

Libey Economic Outlook

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The Exit Strategy Consultation: Is It Time to Sell?

Advance Preparation for Selling a Multichannel Business

Donald R. Libey

Selling a multichannel direct marketing business takes lengthy and often transformational preparation. To obtain the maximum financial advantage, it requires a focused, disciplined and tenacious strategic approach. I want to concentrate on the all-important strategies and tactics leading up to a sale of a business, a process that ideally starts well in advance of the actual event and, in many ways, is like your personal quest for an Olympic medal.

The End Game

The first tenet of preparation is to know what the end game is years in advance of the exit event. Whenever I consult with a CEO or owner of a direct marketing company, business-to-business or consumer, I always ask the same question: “What is your end game?” I have probably asked two hundred people that question and in only ten or twelve instances have I received a definitive answer with all the details spelled out. Most owners don’t know what their end game is.

The 'end game' is the ultimate disposition of the business. There are really only six possible end games:

1. Sell to a strategic buyer;
2. Sell to a financial buyer;
3. Sell or leave to a family member;
4. Sell to the employees;
5. Liquidate the business;
6. Die in possession.

Within these six primary end games are sub-end games. Selling to a strategic buyer may also mean selling to the existing management team in partnership with an outside source of financing. Selling to a family member may mean financing the sale for a period of time or raising the capital for the family member to use to buy the business. Selling to employees could mean an employee-owned business results (ESOP), or it could mean the senior managers purchase the business either with their own source of money, or financed by the owner. Selling to a financial buyer could be a partial or total sale. Dying in possession is actually the avoidance of all end game planning and may or may not have its positive advantages. The Point: The end game must be defined as early as possible so you can intentionally build toward that successful outcome.

Consider end game logic. If the business has the greatest value from a strategic sale versus a financial sale, the preparation for the strategic sale is entirely different from the preparation for a financial sale. An owner who has prepared a business for ten years for a strategic sale to a major competitor and then attempts to sell to a financial buyer, or to a group of senior managers, may well have prepared many of the wrong elements of the business. A strategic buyer often places less value on management than a financial buyer. The strategic buyer usually has competent managers and can integrate management of the acquisition. A financial buyer (often a private equity group) needs experienced and talented managers to continue to run and to grow the business. One wants and needs good management; one doesn't. These entail very different strategies for developing management capability.

If a company is to be sold to or given to a family member, the advance preparation for that particular end game is especially critical. If the son or daughter is bright, talented and experienced, senior and middle management development may not be as necessary as when the heir is inexperienced or under-skilled. I have seen more instances of second generation under-performance as a result of poor end game preparation by the first generation than the opposite. Complicate that fact of life with the type of transaction where the second generation is required to pay the retiring first generation a 'life annuity' and very quickly we can pin-point where all the cash in the business is going. Suddenly, the business has to support two lifestyles, the kid's and mom and dad's. These elements of the intra-family transition need to be planned in advance and literally 'designed' to achieve a successful transition.

Certain key elements repeat in transaction after transaction. When the exit strategy is defined as selling to a financial buyer, there is almost always a two-year program of enhancement of talent, response rates, customer file performance, online capability and sophistication, and inventory and fulfillment management. Why? Private equity groups are looking for ongoing top management talent, strong circulation

fundamentals and analytics, online growth and dominance, clean inventory, and a solid fulfillment platform upon which additional business or smaller, add-on acquisitions can be layered.

Similarly, when the exit strategy is defined as selling to a strategic buyer, there is almost always a two-year or longer program of enhancement of market niches, product penetration, prospect circulation performance, and earnings. Why? Because competitors want new markets, new customers, new products, and solid earnings. They want scalability and growth in the twelve-month customer file. They are willing to pay more for that mix than they are for simply more of what they already have. The smart strategic seller looks at the business and the logical buyers and asks, “How do I make my company irresistible to my competition?” If that means tangential market development, or extraordinary customer retention and AOV, or cranking up the new product machine, so be it.

These are only a few examples of the absolutely essential need to define the end game as early in the life cycle of the company as possible. End game definition for some executives is easy; for others almost impossible. The end game involves emotion. The end game involves thinking about mortality and perhaps the intelligence of sons and daughters and their life preparation. The end game involves financial planning and knowing how to use and apply exit cash. One owner who really wanted to retire said to me several years ago when CDs were paying 2.5 percent, “Where can I put \$30 million without risk and get a better return than in my own business as it is? Why sell?” The end game also involves being truthful with yourself. Do you really want to get out of the game? What will you do? Can you enjoy leisure? In short: *What is your personal end game?* Most people don’t have the answer to that question.

