

Libey Economic Outlook

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Talent and People in Direct Marketing

Donald R. Libey

The Importance of Talent

The watershed year was 1989. That is now 17 years ago. That was the year when the technological revolution in direct marketing—systems, databases, and software—took the lead over people, talent and experience. For nearly two decades, we have seen the results of our technological explosion, and the results have been impressive.

Suddenly, however, we are beginning to experience a severe lack of talent. As the direct marketing industry expands and channel proliferation continues to create larger portions of share, the industry is finding it difficult to find talented people.

Talent presents an interesting multi-perspective. For senior executives, talent is often described as management skills. For tactical staff, talent is often described as functional. For example, a CEO of a direct marketing company owned by a private equity group will be evaluated on the talent and ability to deliver EBITDA (earnings before income taxes, depreciation and amortization). A manager of search engine marketing will be evaluated on the talent and ability to create top search rankings and subsequent conversions, as well as the hands-on capacity to build online relationships. A VP of ecommerce will be evaluated on both web-related talent and direct marketing-related talent.

If we accept the fact that people still make things happen—at all levels—then the recruiting and retention of talent and people becomes one of the most important activities that the successful business must accomplish.

How do you find these varying levels of talent? It's getting difficult. And now, some blunt talk about people and talent.

True Talent and Pseudo Talent

True talent is exceptionally rare. True talent is a unique blending of tomorrow's technological and channel knowledge and historical knowledge of overall direct marketing knowledge. In other words, true talent understands how each channel must be used to enhance the overall performance of *all* the channels. True talent is not found in single barrels; it is found in blends of skills from numerous barrels. A cutting edge online marketer who also knows cutting edge catalog circulation is a very valuable asset to the multichannel direct marketing company.

True talent is not only exceptionally rare, but it also 'rings true.' By that I mean it *actually knows what it is talking about*. Our industry has a sufficiency of semi-talented people whose experience lies in the direct marketing of yesterday; it has a serious insufficiency of highly talented people whose knowledge lies in the direct marketing of tomorrow *tempered* by the understanding of the fundamental basics of direct marketing.

True talent is, by definition, short term talent. A twenty-six year old search expert, who can actually deliver, knows what that talent is worth and seeks out those companies that are willing to pay for that talent. And, when that expert's skills grow in two or three years, another position at higher compensation will be irresistibly attractive. True talent today is opportunistic.

Pseudo talent knows enough to get by. Dilbert and Wally are the 'everyperson' of pseudo talent. They are looking for a fairly permanent cubicle and a good health insurance plan. They have enough knowledge and skills to do an average job, but they are not, and never will be, rainmakers. They are not apprentices, but they are not masters; they are journeypeople.

The talent pool, therefore, cleaves into two halves: 1) the true talent that is opportunistic and mobile; and 2) the pseudo talent that is looking for security and willing to take less compensation. Competition for true talent is fierce and large companies tend to be successful in attracting true talent, even if only for a relatively short tenure. Supply of pseudo talent is greater than true talent, and it is cheaper. However, you still only get what you pay for talent.

Ownership Motivation

Why do some companies have an abundance of true talent and others an abundance of pseudo talent? Many reasons can be suggested, but my experience tells me the primary reason is the motivation of the owner(s). That motivation tends to fall into two categories: 1) owners who *invest* their companies with true talent; and 2) owners who *indenture* pseudo talent. It comes down to money. Successful companies spend money on true talent and grow rapidly. Mediocre companies spend little and get little as a result.

The differentiating attitude among both types of owners also tends to fall into two distinct categories. The successful owner with true talent believes it is the *people* who drive the success of the business. The mediocre owner believes it is he or she who drives the success of the business. Successful companies focus outward on the talent and abilities of people. Mediocre companies focus inward on the omniscience of the owner.

Competing for the very best minds, talent, and skills in the multichannel direct marketing universe must lie at the heart of any company's strategic planning. Nothing happens without people. Depending on the motivation of the owner, two possible outcomes exist based on the people and talent quotient of the company: 1) success; 2) mediocrity.

The Easy Way Out

When I look at the coverage of the basics of direct marketing, I see, too often, simplistic choices that reflect the easy way out of the dilemma. Circulation management is given to a raw apprentice or, worse, turned over to the anonymity of the Black Box membership co-op. When did circulation expertise—the life-blood of direct marketing—become unworthy of experienced talent? There is, however, no circulation rainmaker on staff.

