

# Libey Economic Outlook

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## Time to Tidy

Don Libey

*The immediate months ahead are the perfect time to get the house in order. With uncertainty at this level, the prudent strategy is to tightly manage the business while investing in projects that will put you in a better position when the economic cycle returns to growth*

### Spring Cleaning

It's time to go through the closets and get rid of stuff you don't need. Spring cleaning is a useful metaphor for simplifying our businesses. Get inside the closets and drawers and find all the things that no longer serve a purpose and lighten the load. For some companies, this means obsolete inventory; for some, obsolete people; for some, obsolete projects or programs (or both); and for others, obsolete market segments.

Face it—when the economy is as unsettled as this one is, you make sure the business runs as efficiently as possible and you try to grow the “sure-thing” sector of your universe. This isn't the time to carry the weak or the marginal performers. This isn't the time to experiment with new businesses or new sectors that are untested. This isn't the time to be munificent; it is the time to be cautious with your resources.

The most difficult part of tidying up a business is the closet cleaning. Once that is done, a new efficiency standard emerges; a renewed energy is experienced; a newly discovered sense of urgency is instilled.

The closet cleaning, however, requires that you hold up each item in the closet and honestly evaluate it for keeping or discarding. I am reminded of my personal mantra for getting rid of stuff: *'If it hasn't produced for me in the last thirty days, I don't need it.'* Once I get past the emotion and focus on the measurements, cleaning house gets easier.

### **Dusting and Sweeping**

After the closets are cleaned and all the non-useful, unproductive stuff is hauled out, the next thing to be done is dusting and sweeping. You have to go through the business and physically pick things up and wipe them clean, and you have to dust under and behind each item. And that means you have to dust the attitudes and productivity of people and the effectiveness of the systems they operate.

“Dusting” may well be a metaphor for closely looking at every manager’s projects and taking a rag to those that are not essential. At any given moment in any given company, there is normally about 20 percent of the projects that are out-of-time or simply just “nice to do, but not essential.” These are not the months for either of those types of projects. And, if dusting is a realignment of priorities, “sweeping” is a bit more cleansing.

After you dust and send all of the untidy bits onto the floor, it is time to sweep. And here we mean “sweep out of the house.” The act of sweeping is the final removal of the unwanted items, and—unfortunately—this includes people as well as projects, procedures, inefficiencies and redundancies.

### **Washing**

After the cleaning out of the closets and doing the dusting and the sweeping up, it is time to scrub the floors and to wash the accumulated grime off the doors, the windows and the walls. “Washing” is a metaphor for purifying and disinfecting. It may require stricter operating procedures, reduction of costs, elimination of non-essential benefits, surgical removal of negativity, or any of dozens of purifying actions. What is wanted at the end of washing is a clean strategic and tactical environment in which 100 percent of the activity is focused on profitability, growth and stability.

When the washing is done, the business is renewed, smells good and has no dirt in any of the corners. It also has brightened up the basics; and you can never go wrong cleaning up the basics.

### **Tidying versus Remodeling**

Tidying up is inexpensive and is a house-cleaning process. Remodeling is expensive and is a major event. This is not the time for remodeling.

Tidying up costs nothing. Remodeling is nothing but costs. This is not the time for remodeling.

Tidying up removes unneeded stuff. Remodeling adds new stuff. This is not the time for remodeling.

## Therefore . . .

When the economic outlook is for slower growth and increased costs, and when the marketplace is more likely to contract than expand, that is when you get out the rags, brooms and mops and go to work. Here are places to concentrate on when you clean out, dust and sweep and when you scrub and disinfect:

1. Strategic initiatives. What major projects are you able to delay or eliminate because they are developmental rather than essential to the core operations?

2. Staffing. If sales per employee are \$220,000, how will you move them to the B2B normal benchmark of \$275,000 or more? Since you are probably not going to see a big jump in sales, what does this tell you?

3. Programs and software. What licensing fees can be eliminated or cut back? What marginal programs are being supported that could be scrapped? How many IT people are really required in the operating environment of the next year or so?

