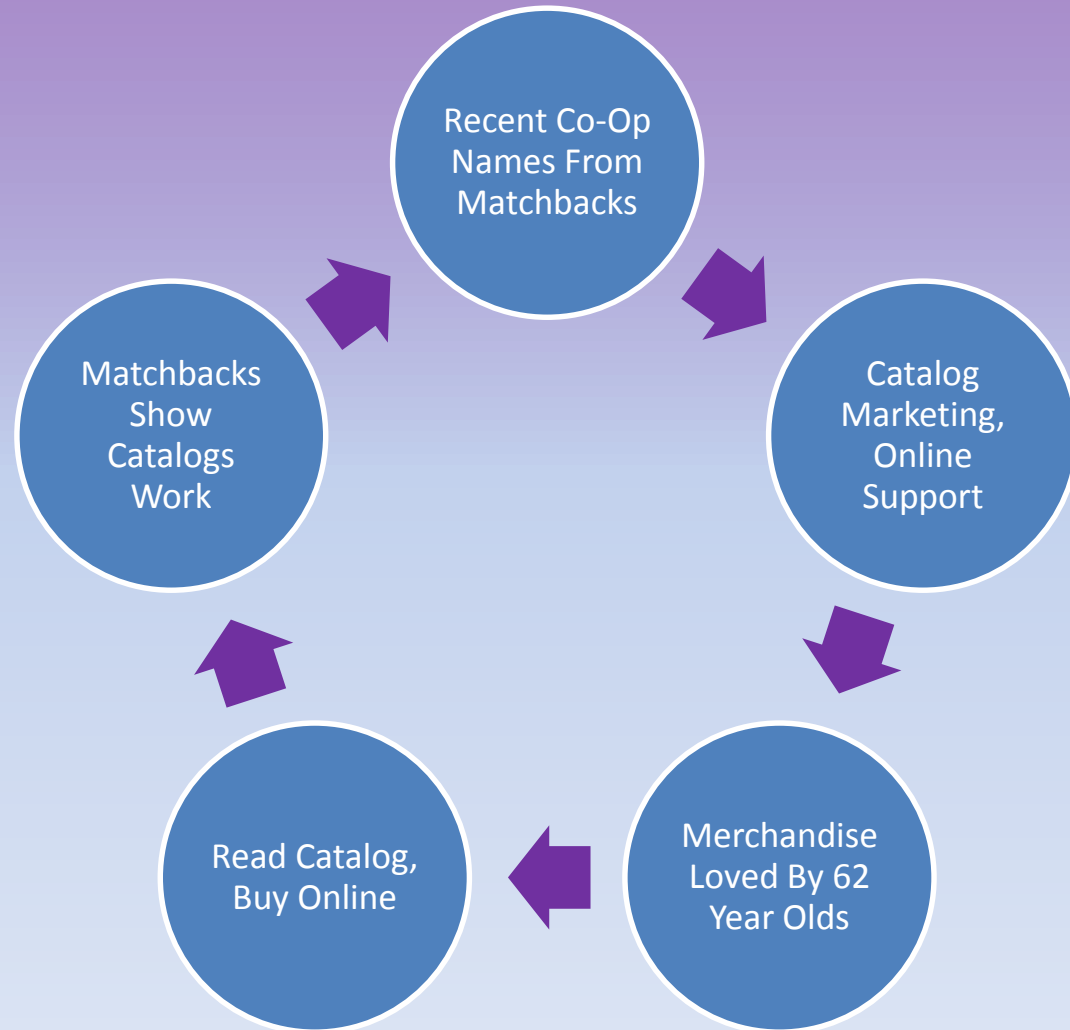
Others Deliver Merchandise Quickly

Jeremiah Owyang   ✓ @jowyang
Just ordered Chromecast via Google Shopping Express, it's nearly 10 am. It says it'll be delivered today. Fast.

I keep hearing companies under $500,000,000 describing how they are going to "compete" against Amazon, or Google, or eBay, or any number of large companies.

We are not going to "compete". It's over. They won. And that is ok.

There are different battles to win. It's time to go win those battles.

Mobile / Social / Scale / Ops Excellence

This generation of online businesses continue to cut off the customer acquisition opportunities of traditional catalogers (and increasingly, many retailers).

