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The Service Imperative

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Many direct marketing businesses are cutting back on customer services, either through staffing reductions or reductions in services that seem too rich for today's stressed economic environment. What are the long-term implications of customer service cuts and what are the service strategies that create a win-win for both customers and merchants?

Learn From the Fools

The Fool, or the Court Jester, had a very influential role. Only the Fool could speak the truth to the king and, by clever phrasing of the truth and manipulation of the key advisors to the king, create a revealed, mirth-filled reality for majesty. Would that we had Fools in the corporate boardrooms today, for they sorely need truth and reality.

On any day, approach the check-out lanes of any big-box retail store—and then be prepared to find one checker on duty out of a possible twenty. Wage controls are more important today than customer satisfaction. The line of unhappy customers with their meager purchases, waiting for the manager to come and authorize a price correction has no reality for retail managers; after all, they are doing the customers a favor by being in business.

On any day, try to change your cable TV subscription, or talk to a human at the mail order pharmacy mandated by your health insurer.

On any day, hope for the best when attempting to get the automobile dealership where you bought your car to honor the warranty: “Sorry, that’s a non-warranted part and is not actually covered by the service warranty.”

On any day, magic incantations are necessary to clear away the smoke and mist of any customer service attempt in the retail and service industries’ worlds. Things just don’t work well there.

Were there Fools, perhaps as non-executive, outside directors, serving the corporations of America, hope for profitability might be in greater supply. Without them, we seem destined for deepening mediocrity and a masquerade of essential truths.

What Do We Buy?

I can purchase almost any product from dozens of merchants. I can buy almost any product from dozens more merchants in other channels. My merchant choice is almost never about the *product* itself, but about the purchase *process*.

There are products I want *right now*. I cannot possibly wait for even FedEx delivery in the morning. My CD changer just quit working, and it will be replaced within an hour with a visit to Best Buy or somewhere close (I know—it’s obsolete technology, but I have over 600 CDs and no desire right now to convert to MP3). I planned on listening to an evening of great jazz while having a glass or two of Famous Grouse Scotch tonight and nothing is going to interfere with that plan. Do I care who makes the CD changer? No; one is as good as another—it changes CDs, not my income level. What is the critical determinant of where I will buy the CD changer? How close I can park to the store’s entrance.

There are products I am willing to wait a day or two for. If they can be delivered by UPS, that determines the channel and the channel often determines the merchant. Zappos for shoes is a great example: huge selection; free FedEx next-day delivery and free FedEx return shipping if necessary. Do I pay a little more? Yes. Do I care? No. I wear 4E width.

There are products I will wait for: furniture or unique, one-of-a-kind products. The product *itself* determines the channel. The only store I can order a really big, sturdy, custom-fabric, easy chair the right dimensions for a Libey-size guy is in Boone, Iowa which is about thirty miles away. I will drive, spend half a day and wait two months for delivery. I don’t care who *makes* the chair; I only care about who can get it for me and when.

But, for all three motivational situations—right now, a couple days, or two months—the *process* will determine if I ever use the merchant again. And *process* is another name for *service*.

Help Me Understand

When people are spending less, why would any merchant cheapen the service processes? This is *precisely* the time you should be finding every possible way to make it easier for me to give you money.

If you sell CD changers, put in a drive-through window so I don't even have to get out of the car. "I'll have a six-disk CD changer. Here's my credit card. Keep it under \$60. Tell the kid to put it on the back seat." In and out in under 12 minutes. I've got a new Shirley Horne CD and a glass of scotch waiting; no time for unimportant consumption nonsense.

If you sell Big Man chairs, figure out how to upholster it with the fabric or leather of my choice and deliver it to me in *two days* and I'll buy five rooms of furniture from you over time.

If you sell insurance, cable TV, hotel rooms, or any other service product, get me to a human with correct answers and fast solutions for my needs within 15 seconds and you will *own* me forever. In fact, that should be the premise of all of your advertising *right now*. People want convenience, hassle-free solutions and accuracy more today than at any time in our commercial history. Why? Because ninety percent of all the processes are screwed up beyond all recognition.

Service options are the antidote to discounting. If that CD changer in the store is \$49, I'll pay \$59 at the drive-through window. And, I might be able to get it for \$39 online, but I want it *now*. I'll pay a fifty percent premium for delivery speed and convenience. In fact, if the kid who loads it in the car will follow me home, there's \$30 in it for him to hook the thing up correctly to my tuner. I'm a concept man; I don't do plugs well.

