

# Libey Economic Outlook

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## **2006 MeritDirect Co-Op Edition**

### **Lists: Black Boxes or Known Quantities?**

**Donald R. Libey**

I want to talk about logic. The list rental world is experiencing a profound change in logic and I'm not at all sure it *is* logical. First, let's define our terms.

*Co-Op Databases.* Two types of co-op databases exist in both the consumer and business-to-business worlds: 1) public co-op databases; and 2) membership co-op databases.

*Public Co-Op Databases.* These large aggregations contain response list and house list files of companies that are 'invited' to participate. If you wish to obtain names from the public co-op database, it is not required that you furnish names or be a 'member.' The participating owners of the lists making up the public co-op database are paid their standard list rental rate. When a name is supplied to a mailer from two or more lists, credit is given on a fractional allocation basis. Although the public co-op databases are almost exclusively used for prospecting, participants who furnish their house files to the co-op, often find it efficient to actually pull their own house file mailings directly from the co-op database rather than building their customer mailings separately back at the company. While any list in the public co-op database is a part of the whole, specific lists can still be selected or suppressed on a list-specific basis. Response models are

frequently deployed both on a list-specific basis and for some 'cross-base' selections. As well, list owners can screen list renter offers in the traditional manner and can refuse rental requests.

*Membership Co-Op Databases.* Only those marketers who are members can use names from a membership co-op database. Members are required to submit their customer file complete with recency, frequency and monetary data—the transactional data. The membership co-op then aggregates and integrates all of the data and creates a 'profile' or customer-look-alike' model with which to select names. These are 'blind' sources of names. The member who takes names has no idea from which list the names came from. List-specific selection or suppression options do not exist and members do not have the option of screening offers. In short, the membership co-op is a 'blind, all or nothing' option while the public co-op database offers 'open optional freedoms.' The membership co-op databases can be used not only for prospecting, but for retention and reactivation mailings, as well. Examples of consumer membership co-op databases include: Abacus and Z24. Examples of business-to-business membership co-op databases include: Abacus and B2B-Base.

## **Two Decision Points**

The membership co-op database operators want all multichannel marketers to become members and to roll-up all of the customer files and transactional data into one massive model emanating from their 'black box' on a blind, single-source basis. There are costs and fees, but no rental income. List owners and renters have no control and approval.

The public co-op database operators want only targeted lists to participate by providing their usual list rental file. They want the mailers using the co-op to participate with as much customer file data as necessary to suppress existing customers and assist in reactivation and retention campaigns. There is, as a bonus, rental income and standard commissions and charges. List owners and renters have complete control and approval.

## **Benefits of the Two Co-Op Database Types**

*Public Co-Op Databases.* For users, the benefits include access to a variety of known lists with the ability to tailor selections with data and models not available in a traditional list order. In addition, cost-efficiencies for both prospecting and house file mailings can often be combined, and firmographic and appended data are obtained and the usual merge-purge process is often eliminated. For participants, list rental income is also a clear benefit without the loss of control and list rental revenues.

*Membership Co-Op Databases.* A logical benefit of the membership, single-source database is access to transactional data as a part of the resultant model and selection criteria. In some instances, there can be an average of 20 individual purchases for a single name when aggregating from all lists. The greater the number of members, the greater the number of business contacts and the number of transactions factored into the roll-up model.

Both types of co-op databases can identify multibuyers. The member co-op has the ability to augment multibuyer identification with transactional data to segment highly

qualified multibuyers with the potential for greater long term value. The public co-op has the ability to select multibuyers from specific lists. In both cases, the multibuyer data is central to the modeling capabilities.

