

The Connecticut Mail Order Association

Each year, the Connecticut Mail Order Association, or “CMOA”, holds a fall conference. At this conference, best practices in catalog marketing, search, email, mobile, and social are presented to about seven hundred attendees. For the past thirty years, this has been a “must-attend” event.

In recent years, attendance declined, as “modern” conferences offering the latest social/mobile best practices attracted industry experts. The CMOA, in response to changes in conference attendance, is trying new formats, in an attempt to hold on to the remaining audience. This year, conference organizers invited Roger Morgan, CEO of Glieders Dresses, to keynote a presentation about transforming a catalog brand into a modern retailer.

Mr. Morgan will present his keynote with Meredith Thompson, President of Glieders Dresses Catalog, and with the newly appointed Lauren Fetzer, President of Charisma, the mobile/social brand Mr. Morgan introduced last April. All three leaders will briefly present their thoughts about business, followed by an extensive question and answer session.

Let’s go to the stage at the Hartford Convention Center, where Mr. Morgan is about to be introduced to the audience.

Celia Hart (Conference Organizer): Good morning everybody, and welcome to our morning keynote at the Connecticut Mail Order Association Annual Fall Conference and Exhibition. Today, I am pleased to introduce Roger Morgan, CEO of Glieders Dresses. Mr. Morgan is in his first year leading Glieders Dresses, and is in the process of taking his brand in new directions, in response to a changing economy. After a brief presentation, Mr. Morgan has indicated that he and his team will field questions from the audience. This should be a lively session. For those of you who are on Twitter, please reference the hashtag #cmoa in your tweets. Mr. Morgan, the audience is all yours.

(A smattering of applause greets Mr. Morgan as he takes the podium. The audience observes Meredith Thompson on the right-hand side of the stage, and the audience observes Lauren Fetzer, as she assumes her position behind a podium on the left-hand side of the stage).

Roger Morgan: Good morning, dear friends, and welcome to the thirty-first annual Connecticut Mail Order Association Fall Conference and Exhibition. There’s really no better place to host a conference than in Hartford in September, is there?

I wanted to take a moment, and give you a brief update on the health of our beloved founder, Glenn Glieber. There have been many reports in the media, speculating that health issues are preventing Mr. Glieber from returning to the helm of Gliebbers Dresses. These reports could not be farther from the truth. First of all, Glenn Glieber no longer has any association with Gliebbers Dresses. Our brand is fully owned by J.J. Glieber, Glenn's son. Second, Mr. Glieber is healthy, and is fully enjoying retirement. His contributions to our industry are many, and this is the time to enjoy the fruits of his labor. I spoke with Glenn yesterday. He has no intention of buying our brand, he has no intention of ever getting involved in the day-to-day operations of our brand, and he has every intention of consuming his time this winter with riding his snowmobile.

In other words, the team you see here, on the stage, is the team that will return Gliebbers Dresses to prominence.

Earlier this spring, I put our Management Team through a day-long session designed to understand the place that catalog marketing possesses in the future of marketing. In essence, we put "[Catalogs on Trial](#)". We learned that there is a place for catalog marketing, but that place is evolving from mainstream to niche. Just like newspapers or magazines are being displaced, catalogs are facing a myriad of challenges. I don't have to recite the challenges to you, each of you are aware of the challenges faced by our industry.

We realize that the future of catalogs is largely a future where fifty-five year old and older adults in rural communities do the shopping. We realize that, long-term, that this limits the ability of Gliebbers Dresses to grow and thrive. We realize that our future, if we continue to squeeze dollars out of our target audience, is a future of cost reductions, circulation reductions, and in general, a contraction of the business.

A show of hands ... how many of you love working at companies that are constantly trying to reduce expenses to match a business with shrinking sales?

(No hands are raised. In fact, the audience looks downright uncomfortable with the question).