But, why would any merchant *degrade* customer service in a difficult economy? Why, indeed, would any merchant degrade customer service in *any* economy? The great customer service advocate, consultant, speaker and author—Ray Considine—wrote a book titled WAYMISH: "Why Are You Making It So Hard . . . for me to give you money?" His logic and observations over his life were irrefutable and timeless. It matters not what channel or what industry or what product or what merchant. Your only job is to MIE: "Make It Easy . . . for me to give you money."

The Only Outcome of Cheap Customer Service

Cut back on people; let the phones go unanswered for twenty more seconds; add long, confusing menus of choices when I call; bury the costly returns and refunds under

so much process that I'll give up (and *never* do business with you again); deny my claim in the hope I'll go away after three attempts to get what I am owed; be sure the lines get longer and the employees dumber; make it impossible for me to get more than thirty days of medication on my insurance plan without paying for it myself; make the part that always fails on the car's air conditioning condenser a "non-warranty" part and then charge me \$346 at 24,469 miles; make me wait a half-hour for "the next available customer service representative;" and always, always remind me with a repetitive, hollow recording every 10 seconds that "Your business is important to us." And do these silly things in a time when every single satisfied customer has never been so important to your financial stability and success. All these cost-saving service cuts assure you will infuriate your customers, drive them directly into the arms of your lower-cost competitor, and hasten your reorganization into a smaller, less profitable business.

The Service of Distribution

If you are a business-to-business merchant with a primary model of efficient distribution, the concept of service may demand a decentralized approach to servicing your customers' orders.

Being close to the customer with inventory, and delivering products faster at a lower shipping cost, are strategically advantageous; more so in a challenging economy with smaller, more frequent orders.

Smart distribution merchants are adding inside sales in their decentralized warehouse locations; some even surround the dispersed distribution centers with field sales forces in an attempt to stratify the market into four channels: catalog customers; inside sales customers; outside sales customers; and online customers. The objective of any model is to sell more products to more customers; doing so locally or regionally is a stronger model than doing so nationally from one centralized location.

Distribution is a process. Customers choose the process that better meets their desires and needs. Customer-centric processes—intentionally created in effective distribution models—cause customers to develop lasting relationships, particularly when the process is easy, accurate, and faster.

The Fool's Truths

There are really only three things you need to attract customers: 1) innovative products; 2) great services; 3) effective go-to-market vehicles. I tend to believe these components of success are in that 1-2-3 order. The interesting part is the definitions of "innovative," "great," and "effective." For some, the king wears a beautiful robe; for others, the king is naked. Only the Fool knows for sure, because he is in service to the king.

Thoughts Looking From My Window

*A few thoughts that you may want to consider yourself.
A regular feature of the newsletter.*

The Robin

Every day is different from my window. Actually there are several windows: one in Iowa looking out over the corn fields; one in Wiltshire, England, overlooking the patchwork hills of the English Cotswold District; and one in Door County, Wisconsin, with a long view of the deep blue bay waters leading to Lake Michigan. This morning, it's my window in Iowa, and it's early, just before dawn.

Last year, the first Robin appeared on February 24th. This year it was on February 20th. I keep track of those things. One bird has been visiting every morning, perched in the tree in front of my window, calling up the sun about 6:00 a.m. He sits on a branch, facing the orange/purple dawn and just sings his heart out for about twenty minutes. When the sun breaks the horizon, he's gone, like a shadowy Ninja.

This morning, as I watched and listened in the early morning, I realized that the Robin has no concept of troubles or problems. Something in its DNA makes the Robin perch, sing, and await the sun. His routine is positive, expectant and totally without interpretive thought or awareness of the artificial world we humans have created for ourselves. There is no Dow Jones Industrial Average plunging beyond recent memory; no bank loan being called; no payroll to be met on Friday; no drop in the twelve-month file; no layoff to be announced; no Robin Internet needing six more SEM Robins to be adequately staffed to drive new Robin acquisition—just a tree, a song and the sun. This is one lucky bird.