End Game Process

The process of mapping the end game begins with wanting to do it. I’ve worked with some owners who spoke about the process but clearly did not really want to go through the process. It was much simpler to do some surface discussions and write up a mini-exit strategy than it was to actually confront the demons and the horrors of selling the baby.

Most owners need a confidant—some one they can fully open up to who isn’t involved in the business. Usually this isn’t the board or even trusted advisors. This is someone with whom the owner has had a trusting, personal relationship. There have been five or six owners whose paths I have crossed where this was the relationship we had. There have been three or four who actually hired me for that purpose (and those were the best situations because they were intentional and driven to complete the process). There have been several dozen who were in the superficial mode, but didn’t have their heart (or brain) in the process.

The end game definition process takes discussion—of personal desires and goals; of family matters; of financial expectations; of timing; of employee skills and weaknesses; of many elements that go into the determination of the big picture end game. Mostly it takes complete honesty and a strong sense of reality. I have told many owners that the business will need five years and five million dollars of investment before it is ready to produce the type of financial expectation that they have for its sale. Few are

willing to believe or buy that evaluation. They wind up getting very little in return for their denial.

The end game takes expertise. At a minimum, owners need strategic, industry expertise and deep knowledge of the players within the industry. You may be better off with a gray eminence than with a young CPA or MBA. You need wisdom first. Next, you need solid financial and investment banking advice and perspectives on the market outlook for a sale. Again, experience and track record are to be commended. Investment banking professionals are specialized and bring the unique understanding of valuation, business presentation, process management, negotiation, deal structure, and closing experience. Remember, you will sell the business only once. You need someone who has sold businesses hundreds of times, and that is the value for which you pay a fee. Third, you need excellent accounting and legal advice, especially when there are issues of “C” and “S” corporation status and asset versus stock sale, real estate, taxation, environmental remediation, non-compete agreements, earn-outs, and other financial and legal matters. In short: You need a team of seasoned professionals whom you trust and with whom you are comfortable.

The definition process is often a series of encounters, usually three separate days where the strategic advisor and you go through the elements of end game planning. From there, a transformational strategic plan may be necessary, including management participation, to conform the business to the defined end game. That is generally a six month process. Third, with the end game and the strategic plan in place, the investment banking portion of the process can begin and, with discussions and exploration, this can take anywhere from six months to several years. With a fully furnished investment banking plan, the accountants and lawyers can be brought in to prepare for the ultimate scrutiny of the business when buyers are identified at some point in the future. In all, the end game preparation is generally one to three years, sometimes longer.

A business that is sub-optimal in performance may take some time to turn in order to ultimately produce the greatest harvest for the owner. Forensic and remedial consulting, or perhaps a partial or near-total retooling or re-staffing may be necessary. What is sad is observing a business where the owner has denied problems and then decides it is time to sell without any thought to preparation. The end game does not even remotely match the performance of the business, the team is inexperienced, and the offers received are anemic and unsatisfying. Too often, that is the disappointing culmination of a lifetime of owning and operating the business. It’s a bit like being an athlete and not staying in shape, then going to the Olympics and not even making the cut-off, and having to go home with a rest-of-your-life memory of being just an also-ran. The gold goes only to those who prepare, train, face reality, go through the pain, plan relentlessly, use great coaches with experience and understanding, assemble teams and adjust to the conditions of the competition. At the starting line, you have to visualize the race, the finish line, the winning, the victory, the podium, the gold medal: The End Game.

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MeritDirect Press Releases

New Book by Bob Bly

Ralph Drybrough and the MeritDirect partners have announced the release of the second professional book published by MeritDirect Press: *Bly On Marketing: 258 Ways to Double Your Response -- Based on a Quarter Century of Proven Results*.

Bob Bly is a renowned freelance copywriter specializing in direct marketing. He has written copy for more than one hundred companies including many business-to-business catalog and online companies, IBM, Forbes, Passlogix, ExecuNet, Medical Economics, M&T Chemicals, and Nortel. Bob is the author of more than sixty books including *The Copywriter's Handbook* (Henry Holt & Company).

