

Libey Economic Outlook

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The 2007 Markets Outlook

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The Emerging Niches

For over twenty years, I have been compiling a bi-annual look at emerging markets and market niches in an attempt to encourage direct marketers to expand their horizons and to constantly reinvent their businesses. For some who have followed this advice, there has been great success. Back in the early 1990s, the founder of USA BlueBook, the catalog that would rapidly come to dominate the municipal fresh and wastewater equipment and supplies market, heard my presentation on water being my pick for the number one industry over the next decade and he had the vision to start a targeted catalog serving water engineers. The catalog sold recently to Home Depot Supply, Inc. for a great deal of money. Other entrepreneurs heard the same speech, but were unable to translate the prediction into vision and productive action. Well, it's that time again. Let's see who can get rich this go around.

Water

I know. I'm tired of saying it, too. But that doesn't make it any less promising. This is the twentieth year that water has remained at the top of the list of opportunity markets. We just crossed the 300 million population mark. Every single one of those U.S. residents use thousands upon thousands of gallons of water annually. And globally, the scarcity, deteriorating quality, disappearance, fragility, cost and demand for water simply skyrockets year after year. If you think oil has become untenable, wait until the global water crisis hits home. As we come to a global population of 8 billion people by 2025, stop and consider this frightening fact of elementary science:

Matter cannot be created or destroyed.
All of the water on Earth was created at the time of the Big Bang.
There will be no additional water created.
The existing water supply will only be recycled—forever.

The conclusion of this is simple: *Water becomes scarce and expensive.*

What sets water apart this time—as a direct marketing niche—is the emergence of boutique markets for water and water-related products. You are now happy to pay \$2 for a small bottle of water from Fiji or from glaciers in Greenland. You are now happy to pay \$500 a year for pool chemicals delivered to your door. You are now happy to spend \$2,000 for a salt water aquarium. You are now happy to install a \$10,000 Japanese waterfall and pond in your gardens and stock it with \$130 koi. Any product that contains water or is made with water is going to be valuable and in demand extending forever into the future. Water, oxygen and food are the base products of existence and that existence is becoming crowded.

Focus on the cleanliness of water. Filters, testing, treating, cleaning, all suggest a plethora of product. Pumping, irrigating, spraying, hosing, flooding, all suggest another vast array of product and demand. Storage and delivery bring to mind other products. Water exploration creates even more products and supplies. Desalinization has its own unique product needs. All of these are boutique sections of the massive water market.

Water has created a bonanza in property values. Lakeside, oceanfront, riverside property values have exploded over the past 30 years and will continue to create value. And all the things that go with that property—docks, rip-rap, decks, boats, fishing equipment, fountains, lights, pumps—all become water-related boutique niches with long term growth potential.

Agricultural use of water and the growing scarcity of water for farming create market demand. Irrigation for boutique crops, such as grapes, rhubarb, fruits, seeds, melons, salad greens, herbs, flowers and other *artisanal* crops, creates opportunities for drip system equipment, water recovery equipment, spray heads, and heat-sensitive valves.

Spas feature water and water-borne products as therapy, especially to an aging population. Bathe in water; drink water; watch water; hear water; perhaps worship water. Water is a life force.

No matter how deep into the subject of water you dive, it always comes up a logical winner. You can't lose with a market plan centered around water demand. You simply have to find a manageable niche that is underserved. Who is doing a catalog and online business with the thousands of municipal water parks that have sprung up all over the country? Who is targeting sod growers? Who is taking a multichannel approach to fish farming or hydroponic gardening or water publishing or water gardens or car washes?

Whether market development, product development, business development or long-term investment, water will not let you down. This is truly one niche where you don't have to worry about taking a bath.

Organics

My second most promising market concerns anything that is organically grown or produced, and this is not limited only to food products, but extends to clothing and household products. The word 'organic' is much more than just a 'green' agricultural term; it is representative of a life choice. The key market attribute is *natural*. In this high-tech, high-wired world, the desire for natural, unspoiled and uncontaminated is on the rise. More boutique markets are going to develop. While high-tech fabrics are being rushed to market through the miracle of chemistry, there is a growing boutique market for natural cottons. Products that appeal to the natural enjoyment of living, as well as luxury, will find a ready market in the years ahead.