And then it dawned on me: be more Robin-like. Forget the travails of today's economy; forget the pressures for a while; stop worrying, for a few minutes or hours, about so many client/friends who are having trouble presently; stop dreading morning. Instead, perch myself on a branch, lift my head and sing. Just do good, positive work and welcome the sun. If we all just did good work and stopped worrying, we'd be a few steps closer to success. If we all stopped—for just a while—worrying about our businesses, we'd all hear the faint song of the Robin calling up the day, and we would have a curious half-smile on our face that feels so much better than the usual daily frown.

After the Robin this morning, three of you called me to talk about your business and financial performance problems (you know who you are). My advice—which you sought—was better counsel this morning because of a Robin you didn't get to enjoy. But, the Robin gave me a sense of well-being and the knowledge that positivism is all around us, especially when things are most difficult. The Robin made me a better advisor today. And today, I lifted the spirits of three CEOs and, perhaps with a few suggestions, the

strategic success of three companies just a little bit higher. It was a good morning. It was a gift from the Robin.



An Announcement

Most of you think I am a Luddite, one who eschews technology. The truth is I am an extremely early adopter of technology. I created the first Mac-produced, totally digital catalog in the world in the early 1980s; I've used email since 1991; I've had commercial websites that pre-date the burst ecom bubble by several years. And now, I am creating something new . . . a direct marketing Hub. And . . . it's really cool!

www.DailyDM.com

After little more than two days of programming, Daily DM is up and running (and I actually did it myself). It brings together all things Direct Marketing. It is a huge compendium of direct marketing resources, news, videos, channels, analytics, RSS feeds, vendors, contents, directories, as well as world news and other content for managers. It's a one-stop home page that leads you to everywhere you need to go in the information content world. Daily DM's tagline says it all: *First Stop For Direct Marketers Worldwide.*

Daily DM has been created to serve as the "hub" of direct marketing for the U.S., Canada, the U.K., Europe and Australia. Every selectable category on the home page is chock-full of links to resources and content on three continents.

Daily DM is "Big Bang Hub" . . . it keeps expanding outward over time until it becomes its own direct marketing search engine. Every day, more and more links, videos, RSS feeds, special content is added; more and more resources are identified and linked to the website. More and more categories of content are added to fuel the Big Bang and the ever-expanding multichannel universe of direct marketing. What you find on the site today is, in my estimation, about 10-15 percent of the content that will be there in two years. Plus, Daily DM has surveys, polls, frequently changing content in the Editor's Corner, and many, many unique features to be added.

The site is free. You can join by simply signing up. One day, I plan on having a membership option for about \$0.12 a day that will give members access to a totally free direct marketing job board (employers and job seekers), special analytic content, a CEO Grapevine where owners and CEOs can carry on topic dialogues, and many other benefits.

For now, it's free. So sign up, sign on, make it your home page, and please email 20 people today and tell them about Daily DM. Then do it again tomorrow.

An Alternative to Investing

The Bind

You're an average company; not bad, but not great. Your systems leave a lot to be desired and your data is not the best, but you can sell products and get them out the door. You're not as profitable as you should be, but you're making a few bucks. You don't have a staff of rainmakers, but it's not a total drought.

To grow you are going to have to do some serious investment in systems, processes and people. And there is always the online channel screaming for another million dollars. And then you will have to finance new customer acquisition in a difficult economy.

What do you do? The answer depends on many things. But, for a moment, think about this.

What if you went to a market where you did not need to do all that investment? Maybe you go to Phoenix and take share in the Southwest because there is no other major competition for what you sell in that part of the country.

Maybe you go to Spain. Your capabilities (while lacking in the U.S.) are quite sufficient for doing business in Spain.

Maybe you go from your saturated healthcare market where you are a "me too" company and, instead, go into the cremation supplies market where you can stand alone and do well with your present capabilities.

Sometimes, an alternative to the heavy investment to become "best of class" is to find another class. Just a thought.

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Merchandising

This issue, I want to explore product adoption and product adaption.

Product Adoption

Adopting a product is a euphemism for knock-off. Someone else has been successful with a product or service and you decide to "adopt" that product or service into your 'family' of products. Some very successful companies have been built on the strength of their ability to do knock-offs.

Outside the questions of trademarks, patents, copyrights and trade dress, most products can be adopted quite easily. One of the greatest examples of the knock-off in direct marketing is the Labor Law Poster. The federal government and every state government requires the posting of various laws in businesses (employment laws, OSHA, etc.). These posters are available free from each government agency. A clever marketer figured out that you can reproduce a number of these posters together on one BIG poster, laminate it and sell it for \$39.95. The merchandising hook was, “Without these MANDATORY posters, you could be fined thousands of dollars by the government.” Business owners bought them and the Labor Law Poster market was born.