Now, in *Bly on Direct Marketing*, you get Bob Bly's most up-to-date marketing strategies and tactics for increasing your response rates, both online and offline—new writing never before available in book form.

Includes:

- * How to charge—and get—a premium price for your product.
- * Understand your customer's 'core buying complex' with the BDF formula.
- * Rosser Reeves' 'lost' three-part formula for creating a winning USP.
- * The five most common subscription marketing mistakes and how to avoid them.
- * What works best: long copy or short copy?
- * Ten steps to online marketing success with the 'Agora Model.'
- * The awful truth behind Search Engine Optimization (SEO) copywriting.
- * Thirty-eight winning ideas for your next headline.
- * Overcoming reader skepticism with the 'secondary promise.'
- * What Donald Trump can teach you about direct marketing.
- * And much more....

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Bly on Direct Marketing: 258 Ways to Double Your Response -- Based on a Quarter Century of Proven Results. ISBN: 0-9765172-1-3; MeritDirect Press, April 1, 2006, 320 pages, hardbound with dust jacket; \$49.

To Order Books: 1-866-405-1300 or www.meritdirect.com.

The Second Quarter 2006 Regional Economic Outlook

The second quarter of 2006 is shaping up to be a dichotomy. Technically, the economic outlook appears excellent with the major indices positive and economic activity robust almost everywhere. The stock market is at all-time highs. Factory orders are strong. Inflation is relatively tame. Interest rates are approaching a leveling off point. Fundamentally, there has not been a time in recent years with so much going so well and with confidence in the country's various directions and leadership so low. The nation's finances are in receivership. Greed and excessive energy profits are being roundly criticized by equally flagrant members of congress. Health care costs are escalating far beyond any conceivable basis. Manufacturing and Big Auto are crumbling. Airlines are in even deeper trouble, as if that were possible. And for the first time in over fifty years, the savings rate of American families turned negative. Yet, the vast engine of consumption continues to work overtime, spewing out homes, SUVs, luxury goods, capital goods, new business expansion, and new coffee shop after new coffee shop. It's almost Dickensian. One could say with equal justification, "It may be the best of times, or it may be the worst of times."

Within multichannel direct marketing, things are good. Quite good, in fact. Most business-to-business companies are reporting strong results for the first quarter and are maintaining or increasing their second quarter plans and projections. Prospecting appears to be measurably increased. Consumer performance—particularly online—is also strong. There is a lot of money being spent on enhancing online systems, talent, and analytics. The rate of multiple channel morphing has increased. Never have the slow to change companies been so far behind the curve as they are in the spring of 2006 when compared to the 'fast players.'

On the investment side, private equity groups are awash in money, multiples paid for businesses are as healthy as they have been in years, and legions of analysts are scouring the world for the next acquisition. European companies are intensifying their investment efforts, and the three great globalizing trading blocks of North America, Asia and Europe are developing faster than projected and all have their sights on the U.S. market.

May through July, often the doldrums for catalog and direct marketers, could be a bit more rewarding this year than in recent years. Consumers and businesses have more money to spend due to the mild winter and absent any sustained series of natural disasters should continue to spend through the summer, apparently even with gasoline prices remaining high.

All regions, excepting parts of the Gulf Coast, continue stable or improved. Economic activity in all of the Federal Reserve Districts is reported as positive and expanding.

The late March 2006 Federal Reserve District reports all contained optimistic outlooks for the regional economies and reported near-universal improvement in performance across most sectors. We must give the economy good marks and encourage reasonable expansion nationally.

Signs of Regional Stability 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 Five (KY, MD, TN, VA, NC, SC)

Region Six (GA, AL, FL, LA, MS, TN)

Region Seven (IL, IN, MI, WI, IA)

Region Eight (MO, IL, IN, KY, TN, LA, AR)

Region Nine (MN, WI, ND, SD, MT, MI)

Region Ten (KS, CO, MO, NE, NM, OK, WY)

Region Eleven (TX, LA, NM)

Region Twelve (CA, UT, AZ, NM, OR, WA)

Slower (Individual states)

Louisiana

Mississippi

The Second Quarter 2006 Circulation and Prospecting Outlook and Recommendations

Synopsis

The short-term economic outlook for the catalog industry continues to be quite positive. The intermediate-term outlook remains positive for the second half of 2006, and the long-term outlook through 2007 remains positive. Our earlier concern over the yield curve inversion and its historical presaging of recession does not appear to have gained ground. Still, there are enough fundamental signs of caution to keep an eye on the health of the economy for the balance of the year, especially the dip in Leading Indicators.