### **Concerns about the Two Co-Op Database Types**

*Public Co-Op Databases.* The primary concern for participants has been the confidentiality and security of the customer file. With many business-to-business marketers still reluctant to allow access to their house list, placing this most valuable of all direct marketing assets into a 'public' database is often anathema. Industrial-strength encryption and other data protection standards have been put in place and breaches of security are nearly non-existent; however, security remains a concern, primarily due to a lack of understanding about the security processes and safeguards in place in the public co-op databases. However, it is relatively rare that list owners refuse to provide their files given the long-term security records of the leading providers and the revenue opportunities associated with participation.

*Membership Co-Op Databases.* Concerns about security of the proprietary information are expressed by marketers when considering membership in these co-ops. Cloaking of the source of the data, as with competitive blocking of information has, to some extent, relieved these concerns. Every participant, whether public or membership, wants assurance that their names are protected. The list industry and the co-op operators have a vested interest in absolute security. If trust by the list owners is ever compromised, the co-op databases will cease to exist within a matter of hours. As the industry has nearly 15 years of history with these databases, it speaks to the seriousness of security measures and the success of the resultant trust between list owners and database operators.

### **The Logic Concerns for the Future**

I began by saying I was concerned by the profound shift in the logic of the list aspects of multichannel direct marketing. As I see the situation looming ahead, the growth and potential dominance of the blind, single-source membership co-op model could have serious consequences for the direct marketing industry. Here is where I run into trouble.

Logic tells me that the largest variety of response lists possible from which to choose is more logical than a single source of homogenized names, no matter how good the model. Further, logic tells me that direct marketers having the freedoms to control their list choices and their circulation destinies through a free market is more logical than having their futures dictated by a single-source, 'black box' oligarchy. And, perhaps less philosophical and more practical, logic tells me that giving up list rental income to the oligarchy's single-source black box could be tantamount to giving up an important component of my net earnings (read: EBITDA and corporate valuation). But, there are other potential effects that slam directly into the Great Wall of Logic.

Membership co-ops (a la Abacus and others) tend to use models that isolate what I call the 'Super-Buyer.' These are super-frequent buyers who dominate category-specific buying, such as computer peripherals or office supplies. However, the membership co-ops are less effective at identifying the two-time or three-time 'evolving' multi-buyers.

And they tend to be mediocre in identifying niche customers and our ever-important and high-value 30-day hotline names. Okay, let's say the membership co-op names are only 20 percent of your overall prospecting program. What may actually be occurring is that you are diluting the diversity of your downstream customer database as well as future growth—even at 20 percent. The future value may be less than if you used 'rich-source' names from a public co-op database or traditional list approaches.

What this issue of logic calls into question is the future lifetime value of the customer base. The only way to satisfy the logic is to do a real-time lifetime value comparison of public co-op sourced names and membership co-op names; in other words, open-sourced names versus closed-source names, or stated another way, known and controllable list selections versus unknown and uncontrollable list selections.

Lifetime value is a bit of a moving target for most direct marketers. Believe it or not, *still* less than 30 percent of direct marketers can actually do an accurate lifetime value calculation—after all these years. Of those that can, some are finding that the membership co-op model using the blind, single-source produces a group of buyers who may not be strong repeat buyers. Why? They are Super-Buyers buying from many catalogs and tend to be less loyal (or, they may be from less traditional business-to-business sources and have lower demand potential). The traditional list approach and the public co-op nuances may be better at producing new buyers, niche buyers, hotline buyers and overall more loyal buyers with a greater lifetime value. In short, the restrictive, black box membership co-op model has an inherent fatigue factor in the quality of the customer. Results look great up-front, but lifetime value is corroding over time. Short term gain; long time decline. Logic tells me to always retain the control over the *quality* of my future. When I hand it over to the black box, I no longer am in control. Shame on me.

Additionally, the more clients that mail from the same universe, the more incestuous the pool. As more mailers mail from the membership co-op database pool, the percentage of new sites available for productive prospecting steadily decreases. The long-term health of every business-to-business mailer requires constant discovery of new sources of names to add to the prospecting pool.