You know, I recently read a Woodside Research report. The report cited metrics from a survey of eight-hundred-and-thirty business leaders. Fewer than twenty percent of the business leaders believed that catalog marketing would be a vital part of the marketing mix in the year 2020. That statistic, alone, should be a wakeup call for an industry that spent a decade trying to tie catalog marketing to e-commerce in an integrated and organized manner.

Earlier this year, I made a decision to split my business in half. To your right, you see Meredith Thompson. Meredith was named President of Gliebbers Dresses Catalog. Meredith has been a part of the catalog marketing world as

long as The Doobie Brothers have been making music. Most of our industry is in the process of purging classic catalog marketing skills, in favor of social, mobile, email, search, and e-commerce skills. I decided that we needed to do the opposite. If you want to grow a catalog brand, you put a catalog expert in charge of a catalog brand. You simply don't allow a mobile executive the opportunity to grow a catalog brand, I mean, what could the mobile executive possibly know about catalog marketing that a catalog marketer doesn't know?

The decision to place Meredith in charge of the Glieders Dresses Catalog required an equal and opposite decision. I hired Lauren Fetzer, former CEO of Fetzer's Footwear, a Pacific Northwest retailer of footwear, as my President of Charisma. Charisma is a new brand, one that is selling dresses to a mobile/social focused consumer. Charisma will not use print as a marketing tactic. Lauren is positioned on the left side of the stage. Please take a moment to give Lauren a warm introduction to New England.

(The audience responds with an exceptionally tepid applause.)

My decision to split our business into two units appears to be a solid one. Since May 1, the Glieders Dresses catalog and website have experienced a three percent reduction in net sales. This sales decrease is on plan, given that we reduced circulation by twenty percent. Combined, the sales decrease and circulation decrease yielded an eighty percent increase in pre-tax profit.

Charisma went from zero to six million in sales in just four months. What we have learned about customer behavior from Charisma is probably worth more than the six million in sales we generated.

But this isn't about me and the success we've had at Glieders Dresses. This session is about you. Instead of chatting about all of the amazing things that have happened at Glieders Dresses in the past four months, why don't we just open up the floor to questions?

(There are two podiums in the auditorium, one half-way back, on the right hand side of the auditorium, one half-way back, on the left hand side of the auditorium. Immediately, lines form behind each podium).

Wow, what a response! Let's start taking questions.

Right Podium: Hi, my name is Martin Mosely from Tri-Fold Printers. Roger, you mentioned that Charisma will not ever have print as part of the marketing mix. Why would you decide this when every study I've ever read clearly states that print is an essential part of the marketing mix?

Roger Morgan: I haven't been CEO for long, but I've learned one thing, Martin. Sometimes you have to zig when your competition zags. Our biggest

competitor is Anna Carter. They discontinued their catalog a few years ago. Sales decreased by maybe 40% for a short period of time, then, within a year or so, sales nearly reached prior levels. However, they didn't have the expense associated with catalog marketing, and this allowed Anna Carter to offer free shipping, and it allowed Anna Carter to greatly expand their online marketing efforts. Heck, we've even seen regional television commercials for Anna Carter, haven't we? In other words, when print isn't part of the mix, you have an opportunity to be creative, to try new things. This is what we're trying to do with Charisma. If we explicitly state that Charisma cannot use print as a marketing vehicle, then we demand that leadership come up with newer and creative ways to drive sales.

Left Podium: Hi, my name is Beatrice Collins. This is a question for Meredith. How did you reduce circulation by twenty percent, and only observe a three percent drop in demand? Did you eliminate customer acquisition activities?