Non-polluting household products are taking a larger share of the global wallet. As the proliferation of brands turns consumers away from uniform product solutions, boutique applications and semi-custom exclusivity takes root and creates organic "communities" of users.

The organic revolution will break down huge, uniform brand markets into smaller, boutique brands with appeal to communities of consumers with similar interests. This creates space for multiple products serving a market that once was served by only a handful of mass merchandised products. Another meaning of the organic market is a *natural* market. It has nothing to do with pesticides, rather with holistic niches. As an example, you don't want to be in the general apparel market, but you *do* want to be in the bow tie niche, or the custom socks niche, or the hypo-allergenic underwear niche. These are holistic segments of the market that can be focused on and developed in an organic manner in order to achieve a dominant position with loyal and discerning customers.

The ultimate niche approach to organic markets will be in the proliferation of highly profitable, micro-markets such as limited production, highest quality and nutritionally advanced organic tropical and salt water fish foods, or semi-custom nutraceuticals for people with specific genetic predispositions, or a variety of year-round organically grown tomatoes, vine-ripened specifically for target cuisines, such as southern Italian, Moroccan, or Pacific Northwest fish cuisines. The concept 'organic' becomes as much a term for natural production as it does for usage and application of the products in differing life style choices.

A few promising markets for the organic revolution include, knitting and fabric wearables, nutritional supplements, gardening aids, beneficial insects, oils & vinegars, energy alternatives, publishing and teaching, organizations, seeds, soaps, scents, alternative transport, coffees & teas, spices, pastas, baking supplies, lubricants, fiber ropes, toiletries, bedding, furniture, and dozens of other product concentrations.

Biomass

Biomass is plant-derived material usable as a renewable energy source. While corn-to-ethanol projects are receiving huge investments, other projects exist, as well. Wood energy renewal, involving hybrid poplar and willow trees, soybeans, animal waste, stover and even fallen leaves are all being converted to non-fossil fuel energy. Along with this technology comes huge opportunities in equipment and supplies for servicing the production needs of these biomass plant operations. Each step of the conversion

process has testing, filtration, quality measurement, reagents, chemicals, containers, tubing, plastics, labeling, capping, and other unique product applications. Again, a niche similar to that exploited by USA BlueBook exists; a \$100-200 million business is available for the conversion from traditional supply to multichannel direct supply. It only remains to see who will capitalize on this undeveloped niche.

A branch of non-fossil fuel energy development similar to biomass is geothermal energy. This is a clean and renewable technology that harnesses energy directly from the Earth's magma core. Within the technological and construction aspects is a sizeable equipment and supplies business unique to geothermal temperature control. To date, this is a specialist industry and not one that has been developed by the online/catalog multichannel world. It is another huge niche opportunity.

Existing alongside the geothermal opportunity are similar opportunities in the areas of solar, wind, ocean, hydro, and hydrogen energy. Each of these alternative energy sciences have specific applications requiring specific equipment, measurement, control and transmission factors, and each have similarly unique supply components. That translates into multichannel opportunities for those willing to invest in and develop the markets. Logic tells us that these market niches will inevitably expand and, likely, rapidly given the current global warming, oil price, Middle East turmoil, and the multinational needs for energy independence.

Geriatrics

If it involves aging, health care, assisted living, hospice, chronic health problems, retirement homes, or quality of geriatric life, there is opportunity available for new market penetration. In the U.S. alone, the population age 65 and older will double in the next 25 years. By 2030, the U.S. will have 72 million people in this age group. More significant, only 10 percent of that population will be classified as living in poverty; 90 percent will have adequate financial resources to meet their needs. That is a market.