Another logic 'chafing point' emerges in thinking about this insidious shift of quality control. Aside from the very real give-up of list rental income potential, the initial single-source black box pricing may seem attractive for catalogers with large prospecting budgets, but the near-total control rests with the membership co-op operators. All future pricing is in their control because they are managing a group model not an individual client model. Sorry, Dad taught me never to get involved in a Socialist pricing system. More importantly, he taught me never to give up price control in the first place. What possible leverage would I have in the membership model if the lifetime value begins to tank, especially if I am locked into a multi-year contract? This is illogical. Worse, if I do have to revert to controlling my own destiny and to using lists that I determine and that I use my own intelligence and common sense on in selecting, I would have to likely go through two years of testing since I had to give up all of the specific list knowledge while participating in the single-source black box with no discriminating information allowed. Again, this is illogical.

And, that spotlights a major flaw in the membership co-op model: Loss of knowledge and flexibility. First, you don't know what lists are in the 'pool' and the source of the names spit out by the model is unknown to you. Do *you* really think that is logical? Long term? If you give up the intimate, hard-won and immensely valuable knowledge of your expensively tested list-by-list performance, you are effectively giving up the temperature, pulse and respiration, as well as the all the laboratory testing, that your doctor relies on to treat you properly and maintain your health. Is it logical to do that to your catalog, your house list, to your circulation strategy, to the health of your business?

When you know the intimate details of list performance, through careful list testing and selection, and through careful and fully-analyzed continuation strategies, including list resting and quarterly hot name revolving and other tactical approaches, you know and understand not only *what* is working, but *why* it is working. What do you know with a single-source, black box approach? It's like calling a blind 800 number and ordering 6 million names sight unseen. Some of the lists in the black box have email and Internet buyers, some don't. How do you specify channel selection to see which buyers from which channel test better? Future mailing and online campaigns will require in-depth channel selection. How will you do that with the "blind blender" approach to prospecting?

### **The Growth of the Black Boxes**

I am no neophyte to the membership co-ops. I was exposed to them as far back as 1990 and I had reservations about them then. Today, there are six membership co-ops in the consumer direct marketing world and two in the business-to-business arena. Why is that? The brick wall of logic for me is *they all contain the same names!* This is some kind of giant flea-market of exactly the same product. Somebody's making a bunch of money here and I don't think it's the cataloger. Ultimately, I can see 10,000 catalogers all mailing the same people every week. Illogical!

So, as I see it, we're slicing and dicing up the universe of the best buyers . . . changing the model slightly in six or eight membership co-ops . . . whirring all of the contents up in a mega Waring blender . . . spitting out a bunch of names who buy pretty good the first few times but usually diminish over subsequent purchases . . . telling nobody who participates who they are, where they came from, or what they look like ("Trust us; we know best because it's *our* model") . . . charging you for this privilege . . . eliminating any possible list rental income . . . likely diminishing your overall customer lifetime value . . . removing all potential benefits of knowledge, experience and flexibility . . . and dictating who, what, how, when, how much and how long . . . and we are letting *everybody* mail that select group of names over and over and over in increasing volumes and in the ever-relentless pursuit of magic returns. Plus, the available quantity of names ultimately dries up—forever. Seems to me that's about where we are.

### **The Proof is in the Pudding**

Well . . . there are a few things I feel are fairly logical (and fair) to ask:

1. Who, specifically, is using membership co-ops successfully?
2. What are the short and long term results?

3. How long do members participate and why do they stay or leave?
4. Can you show me a uniform suite of metrics that fairly compares the results of the membership co-op versus the public co-op or traditional list rental? Long-term?
5. How well did the member companies perform prior to and after joining the membership co-ops? This would be an ‘oranges and oranges’ EBITDA, repeat purchase measurement, and customer lifetime value calculation.
6. Who are the successful companies using membership co-ops and what do they look like. Are there really only a very small number of really big mailers who fit this model?