Continue Prospecting

Continue ratcheting up your growth strategies for circulation and prospecting plans and do not allow new business momentum to slow. There continues to be little in the economic outlook for the second quarter of 2006 to justify any cuts in prospecting or reductions in customer circulation. Keep mailing, emailing, telephoning and searching.

Nation at a Glance

There have been only a few minor changes to the state-by-state circulation strategies.

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

The Mini-Strategic Plan

Don Libey

There are times when a series of small strategic plans makes sense. Here is a Plan of Action recently created for a large business-to-business multichannel marketing company to assist in a comprehensive review of performance and opportunities.

On initial evaluation of the performance of a direct marketing company, we find benefit in zeroing in on a number of mini-strategic elements aimed at improving performance and fueling growth. These often include:

1. New or expanded market niches;
2. Merchandising and product expansion;
3. Online channel development, integration and optimization;
4. Talent expansion.

1. New or Expanded Market Niches

Most companies can benefit from a formal exploration of logical and illogical adjacent markets to existing major markets. A mini-strategic exploration generally involves solicitation of the CEO's and senior management's thoughts and ideas on new 'tree-ring' adjacent market concentrations in order to identify 3-4 potential scalable universes for 1) existing products and 2) new products.

The process is generally done by the senior management and consists of developing expansion profiles of five to ten potential adjacent markets by each manager, including universe size, product affinities, potential for assembling product lines from existing products, potential for new product lines, usage implications of the new niche (AOV, number orders per year, line items per order, consumable versus non-consumable products, projected niche growth, geographic and shipping elements, and other strategic considerations). With potentially ten to twelve total adjacent market potentials, a mini-strategic session is held to review, lobby, debate, justify, and otherwise qualify three to four potential new markets for consideration. With that collegial narrowing, the top two potentials are selected for a fully furnished projected strategic plan. From those findings, one new adjacent or expansion market is selected for expansion. At that point, detailed plans are developed for:

1. Product requirements (existing and new);
2. Merchandising and positioning;

3. Channel integration (catalog, online, other)
4. Circulation planning (prospect and existing customer break-out);
5. Timelines, analytic projections and financial *pro forma*;
6. Competitive creative design and niche protocols;
7. Market test;
8. Test evaluation and adjustment;
9. Secondary market test and adjustment; final, comprehensive *pro forma* projections;
10. New adjacent market roll-out.

The first portion of the process—the collegial evaluation of potentials—is generally a ninety-day undertaking. The first thirty days develops the parameters for exploration; the second thirty days is research; the third and final thirty days is development of findings and recommendations for the mini-strategic planning session.

The second portion is the actual two-day strategic planning session, restricted to the market niche development findings and reaching a collegial understanding and ownership for the go-ahead development of one expansion market.

The third portion is the progression of items 1 through 10 above and varies from three to six months. Best case, a new, adjacent market can be researched, identified, *pro forma*'d, developed, power-tested and entered in five to six months. Worst case, is generally one year.

2. Merchandising and Product Expansion

Companies may benefit from a fully-furnished product review that classifies all products on a product lifecycle basis, capturing the percentage of products in the introductory, growth, mature and obsolete phases. With senior management's collegial agreement of these findings, thoughts and ideas on adjustment of positioning and merchandising tactics and approaches are solicited, by product line, by media, by channel and by financial analytics.

During a two-day mini-strategic planning session, changes in positioning are presented, lobbied, debated and consensus is reached on one to two positional changes to enhance existing market and product performance through merchandising. These changes may involve product viewpoint, service, pricing tactics, offer tactics, product mix adjustments, channel concentrations for pricing and offer advantage, sweet-spot quantity

pricing, volume pricing, membership programs, or any other positioning and merchandising concepts not currently being utilized or maximized.

Generally the first portion of this initiative is internal product and sales performance research and takes up to ninety days to complete.

With the findings, management can develop its collegial thinking and ideation during a thirty day period.

The two-day mini-session narrows the potential position changes and enhancements based on the *pro forma* protocols.

