Outlook 2009
The Year Ahead

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What Does 2009 Look Like?

Today, we'll take a look at the forces that are likely to shape direct marketing in 2009.

We'll explore concepts that CEOs and Executives are incorporating into 2009 planning sessions.

In case you didn't notice, the world is changing. It won't be enough to simply "keep up", we'll have to invent new ways of approaching old problems.

2009: Competition

The concept of competition historically drove direct marketers to innovate and succeed.

In 2009, we have an opportunity to develop alliances with competitors across heterogeneous product lines.

Postage increases in 2007 encouraged “co-mailing”. This style of competition will being to take root in other areas in 2009.

2009: Competition

Opportunities exist for list brokers and co-ops to link comparably-sized companies, allowing divisional leaders to "compare and contrast" how strategies are approached at different companies.

Hypothetical Example: PC Connection and Cuddledown of Maine compare paid search strategy, e-mail strategy, catalog contact strategy, creative approaches, successful keywords, warehousing strategies, promotions. We will find that we "need each other" in 2009.

2009: Acquisition

2009 will be the year that we begin to wean ourselves off of our addiction to mailing catalogs to prospects from lists we paid for. This shouldn't come as a surprise, because catalog customer acquisition performance (after matchback) has been in decline for a decade.

We will not find a "mass audience" to replace "what we had". Our job is to test dozens (or hundreds) of micro-channels, small channels that replace a percentage of the customers we are losing in traditional customer acquisition.

2009: Reactivation

As traditional customer acquisition programs die, we will become more motivated than ever to attempt to "reactivate" customers who last purchased 13 – 60 months ago.

We will see an fusion of in-house strategy and external data --- there's no reason why co-ops cannot send daily files of customers who exhibited key behavior last week (or yesterday), enabling the marketer to dynamically send a targeted and personalized e-mail campaign to a lapsed customer.

2009: Retention

Seldom have I observed such a shift in leadership perception of retaining customers as I have during September – October of 2009.

Executives frequently e-mail me with a simple question: *"How can I send fewer catalogs, leveraging e-mail to continue to generate sales while lowering expenses?"*

2009 will be the year leadership embraces the concept of the "organic percentage".

2009: Organic Percentage

The "organic percentage" is the percentage of sales that loyal customers will spend if the loyal customer is not marketed to.

In 2009, this will become the most important metric we track.

The metric requires that the direct marketer execute contact strategy tests, comparing varying numbers of catalogs and e-mail contacts.

2009: Organic Percentage

Many catalog companies learn via matchback analytics that the majority of online orders are generated by customers who recently received catalogs.

In 2009, we will learn that "correlation does not mean causation". In other words, the catalog didn't necessarily drive the order --- the customer would have ordered anyway, had the customer not received a catalog.

This leads us to many interesting findings!

2009: Organic Percentage

We will segment customers based on prior activity, measuring the organic percentage.

An organic percentage between 0% and 15% suggests that we must advertise in order to generate orders.

An organic percentage between 15% and 40% suggests that we can reduce contacts and increase profitability.

An organic percentage greater than 40% allows us to greatly reduce contacts!

2009: Demand Generation

We will focus less on channels in the future, focusing instead on five ways demand is generated. Hint --- (1) and (2) are really important!

1. Organic Demand, comes at no cost! Strong brands generate huge amounts of organic demand.
2. Social Shopping, via blogs, social networks, word of mouth.
3. Algorithms, be it co-ops or paid/natural search.
4. Advertising, via catalogs or other channels.
5. Begging, via discounts, promotions, and free shipping.

2009: E-Mail Marketing

The low variable cost of e-mail marketing allows this medium to thrive. But let's be honest --- e-mail marketing performance is absolutely terrible, isn't it?

We're likely to see two trends emerge in e-mail marketing in 2008.

1. A change in focus from merchandise and promotions to general communication and authenticity.
2. An increase in e-mail marketing segmentation and performance as traditional direct marketing vehicles are cut back.

2009: Paid / Natural Search

2009 should signal a shift in our view of paid and natural search. As we max-out sales generation opportunities, we will look to integrate paid / natural search keyword content and recency into our databases.

We will mine this information, allowing us to target the 24 month buyer who is now searching for "shoes", triggering relevant e-mail marketing campaigns.

Database integration will be painful, but necessary.

2009: Online Marketing

We will expand our view of online marketing during 2009.

While ROI is important, we will begin to understand that the information we capture about a customer is just as valuable as the short-term ROI from online marketing campaigns.

Database integration will be a key element of any successful marketing platform. We will learn that long-term ROI is linked to short-term data capture across micro-channels.