Product management is more often than not a hodge-podge of poor management. Nearly every company has a twenty percent overage in inventory and way more obsolete, slow-moving product than should ever be tolerated. There is, however, no merchandising rainmaker on staff.

Analytics have four different interpretations—one for catalog marketing, one for ecommerce, one for accounting, and then the one the owner believes. There is, however, no analytic rainmaker on staff.

Operations and fulfillment are below par. Orders are double-shipped; returns are messy; inventory is out of whack; efficiencies are ‘iffy.’ There is, however, no operations rainmaker on staff.

What often *is* on staff are circulation, merchandising, analytic, and operations people who are ‘okay.’ They show up and do something and that is all they are being paid for.

This easy way out; this ‘lowest cost’ solution; this mediocrity-wish; this inward focus on owner omniscience, is far too prevalent in an industry as sophisticated and profitable as direct marketing. When private equity ownership takes over, the pseudo talent is put to the sword of profitability. Rainmakers arrive and the true talent drives the investment, or else. In rare cases, pseudo talent bluffs its way for a year or so, but sooner or later, the hard realities are exposed and true talent dominates.

Talent and People Must be an Intentional Decision

Owners and senior management—if they truly desire growth—must inventory the talent they have and decide—intentionally—to raise the talent level of the organization. Ownership must accept—if they truly desire growth—that there is a cost associated with that intentional strategic decision. Ownership must accept—if they truly desire growth—that there is pain associated with that intentional strategic decision. People will have to be replaced. Ownership must accept—if they truly desire growth—that the entire attitude of the company will doubtless have to change if they are to become successful in attracting and retaining truly talented people. Truly talented people are smart, and they are the first ones to see through a company’s persona. Let me give you an example. Pick a company in your field that you think is pretty mediocre. Now, let’s list the reasons a young, brilliant, experienced rainmaker in, say, database analytics would choose that company over Google. That’s exactly what you are up against when it comes to attracting talent.

The decision to build a new facility is easy. The decision to expand into a new product line is easy. The decision to spend \$4 million on a new operating and ecommerce platform is easy. The decision to upgrade people and talent is nearly impossible because it is so soul-searching and requires so much pain. And yet, it is where everything else begins and ends.

The First Quarter 2007 Economic Outlook

On average, the economists see an investor-friendly 2007 economy, with growth cooling to 2.6% through the end of 2007. That's lower than the 3.1% pace expected for 2006, but projections are for a slight pickup in the pace as the year progresses. The slowdown will cause the unemployment rate to drift up, probably from 4.5% to 4.8%. The drop in new home construction is expected to end by midyear, yet by the end of the year, home prices are projected to drop nationally by an average of 1.7%.

The offsetting outlook is that slower growth would cause core inflation, which excludes energy and food, to moderate. The consumer price index is projected to rise 2.5%, while the core CPI is expected to drop to 2.4%. A softer look for inflation will give the Federal Reserve leeway to trim its target interest rate to just below 5%, from 5.25% at the end of 2006. Fed policy easing will restore a flatter yield curve, with the return on a 10-year Treasury note expected to drift up by the end of the year to just under 5%. Profits will continue to grow but at a slower single-digit pace, compared with high double-digits in 2006. Overall, this is a reasonable outlook and, of course, can be influenced by the growing problems in almost all of the Middle-east.

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 First Quarter 2007 Circulation and Prospecting Outlook and Recommendations

Synopsis

The short-term economic outlook for the catalog industry remains positive. The intermediate-term outlook remains positive for the first and second quarters of 2007 and the long-term outlook through 2007 remains positive. This has been almost three years of sustained positive outlooks and this is reflected in the near-universal growth of the industry sectors.

Prospect as an Investment

For the first half planning in 2007, continue with normal to increased strategies for circulation and investment prospecting plans. There continue to be no compelling economic reasons for reductions in either prospecting or customer circulation. We would be comfortable with increases of ten to twelve percent in prospecting levels.

Nation at a Glance

We have raised mailing recommendations in several states for the first and second quarter planning in 2007.