Question From A USPS Employee

"Jasmine has been trained to love Facebook, Twitter, Verizon, Apple, Amazon, Samsung, and Google.

Judy was trained to love the USPS, Postcards, and Catalogs.

How do we, as classic direct marketers, train Jasmine to love postcards, catalogs, and print? How do we train Jasmine to love what we've loved for decades?"

Demographic Cliff Hurts Customer Acquisition

Catalogers are really, really struggling to find new+reactivated customers under the age of 45 … ½ the population … 10% of the file.

From 2012 – 2014, Retailers became cut off from new+reactivated buyers, too. And e-commerce growth is slowing. This is the challenge of 2015, folks.

Customer File Trajectory - Same Reactivation / Newbie Trends	End of 2012	End of 2013	End of 2014	End of 2015	End of 2016	End of 2017
12 Month Buyers, Start of Year	106,583	110,454	109,050	104,916	100,229	95,488
Repurchase Rate	38.3%	38.8%	38.5%	38.5%	38.5%	38.5%
Active Buyers	40,821	42,856	41,984	40,393	38,588	36,763
Reactivated Buyers	32,695	30,733	28,889	27,156	25,527	23,995
New Buyers	36,938	35,460	34,042	32,680	31,373	30,118
12 Month Buyers, End of Year	110,454	109,050	104,916	100,229	95,488	90,876

Plugging The Holes = Tepid Or No Growth

Demographic cutoffs make it hard to change trends. Even if we plug the holes, our customer files will, at best, level off.

Our multi-channel / omnichannel focus cut us off from a younger demographic … we are now paying the price.

Customer File Trajectory - Stop The Losses	End of 2012	End of 2013	End of 2014	End of 2015	End of 2016	End of 2017
12 Month Buyers, Start of Year	106,583	110,454	109,050	104,916	103,324	102,711
Repurchase Rate	38.3%	38.8%	38.5%	38.5%	38.5%	38.5%
Active Buyers	40,821	42,856	41,984	40,393	39,780	39,544
Reactivated Buyers	32,695	30,733	28,889	28,889	28,889	28,889
New Buyers	36,938	35,460	34,042	34,042	34,042	34,042
12 Month Buyers, End of Year	110,454	109,050	104,916	103,324	102,711	102,475

E-Commerce Is Starting To Hit A Wall, Too

E-commerce businesses really struggle to convert 1x buyers to 2x … too few "outreach" tools that are meaningful.