2009: Database Marketing

The future of database marketing includes an “integrated database”, one that we will begin to build in 2009.

The database must combine internal purchase activity, outbound advertising contacts, paid / natural search results, referring URLs from social media sites, user-generated-content/reviews, you name it.

We will obtain a “rich profile” of the customer, across micro-channels, allowing us to greatly reduce marketing expense.

2009: Micro-Channels

In 2009, we must stop viewing ourselves as catalogers, online pureplays, or multichannel retailers.

Instead, we must view ourselves as brands who play across a veritable plethora of micro-channels.

We will evolve our thinking away from advertising channels, instead focusing on how we can be "relevant" to diverse customers with very different interests.

2009: Micro-Channels

For instance, there is no good reason to mail 16 catalogs a year to a customer who purchased on our website after being referred to us from an article on a blog. We will manage each customer / micro-channel combination differently.

All micro-channel data is fed into the integrated customer database. Customer reporting will tell us how customers are "evolving" --- a concept we are not good at managing at this time.

2009: Micro-Channels

We must TEST dozens or hundreds of micro-channels, being willing to FAIL dozens or hundreds of times.

Some micro-channels (i.e. mobile) will be huge one-day in the future. Intuitively, we don't think we can invest in a micro-channel that only 74 customers will use today.

But it is this style of thinking that will leave us well behind the competition, long-term. The future is bright for brands willing to embrace a variety of micro-channels.

2009: Urban, Suburban, Rural

We will evolve out of our “multichannel thinking” by better understanding how customers truly interact with us.

Urban Customers generally prefer retail as their primary channel. Suburban Customers generally prefer retail and online channels. Exurban Customers generally prefer the online channel. Rural Customers prefer traditional catalog marketing.

Knowing these trends allow us to better apply marketing principals.

2009: Co-Ops

Co-op database providers (like Abacus) face a critical inflection point in 2009.

The business model created by the co-ops (cheap names for prospecting) is being wiped out by social shopping, word-of-mouth marketing, search marketing, and third-party opt-out services.

In the short-term, this will be a painful period for co-ops, as catalog marketers cut back on marketing expense in 2009.

2009: Co-Ops

In the long-term, the co-op must evolve. The strength of the co-op isn't in cheap, modeled names for prospecting purposes. The strength of the co-op is in *customer information*.

Combining purchase activity across industries allows the co-op to "infer" customer behavior --- the "inferences" can be appended to the housefile of the participant, allowing the participant to more effectively market to the customer.

2009: List Industry

The list industry (Millard, ALC, Merit Direct, etc.) also faces a critical inflection point. If we view the goal of the list organization as being one of "renting and exchanging lists", we see an industry that is imploding.

If we view the goal of the list organization as being one of "linking prospects with brands", we find reasons for considerable optimism, given the explosion in social media.

Strong industry leadership is required to pick a route that leads to survival.

2009: Talent

2009 will mark an inflection point in the management of talent.

Companies will be quick to release talent, helping the company improve short-term profitability.

Employees will find themselves in a weakened position, feeling like they have to hold on to sub-standard jobs during a difficult economy.

2009: Talent

In the short-term, companies will have leverage over employees --- being able to minimize headcount, reduce benefits, hold salaries flat, eliminate bonuses, while still increasing productivity.

In the long-term, employees will gain leverage, either by organizing (similar to the union movement of a century ago), or more likely, via the concept of free agency. Truly talented individuals will earn more by making services available to multiple companies, and will not be subject to corporate rules.

2009: Hate

We will become increasingly pressured by a vocal and hate-filled minority to change our practices --- mailing less often to protect the environment, being asked to use recycled paper, being strong-armed into accepting third-party opt-outs, being told to stop outbound advertising.

Always remember that the undercurrent of direct marketing hate perpetrated by a few may represent the unstated "preference" of a quiet majority. We need to listen, we need to act in a responsible manner in.

2009: Trusted Advisors

Social media is forcing transparency. The transparency that rules portions of the online world is spilling over into our industry, in a positive and negative ways.

1. Trade journals, folks who needed us in the past in order to sell advertising space, now take potshots at us via their blogs, in order to grow readership.
2. Vendors look to sell something today, not focusing on helping us survive long-term.
3. Consultants focus on becoming micro-celebrities instead of focusing on improving company performance.

2009: Trusted Advisors

In 2009, we will redefine the role of the trusted advisor.

The trusted advisor thinks about your business first.

The trusted advisor cares about people, not technology.

The trusted advisor doesn’t scorch the Earth looking for short-term profit at any cost.

The trusted advisor brings trends to you, helping you “see around the corner”.

2009: Algorithms

In 2009, we will continue to yield control over our lives to algorithms.