The selection of one or two positioning enhancements and initiatives then moves to the active planning stage over the next thirty days and includes part or all of the following elements:

1. Offer revisions;
2. Pricing revisions;
3. Service revisions;
4. Application information and editorial revisions;
5. Product line revisions (additions, retirements, resting, “new and improved” programs, “reintroductions,” knock-offs, adaptations, adoptions, close-outs, clearances, liquidations, variable pricing programs, large-order programs, fulfillment programs, channel programs and drivers, and other positioning tactics and initiatives not currently utilized and maximized;
6. Projected inventory adjustments and de-centralization implications;
7. Financial modeling and *pro forma* projections of enhancements;
8. Testing and adjustments;
9. Retesting and final *pro forma* and projections;
10. Roll-out of repositioned products and merchandising components.

This mini-shift in strategic performance generally is a one- to two-year initiative. It can be accomplished in less time, but only if there is pristine product performance data and it is related to provable RFM or regression modeling of performance leading to reliable and predictive financial analyses that demonstrate positive outcomes.

3. Online Channel Development, Integration and Optimization

One could argue that this is the primary priority; however, to bring some companies to par with advanced multi-channel, business-to-business direct marketing companies, there is likely a significant investment to be made, often \$1-2 million or more. To manage the investment, it is logical to utilize existing products and markets to enhance performance and earnings in order to attempt to partially or totally self-fund the “Elephant in the Room” which is the necessary expansion of the online integration and optimization to ward off the effects of ‘net gnats’ and predatory pricing that takes place when a company fails to place highly in search optimization or other essential online marketing elements.

Perhaps the most significant of the mini-strategic initiatives, overall, the online initiative must, however, be co-managed with the first two priorities in order to be successful. It will also demand significant considerations of talent and skill resources, either internally or outsourced.

I view this element of the mini-strategic planning as a parallel exploration. Senior management proceeds with its ideation and process development and explores the fully-furnished structure of an advanced online/catalog direct marketing structure. This would cause, by necessity, a rapid and comprehensive online, search engine optimization, keyword, paid and organic search, affiliate marketing, and alternative online technological learning curve (blogs, iPod-casting, webinars, etc.) that can only be beneficial for the management team for the future. An equally intensive and parallel exploration and development proposal should be solicited from at least two outside providers, one young, hungry, facile and state-of-the-art, and one established, if somewhat overloaded and expensive. The comparisons between the two are instructive.

With the findings of these two approaches, it is possible—with some guidance—to reach a conclusion on the appropriate tack for company to take within ninety days. From there, a robust developmental plan can be reached on a collegial basis describing the necessary catch-up phase to be deployed to bring company into the essential area of fifty percent online orders within the next two years and the currently existing frontier of not only multi-channel direct marketing, but the growing dominance of multi-positional direct marketing (our service-oriented company at premium pricing; our speed-oriented company at variable pricing; our volume-oriented company at volume pricing; our discount company at discount pricing; our catalog-oriented company; our online-oriented company; our wholesale-oriented company; our dealer-oriented company; our mom and pop mini-dealer-oriented company; and on and on).

4. Talent Expansion

The three mini-strategic enhancements proposed doubtless will require evaluation of talent and skill resources within the company and talent and skill resources to be imported to the company. Generally, the first step is to evaluate the existing talent levels in an attempt to discover where augmentation or repositioning is likely to bear fruitful

benefits. The secondary phase of the mini-strategic planning for talent is to present findings and to develop the augmentation plan, generally by the collegial consensus of senior management.

Once the talent resource plan is developed and accepted, the usual and customary recruitment and placement process can be accomplished, either internally or using an outside placement resource with experience in the multi-channel direct marketing industry.

This process is often as long as thirty days for the evaluative portion; thirty days for the plan development by senior management; and ninety to one hundred twenty days for creation of position descriptions, recruitment of qualified candidates, interview, vetting, and the offer and acceptance phase. From that point, starting dates are most often within thirty to sixty days. Therefore, the entire initiative is about six to eight months. For highly-specialized positions, such as ecommerce merchandisers with proven search engine optimization success, the length of time can be prolonged, especially when the employing city is not a top-tier geographic relocation area.