New names are the lifeblood of e-commerce models, when new names evaporate, trouble emerges.
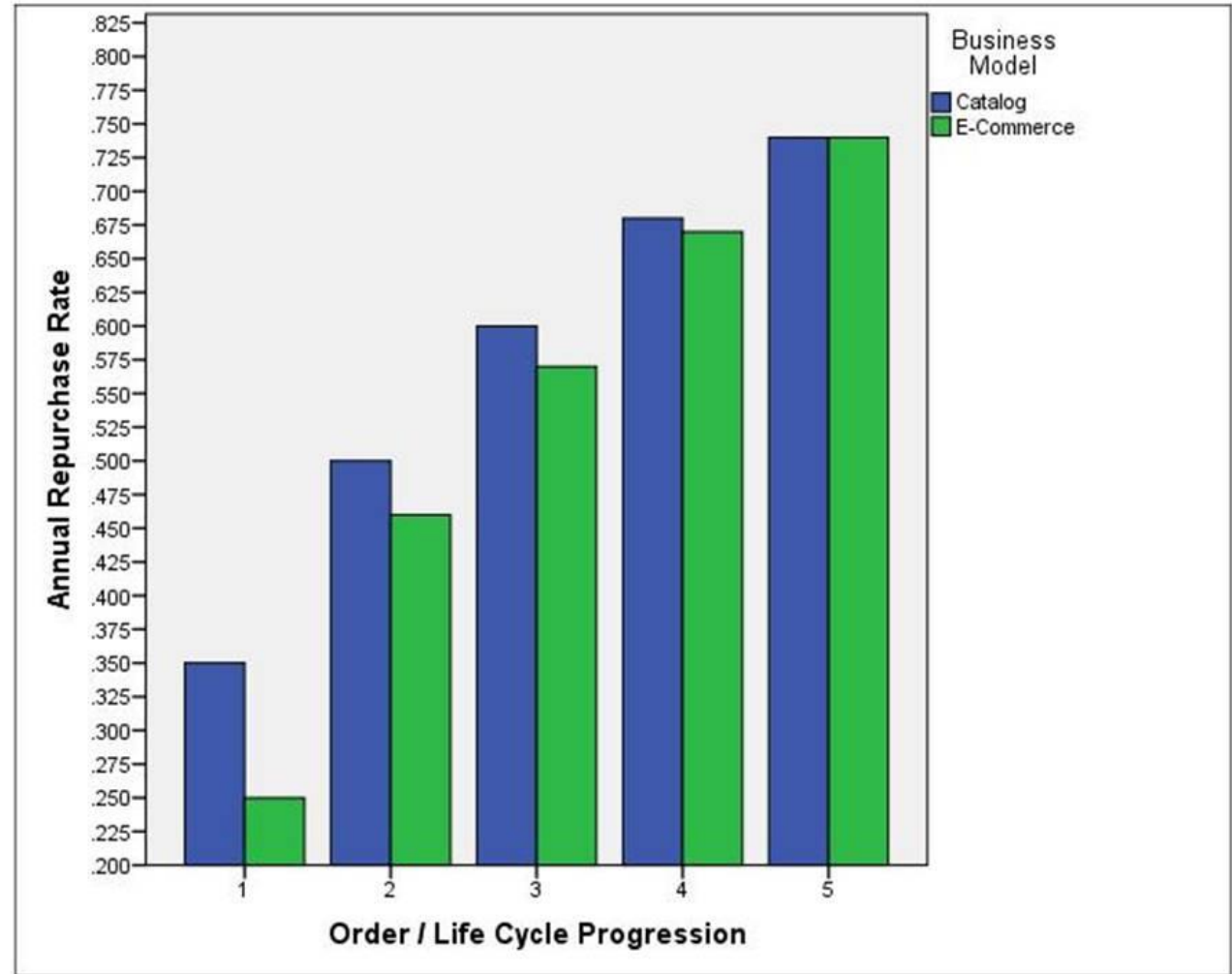
Choices In E-Commerce: Conversion

Remember how catalogers made choices, and those choices resulted in an older customer now disconnected from the mainstream of commerce?

E-Commerce businesses spent 15 years making "conversion choices". These choices are also detrimental to e-commerce.

A lust for "optimizing conversion" results in all sorts of crazy tactics that do not increase annual purchase frequency or annual repurchase rates.

Example: I analyzed an e-commerce brand where good customers visited the website 120 times per year. Why demand a conversion today?

Choices In Retail: Three Challenges

In my projects, retail comps are experiencing tepid growth, for three reasons.

Reason #1 = Merchandising problems post-Great-Recession (significant). Can easily be fixed.

Reason #2 = Movement of retail customers from in-store buying to online buying (very minor). Will not be fixed, sum of $ is constant.

Reason #3 = Not enough new+reactivated customers setting foot in stores (significant). We've trained prospects to not visit stores/malls, and as a consequence, we've cut ourselves off from 10% - 50% of the new prospects available to us.

Our Merchandising Choices Are Killing Us

We all know the importance of a healthy customer file. Similarly, it is very, very important to have a healthy merchandise assortment.

After the Great Recession, too many of us created self-inflicted wounds by cutting back on the number of new items, starving the customer file of good merchandise.

Common Issue:
- 2010 = $9.4 million from new items, $15.4 million from existing.
- 2011 = $8.7 million from new items, $16.6 million from existing.
- 2012 = $8.5 million from new items, $15.9 million from existing.
- 2013 = $7.7 million from new items, $16.3 million from existing.
- 2014 = $6.9 million from new items, $16.6 million from existing.

Choices In Retail: Clicks > Bricks

We spent 15 years teaching retail shoppers TO NOT VISIT RETAIL STORES – asking them to instead sit at home and click. It's working! Run the query yourself. This is one of the factors that is causing retail comp store sales to struggle – why drive to a store when you can sit and click? Omnichannel!!

