

# Libey-Concordia Economic Outlook and

## Secrets of the Catalog Master

# **SPECIAL**

## **Hurricane Katrina Edition: September 2005**

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### **Circulation and the Aftermath of Katrina**

**Donald R. Libey**

*While serious, wrenching and horrendous, this is not the end of the world. Once again, direct marketers who maintain a realistic and rational perspective will emerge on the other side of this most recent American nightmare intact. We present our analysis of how to adjust circulation plans for the balance of 2005 and beyond to partially offset the effects of the devastation in the south.*

### **The Third-Fourth Quarter 2005 Regional Economic Outlook**

At best, this is a matter of speculation. However, a number of common sense, rational factors must be carefully considered. First, there is no benefit to a hasty, 'pull in the reins' mind-set. All that will do is create a serious drop-off in your performance. What is needed is a logical analysis of where to decrease and where to increase circulation, and to what levels.

First, using logic, let's attempt to estimate the regional economic effect as of November 2005. I believe it will look something like this:

***Signs of Improvement or Status Quo***

Region One (CT, ME, MA, NH, RI, VT)  
Region Two (NY, NJ, CT, PR, VI)  
Region Three (PA, NJ, DE)  
Region Four (OH, KY, PA, WV)  
Region Seven (IL, IN, MI, WI, IA)  
Region Nine (MN, WI, ND, SD, MT, MI)  
Region Twelve (CA, UT, AZ, NM, OR, WA)  
Region Ten (KS, CO, MO, NE, NM, OK, WY)

***Slower***

**Region Five (KY, MD, TN, VA, NC, SC)**  
**Region Six (GA, AL, FL, LA, MS, TN)**  
**Region Eight (MO, IL, IN, KY, TN, LA, AR)**  
**Region Eleven (TX, LA, NM)**

Regions Five, Six, Eight and Eleven will be the most effected, specifically (and you must adjust for these regional inclusions and exclusions) **all of** Louisiana, Alabama, Mississippi; **parts of** Florida, Texas, Arkansas, Tennessee. And due to the effects of oil prices, likely **parts of** Georgia, South Carolina, Arkansas, and possibly North Carolina.

We believe the general economy will remain reasonably stable in Regions One, Two, Three, Four Seven, Nine, Twelve and Ten. The primary effect in these relatively stable regions will be the influence of oil prices and possible inflationary spikes. However, the overall economy in these regions was healthy pre-Katrina and should remain at least stable.

In business-to-business, we see huge demand surfacing in the year ahead as the devastation is cleared and these vast areas of the south are slowly rebuilt. As an equivalency, perhaps ten to fifteen percent of the total U.S. businesses will require refitting from the ground up as they are in the devastated area. These are predominately small businesses. The key will be access and, in time, that will involve telephone, online and email channels with mail slowly established but most likely at new, temporary or alternative addresses.

Because the majority of the economy will continue status quo, there are areas of the country that will sustain increased circulation to offset the zero circulation in the area of devastation. We have attempted to describe those decreases and increases below for your immediate guidance and consideration in making your plans.

# The Third and Fourth Quarter 2005 Emergency Circulation Outlook and Recommendation

## Synopsis

The short-term economic outlook for the catalog industry continues to be positive, but increasingly pressured, through the third and fourth quarters of 2005. There will be signs of slowing emerging in the leading indicators, and there is likely to be moderation in the third and fourth quarter and early 2006. The intermediate-term outlook, however, remains positive for the balance of 2005 and into 2006, and the long-term outlook through 2007 remains positive. This outlook is dependant upon the effects of oil prices short term and during the winter.

## Keep Prospecting

Even in the teeth of the massive devastation, I will repeat my Winston Churchill position: *Never Give Up*. Continue maintaining circulation and prospecting plans but adjust them logically and rationally. Do not allow new business momentum to wane. The path back from knee-jerk zero prospecting decisions is littered with failure.