Meredith Thompson: Good question, Beatrice. We hired outside help to create a segmentation strategy for us. We segment every customer into three segments. We have what we call "diehards". These are the classic, 55+ rural women who have been with our brand for decades. Within this audience, we actually increased circulation by ten percent. This audience will always need a catalog. The second segment is called "transitionals". These customers are transitioning from print to online, and they are receiving a thirty percent reduction in circulation. Our third segment is called "moderns". This audience buys online, and through our research we've learned that these customers will continue to spend sixty percent or more of their sales volume without receiving a single catalog. This audience is receiving an eighty percent reduction in circulation, with only a marginal decrease in demand. So, again, we have three customer segments ... diehards, transitionals, and moderns, and we market differently to each segment. From a customer acquisition standpoint, we don't do anything different, we continue to try to acquire the same number of customers as we have always acquired.

Right Podium: Hi, my name is Ed Royson, and I work at Response Shop, a popular co-op in the catalog industry. It seems to me like you are, from a strategic standpoint, doing the exact opposite of what you should do, Roger. I mean, we know that it is a best practice to integrate all business units, that's what the customer wants. And yet, you are setting out to create silos, a practice that we know customers hate. Roger, you've read the research reports from Woodside Research, you know that you're making a mistake. Why would you make such a big mistake?

Roger Morgan: I'm not making a mistake, you, Ed, are making an assumption. You are assuming two things. First, you are assuming that the customer that shops Charisma is the same customer that shops Glibers Dresses. We've learned that the overlap between the brands is minimal, maybe less than twenty

percent of the Charisma customer file previously shopped Gliebbers Dresses. Second, you are assuming that the customer demographic is similar. It is not similar. The Gliebbers Dresses customer is about fifteen years older than the Charisma customer. In essence, we're building two brands. We take the profit from Gliebbers Dresses, and funnel it into a different demographic, one served by Charisma.

Left Podium: Hi, I am Susan Ricely from Modern Lists, a list broker in the catalog industry. You mentioned that you aren't using print to grow Charisma. How are you acquiring new customers?

Lauen Fetzer: Hi Susan, thanks for the question. Almost everything we do at Charisma is via word of mouth. We make everything we do sharable. For instance, we have a daily deal that is only available via an email marketing list. All daily deals offer 10% off plus free shipping if you buy the daily deal and at least one other item, and the deals are limited to 500 items, maybe 1,000 at times. This allows us to manage the transaction at or above break-even. For each customer who buys from an email you forward, we give you Charisma Points. Once you earn ten Charisma Points, we publish a custom page of you wearing Charisma merchandise on the Charisma website and on our Facebook Fan page. Our customers are highly competitive, and they literally sell our merchandise themselves. Our customers love to be featured in public, they literally approach the photos like they are a Charisma model. The combination of merchandise they wear allows us to know how to merchandise our daily deal email campaigns, and that drives up the productivity of our daily deal email campaigns.

Right Podium: Hi, I am Morris Snedley, a long-time merchandising consultant in the catalog industry. Lauren, where do you source your merchandise from?

Lauren Fetzer: Honestly, we're selling the exact same merchandise that Meredith is selling. We all share from the same merchandise pie. The only difference is how we market the merchandise. Meredith markets her merchandise in print to a 55+ rural audience, whereas I market Meredith's merchandise to a 25-39 year old audience, using the tools and techniques that are embraced by a 25-39 year old audience. Now, granted, my best selling items are not the best selling items in the Gliebbers Dresses catalog, but we're all still working from the same merchandise assortment.

Morris Snedley: So, your success is dependent upon Meredith, right? I mean without Meredith, you're sunk. You're not actively cultivating your own merchandise assortment?

Lauren Fetzer: You're right, if you view this as a competition. We do not view this as a competition. Every employee at Gliebbers Dresses and Charisma earns an annual bonus based on the combined profitability of the business units. If

Charisma does well, it does well because Meredith has great merchandise, so Meredith and her team benefit from the success of Charisma.

Left Podium: Hi, my name is Connie Keeley. Meredith, do you advertise Charisma in your catalogs, and if not, why don't you advertise Charisma in your catalogs?