These four mini-plans within the strategic planning process can be selectively employed by a company based on the strengths and weaknesses that it perceives in its overall positioning and strategic health. Often doing just one of these 'mini's' a year can assist in keeping a good company fine-tuned through repetitive and frequent self-evaluation.

Essentials to Circulation Management

Don Libey

A number of fundamentals are not being observed in many direct marketing companies. I want to review several that collectively can drop five percent out of prospecting and customer file performance.

While these fundamental principles of circulation management may seem obvious to many, I am seeing instances where the focus on web marketing and email in business-to-business is causing new circulation managers to lose sight of the basics of catalog and direct mail technique and practice.

1. *Vendor Molding.* You must ask the question, "Who is in charge, here?" Too many vendors, particularly data processors, have too many rules that favor their operations. When firm lists have to be submitted more than a month in advance of mailing dates, in some cases quoted recently, two-and-a-half months in advance, in order to meet mail dates, you are being molded to the convenience of the vendor. The necessity

of flexible adjustments to lists must be adhered to by all business-to-business mailers. Being arbitrarily locked into inflexible patterns by vendors is anathema to optimal mailing performance. Today, we track hurricanes, fast reads on web tests, hotline segmentations, economics of regions and, increasingly, local response to advertising. If a data processor is not able to quickly respond and format a constantly shifting landscape of circulation factors, then you seriously need to find another vendor. Your circulation should not be molded to the convenience of the vendor; the vendor must mold to your needs.

2. *Hotline Timing.* The use of hotline names is a powerful stimulant to performance. The seasonality of certain markets, refreshment of updates to lists by other mailers, the usual and customary flow of prospect and house mailings within the larger business-to-business aggregate, industry characteristics, government contact characteristics and other factors all come together in a frenzied quarterly rush to obtain the most current names for 'shortest-time' mailing. Service providers over the past twenty years have been relentlessly reducing the time between the day when names are 'put up' and refreshed each quarter and the day of mailing those hot names to a matter of days rather than weeks. The result is measurably improved response, orders and sales. This has been tested and proven conclusively over the last twenty years and has been the 'gold standard' of circulation for circulation planning and administration for some time.

But when the company's internal mail plan is out of synch with this powerful quarterly refreshment regimen and standard that is used near-universally by all seasoned and experienced circulation pros, havoc reigns. In some instances where monthly mailings are not the standard, mailers may schedule mailings at sixty or ninety day intervals. And, when those odd-ball intervals are off-synch with quarterly hotline refreshments, the names that are mailed may be six months old or even older. All the benefit and 'juice' of the expensive hotlines has been lost because your competitors have been there before you—months before you. There are actually many young (and quite a few experienced) circulation managers out there who don't really understand this quarterly ballet of hotline names.

3. *SIC Tagging.* In business-to-business circulation, SIC code tagging is a fundamental basic practice. The concept is that we take business names and match them against known business databases to append the SIC code so that we can develop better targeted mailings and product offerings based on specific industry needs or behaviors. If you use only one source or one national database for appending SIC codes, you get x percent of the names coded. If you use two national databases for appending SIC codes, you get x plus percent of the names coded. Two sources are better than one source. Additionally, some national databases—specifically Dun & Bradstreet—are renowned for the quality and depth of the SIC code tagging in business-to-business, particularly manufacturing and related major groups.

If, however, you append unknown SIC names against D&B, perhaps Experian's National Business Database *and* against MeritBase or an integrated marketing database, you may see as much as a twenty percent (or more) improvement in SIC code tagging

performance. A solid regimen such as I have described should produce upwards of seventy percent positive SIC code tagging in a major business-to-business house file. My personal best was achievement of eighty-two percent, but it took diligence, tenacity, constancy and multiple matchings with top database companies like D&B.

4. *Private, Integrated Databases.* For multi-company multichannel groups, the advent of the private, integrated database is not a question of “If” but rather “How Quick.” It is a given that this is where it is all going. Building these powerful tools on a multi-company basis for those large conglomerates that are emerging in catalog and online marketing is becoming the gold-standard. They are expensive to build and expensive to properly maintain, but nothing is likely to produce as great a return on investment for the multichannel, business-to-business marketer as this technological advance. When you control the quality of the prospecting names, and draw from rich veins of proven performance data to create your own proprietary marketing fuel cell, you are super-charged for the future. Remember, there were people who said the Internet was a flash-in-the-pan and that Addressograph plates would never be replaced.

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