The opportunities for mobility, assistance and medical products will be enormous. Similarly, the demand for home services and supplies relative to health care will be equally large. Convenience services and automated re-supply of consumables will increasingly be demanded as this convenience- and consumption-trained generation ages.

The opportunities lie in small, boutique slices of the aging market: multichannel businesses targeting niches such as diabetic testing supplies, diabetic socks and footwear, memory care (as dementia or Alzheimer's is now known), physical therapy, bathing aids, hygiene supplies, dental supplies, ostomy supplies, visual aids, and many other related product lines. There are numerous medical supply catalogs and websites, but full selections and sizes in diabetic socks, shoes and slippers are fairly rare. As a boutique concentration for market penetration, they have not really been focused on, as yet. And, that is where the opportunity lies.

EuroStyle

For many Americans, the attraction to all things and styles European is beginning to emerge as a growth area for the future. Whether food or furnishings, apparel or apples, the Euro stylings are taking precedent. Perhaps this is a cyclical trend, or perhaps it is an

attempt by Americans to blend into the world at a time when anti-American sentiment is rising; who knows. But, for those in the kitchen furnishings and cookware, home styles, artwork, clothing, lighting, bed linens—and hundreds of other slices of the multichannel direct universe—this next decade is seen as the Euro Era.

This breaks down into sub-niches such as Scottish food and liquor products; Italian oils and spices; Spanish wines and leather goods; German styling in autos; English heritage; Scandinavian tableware; and other cultural-centric spins on the EuroStyles.

For a jaded U.S. market suffering from not just a short attention span, but *no* attention span, there is little excitement left in San Francisco style, Monterey style, Texas style, LAX style, or even New York style. That has all been done and we've seen it and bought it. Now, we want new experiences of places we may have never been. We want the tastes, visuals, and aesthetics of the Italian *cinque terre* region, and we are willing to seek it out and pay for it, particularly when it is delivered to us in small, boutique slices of fully furnished vertical niche markets easily found by search inquiries. I no longer want Scottish salmon; I want Isle of Skye salmon. I no longer get excited by pashmina scarves as gifts; I get excited by Outer Hebridean, Isle of Lewis tweed scarves woven by the sixth-generation weavers of the Ross family on 200 year-old ten-treadle looms. We are evolving into micro-niches, and the aggregation, control and innovative merchandising of those niches will determine who wins in the direct channel wars.

Play

2007 is the first time I have singled out this unusual and scary market niche. *Play* is almost bi-polar as a market niche. It is positive in that it is pleasurable, but it is negative in that it replaces vocation. Americans appear to be slipping further into escape; reality is often too mundane or depressing to bear; play becomes the soporific that dulls the senses and induces mindless lethargy.

For many, the Internet has become an alternative reality. MySpace, Second Life, the hot alternative virtual environment, and millions of blogs are, essentially, *play*. They accomplish the needed mind numbing in an increasingly Dilbert-driven reality. The young spend countless hours in coded instant messaging—play. Parents are wired and connected, not only to their children through cell phone umbilical cords, but to their similarly 'helicoptering' friends who are hovering above their children's every move and waking hour. This is—for all it accomplishes—a form of play.

Gamers—whether nerds living at home with the folks at age 34, spending their meager resources on mega-computers and Sony PlayStation, or the festival of oddities sitting around the Texas Hold-Em table—all are *playing*. So are the scrapbookers and the grannies with quilts, and the old guys with a basement full of high-power woodworking tools. The nation is playing a good part of the day. And about 40 percent of the work day is consumed by surfing the net and reading instant-breaking drivel and blogs.

And this isn't going to get better. When the last investment account is closed and the last American manufacturer is bronzed and set up as a statue in Erie, Pennsylvania, the games will be going on. And there will be stadiums full of half-dressed people with blue and red faces, wearing cheese hats, pumping the air and chanting the international gamers' cheer: "Whuu, Whuu, Whuu!"

But—this is a market that is going to get very big.