Direct Marketers have already done so --- search and co-ops and housefile modeling are all places where the "algorithm" determines our success.

At some point, we will determine that we've "lost control". By that time, it may be too late to regain control. In 2009, we need to properly assess what it is, exactly, that we still "control".

2009: Best Practices

In 2009, we will continue to be carpet-bombed by smart people on incorporating best practices into our business models.

On the surface, best practices make sense --- leverage what pioneers have learned to improve business performance.

Leading database marketers will eschew best practices in 2009, focusing on innovation as the best way to grow out of a recession.

2009: Business Climate

Increasingly, we will be asked to compete against two sets of brands that have huge advantages.

Online competitors (Amazon, Zappos) will be able to win due to scale and distribution infrastructure.

Conversely, private equity firms will gobble up weak competitors, integrating infrastructure (customer lists, back-of-the office functions like Finance, HR … and call centers / distribution centers), driving down expenses.

2009: Business Climate

A sour economy, coupled with competitive challenges and declining customer acquisition performance, should (on the surface) lead to fear and uncertainty.

Instead, this can be a period of re-birth, inspiration, innovation. This can be a period where we lay the foundation for a wildly successful 2011, 2012, and 2013.

Never pull back on learning, testing, innovating!

2009: The Browser

For more than one-hundred years, the goal of the cataloger was to get a catalog in the mailbox of the customer.

For the next decade, the goal of the cataloger is to have content in the web browser of the customer.

Understand the distinction?

This means that the cataloger is no longer a true "catalog" brand. Instead, the cataloger is a media company that sells merchandise.

2009: The Browser

The browser is how the customer interacts with the catalog brand of the future.

When we view ourselves as a media company, we approach our evangelism opportunities (formerly known as prospecting) differently.

On the next page, I ask a series of questions, thinking a few years down the road. These questions are not necessarily relevant to driving business today.

2009: The Browser

What style of content might be appropriate for Amazon's Kindle hand-held book reader?

Instead of thinking about mailing catalogs or delivering e-mail campaigns, how might you deliver "news updates" to a mobile phone platform?

What audio opportunities exist for your brand with iPod-style devices?

2009: The Browser

If you were a media company that had to fill programming time across platforms like print media, online video, podcasts, and online articles, what would your media company look like?

Who would be the "stars" of the various programs? Who would appear in "panel discussions" about your merchandise?

Would you accept advertising on your network, to defer costs?

2009: The Browser

When we view our opportunities through the browser (computer, Tivo, iPod, Kindle, iPhone), we realize we are simply media companies that sell merchandise.

With numerous platforms and media programs / content, we have an opportunity to "pull customers in", instead of "pushing catalogs to prospects".

The business model is different --- but the outcome is the same, selling merchandise to customers with various wants / needs.

2009: Focus

We will get through 2009 by focusing on what is important. Here's what I see as being important in 2009.

Quality merchandise offered at a fair price with fair shipping charges.

Prudent advertising expense, maximizing customer acquisition opportunities while reducing contacts to lapsed buyers who do not care about direct-to-consumer advertising.

2009: Focus

An end to focusing on being "multichannel".

Beginning to focus on the five ways that demand is generated (organic, social, algorithmic, advertising, begging), viewing each as a micro-channel.

Identification of the employees and trusted advisors who grow business, who are on our side --- giving them the authority and resources to "run with ideas".

2009: Focus

More viewing of customer behavior "over time" via integrated databases that infer customer intent.

Less viewing of customer behavior "in session", less calculating open rates and click-through rates and conversion rates for "point in time" activity that does not lend itself to strategic inference.

We will re-learn that customer relationships over time are important.

2009: Focus

And if customer relationships over the long-term matter, we will create a business infrastructure to benefit the customer.

This infrastructure includes use of social media, not as a sales generator, but rather, as a way of allowing the customer to interact with us. We simply react to what we observe, we listen. We modify our old-school tools (co-ops, list brokers, housefile modeling, reporting, catalogs) to adapt to the ways customers now use the internet to interact with, and purchase merchandise.

2009: Focus

We change the focus of our brand. We no longer push catalogs into mailboxes (unless the customer prefers this style of media consumption).

Instead, we allow customers to pull our content into their computer browser or mobile browser.

The goal is to always be there for the customer when she wants us to be there. This is hard to do, and is a fundamentally different business model when compared to catalog marketing.

2009: Conclusion

Never give up.

It isn't as dire as folks are telling you it is.

Adapt! Change! Fuse the old with the new!

Understand that the customer has changed. Forever. We cannot go back to 1993. Always think about the browser.

Low-hanging fruit exists everywhere!! Cut back on wasted marketing expense to existing customers.