Meredith Thompson: I don't advertise Charisma in my catalogs. The catalogs are mine, and I'm not going to waste precious, expensive ad space in a catalog trying to get a sixty-one year old woman to earn enough Charisma Points to get her images featured on the Charisma Fan Page. I only want for the customer to buy my merchandise.

Connie Keeley: Lauren, do you put Glieb's Dresses catalogs in outgoing packages? I imagine that's a great source of new customers for your brand.

Lauren Fetzer: We've tested the strategy, and it doesn't work. There is an audience disconnect at play, here. A thirty-six year old woman sometimes sees a Glieb's Dresses catalog as being a bit old-school, if you will. I don't want to waste Meredith's money in my packages, that hurts profitability.

Right Podium: Hi, my name is Candace Petkovic. Roger, didn't I hear you mention that you receive significant funding from Bolt Six Hour Energy Drink? Isn't that brand associated with J.J. Glieber's motorcycle gig? If so, how is the money used?

Roger Morgan: We have signed a contract with Bolt Six Hour Energy Drink, we receive more than a million dollars a year as part of this agreement. This money is used to market Charisma online. Undoubtedly, you've seen the YouTube videos that feature customers who've earned enough Charisma Points. Our customers cross-promote Charisma merchandise and Bolt Six Hour Energy Drink.

Candace Petkovic: That just seems creepy.

Roger Morgan: Well, we're trying new things. I don't know of many pure catalogers who went from zero to six million in sales in four months by trying to make sure that the first twenty pages of the catalog were merchandised properly. We're going to make mistakes along the way, and we're going to have successes along the way.

Candace Petkovic: It just seems like there is a better way, a way that doesn't put your brand at risk.

Roger Morgan: Maybe this is the problem with the catalog industry, as a whole, heck, it was the problem at Glieb's Dresses for the past three years.

Maybe the industry is afraid of risk. There is nothing risky about renting 100,000 names from Response Shop at six cents each, is there? You know exactly what your return on investment will be. You know exactly what the lifetime value of this customer will be. You know exactly how many catalogs to mail to maximize long-term value. Your CFO loves this business model, because it is predictable and consistent. Well, Charisma is not predictable, and performance has not been consistent. We may learn that a relationship with Bolt Six Hour Energy Drink isn't appropriate, we may learn that this relationship is what jettisons the Charisma brand into the stratosphere. How do we learn if we don't try anything different?

Left Podium: Hi, my name is Sarah Wheldon, I am the Vice President of Marketing at Anna Carter. I have a question for Roger Morgan. What role does marketing play in a silo-based organization like yours? I mean, it seems like you've given all of the marketing power to your merchants, and it seems like Lauren Fetzer, no offense, is really a marketer and not even a merchant, heck, she doesn't even source her own merchandise. So, again, what role does a centralized marketing department play in silo-based brand format?

Roger Morgan: Hi Sarah, nice to see you again! I think the short answer to your question is that we are "working through what marketing means to our business". Was Steve Jobs a marketer, a merchant, or a designer? It's hard to answer that question, isn't it? I am taking the same view with our business. I believe a modern merchant has a responsibility to market her own business, if she doesn't believe in her product, then why the heck should the customer believe in her product?

Sarah Wheldon: So do you still have a Chief Marketing Officer position, and if you do, is it still staffed with the same personnel as prior to your change in brand strategy?

Roger Morgan: Yes, Pepper Morgan is still our Chief Marketing Officer.

Sarah Wheldon: And how has Pepper Morgan responded to this change in brand strategy? Did she welcome the change?

Roger Morgan: I think maybe it is time for another question ...

Sarah Wheldon: I think I'm just trying to understand how a Chief Marketing Officer is supposed to react when the CEO decides to de-centralize overall marketing strategy. I just think that would be a really difficult job, and quite honestly, it seems to go against the established best practices of our industry. Roger, you should know that, you've read a lot of research reports in your time, I doubt there is one research report that advocates the strategy you're employing at this time.