Play is so filled with opportunity as to be mind-numbing itself. Play covers the hobby markets, collectibles, arts and crafts, sports, all state-sanctioned (and budgeted) gambling of every kind, computer games, alternative reality, movies, anything that is opposite from day-to-day reality. Now, *that's* a niche! And, it has almost everything going for it that you could ever want:

1. Americans will buy anything.
2. They have money.
3. They need escape.
4. They have money.
5. They don't have to think about this very much.
6. They have money.
7. They have been encouraged from birth to play, and many are still about six years old.
8. They have money.
9. You can sell it through the channels they are addicted to *already*.
10. They have money.

What we have here is an almost perfect storm of opportunity swirling around a center eye of guilt. Escape through play is vying for as much time and dedication as the lengthening work day and week and the increasing dissatisfaction of that resulting work. There are no known figures, but I would venture that at least one-third of the Gross National Product consists of some form of play. There are niche markets to be developed and dominated, and the opportunities are near-endless, in the cavernous world of play. Those niches—like vice—are almost always easy to sell and quite profitable. They exist for the taking.

Downloadable Content

You may think there is nothing left to publish in an online format or that people will not pay you for information. I believe the opposite is true. The assembly of information is only beginning and people will pay for assemblies, not components of information and knowledge.

Back in the early 1990s, I spoke often at a national conference on alternative education. These were large conferences and attracted people from what was then called “Learning Exchanges” and other local, often free learning projects. My prediction was that the infant Internet (1989-1991) would one day open the ivy-covered, hallowed halls of Academe to anyone who wished to download knowledge, and it would change the concept of education. What followed was the University of Phoenix and all of the online universities and colleges that we have today.

Most of our business-to-business marketers have niches and industry positions whereby they could actually teach courses. DEMCO could teach library archival techniques, or space planning. ULINE could teach pick-by-light technology and pallet stacking technique. NEBS could teach business and financial records retention and management. Everyone of our businesses has a specialized body of knowledge that can

be organized and sold as adjunct training for our customers in our industries. C&H could train fork lift operators. National Business Furniture could train business workspace designers. Northern Safety could train high-rise harness safety courses and rigging techniques and technology.

As the globalization of the market continues to play out over the next decade, the margin erosion and pressure will be enormous. Those companies that take on the training and education responsibilities for individual customer companies will emerge as knowledge leaders as well as product leaders. All of that knowledge component translates to an online format that can be accessed on a fee basis.

If I were interested in another business to develop, grow and sell over the next 10 years, it would be content-for-fee based. By and large, the content is free. Its aggregation, assembly and formatting requires the skills and software of publishing. Its merchandising and channel delivery is online. For the correct niches, the demand would be high and the profitability exceptional.

Already we are seeing the logical outcome of the consulting profession. Blogs are, by and large, morphing (in some instances) into consulting resources. When critical mass is reached, these “mines” of knowledge are shifted to subscription or fee-based services and—voila—consulting becomes a remote, expert, online educational service, born from the energy, phenomenal reach and deep penetration of blogs and viral marketing.

Density Living

If you look at much of new construction—and new home ownership—it is town homes and multiple unit living. Yes, traditional homes are still dominant, but the trend for younger buyers—and most older buyers—is towards homes in associations and communities where maintenance, services and landscaping is furnished. It appears more and more Americans are enjoying freedom from home maintenance, especially as the hours spent working increase. In short, leisure is a pursuit and it creates market niches.

Density living will influence lawn care, gardening, do-it-yourself home projects, and other lifestyle factors. The time previously spent on lawn care and gardens and landscape maintenance will be replaced by other interests and activities. Coupled with aging, this presents an incredible number of growth niches in the years ahead.

One of these is bird watching. This is a popular and very large hobby and it is going to get even bigger. It is a truly relaxing activity and it involves nice people with shared interests. It is inexpensive; indeed, free. This allows an above average expenditure for equipment (binoculars, cameras, tripods, spotting scopes, etc.). The reference books and record keeping requirements stimulate new products constantly. My own recent favorite is a gift of six CDs with all of the bird calls and songs recorded for identification. That is a \$70.00 plus item. My spotting scope was over \$300. The binoculars (several types for different viewing) range from \$40 to \$200. And, the beauty of the niche is that if there is one bird watcher in the family, there are almost always two; it is a shared interest among older couples. The bird watching industry is remarkably fragmented; only a few dominant catalogs serve the hobby. And it is only one example of a niche market driven by the changes in density living trends.