Share Of Sales Via In-Store Retail

Five Year Trend	2010	2015
0 to 5 Miles From a Store	94.8%	94.8%
6 to 10 Miles From a Store	91.6%	85.9%
11 to 25 Miles From a Store	88.3%	82.4%
26 to 50 Miles From a Store	72.7%	64.3%
51 to 99 Miles From a Store	49.3%	38.7%
100+ Miles From a Store	15.9%	11.4%

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

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Choices In Retail: Clicks Hurt In-Store Newbies

With 10% to 50% traffic declines in-stores, we're losing out on new + reactivated customers, costing us sales. Secondarily, sales are shifting out of Spring-Fall, and are shifting into December (at 30% off).

New + Reactivated In-Store Buyers							
	14 vs. 13	13 vs. 12	12 vs. 11	2014	2013	2012	2011
January	-2.6%	2.0%	3.0%	5,975	6,134	6,014	5,839
February	-6.9%	-3.5%	-1.0%	2,273	2,442	2,530	2,556
March	-6.2%	-4.7%	-2.0%	2,679	2,856	2,997	3,058
April	-6.2%	-5.3%	-1.5%	2,810	2,995	3,163	3,211
May	-11.7%	-6.1%	-2.7%	2,695	3,052	3,250	3,340
June	-14.1%	-7.5%	-1.8%	2,401	2,795	3,022	3,077
July	-16.6%	-8.3%	-0.7%	1,772	2,125	2,318	2,334
August	-14.2%	-8.7%	-1.6%	1,754	2,045	2,240	2,276
September	-14.1%	-11.1%	-0.8%	2,221	2,586	2,909	2,932
October	-15.3%	-11.5%	-2.6%	3,475	4,102	4,635	4,759
November	-14.1%	-2.7%	0.4%	8,021	9,338	9,597	9,559
December	11.7%	6.8%	7.3%	11,593	10,379	9,718	9,057
Totals	-6.3%	-2.9%	0.8%	47,670	50,849	52,392	51,998

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

Choices Have Led To Challenges

Catalogers chose co-ops, print-to-website customer engagement, leading to older customers, leading to an evolution of merchandise catering to an older customer, leading to a feedback loop.

E-Commerce businesses chose "optimized conversion", requiring discounts to close sales TODAY, largely ignoring long-term customer relationships that actually exist, unmeasured.

Retailers trained customers to click instead of getting in a car to drive to a store. Customers listened. Now mall traffic is down, driving comps down.

Take A Deep Breath
R-E-L-A-X

This Is Not The End Of The World

Opportunity Is All Around Us!

Every Business Model Can Be Successful

Time To Get Busy!

Who Is Looking Out For Your Interests?

2015: Co-Ops Use Catalogers As A Data Feed

Abacus / Epsilon ... Datalogix / Oracle.

Catalogers are now feckless pawns in a "Big Data" chess game.

Catalogers give precious data to co-ops for free. FOR FREE!

Co-Ops pass data up into the Big Data ecosystem, where the data is sliced, diced, attributed, and finally re-shaped in ways that allow digital companies (yes, digital companies, the ones creating the demographic cliff that makes customer acquisition difficult for you) and retailers to improve their marketing and to outperform catalogers. How can the co-op possibly be on your side? Catalogers freely give data to co-ops to help put catalogers out of business.

Quote: Steve Ballmer on Charlie Rose

Mr. Rose: "Do you feel bad that Bing was such a failure?"

Mr. Ballmer: "Bing was not a failure. Bing was a major success. Don't you understand? Without Bing, Microsoft does not have an Artificial Intelligence program!"

Your business partners (Adobe / IBM / Google / Microsoft / Abacus – Epsilon / Datalogix – Oracle) use your products as loss-leaders to gain something for themselves in other products. This means these companies are not on your side – they see your information as a data feed to enhance other products.

Vet your partners – are your business partners on your side?

Listen Carefully – Is The Message Fair / True?