Roger Morgan: Well, Sarah, time will tell if I am right, or if many in this room are right. At least we're trying something.

Right Podium: Hi, my name is Norbert Jenkins. Meredith, how do you manage resource issues between you and Lauren? I mean, both of you have e-commerce needs that have to be prioritized, so how do you prioritize resources?

Meredith Thompson: That one isn't easy, Norbert. We don't have the resources necessary to manage two sites well at this time. We are allocating all resources toward Charisma at this time, and we'll address Glieders Dresses next year.

Norbert Jenkins: But that really penalizes the incumbent brand, doesn't it? And isn't that always the way it works? What chance do you have at success when you're not given Bolt Six Hour Energy Drink money? What chance do you have at success when you aren't given website development resources? It's any wonder that Glieders Dresses had a sales decrease while Carluma or whatever the name of that other brand's name might be is growing so fast, you're pre-ordained this outcome.

Meredith Thompson: That's just life, Norbert. Lauren isn't given the creative resources I'm given. Lauren wasn't given a customer file, she had to start from scratch. So you just deal with whatever you have in front of you. Remember, all employees at Glieders Dresses earn a bonus based on shared financial performance.

Right Podium: Hi, my name is Geoff Benson, from the Multichannel Marketing Blog, or MMB as we call it. I've written previously about how I think your strategy of cutting circulation and investing in a fad-based mobile/social strategy is, at best, risky. Convince me that what you are doing will have a long-term payback?!

Lauren Fetzer: I'll take this one, Roger. There is no guarantee, Geoff. None. I might fail miserably, and I will be without a job next year if I fail miserably.

Geoff Benson: But that's simply an irresponsible response, isn't it? Don't you have a responsibility, as an executive, to deliver a reliable return on investment?

Lauren Fetzer: This is where I start to get frustrated. If Glieders Dresses did the same thing, year after year, we would probably get progressively marginal results, right? So things need to be shaken up a bit.

Geoff Benson: I've been covering catalogers for the past twenty years for trade journals, and it just seems like you're throwing out the best parts of a catalog business model for, what, some mobile and social whim?

Lauren Fetzer: Geoff, if I remember correctly, I used to read your content when your publication was called “Catalog Today”. Then in 2003, you abandoned traditional catalog marketing, rebranding your publication “Multichannel Today”. And then, in 2008, your management team decided to abandon all semblance of journalism by creating The Multichannel Marketing Blog, you simply spent time in every other article blasting companies that you felt didn’t do what you wanted for them to do. First of all, your management team had no problem changing with the times, with no guarantee of a reliable return on investment, and that’s acceptable to you, apparently. Second of all, let’s think about your business model. You get paid when two things happen ... you attract eyeballs, and then the eyeballs attract advertising dollars from the vendors that people like me hire. So, ultimately, I pay a vendor, and then that vendor pays you to make fun of me. You need me, Geoff, because without people like me, you have nobody to criticize, and if you have nobody to criticize, nobody reads your content, and vendors stop paying for ad space. Are you criticizing me because you are genuinely concerned about Gliebers Dresses, or are you criticizing me to obtain eyeballs? If it is the latter, why don’t you just do it in print so that the rest of the audience can ask legitimate questions?

Geoff Benson: Maybe you don’t know how things work over here in New England. You’re from the West Coast, you’ve got Silicon Valley out there and they do things different than we do them. Become part of this community, and maybe the treatment will be more favorable.

Lauren Fetzer: You’ve just demonstrated to this audience that you’re not being objective. You’re telling me I have to play by your rules, or I’ll get criticized. Go ahead, keep criticizing me in a quest to obtain eyeballs. I’m going to focus on growing my business as much as I can so that I can hire vendors that will advertise in your publication. When I succeed, you get paid. Next question, please.

Meredith Thompson: I’d just like to add a quick comment. Here’s the thing. We’re in the trenches, actually doing real work at a real company. It’s really easy for a blogger or trade journalist to criticize somebody, heck, anybody can do that. It’s really hard to do the actual work at an actual catalog company.