Another niche market driven by density living change is home theater. In England, a thriving catalog company concentrates on highly specialized connecting cables for audio equipment, cables that deliver the highest quality sound without distortion. The niche that has emerged within the leisure market is one of true audiophile obsession. Plus, these buffs have money and are willing to spend lots of it for the purity of that leisure time obsession. Similarly, NetFlix has made it so simple to immerse oneself in the movie culture; demand for high quality DVD and HD products, as well as sound delivery systems have fueled this niche. Other sub-markets, such as artist supplies and gaming, exist that satisfy the changing needs stemming from the density living evolution. One must look at the change and see what is taking place and how it influences peoples' choices, and then ask, "What if . . .?"

Infrastructure

If it involves infrastructure, it probably is going to need to be renewed, rebuilt, reengineered, redesigned, redirected, rerouted and reassembled. Those are all market and product opportunities and they cover everything from road building to new plumbing.

Most of the major U.S. infrastructure was created post-World War II. It's old and crumbling. It must be replaced. If you choose a small portion of infrastructure and drill down, you can emerge with the dominant share. For example, reflectors for highways, or high-temperature light bulbs, or corrosion-resistant valves, or dust filters, or fasteners, or high tensile-strength coil springs. Wherever massive infrastructure needs exist, find the specialty niche and dominate it through classic direct marketing.

I've always said I want just a small piece of a major market. I don't want the road construction market, only the batteries for the blinking lights on the traffic barriers, or the reflective tape, or the ice-water buckets on the back of the pick-ups, or the double-sided "Slow/Stop" signs they use to control one-way traffic. A catalog and website called Traffic Control would be exciting, to me.

If I were to pick winners for business-to-business, it would have to be water, infrastructure and downloadable content in that order. For consumer, it would be geriatrics, play and organics, also in that order.

Perhaps the most important observation about these future growth opportunities concerns what I have observed from the present and the past. Very few direct marketers know where they will go for their next market. Fully half of my consulting practice over the past 20 years—and a good part of my corporate career—has been concerned with new market development and market expansion. Recently, I have seen no less than five significant companies that are losing their niches due to change, and not one of those companies had a definitive plan on where to go to replace that market share.

These opportunities are only representative. Your individual market is where you begin. What is changing? How is it going to change your business? What new market demands are being called for by your customers? How can you adapt? Those are the baseline questions that need to be answered. Once you know the answers, the solutions are self-evident.

The 2007 Economic Outlook

2007 overall looks like it will deliver almost 3 percent gross national product growth, 3 percent inflation, 4.5 percent unemployment and, essentially, stable interest rates. Imports will far outpace exports and the dollar will continue weak and—indeed—enter a struggle for world monetary dominance with the Euro and the Yuan. Our deficit and national debt are having a deleterious influence on our standing in a now global economy. A prolonged and costly Afghanistan war brought the Soviet Union to its economic knees in the 1990s; the parallels are concerning. So much of our future economic outlook and growth hinges on these developing shifts in the global monetary balance.

Direct marketing (and here I include all known channels and those yet to be invented) looks to be poised for an overall 8 percent growth. The online growth will continue apace and over 50 percent of most business-to-business orders will be received online (at least for those companies who advanced their online channels steadily and conservatively over the past 5-10 years). List usage, particularly response lists with valued segmentations, will increase by likely 10 percent. The membership co-op (Abacus and others) usage will continue, although perhaps at a slower rate until there are definitive answers on long term profitability and performance. The list-specific co-ops (MeritBase and others) will continue to gain usage, particularly as the list rental income advantage takes on new importance in what some see as a slowing profitability cycle. I feel that compiled list usage will see declines as the prospecting quest for quality begins to look at performance instead of simply cost.