From a conference organizer: *"Kevin, I realize we reached out to you to speak at our conference. I realize we asked you to volunteer your time. And we appreciate that you put in the time to create a presentation. But our sponsors have informed us that they need to deliver a sufficient return on investment, or they will not partner with us going forward. Our sponsors have asked us to grant them access to the attendees via the speaking sessions. Therefore, we will be giving our speaking assignments to our sponsors, because without them, we wouldn't exist. But thank you for being willing to partner with us."*

From a conference organizer: 1/3 of revenue comes from sponsors, 1/3 of revenue comes from vendors attending the conference, 1/3 of revenue comes from "brands" attending the conference. *"We don't exist without sponsors / vendors"*.

The Messaging Ecosystem: "Brands" Fund The Whole Ecosystem – Ecosystem Needs Eyeballs

Confer-ences

Trade Journals

Vendors

Research Brands

Employees at Brands who read trade journals, attend conferences, and buy services.
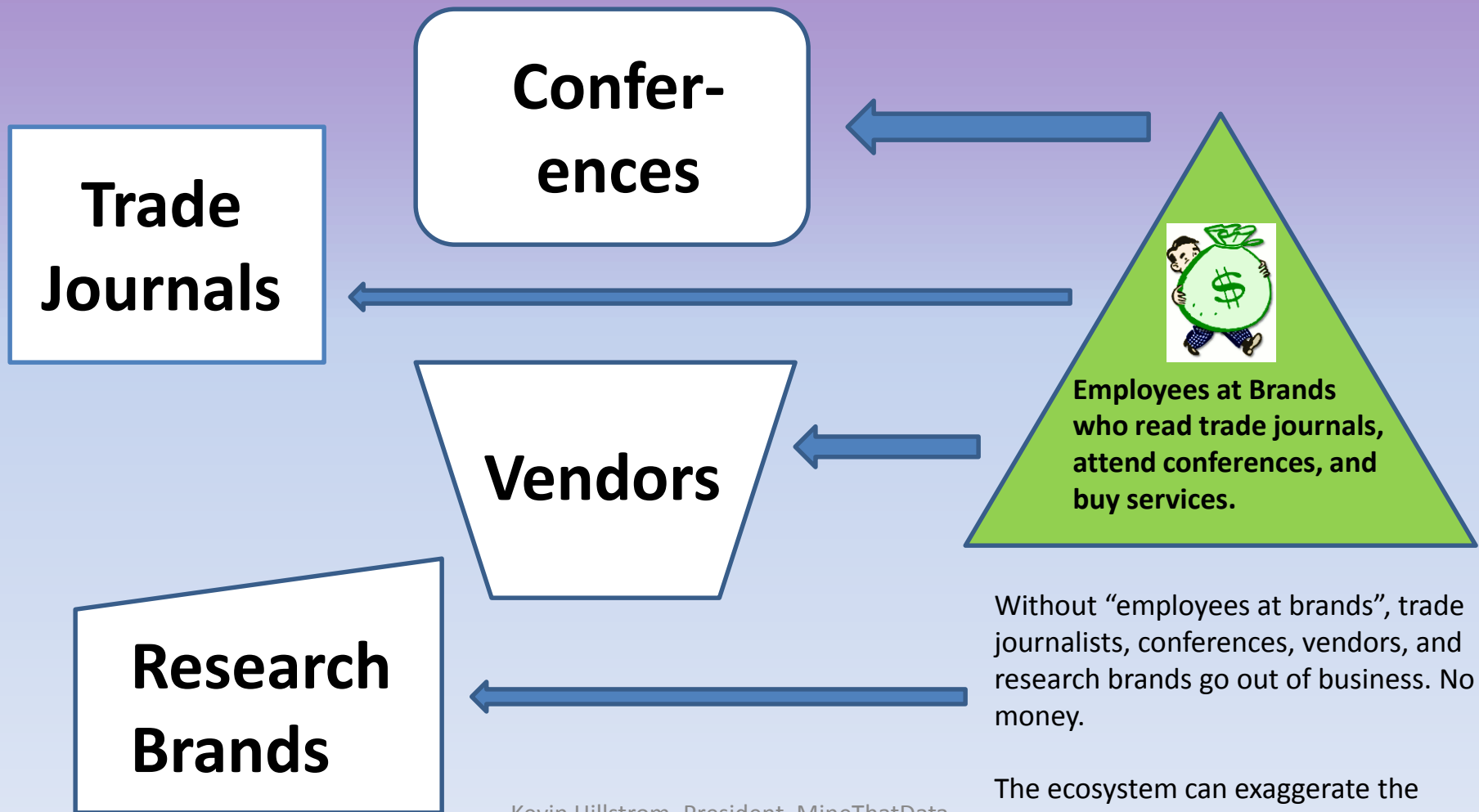
Without "employees at brands", trade journalists, conferences, vendors, and research brands go out of business. No money.