My skepticism tends to be fed from observing the results of shifts in the prospecting models of many catalog companies over the last ten to twelve years. More and more companies try the membership co-ops and ultimately abandon them in time, saying, “A sadder and wiser person am I.” I keep asking, “Why is that?”

It seems it’s a little like the fashion industry. This year, someone somewhere (no one really knows who or where) says, “Capri pants” and the world makes, markets, sells and buys Capri pants. No one ever asks the question, “Why?” No one ever asks, “Do these things look good on a 50 year-old with a few extra pounds and bad ankles?” No one ever asks, “What does this do to my fashion credibility and value?” Yet, Capri pants keep coming back every 30 years or so. But, good style and good taste are forever and eternal.

So is a solid, proven, rich-content list strategy.

### **A Possible Place for the Black Box**

If it was up to me to decide on the fate of my circulation performance and my catalog company’s profitability, I would probably approach the membership co-op, single-source, black box like this:

1. Execute the model only on a post-merge universe.
2. Provide incremental names that are net of the mailing file *after* the merge-purge.

These two qualifiers might lead to a more reasonably successful prospecting approach with better longer term results. There will be fewer prospecting names produced by the model, but they could be more ‘unique.’ This approach would also likely introduce some customer leverage in pricing that might make up for all of the illogical ‘give-ups’ that the membership co-op oligarchy now demands. In other words, maybe there should be something in it for me, too.

Regardless of the ultimate outcome, I am always wary of band wagons. There are only two absolutely pure bits of wisdom that I have learned in my years in this business:

1. Always avail yourself of a bathroom whenever one appears; and
2. Avoid band wagons.

My logic failure receptor keeps going off in my head. If left unquestioned, this band wagon called the ‘membership co-op’—this Capri pant black box—this Abacus dominated world—might just somehow unbeknownst take over the long-stable and long-profitable direct marketing list world and we might all be mailing long-term unprofitable names that somebody somewhere (without our input or consideration) justifies by saying, “Mail these.” That is totally illogical.

I gotta tell ya, this one just doesn’t pass my long-term smell test. I have to have something more sure in return for my support and loyalty. And, it just isn’t an acceptable concept of direct marketing when I have to give up everything beneficial for me and my company for the promise of something that might be. Sorry. On this one, I’ll stick to tradition.

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### **The Third Quarter 2006 Regional Economic Outlook**

The third quarter of 2006 may show some slowing effects due to inflation and the fatigue of oil prices and the growing dissatisfaction with the nation’s directions. While economic growth continues in all regions, there is a bit of wilting appearing in the summer months, and it’s not all due to the heat.

The U.S. economy has continued its expansion through June, but high energy costs are driving manufacturing price increases as well as some retail price moves. An increase in passing along price increases is seen in most of the country.

Additional increases in interest rates are expected, perhaps two more quarter point boosts. The primary drivers of inflation are fuels, metals, petroleum-based products, and building materials.

Labor markets continue to tighten and wages continue to edge upward. Some wage pressures were moderating slightly in the Midwest. For direct marketers, wage pressure appears to be mounting with salaries for ecom personnel hitting all-time highs.

The cooling housing market may be offset with a strong commercial real estate market. If business expansion slows, though so will the commercial growth.

Economic growth slowed in five out of twelve regions, but not enough to move those regions to a slow outlook. None of the twelve regions have dipped enough in economic performance to be moved to the Slower column; all continue primarily as stable.

For multichannel marketers, the first six months of 2006 have been quite positive and projections have by and large been exceeded in both business-to-business and business-to-consumer operations. The early indicators of slowing are being seen: drops in housing starts; auto sales declines; reductions in consumer spending; drops in factory orders. The last half of 2006 may not be quite as robust as the first half. Yet, online sales continue to grow in both consumer and business-to-business marketing.