The first quarter outlook is somewhat hazy. The Christmas season has started earlier than ever, but the results remain shrouded. Time will tell, but my prediction is for a somewhat subdued finish to 2006 and a moderate-growth first quarter 2007. The leading indicators signal a continuing decline in confidence and I believe we may have some slowing due to a combination of fundamental economic influences (the slowing of the housing market engine) and psychological influences (intensely growing and frustrating dissatisfactions).

Economic growth, however, has continued through November 2006 in all regions and that keeps the outlook reasonably positive for continuing growth. First quarter mailing plans to customers and prospects should be maintained at a growth level. On a generic basis, we see a 10-12 percent circulation growth for 2007 as being in line with economic expectations. We would also draw your attention to the six-month decline in consumer confidence.

Economic growth remains a bit subdued in about half of the twelve regions, but still 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 relatively flat to slight progress. The drop in housing sales, however, is having an effect.

For multichannel marketers, the fourth quarter of 2006 appears to be relatively positive with modest increases in sales and marketing performance in most sectors in business-to-business and in consumer cataloging.

Hiring in the industry remains particularly active. At the beginning of December, despite some reports of future slowing in hiring, Libey Incorporated was conducting searches for 8 senior multichannel direct marketing executives. That indicates a positive outlook for 2007 and builds on the continuation of a positive outlook for direct marketing in general.

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 continues positive. The intermediate-term outlook remains positive for the fourth quarter of 2006 and the first quarter of 2007, and the long-term outlook through 2007 remains positive.

Continue Prospecting

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

Nation at a Glance

Until the final fourth quarter performance is known, there are no substantive changes to the state-by-state circulation strategies for the first quarter 2007.

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

Futures and Presents

If the present is any indicator, the future needs to be reconsidered

The consulting year 2006 is over. I had the privilege of advising and consulting with 35 companies this year, almost all of that work at the request of the CEO or the board.

In only one of those 35 companies, was the consulting engagement focused on the future. In the other 34, it was remedial work; analyzing and advising how to fix what was wrong. In the one exceptional company, the question was, "How do we leverage all the things we are doing right and grow the company to a billion dollars?" That was a remarkable experience. That is a remarkable company.

Yesterday, after reviewing the year and the final assignment before getting ready for an extended trip to Sonoma and Napa and the splendors of the vineyards for Christmas, I emailed a trusted colleague and asked, "Why is it we see so much under performance by so many major direct marketers in so many sectors of business-to-business?" The paraphrased response was, "I don't know. It has always been like this. And there is so much opportunity everywhere."

So, why *are* so many direct marketing companies performing at half of their potential? And why are only a handful performing at or above their potential? What makes the difference?

The first thing I see is passion. Top performers have a passion for what they do that most of us only dream about. These people *love* business and they *love* their business. In one way, they are truly fortunate. Passion of that kind is rare, and very successful people invariably possess it to extremes. In another way, they are cursed. They can never get away from that passion and their lives are shaped by it almost totally and almost constantly. I always ask these passionate, extraordinary people, "What do you read?" The answer has always been, "Peter Drucker's books," or "Jack Trout," or some other business titan. It has never been Charles Dickens or Thomas Hardy or John Steinbeck.

Because passionate business owners and leaders are mono-focused on the business, they often re-invent themselves and the business to assure they remain at the leading edges. Others (the 34 others) enjoy the familiar groove, the familiar niche, the same familiar SICs. They maintain the past and the present; the passionate ones create the future. And that is the difference: maintain or create.

The second thing I see is the use of money. The passionate creators spend money; the maintainers take the money out of the business and make it earn every step of its undistinguished way. All investment has to be 'self-funding.' The exceptional business knows the value of talent, technology, facilities, investment prospecting, advanced logistics, integrated enterprise operating systems. The unexceptional companies have

only enough talent, technology, facilities, prospecting, logistics, and operating systems to get by without having to invest anything in the future. Consequently, they often don't have one.