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

Kevin Hillstrom

A Beautiful Mind

First: full disclosure. I am Kevin Hillstrom's book publisher. His first book, *Hillstrom's Database Marketing: A Master's Complete Method for Success*, was published in 2006 by Direct Academy, an imprint of Campbell & Lewis Publishers, of which I am the proprietor. His second book will be released in the summer of 2007.

Second: his mind. As you may imagine, I have met many people in my years in direct marketing; some brilliant, some not. Kevin Hillstrom is the most remarkable mind I have ever encountered in this profession. That is why I wanted to publish his books. He deserves to be heard. His mind produces important questions and ideas. He is a change-agent; an observer and synthesizer. A mind like Kevin's comes along only rarely and it is worthy of notice.

Third: his knowledge. He is a true Master of database knowledge; unusually gifted and highly talented with nearly twenty years of heavy-duty direct marketing and catalog company experience. If he was a surgeon, he would be leading teams of advanced transplant surgeons doing important, life-saving work among the needy of the world. He tempers his knowledge with his humanity, and that is a rare thing. He is a direct marketing teacher and a direct marketing futurist. He knows and sees what is going to occur and he will be right 8 times out of ten. That's batting 800; Hall of Fame quality.

Fourth: his writing. He writes better than anyone I know in this industry. His writing is clean, spare and direct. He actually has something to say and says it with substance. And what he writes about are important things for the serious practitioner of direct and database marketing. He makes the ordinary extraordinary. He makes the complex understandable. He teaches in writing. He is a regular columnist for *DMNews*.

Fifth: his blog. Kevin has created one of the most read blogs in all of direct marketing. You can become a regular participant at www.minethatdata.blogspot.com. He wishes to have interaction; he encourages differing views; he has a following of other brilliant people who contribute. The blog is a master's course in database concepts. Read it for six months and you will have the equivalent of an advanced degree from some of the best content available anywhere.

Sixth: his concepts. He thinks differently. He sees things differently. His vision is fresh and vibrant. His conception of the future of direct marketing is sustaining and intelligent. He is a conceptual leader with an important future in our industry.

Seventh: his sharing. He shares his knowledge. He offers it freely. If he chooses to become a consultant one day, he will be in constant demand by the extraordinary companies who value knowledge and intelligence and understand what a talent like Kevin's can do for their future growth and success.

For these reasons, Kevin Hillstrom is someone you should know and read.

A Small Thing

The Little 'Moments of Truth' are what should be attended to

Last month, in my purchasing of Winter Solstice gifts for a few close friends, I experienced several 'moments of truth' that were either successful or a failure for the merchants I selected.

An online purchase was made for a gourmet mushroom selection of four varieties of hand-picked, fresh mushrooms. Now, these were not dried mushrooms, rather *big* mushrooms picked in the last two days and whisked to the lucky recipient via FedEx from the mountains of the northwest. We're talking about \$200 worth of *very special* mushrooms.

I filled the shopping cart and proceeded to checkout. My credit card was processed and charged. The shipping address was entered and a gift card was written. The merchant asked me if I wanted them to send an email to the recipient giving them the day the shipment would arrive and notifying them of the perishable nature of the gift so that arrangements could be made for a successful receipt of the package. Of course, I followed their suggestion and an email was immediately sent with a copy found within seconds in my in-box. That unique gift was complete and would be the perfect gift for my gourmet-food-loving relative to whom it was going.

Two days later, I received an email informing me that the mushroom selection gift package was not only out of stock, but *out of season*. *Then why is it listed on your gift-giving suggestions online in December?* Moment of truth. Failed. Plus, now I had to send an email saying disregard my email telling you about a great gift that was now supposed to be there today. Bottom line, I look like a fool and the mushroom vendor is clearly inept.

And then I remembered my friend, the owner of JR Mushrooms and Specialties, www.jrmushroomsandspecialties.com. I go online and there are not only mushrooms of every conceivable variety, but white and black truffles and truffle oil. A selection was made, ordered, paid for and shipped within hours. And my friend emailed me and said, "I saw your order come through and I took it to the post office personally and sent it Priority Mail. It will be there in three days." Wow! Moment of Truth. Success!

It's all about the small things.