### ***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 Third Quarter 2006 Circulation and Prospecting Outlook and Recommendations**

### **Synopsis**

The short-term economic outlook for the catalog industry continues positive. The intermediate-term outlook remains positive for the second half of 2006, and the long-term outlook through 2007 remains positive.

### **Continue Prospecting**

Continue with normal strategies for circulation and prospecting plans. There are no substantive economic reasons for any cuts in prospecting or reductions in customer circulation. Keep mailing, emailing, telephoning and searching at normal to increased levels.

### **Nation at a Glance**

There have been several changes to the state-by-state circulation strategies, all reversions to normal circulation levels.

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

# Postcards from the Near Edge

## *More futurism and insights to what is coming*

After the last issue and the article on the future evolution of the Internet and its convergence with television, I received many emails and calls asking how to go about preparing for the changes that are coming. Here are a few more insights to jog your imagination and give you a further glance into the very real, near-future of the multichannel marketing experience.

### **The Multi-Media Convergence**

This will require you to think differently.

Look at catalogs, newspapers, books, solo pieces, envelopes—actually any combination of ink, paper and content—as a living being. This ‘being’ is currently somewhat ignored. Newspaper circulation is in the tank, magazines are becoming niche publications serving smaller markets, advertising is dropping, fewer catalogs are being hinted at, solos don’t do that well, envelopes simply signal another bill that must be paid or another bureaucracy that wants to intrude on your privacy. Printed media is an old media. It is not fast or interactive. It lacks personality and immediacy, lacks ‘one-ness’ with me. The living being—let’s call it Print—will soon be pushed into the Great Dismal Swamp unless it does something to transition it into the Now of Wow. Print is fighting for its life. Print is a bit of a wallflower, not being asked to dance very much. And, to make matters worse, Print compared to Online is an expensive media being. High maintenance. And, to tap in another coffin nail, Print requires a constant parasitic friend, Mr. Postage.

Against this backdrop of evolution, we have observed over the past ten years the media-conversion that has led to the growth of the Internet, cable TV, cellular telecom, WI-FI, I-pod, satellite delivery, instant messaging, and myriad technologies vaulting media convergence into the forefront of technology consciousness. In fact, in an astounding revelation about where the next generations are headed, a recent survey of high school students and their ability to write produced the following conclusion: “Why should we learn to write? We can already instant message and we can use keyboards. Dude, handwriting is obsolete.” The converged future is totally *sensory*.

Now, Print knows this. Mr. Postage is still clueless, but Print has come around to the idea that some changes have to be made if there is going to be any kind of future for the kids, Little Ink and Little Paper. So, Print has consulted the oracles and several leading universities and a bunch of wheel-heeled venture capitalists and may have figured out how to fit into the future.

## **It's All about Ink**

In the not too distant future, ink will blend with radio frequency ID and WI-FI, or similar technologies, and will be printed on paper with the ability to make catalogs talk.

That's right: *Talkalogs*. You heard it here first.

The concept is simply figuring out how to embed wireless connections and energy sources in ink so that it can be applied directly to paper in an intentional way. Imagine, if you will, a photo printed on a golfing catalog page of a leather golf bag and, with WI-FI point and click technology, say in your cell phone or hand-held, you receive a pre-determined audio message directly from the photo on the page.

"Hi, Don. This is Tiger Woods. When you get to the top of your game, nothing says it like a great *leather* bag made from fine Italian calf. Here's a beautiful, hand-made bag I think you'll really appreciate. Plus, it matches your briefcase you recently purchased from us, Don"

Skip to the photo of the three-piece luggage set and you get another audio message:

"Hi, this is Tiger Woods. Thanks for visiting with me again, Don. When attending next year's Masters, be sure to travel with my new Masters Travel Suite. And, if you will click 'connect' on your hand-held right now, I'll make sure this is sent to you today and there will be no shipping charges. That's today—July 17<sup>th</sup> only. Thanks for your support. See you at Augusta!"