The third thing I see is ideas. The exceptional owners surround themselves with more ideas than they can ever accomplish. But, they have options. The average company spends a lot of time pushing ideas away, mostly because they require investment, but also because they might be dangerous, especially if they aren't the owner's idea. All of the original ideas are monopolized in the marketplace by the exceptional companies; the average companies haven't had an original idea since the first one that got them their niche.

The fourth thing I see is people. The extraordinary company has extraordinary people and all of them are also passionate. The average company has average people and none of them are passionate. Extraordinary attracts extraordinary; average attracts average. And when average companies inadvertently attract an extraordinary person, the result is painful and short-lived (and the extraordinary person moves on).

The fifth thing I see is attention to basics. While leading in innovation, technology and ideas, the extraordinary company is also *totally* grounded in and proficient with *all* the direct marketing basics. They know the numbers off the top of their heads—and they are accurate numbers—to the penny and the percent. The average companies are struggling to cover or discover the basics. They are employing entry-level people to manage the circulation plan because they are cheaper and—after all—all you have to do is tell Abacus what it is you want and they do everything. The extraordinary company is running circles around its competitors in every channel because they have a seasoned, confident and proven circulation pro working with a seasoned, confident and proven broker and everybody's feet are held to the fire for performance and productivity. And the extraordinary company doesn't ask for a discount; in fact, they often pay their broker a higher commission for delivering higher prospecting performance.

The sixth thing I see is elegance. The extraordinary company has an elegance of mind as well as an elegance of style. The owner wears custom made or designer clothing and has a custom analytic and perceptive mind. The restrooms and the minds are well-decorated and fully furnished, one with choices of soaps and linen towels, the other with concepts and open-minded reasoning. The warehouse and the personality are neat, orderly, clean, automated and totally organized. These people *are* their business; the business *mirrors* the person. And the management team in these extraordinary companies lives that elegance. The average company is—well—*average*. Things are a little dusty, a bit wrinkled.

The seventh thing I see is boldness. The extraordinary companies are fearless; the average companies are fearful. One attacks the future; one defends the past. One is comfortable with challenge and the unknown; one is comfortable with only the known and what once worked. One leads; one follows. One takes risks; one is riskless.

The eighth thing I see is inclusion. The extraordinary company includes all of their trusted advisors in their research and decision-making processes. The conference room for a strategy session may have 10 or 15 vendors, suppliers, consultants, all charged with the objective, “Help us leverage what we do well to become a \$1 billion company.” And every one of these Trusted Advisors *wants* to be innovative, *wants* to find a breakthrough, *wants* to create, *wants* to uncover a hidden opportunity. The average company doesn’t trust its vendors; bends them for another 2 percent; spreads the business among as many as possible to assure the lowest possible price, and often lays failure at the feet of the vendor. One is inclusive and thrives on the combined intellect of many; one excludes and wastes away on the squandering of intellectual opportunities.

The ninth thing I see is rule breaking. The extraordinary companies do almost everything differently than they should; they disregard what *should* be for what *is*. While attending to the direct marketing basics and truth, they also only believe what the *customer* tells them. And if what the customer wants requires breaking direct marketing conventional wisdom—out goes the conventional wisdom! The average company plays by the rules, takes no chances, hasn’t talked—really talked—to a customer in years. Chiseled above the door is the time-worn motto: *Status Quo*.

The tenth thing I see is questioning. The extraordinary owner or leader questions everyone they come into contact with. These are not accuracy questions, rather questions about what is new, how others are changing pagination, what landing pages are working, whether video is getting prospecting response in search hits, how much fall off in pay per click there was in October, whether long term response is eroding in co-ops . . . and a thousand questions aimed at people with knowledge that can be utilized. The average company asks few questions and—frankly—usually doesn’t know what questions to ask.

And, I guess that is what I see after the 2006 consulting season. I wonder what we will see next year? Imagine What if we waved a magic wand and gave every average direct marketing company the ten attributes of an extraordinary company?

Wow!



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