One Thing

I don't do New Year's resolutions. What I do instead is to find one thing I will do in the next year that needs to be done. This is a full-year project. I don't do little stuff. I do big stuff. Last year I needed to lose 70 pounds and I did it (the fact that I need to lose 140 more is a project for some other year). This year, I am focusing on building a serious blog site to aggregate my universe of direct marketing contacts. But, that is not the point. The point is: What are you going to do this year that is important and necessary—one thing?

If we don't have these repetitive 'One Things' year after year, we wind up not doing one thing each year: improving. We stagnate.

Try this small experiment. Take a half sheet of paper and write down five things you *know* you should do. These are not the ‘nice-to-dos,’ these are the ‘have-to-dos.’ Now, rank them in importance. Whatever comes up number one is what you should focus all of your One Thing effort on in 2007. The key to success is choosing things that are vitally important and getting them logically ranked. These can be business or personal things; the only thing that matters is that you identify one thing and that you accomplish one thing. Twenty years of ‘One Things’ is a lifetime of accomplishments.

Typography

We are in danger of losing our knowledge about the importance of typography in an Arial dominated online world. Here are some fundamentals that create not only better catalogs, but better communications.

Typesetting is not typography; typography is the art of design using type. Typesetting is key-stroking. Many art directors and designers are essentially typesetting because they no longer have the subtle knowledge of type use that has emerged from thirty-five centuries of typographic evolution.

There are eight classifications of fonts: 1) Serif; 2) Sans Serif; 3) Display; 4) Glyphic; 5) Monospaced; 6) Script; 7) Blackletter or Gothic; 8) Symbols and ornamental. Those fonts that direct marketers are generally concerned with are Serif, Sans Serif and Display.

Serif Fonts

Serif fonts have cross-lines at the head and feet of the type strokes. These are brought forward from stone carving in the Roman era. These fonts are also referred to as Roman fonts.

Serif fonts are further categorized into five types: 1) Venetian Oldstyle; 2) Geralde Oldstyle; 3) Transitional; 4) Modern; 5) Slab serif. Most of our present day typography is concerned with Modern and Transitional divisions of serif type.

Typography has a primary responsibility to make type readable and legible. In the world of typographic design, Serif or Roman type has always had the edge in reading comprehension. We learn to read through books, newspapers and magazines and these are, by and large, set in Roman fonts having feet or serifs. Serifs aid horizontal eye movement; Sans Serif fonts are harder to read.

Sans Serif Fonts

Sans Serif, or type without feet or serifs, was first introduced in the late 1800s. Sans Serif is further classified into three divisions: 1) Grotesques; 2) Geometric; 3) Humanist. Most of our Sans Serif fonts tend to be from the Grotesques, a term that was applied to the fonts when they were first created because they were felt to be ugly.

Sans Serif is more difficult to read; the eye tends to skip parts of the words, thereby diminishing comprehension. For this reason, publishers rarely set book interiors in Sans Serif fonts. Oddly, many catalogers do use Sans Serif believing it to be cleaner and more ‘modern.’ Comprehension and readability are, however, diminished when this decision is made. If you want a passionate debate, raise this issue with a Sans Serif designer and watch out for the explosion, sparks and fire. But, the fact is that over 100 years of testing has proven—time and time again—that Serif or Roman type enhances comprehension. Do you want to sell stuff or look cool?

Display Fonts

These are the specialty type fonts that are essentially illegible as text fonts. When used within the constructs of good design, these can be wonderfully enhancing to a catalog design. When used excessively or as a ‘jumbled bag’ of type, a catalog can look insipid and amateurish. It takes an excellent typographic designer to handle display type well in a catalog typography protocol.

Type Size

The typographer has another element that contributes to readability and legibility: point size. Ten-point type is thought to be the smallest legible type. This newsletter is set in 12-point Times New Roman. When it is set in 11-point, I receive comments on its being too small to read easily. Part of the reason is the design of the newsletter and the intended reading experience. Over the years, I have found that this newsletter is taken on trips, taken home, or otherwise reserved for a straight-through, concentrated reading session. The columns are dense and there is a lot of reading. This is not ‘sound bites’ design; this is meat and potatoes. So, because it is a long slog, the type has to be larger and 12-point is logical—like a book.