RFID technology can power transmissions now directly from tags and labels. It's a small step to micro-embedding this type of technology in ink and applying it selectively on paper. With the interactive capacity of cell phones, hand-helds, I-Pods MP technology and other stuff coming online, the catalog turns into a radio and television station customized for specific niche audiences, perhaps even specific customers:

"Hi, Don. This is Tiger. We met last year at the Masters. Hey, take a look at my new luggage. Order in the next hour—by 4:00 p.m. today—Tuesday—there in Des Moines, and I'll send you a set of my personally autographed luggage tags—Free. Thanks, Don. Are you going to be at Augusta this year? Love to see you again."

This technology opens up immense opportunities for entirely new concepts of creative and design and merchandising. The catalog assumes an aural and sensory second dimension. Through the use of video interface, it could quickly move to the third dimension. Product becomes alive, as close to touching and holding as possible, magnitudes beyond the static photo on the static page.

If you think back to 1983, you will remember a time when there were no PCs, no Internet, no video streaming, no I-Pods, no Blackberries, no DVD, no DishNetwork, really none of the things that were considered outré and sci-fi in that year. So why would you think this concept is *really* so weird?

### **Read What an Advertising Soothsayer Says**

Here is a fascinating glimpse of what is available out there—right now. Scott G is a futurist advertising expert who specializes in alternative media convergences.

## **Your Underwear is Broadcasting on my Frequency**

**by Scott G**

*Radio frequency identification (RFID) can now be used almost anywhere: they're embedded inside products, pets and people. Scott G takes a look at a not-too-distant future where everything is monitored, metered, tallied and tracked.*

It was a dark and stormy night. (I've been waiting years to be able to use that opening line!) The night in question: February 18, 1942. A radar operator is hunched over the controls, his face furrowed in concentration and his brow glistening with perspiration.

"Aircraft approaching, sir," he says, trying to keep the excitement out of his voice. The officers and men at the airbase listen intently as the corporal announces the range of the steadily approaching aircraft.

But whose aircraft? Are they our boys, returning from a mission, or their guys, ready to strafe or bomb the hell out of anything they see?

And that's what led to the creation of radio frequency identification (RFID), a means of knowing friend from foe in wartime. In fact, the first system was called the identify friend or foe system, or IFF.

### **What Be RFID?**

Basically, here's how it works: a chip broadcasts on a predetermined frequency, usually only in proximity to a receiver, and, well, that's about it. You can make parts of the system active or passive, smaller or more powerful (or both), and you can have the resulting signal trigger some other action or just record the time, date and geographic position of the chip. That's it, really. No big deal. Well, it may involve the largest invasion of privacy in the story of humankind. But other than that, no big deal.

### **Skip the History Lesson**

Okay, flash forward past the boring historical details (you can go to

www.rfidjournal.com for LOTS of data, details, white papers, and so forth). There have been breakthroughs and patents and new names for the chips, but the peacetime uses of RFID include:

1. Scientists at Los Alamos National Lab used RFID to track nuclear materials (so now we can pinpoint the precise moment a shipment was high jacked)
2. Some of those same scientists left the Lab to form a company using RFID for automated tollbooth payments (so you can keep zooming along at seven miles per hour instead of having to stop, called EZ Pass and other names)
3. Procter & Gamble and Gillette put up funding that led to the possibility of putting RFID tags on all products to “track through the supply chain.”
4. They’ve been implanted under the skin of cows.
5. Pets received implants.
6. Large organizations insisted suppliers use the technology, including Wal-Mart, Albertsons, Target, and the U.S. Department of Defense.
7. Criminals were made to have implants.
8. You have to get an implant when you get a driver’s license.
9. You have to get an implant when you buy a computer.
10. Or computer software.
11. Or a computer game.
12. Or go online.

Wait, I made up those last six.

But don’t think those are not potential uses for RFID tagging. And don’t think they aren’t being considered by some very powerful governmental organizations. “It would make crowd control a lot more efficient,” you can hear someone saying.