The ecosystem can exaggerate the message to generate eyeballs, $.

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

Every Business Model & Every Customer Demographic Can Work Profitably.

Your Business Is Not "Dead" If You Don't Do What Vendors, Trade Journalists, Researchers, And Consultants Tell You To Do!

Find Companies And Individuals You Can Trust

The Time Is Coming ... Make A Choice

All business models can succeed ... all customer demographic cohorts can generate profit.

But we cannot be all things to all customers. Soon (maybe today), it will be time to make a choice.

Nostalgia, Need   Convenience   Friendship, Fashion

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http://blog.minethatdata.com
kevinh@minethatdata.com

Catalog Future: Follow Judy?

The current catalog shopper (age 55 – 85) is moving into and through retirement.

What are the products needed by this generation? What is the creative message that resonates with a person entering or moving through retirement?

Nostalgia, Need   Convenience   Friendship, Fashion

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

E-Commerce Future: Ruthless Competition

E-Commerce is splitting real commerce into two halves.

First Half = Commodity Items Shipped Quickly And Conveniently.

Second Half = Unique Items That Are Hard To Find.

Nostalgia, Need   Convenience   Friendship, Fashion

Commodity / Convenience And Retail

A physical store must provide superior entertainment and/or other emotional benefits and/or unique merchandise, in order "have a purpose". Without a purpose, lower-than-average performing retail locations are under severe financial pressure.

Nostalgia, Need   Convenience   Friendship, Fashion

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

Mobile Is Not For Everybody

If your customer is Judy, mobile is close to irrelevant.

If your customer is Jennifer, mobile is not "native" – it's a piece of the puzzle.

If your customer is Jasmine, it's "mobile first", all day, every day.

Nostalgia, Need   Convenience   Friendship, Fashion

Mobile: The Assortment Challenge

Each marketing channel poses challenges.

In my projects, the distribution of items sold is dependent upon the amount of real estate and "searchability" available to merchandise.

Catalogs: Moderate Head, Short Tail.

Online: Big Head, Long Tail.

Mobile: Huge Head, Short Tail.

In-House Data, Purchased Data, Algorithms will need to create a personalized assortment that ensures that all merchandise is featured to all customers. Think Amazon … no two home pages are alike.

Data, Data, Data

Data is not as necessary to market to Judy. You need to satisfy her needs, quite possibly via nostalgia.

Data / Social / Mobile are not channels with Jasmine. They "are" the business / experience. The style of marketing needed to partner with Jasmine is unique, different, and rapidly evolving. Think Uber.

Nostalgia, Need   Convenience   Friendship, Fashion

Apply Your Skills: Williams Sonoma

Let's walk through an example, and think carefully about how we apply what we know to a real company.

Williams Sonoma: They have catalogs, they leverage e-commerce, they generate more than half their sales through retail stores.

Within the Williams Sonoma brand, e-commerce growth is exploding, phone demand is in rapid decline, and retail is in modest decline, yielding an overall (but modest) multi-year sales decline.

WILLIAMS-SONOMA

Management Quotes

"For example, we face the risk that our e-commerce business might cannibalize a significant portion of our retail and catalog businesses, and we face the risk of catalog circulation cannibalizing our retail sales. While we recognize that our e-commerce sales cannot be entirely incremental to sales through our retail and catalog channels, we seek to attract as many new customers as possible to our e-commerce websites."

Average Customer Age

According to various sources, the average Williams Sonoma customer age is banded between 40 years old and 65 years old.

This makes sense, given that demand from the telephone is in dramatic decline, given that e-commerce demand is growing rapidly, and that brand-specific Williams Sonoma retail sales are flat or in decline.

With a likely average customer age of between 50-55 years old, we need to think carefully about the future of the business, don't we?