Over the years, I have done hundreds of catalog critiques. The most common problem has been Sans Serif type fonts and 8 or 9 point type. That’s a recipe for near-total illegibility. The usual reason is to control page count, and that is truly being penny wise and pound foolish. If you can’t afford sufficient pages to get your product message across in a *legible* and *easily readable* manner, why are you in the catalog business? You might as well build a billboard in your basement or open a retail store with no door.

Letter Spacing

This element is all about the choice of font within the style of types. Times New Roman has a different letter spacing than Baskerville Old Face or Garamond or Book Antiqua. It takes more space for the latter than for the former to print the same content.

The mastery of letter spacing goes to the art and knowledge of the myriad typefaces available to the designer. Understanding the subtleties of kerning and ligatures lies in the mastery of the art. Kerning alters space between characters; ligatures are conjoined characters; tracking alters letter spacing on the paragraph level. Spacing must be in proportion to the letterforms. All capitals are difficult to read and create a new set of spacing demands.

Word Spacing

Word spacing refers to the quality of the space between words. It must be set to be just enough to preserve the integrity of the line while promoting maximum readability and legibility. Word spacing should be almost invisible. With the prevalence of Word as the typesetting medium, we often see bizarre word spacing, especially in narrow lines. Word spacing is not unlike bricklaying. There is a horizontal space between the bricks that is taken up by the mortar. That space is what we find with word spacing. Much of the spacing is determined by the justification. This newsletter is justified left and right and forces the space between the words in order to have even justified lines. Ragged right justification offers more freedom for word spacing.

Leading

The vertical space between lines is known as leading after the thin sheets of lead that used to be inserted between each row of hand-set type. This is similar to the mortar in bricks vertically between each course of bricks. The less distance between lines, the less comprehension; too much space also lowers comprehension. Leading requires an ideal that is maintained uniformly throughout the catalog.

Line Spacing

Text should contain no more or less than 40 to 50 characters per line for maximum legibility. In some instances, two columns are better than one long line. Again, the knowledge and experience with individual type fonts is essential as each one requires a very different optimal line length and spacing.

Inherent Legibility

Type that is in italics is less legible and readable than roman type. Italics should be avoided and used only for emphasis or as required under standard style manual usage. Shaded, outline and inline type faces are difficult to read and should be avoided. Reversed type (white out of gray) is detrimental to comprehension.

Good Typography

Good typography is never noticed. That is why it is good. Good typography reduces the effort of reading as much as possible. As a result, it encourages the reading of the page, as well as understanding. Catalog readers respond to consistent typography protocols and consistent page elements. The idea is not to dazzle the reader with design, rather to understate the design in favor of maximum readability and legibility.

In recent years, we have seen the loss of much of this knowledge and these artful elements of typography, especially as economics drive design decisions. But, once again, the purpose is to sell—legibly.

Knowing . . . Really Knowing

Here it was again: senior executives sitting around the conference room table—guessing. Quietly, in my head, the question repeats yet again: ‘Why don’t these people know what is going on?’

Twenty years ago we needed to know 20 things to be successful, 20 cardinal measurements. Ten years ago, the number had risen to 100 things; today, it is many hundreds of measurements. Yet, I often can’t get those first 20 things that should have been being measured 20 years ago.

Everybody has a different way of measuring. The interpretations are all different. Worse, the belief about the health of the measurements is all over the place. The CFO and the VP Marketing and the CEO all have a different agenda for the measurements.

There is not a single, consistent measurement that serves the same agenda in many companies. One group is measuring for the board; another is measuring for the financial statements; a third is measuring for total circulation counts or pay per clicks.

And, just how are the people that are trying to assist you supposed to figure out what it is that you want? The search firm reacts to your measures differently than the list broker. The list broker reacts differently than the Black Box co-op people. Who’s on first?

In my irritating way of asking hard questions, here are a couple of doozies for 2007:

What if you established—once and for all—a uniform protocol of just 20 cardinal measurements developed jointly with your Trusted Advisors and used those benchmarks uniformly across all areas of your company?

What if you removed all ambiguity and mystery from 20 simple benchmark measurements?

What if you got everybody to agree on 20 measurements, all measured the same way by everybody and interpreted uniformly?

What if the CEO or owner or private equity board, or whomever has the ownership, agrees to abide by the common measures that are decided upon and hold the senior managers to those interpretations without changing the rules?

What if you actually *did* this?

Wow! Dude!

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