### **Life on Planet RFID**

No joking now, the following uses for RFID tags are either already taking place or being developed: shipping containers, automobiles, trucks, tires, aircraft, mail, credit cards, wallets, paper money, magazines, books, pets, medical patients, employee ID cards, I-Pods, CDs, DVDs, cameras, keys, eyeglasses, computers, cell phones, watches, musical instruments, furniture, electronics, shopping carts, jewelry, guns and ammo, and pharmacy prescriptions.

Of the estimated 1.3 billion radio tags to be sold this year, you may find some contained in packaged goods products on store shelves, including shampoo, clothing, shoes, frozen food, and canned goods.

Oh yes, let us not forget the possibility of combining GPS (global positioning system) with RFID.

### **Positives**

RFID tracking can be wonderful. The process offers a great many advantages: knowing where medical equipment is in a hospital; knowing if your shipment of goods is en route or at the loading dock or in the stores; tracking skiers; helping with troop deployment; being able to track a pet that got out of your yard; starting your car without a key; knowing where your teenager sons and daughters are at any given moment; and so on.

*And, since the broadcast can communicate with a database stored in computers, a vast amount of data can be accumulated, compared, massaged, or acted upon once the RFID tag is “read” by the system. [Emphasis added by Libey.]*

### **Negatives**

With RFID tags inside every item in your life, it would be possible to know just about everything about you. Where you walk or drive, what you do, where you shop, what you buy, how long you keep it, etc. Marketers are just drooling over this possibility. There is also the possibility of hackers obtaining, manipulating and illegally using the data. A recent article in Consumer Reports magazine gives some details of research into RFID hacking conducted by members of Johns Hopkins University and the Weizmann Institute of Science. Their view: the data is at risk.

### **The Future is Here**

Remember those nifty scenes in that otherwise terrible film, “Minority Report” where the advertising messages are broadcast directly at passersby based on the codes that are implanted inside people and/or their clothing? Not science fiction. It’s fact. We can do it right now. All it requires is the will, the funding, and the lack of laws to prevent it.

### **The Opposition**

Among the most vocal opponents of RFID technology Katherine Albrecht and Liz McIntyre, authors of an influential book, *Spychips: How Major Corporations and Government Plan to Track Your Every Move with RFID*. Albrecht founded CASPIAN (Consumers Against Supermarket Privacy Invasion and Numbering) and they also run [www.spychips.com](http://www.spychips.com) to present news about their cause.

Personally, I think both camps make valid points. I also think that RFID will only grow bigger and more intrusive each year, which means the Spychips crew must work harder.

Interestingly, when officials for firms using RFID technology are asked about the concerns stated by Albrecht and McIntyre, the responses appear to validate the Spychips point-of-view even while denying that the public has any cause for concern. Their statements all have the ring of “don’t worry, we won’t hurt you, so just let us use RFID anywhere we want to save you money at the store.”

### **The Silent “Beep” in your Underwear**

As a marketer, I love the wealth of data that RFID technology can provide. We can see shopping habits broken out by every possible demographic and psychographic group. We can even see the route taken by customers in the store [or through the catalog.] But there are questions. Should we know these things? And does anyone have the right to track the movement of your underwear?

Thanks for permission to reprint, Scott.

### **Catalogs and Broadcast Technology**

It’s clear to me that Print, Mr. Postage, Little Ink and Little Paper and their older brother, Bob the Printing Press, all have a vested interest in advancing this media form to the next level of utility in advertising. It would be senseless to add value in ways that just prolong the obsolescence of Print. Print has to become someone else. Print has to become e-print. Similarly, catalogs, in order to prolong their lives, must become talkalogs or be able to power broadcast or video, or learn to dance and sing.

The point: Catalogs cannot simply remain the same, step-brother to Internet, hanging out with Mr. Postage, and acting like a mime.

**Ω**

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