Discussion: Catalog Strategy

What is your catalog customer acquisition strategy for Williams Sonoma?

Is there a potential age disconnect between co-op names and the typical Williams Sonoma customer?

How would you measure the impact catalog mailings have on e-commerce?

How would you measure the impact catalog mailings have on store performance?

What would you do, strategically, if the merchandise that sells in stores is somewhat different than what sells via print?

Discussion: E-Commerce Strategy

How would you measure the impact online marketing has on in-store performance?

How would you determine if Management's concern that e-commerce is cannibalizing in-store performance is reasonable or not?

Is it acceptable for in-store performance to decline, but for total brand performance to be flat or slightly increasing (meaning that sales are migrating online)? In other words, do you care if e-commerce sales increase by 10%, but in-store sales decrease by 5%? Why do you feel the way you feel?

Who are the business partners in your industry that are best equipped to help answer this strategic issue?

Discussion: Retail Strategy

What does it mean to in-store performance if, every year for the next decade, fewer and fewer customers/prospects shop in a store? How does a store offset increases in fixed/variable in-store expenses?

Is a 40-65 year old customer one likely to respond via social/mobile in a way that would increase retail sales? Describe the ways that a 40-65 year old customer is / is not responsive via social/mobile.

Describe the retail strategy that would cause you to get in a car, drive to a store, and buy something … given that today, you have been trained for 15 years to sit at home, do nothing, click, and buy something?

What is the brand purpose of a Retail Store?

Discussion: Jasmine Strategy

If the average customer is 40-65 years old, describe what your strategy would be to be relevant to a 22-37 year old customer?

Should Williams Sonoma be relevant to a 22-37 year old customer?

What is the purpose of social media in the Williams Sonoma strategy?

What is the purpose of mobile in the Williams Sonoma strategy.

If you determine that Williams Sonoma needs to market to Jasmine, what are the strategies/tactics you would employ? How would you measure success? How would you avoid angering the core customer?

Generations – It's How We Move Forward

Each generation is trained by the marketing conditions popular during his/her "formative years".

- June (age 78) = Large-Format Catalogs from 1965 – 1980.
- Judy (age 62) = Targeted Catalogs of 1980 – 1995.
- Jennifer (age 46) = Birth of Amazon, Online, Search, 1995 – 2005.
- Jasmine (age 30) = Birth of Mobile, Social, 2005 – 2015.
- Jadyn (age 14) = ????? 2015 – 2025.

I've analyzed billions of purchase transactions. Generational themes reappear constantly. Yes, the 62 year old customer sometimes shops via a tablet, and yes, the 26 year old customer may browse a catalog.

Align your target customer, preferred channels, preferred merchandise! Focus on what matters. Trust those who help you.

"Yes, We Already Know All Of This. Now How About You Help Catalogers Find A Path Out Of The Forest?"

Kevin Hillstrom, President, MineThatData
http://blog.minethatdata.com
kevinh@minethatdata.com

Specific Advice: The catalog customer is Judy. Embrace Judy. Give Judy exactly what she wants.

Specific Advice: If your core customer is Jennifer, then you are not a cataloger. You are a direct merchant selling to Jennifer via a website and catalogs. This is an important distinction. Classic catalog strategy is no longer relevant when marketing to Jennifer.

Specific Advice: Execute mail/holdout tests, learn your organic percentage, tell your attribution / matchback vendor to incorporate your organic percentage into your reports.

Payoff: $1,000,000 to $2,000,000 profit per $100,000,000 business.

Specific Advice: Mail / Holdout tests strongly suggest that phone-centric 0-12 month Judy customers should receive 15 – 35 mailings per year. Those same tests suggest that online-centric 0-12 month Jennifer customers should receive 3 – 9 mailings per year. *There is no longer a "mailing middle ground", it's gone*.

Specific Advice: Execute mail/holdout tests in email marketing. What happens when you do not email Jennifer? The best catalogers know exactly how to mix email contacts and catalog contacts to Judy and Jennifer. Often, page count reductions are offset by smarter email strategies.

Specific Advice: If your customer is a younger Judy and/or Jennifer, then have 5-10 versions of email campaigns ... merchandise centric of course.

Payoff = 20% increase in email productivity.