Today, there are no less than 100 companies selling Labor Law Posters, by mail, online, and retail. Each version is essentially identical to any other merchant’s version. The content is specified by law and regulation; this is definitely *not* creativity at its most difficult.

All these companies hope every day for a change in minimum wage, OSHA requirements, employment discrimination law, citizenship validation, and any number of regulations and laws making replacement posters a requirement.

And, the gross margin on a flat-printed, three-color, laminated poster is somewhere around 92 percent. Nice knock-off business.

Products for adoption are generally in the following product categories:

1. Mandated by law or regulation. Buyers have to have these products or they break the law.
2. Mandated by society. Buyers have to have these products or they are outside accepted societal standards. Deodorant and toothpaste are good examples.
3. Mandated by usage. Buyers have to have these products in order to function within their world. Hammers and nail guns for carpenters, for example.

Interestingly, gross margin on these product categories is in the same order. Products mandated by law are margin-slathered. Products mandated by society are margin-rich (A \$3.00 tube of toothpaste has about \$0.50 in it). Products mandated by usage have a lower, but adequate, margin. The reasons: They are *mandated* products, not impulse products. Think about liability insurance, as an example.

There is very low merchandising risk in product adoptions. Someone else has figured out what works. The investment has been made to create demand. Your only requirement is to calculate how much it will cost for you to take a piece of market share from others. Your tactic may be offer, channel, price, or contact. Obviously, an adoption strategy in an under-served market niche is the ideal situation.

The knock-off artist has always had a bad name. That is short-sighted. Product adopters who get it right are very smart and tend to make a significant return on the investment, although it tends to be for a shorter period of time. Successful adoptions are often copied by other adopters.

I must admit that—were I interested in a new product venture myself—I would start with a product or line adoption in an underserved market with sufficient share available for a two to three year high return on investment. I would attempt to drive maximum share at high gross margin and then sell the business as the low-hanging fruit begins to become hard to reach.

Product Adaption

Adapting a product requires a different talent. You have to look at an existing product and see how to make it better in one or more ways. There are natural-born product adapters who just have an uncanny knack for improving existing products.

Think about old file folders. These used to come in “file folder color,” a vanilla cream that came from the paper mill that color. It was the universal light beige of all file folders, no matter who made them. Every doctor and dentist office in the world looked exactly the same—a sea of beige folders filed upright in open file cabinets.

Then, one day a product adaption genius thought, “Blue.” The earth shook.

Fifty years later, another adaption genius came along and thought, “Vinyl.” the earth shook again.

Why did it take over 100 years to adapt this one product into the myriad of choices we have today? Because there were only a very few product adaption geniuses who sat down and thought about the lowly file folder. These people are scarce.

As I look back on my career, I’ve had some great successes with adoptions and adaptations. I can’t remember any product I created from scratch. I’m not an inventor, but I’m pretty good at adapting products. Once, I sold adhesive stickers, about 3 inches square, that had “No Parking” printed on them. They were used by apartment complexes and were put on the driver’s side window when parked in restricted areas. I changed the color to red, increased the size to 10 x 10 inches (100 square inches!) and coated them with adhesive that would *not* come off. Then I printed them to read:

“You are parked in a restricted area. We will put one of these on every window if you continue to park here. Then we are going to tow your car and the redemption fine is \$400. Move your car.”

I merchandised these as “The Big, Nasty, Impossible to Get Off No Parking Sticker.” They were priced at \$2.00 each and cost about \$0.08 to make. They sold like hotcakes. It only took one of these on the front window and the problem parkers got it right.

There is an interesting fact about product adaption, and it applies to physical products and to intangible products, like life insurance: you can always adapt a product upward in size or value more successfully than adapting it downward. "Super-size the fries?" If you have a \$10,000 term life policy, you are easily sold an increase to \$15,000. If \$10,000 is good, \$15,000 is better.

Product adapters tend to be true merchandisers. Product adopters tend to be true marketers. Now and then, someone comes along who has double-barrel talent. That person can adapt or adopt and do it well. Make sure you grab that person and hang on. That person will make you money.



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