Left Podium: Hi Meredith, I am Penny Patterson from Response Shop. How confident are you in your segmentation strategy? Most of our clients are in a position where we try to help them by finding more responsive customers in housefile optimization activities, we’re trying to help clients *grow*. You’re doing the opposite, and that seems risky to me.

Meredith Thompson: I think it’s really an issue of waste, Penny. If we have a customer who only needs three catalogs per year, why would we send that customer eighteen catalogs a year? What is the purpose of generating five

million dollars of sales that are associated with zero dollars of profit? Might it be a better decision to spend the money on something else, or to just pocket it?

Penny Patterson: But sales decrease, and then you lose market share, and nobody wants to lose market share. Why would you ever want to lose market share? How does your business benefit by having fewer customers purchasing from it?

Meredith Thompson: Roger is giving us an incentive to be profitable, to generate cash profit. Roger is using Charisma as the market share growth opportunity. I want to generate as much profit as possible, because profit allows me to reinvest in the business, because profit allows me to invest in Charisma and acquire a younger customer. Or, profit allows me to invest in merchandise, or creative strategy, or staffing to support email marketing or our catalog. Profit opens a lot of doors.

Penny Patterson: In some ways, I kind of agree with Geoff. What you're doing goes against most of the best practices we've established in our industry. Roger, we've had this chat before, and I believe you're a huge proponent of best practices. And yet, what you are doing is clearly not a best practice. I think it is fair for Geoff to ask you to demonstrate that what you are doing will deliver a return on investment.

Meredith Thompson: Let's chat next year at this time. If total company profitability is up vs. 2011, then maybe we can chat about how Glieders Dresses just created a best practice that others can follow.

Right Podium: Hi, my name is Greg Dobbin, and I am the CEO of Performance Printing. I have a question for you, Meredith. You recently asked my company to produce smaller catalogs at a reduced cost. This goes against everything we do in my company. My job is to allow you to produce large catalogs at minimal incremental variable cost, so that you can expose your entire merchandise assortment to the customer in the mailbox. What data do you have that suggests that smaller catalogs work better than larger catalogs? It seems to me that you will lose market share when you mail a smaller catalog. Thanks.

Meredith Thompson: We extensively tested 48 page catalogs, 64 page catalogs, and 128 page catalogs. For every dollar we generate in a 128 page catalog, we generate \$0.80 in a 64 page catalog, and we generate \$0.72 in a 48 page catalog. So we've learned that the contact is what is important. The goal of the catalog is to stimulate demand, but not within the catalog, but instead, on our website. Our entire merchandise assortment is available online, so why do I have to pay to advertise the entire assortment when the customer can freely view it 24/7/365? I want a smaller catalog that costs less so that I can mail it far deeper into the file, this strategy results in more pages being put into the mail and more customers seeing the pages. I realize this is opposite of the pricing incentives

that exist in the catalog industry right now, but that's what I want to accomplish.

Greg Dobbin: What you just described results in a loss of market share. Why would you want to lose sales, just to generate a few extra dollars of profit?

Meredith Thompson: I spent the past decade defending print. I wanted a catalog business to succeed. For a decade, we all listened to the multi-channel people, who told us we had to mail the catalogs or we wouldn't get online sales. We were told that we had to mail catalogs, because our business would grow as we increased the number of multi-channel customers. Well, that never happened. It's a decade later, and catalogers are not seeing unfettered growth from a bevy of multi-channel buyers. So I could keep delaying the inevitable, over-circulating large catalogs in hopes that someday we figure something out, or I could save pennies of profit per customer per mailing, across an entire year, and figure out how to reinvest the money.

Greg Dobbin: You haven't talked about personalization yet. It seems like you're really missing an opportunity to personalize your printed materials, and that would result in increased sales that allow you to grow your catalog business. Why aren't you pursuing such an obvious opportunity?