Specific Advice: **Increase "winning new items" by 20% this year, next year, and the year after. Too few new items are the #1 weakness for my clients, hands down.**

Payoff: 5% to 10% increase in net sales, compounded, per year.

Specific Advice: **Increase carryover of winning products, and have specific criteria for how long to carry over winning items.**

Payoff: 5% to 10% increase in net sales, compounded, per year.

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Specific Advice: Partner with your co-ops … demand that they tell you what your customers are doing elsewhere in the Big Data ecosystem. Many of your co-ops know this already, they pass your data into the Mobile / Social ecosystem. Get a return on your investment, and gain some knowledge.

Specific Advice: Immediately increase customer acquisition circulation by 20%.

Payoff: 10% increase in new customers, a likely net of $0 profit increase this year, a likely increase in sales/profit next year. Grow!!!

Specific Advice: **Do not be afraid to acquire customers via non-traditional methods … and then limit how many times you mail these customers, moving forward.**

Specific Advice: **If you must go down the free shipping path, then you must fund those free shipping dollars (Jennifer) by reducing catalog contacts. Free shipping mavens are usually in Jennifer's cohort, and they are buying because of deals, not because of catalogs.**

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Specific Advice: **The impact of free shipping decreases over time, so try to have a hurdle in order to generate enough profit to offset the cost of shipping (and if the customer is Jennifer ... again ... mail less often).**

Specific Advice: Be very careful about moving business into December. This is a huge trend right now, and a negative trend. December buyers have lower lifetime value than do buyers in other months, and are less likely to pay full price. (Bad * Bad) = Really Bad.

Specific Advice: **Given the choice between mailing a 128 page catalog one time per month, or mailing a 64 page catalog two times per month, always choose the 64 page catalog two times per month.**

Payoff = 10% Sales Increase, Annually.

Specific Advice: **Merchandise the first twenty pages of your catalog with proven winners, with the exception of the very best customers, who crave new merchandise – paginate differently for them.**

Specific Advice: **Stop demanding that your customer purchase from you NOW. In most of my projects, best customers (younger Judy, Jennifer) visit the website every 4-7 days. Why give away margin dollars when the customer will visit anyway, a total of 50 – 100 times per year? Why? WHY??**

Specific Advice: **Measure the items that catalog recipients purchase. What percentage of items are in the catalog? If the percentage is 95%, then increased page counts matter. If the percentage is 75%, then you can scale way back on pages, save $$, and your customer will still buy online. FYI, Jennifer will buy online anyway.**

Specific Advice: **New creative / pagination performs 30% to 40% better than remail catalogs. Hire more people, talented people, and create exciting content. In 2015, catalogs are content … for Judy. Give Judy great content.**

Specific Advice: **Share every aspect of your catalog business with a non-competitive partner. There is no reason why PC Connection and Orvis, or Crutchfield and Plow & Hearth should not share every detail of their strategy / measurement with each other. Learn. Grow!**

Specific Advice: **We spent fifteen years teaching customers to click instead of drive to a store. Customers listened. Create exciting reasons for customers to drive to a store – it's becoming a mission-critical imperative.**

Specific Advice: **Traditional Direct Marketers essentially give younger employees a 20 year apprenticeship. Those days are over. Give younger employees responsibility, now, especially in online/mobile tactics you know very little about.**

Specific Advice: **In pure e-commerce businesses, new customers, cannibalized from catalogs & retail brands, are slowly drying up. The next frontier e-commerce experts must master is the conversion of a first-time buyer to a second purchase. Evaluate your business. Independent of catalogs/emails, what tools do you have to convert a 1x e-commerce buyer to 2x status?**

Sales / Profit Gains:

- **40% of Gains Come From Your Merchandise Strategy, and the Creative Tactics That Support Selling Merchandise.**
- **25% of Gains Come From Customer Acquisition Strategy (sales growth)**
- **25% of Gains Come From Housefile Management. (pages, contacts = profit).**
- **10% of Gains From Everything Else.**

Kevin Hillstrom, President, MineThatData
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kevinh@minethatdata.com

Questions?

**Kevin Hillstrom
President, MineThatData
kevinh@minethatdata.com
http://blog.minethatdata.com
206-853-8278
@minethatdata**