Once again, perspective is essential. If you will think back over the years and recognize how many companies have regretted their short-term decisions to pull back in emergencies, or during periods of uncertainty, you will reflect again on the reality that reducing prospecting and house mailings *at any time* is always a strategy for slowing the growth and profitability of the business longer-term. The savings of a few thousand dollars in times of uncertainty or cloudy economics can result in the loss of many more thousands of dollars in future profits and business valuations. Our strategy should be about focus and consistency. Those are the qualities that deliver the greatest percentage chance of stability in an unstable time. *The point: Prospecting in all channels isn't an optional strategy in emergency conditions; it is a constant strategy that must be adjusted and logically addressed. But, it does not stop.*

## Nation at a Glance

The detailed economic conditions for each state (and specifically the Katrina-devastated states) have been integrated into the following recommendations. **Changes to circulation recommendations through the Fourth Quarter 2005 and are highlighted in bold italics.** A number of offsetting and moderating changes are recommended through the fourth quarter to assist in your circulation adjustments to offset as much as possible the effects of Katrina. There are obvious decreases, but there are also offsetting increases.

In those states with widespread devastation, your house list customers will need you the most at some point. Whenever feasible, as the infrastructure comes back online, attempt to establish contact with them and provide compassionate offers of assistance in their refitting and recovery.

Each state is listed with a recommendation for **H** = house and **P** = prospecting circulation.

<b>State</b>	<b>Mailings</b>		
<i>Alabama</i>	<i>Suspend H/ P</i>	<b>New Hampshire</b>	<b>Increase H/P</b>
Alaska	Normal	<b>New Jersey—North</b>	<b>Increase H/P</b>
<b>Arizona</b>	<b>Increase H/P</b>	<b>New Jersey—South</b>	<b>Increase H/P</b>
Arkansas	Normal	New Mexico—East	Normal
<b>California</b>	<b>Increase H/P</b>	New Mexico—West	Normal
<b>Colorado</b>	<b>Increase H/P</b>	<b>New York</b>	<b>Increase H/P</b>
<b>Connecticut</b>	<b>Increase H/P</b>	<b>North Carolina</b>	<b>Decrease P</b>
<b>Connecticut-Fairfield</b>	<b>Increase H/P</b>	<b>North Dakota</b>	<b>Increase H/P</b>
<b>Delaware</b>	<b>Increase H/P</b>	<b>Ohio</b>	<b>Increase H/P</b>
<b>District of Columbia</b>	Normal	Oklahoma	Normal
<i>Florida</i>	<i>Decrease P</i>	<b>Oregon</b>	<b>Increase H/P</b>
<b>Georgia</b>	<b>Normal H</b>	<b>Pennsylvania—East</b>	<b>Increase H/P</b>
Hawaii	Normal	<b>Pennsylvania—West</b>	<b>Increase H/P</b>
<b>Idaho</b>	<b>Increase H/P</b>	Puerto Rico	Normal
<b>Illinois—North</b>	<b>Increase H/P</b>	<b>Rhode Island</b>	<b>Increase H/P</b>
Illinois—South	Normal	<b>South Carolina</b>	<b>Decrease P</b>
<b>Indiana—North</b>	<b>Increase H/P</b>	<b>South Dakota</b>	<b>Increase H/P</b>
Indiana—South	Normal	Tennessee—East	Normal
<b>Iowa</b>	<b>Increase H/P</b>	Tennessee—West	Normal
Kansas	Normal	<i>Texas</i>	<i>Decrease P</i>
Kentucky—East	Normal	Utah	Normal
Kentucky—West	Normal	<b>Vermont</b>	<b>Increase H/P</b>
<i>Louisiana—North</i>	<i>Suspend H/P</i>	Virgin Islands	Normal
<i>Louisiana—South</i>	<i>Suspend H/P</i>	Virginia	Normal
Maine	Normal	<b>Washington</b>	<b>Increase H/P</b>
<b>Maryland</b>	<b>Increase H/P</b>	West Virginia—East	Normal
<b>Massachusetts</b>	<b>Increase H/P</b>	West Virginia—West	Normal
Michigan	Normal	<b>Wisconsin—North</b>	<b>Increase H/P</b>
Michigan—Up. Pen.	Normal	<b>Wisconsin—South</b>	<b>Increase H/P</b>
<b>Minnesota</b>	<b>Increase H/P</b>	<b>Wyoming</b>	<b>Increase H/P</b>
<i>Mississippi—North</i>	<i>Suspend H/P</i>		
<i>Mississippi—South</i>	<i>Suspend H/P</i>		
Missouri—North	Normal		
Missouri—South	Normal		
Montana	Normal		
<b>Nebraska</b>	<b>Increase H/P</b>		
<b>Nevada</b>	<b>Increase H/P</b>		

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