Meredith Thompson: I've yet to see one study that demonstrates that personalization results in an increase in annual repurchase rates. I've seen plenty of studies that show increases in campaign response due to personalization. This disconnect comes up all of the time. And, to be honest, I've yet to read one customer comment where the customer tells me that she wants a more personalized experience in print. I've read many comments from customers who want a conversation in social media, so it seems to make sense that we capitalize on digital tools for personalization. Honestly, what makes more sense, for my social media team to respond to a customer question on Twitter, or for a printed catalog that says "Dear Meredith" on the cover?

Greg Dobbin: I just think you're missing out on a real opportunity. But thanks for sharing your thoughts with me, I appreciate it.

Left Podium: Hi, I am Phil Raynor with Excite Email Marketing. Laura is clearly demonstrating the value of email marketing, but Margaret, you seem to focus too much on the catalog. Doesn't email marketing play a major role in your brand?

Meredith Thompson: I hate to say this, but with a 55+ rural customer, email marketing is overrated. We are lucky to generate nineteen cents per email we deliver to a customer, and we almost always have to run a promotion to get the email customer to buy from us. So much of modern email marketing is geared to a deal seeking customer. It's not easy to build a brand with email marketing

among a 55+ rural customer. It's a heck of a lot easier for Lauren to do this with her customer.

Right Podium: Hi, my name is Shahar Stephens from Social World. Lauren, what percentage of your sales are attributed to social media?

Lauren Fetzer: It's fair to say that we generate close to twenty-five percent of our sales via social media, and if you count email in the mix, then it's probably seventy-five percent of our sales.

Shahar Stephens: Meredith, what percentage of your sales come from social media?

Meredith Thompson: Less than one percent.

Shahar Stephens: Doesn't this represent a huge opportunity for you? I mean, if Lauren can accomplish this in four months, you should be able to sell a lot via social media as well, right?

Meredith Thompson: This comes down to an audience disconnect, once again. Nobody really talks about this stuff. You can't force social media down the throat of one of my sixty-five year old rural shoppers. The only reason my customers are on Facebook is so that they can see pictures of their grandchildren, they sure aren't there to transact with us!! Lauren doesn't just use social media, she incorporates social media as a feature, it's no different than the copy we write for the catalogs, it's an integral part of the entire experience.

Lauren Fetzer: The same thing can be said for mobile. You can't force a fifty-six year old woman to buy a dress on a HTC Thunderbolt smartphone, regardless what people say. Now, take a look at one of my thirty-three year old customers ... we release daily deals at 2pm EDT every day. If she's in a meeting at work, she can use her mobile device to see what the daily deal is, then purchase that item and a complimentary item in a handful of clicks all from her phone. And we limit the number of items in our daily deals to 500 or 1,000, so if she doesn't act, she doesn't get the daily deal, so the combination of urgency and mobile and social yield sales. A lot of people don't understand this stuff, and you think they would understand this stuff. Your audience determines your strategy. And if you have different audiences, then you certainly don't strive to integrate everything, you instead tailor your efforts to each unique audience.

Left Podium: Hi Roger, my name is Gale Bernard. You have two distinct business models here, don't you? It seems like each business has a different way of acquiring customers, and this fundamental difference drives the strategy of each brand, is that correct?

Roger Morgan: The catalog business model is all about pushing a message at a customer. We pay for the right to push a message to a customer. Charisma is different, in that we don't pay for the right to push a message to a customer. Instead, we pay by offering 10% off plus free shipping to spread the message. Either way, you're going to pay to acquire a customer. You just have to make a decision, do you want to pay to push a message, or do you want to offer a small discount with free shipping to pay for the spread of a message? I'm betting that if the brands aren't integrated, then you can do both and attract different audiences. And, by the way, I think the future of catalog customer acquisition is much cheaper names. Something has to change there.

Right Podium: Hi, my name is John Hawthorne. Lauren, what are the economics of your business? I mean, how do you make money?

Lauren Fetzer: John, honestly, we can print money. We sell two items per order, on average, at an average ticket of about \$110. Margins are better than 60%, we have a beefy return rate, as you can imagine, we give away shipping, and on daily deals only, we give away an additional ten percent. So, in total, we're looking at maybe \$15 to \$25 profit per transaction. As you can see, if we can keep marketing expenses to a minimum and encourage our customers to spread the word for us, we can essentially print money. We're using our investment from Bolt Six Hour Energy Drink to fund awareness right now, in the future, we may not need to do that. It's just a different business model than the catalog business model. In catalog, you spend the money up-front. In my business model, you spend the money to reward the customer for her attention. Either way, you're spending money, aren't you? This is the real problem for the catalog brand, going forward. The catalog brand has to pay to put catalogs in the mail. The catalog brand also has to pay for search, for email, for display ads, for any mobile or social activities, for free shipping promotions, for percentage off deals. That's too much to pay! Something has to change, there. Since I don't have a print component, I have all this additional money to spend on other marketing strategies.

Left Podium: Hi, my name is Kara Gonzales. Roger, what do you think about everybody offering free shipping these days?

Roger Morgan: I recently read a Woodside Research report that says by 2013, that's just two years from now by the way, all online merchants will offer free shipping. When that happens, you'll lose the competitive advantage you currently have when offering free shipping on a sporadic basis, and that will take a huge toll on the profit and loss statement. You either build a business model around free shipping, or you're going to have to greatly reduce expense elsewhere to fund free shipping. Most catalogers are going to forego mailing catalogs in order to fund free shipping. Ok, let's take one more question from the audience.

Right Podium: Hi, my name is Yvonne Ellison. This is a question for Meredith. Do you get along with Lauren, and do you feel threatened by her presence and business model?

Meredith Thompson: At time, yes, I feel threatened. If you go back to the mid 1990s, we catalog people kind of controlled the world. We had our methods, they worked, and we were rewarded financially. If you see what is happening out there today, you sort of lose confidence. Only a handful of catalogers are experiencing unfettered growth. Well, we didn't just become dumb all at once, we know a little something about marketing and merchandising. So when you're told that a new business leader is being brought in to run a new business division, you feel threatened, sure. But I guess the thing that I like is that Roger set up shared incentives for everybody. My team gets paid when Lauren's team is successful, so there is an incentive for my team to offer Lauren the best merchandise we have. And I kind of feel like Lauren needs me, I mean, her growth is one-hundred percent dependent upon my team offering her the best merchandise. Finally, and this is a bit humbling for me to say, I don't know everything. I thought I knew everything, but when I see Lauren go from zero to six million in four months, I have to concede that I don't know how to market to an under-forty year old customer. Maybe that's the biggest takeaway for everybody here today ... catalogers don't really know how to market to an under-forty year old customer, and that's amazing, given that our children are under the age of forty. What Lauren has accomplished has been eye-opening. It is all content-based, she's selling the same stuff I am selling, but she's using stories and daily deals and marketing techniques that I'd never think about using, and she's experiencing success. I know that when this session is over, and you're enjoying your energy break courtesy of Bolt Six Hour Energy Drink, you're going to talk among yourselves, and you're going to explore all of the reasons why you can't do what Lauren did. I am here to tell you that you get to choose whether you accomplish what Lauren accomplished, or you get to continue trying to find solutions to the same problems with the same ecosystem of vendors and consultants. You get to choose.

Celia Hart (Conference Organizer): Thank you to Meredith, Roger, and Lauren, for this provocative and interesting discussion. We're going to take a fifteen minute energy break, sponsored by Bolt Six Hour Energy Drink, we'll be back shortly for our 10:30am session, hosted by renowned industry consultant Chip Cayman.