4. Call center. If sales are flat to slightly up, how do you clean out, dust, sweep and scrub the customer service/order entry process to gain 15 percent to 20 percent productivity?

5. Advertising. If you have a \$200,000 budget for Pay per Click, would you do better spending that money on an aggressive customer email regimen? Would you be ahead by cutting mailings to Dogs and increasing mailings to Stars?

6. Warehouse. Has senior management been given responsibility for eliminating \$.50 per order in cost? If not, why not?

7. Inventory. There is at least 15 percent of your inventory that is either obsolete or has too few sales to justify stocking. Eliminate this drag and clean out the Big Closet in the Back.

8. Running costs. Turn out lights. Turn down heat and air conditioning. Stop unnecessary subscriptions. Reduce legal fees. Re-think cars. Evaluate travel expenses. Lower insurance coverage costs. Stop buying lunches. Stop providing free coffee and other drinks.

If you are a \$15 million company and you do these eight things, there is a guaranteed \$750,000 of savings to be had—and it all drops directly to the earnings line.

Times are challenging. It's time for a thorough tidying up.

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# Talent Strategies for a Slowing Economy

Don Libey

*Getting talented people is difficult. There are different strategies for good and bad times. Here are proven ideas for creating talent in a difficult economic period.*

## Reality

The truly talented rainmakers will be absorbed by companies with money to spend. They will also move, because they *are* talented and are not afraid of the future. They will be paid big bucks because they are being hired by companies that *have* big bucks to spend and because they are proven talents (and they are not afraid). Plus, somebody is solving their home ownership problems *because* they are talented. Those people make up the top 20 percent of the multichannel industry talent pool.

The other 80 percent are scattered around the rest of the companies. Half of these folks—or 40 percent of the talent pool—are from the “old school” of cataloging marketing and are not multichannel “hybrids.” They have a retrospective view rather than a future view. That is fine because they have basic experience, but they are not tomorrow’s leaders, they are yesterday’s journeypersons.

Of the remaining 40 percent of the talent pool, half are true drones, essentially people looking for a cubicle and a healthcare plan. And the 20 percent that is left is a group of talented people who are not rainmakers but are above average and have a lot to offer. Unfortunately, they all have kids in high school, a house in the suburbs that they owe too much money on, and they are unwilling to move or are financially unable to move.

So, wherever you are located, you have about a 0.05 percent chance of finding one of these talented people who lives close enough to go to work for your company.

## Talent and Timing

The free movement of talent is enhanced by economic growth and expansion. In times of economic contraction, talent stays put. First, there are fewer opportunities; second, there are fewer people willing to risk change; third, there is less financial incentive to change.

If people want to build wealth in multichannel marketing, they move upward frequently during the good times. Then, during the bad times, they are prime candidates (and targeted) for even better paying positions.

Marginally talented people stay put in bad times. They have a primary interest in security, not wealth building. Large, successful companies with money have little interest in this “middle class” of multichannel talent because they want and can afford rainmakers.

## **Alternatives**

In difficult times, most companies under \$70 million in size cannot afford to play the competitive talent attraction game. I'm sure you would love to have someone on staff who knows everything about Google. But, those people are working at Google, and Google has made them millionaires. How will you attract talent of that kind?

Don't try.

Look internally instead and home-grow your own talent. Or, establish a relationship with your nearest state university and develop a student intern program at your company leading to full time employment opportunities.

There is risk in importing talent. You sometimes introduce unwanted skills along with those that are positive. Rainmakers and near-rainmakers are usually looking for the next position at all times. Home-grown talent has a predisposition for staying in the area; it is, after all where they come from and, likely, call home. Home-grown talent also appreciates having an opportunity extended to them. There is a loyalty quotient that cannot be overlooked. Plus, those companies who develop a successful home-grown talent sourcing program are, by definition, almost always exceptional companies to begin with and they will continue to be attractive to the talent they home grow. It is self-perpetuating to a great degree.

When the economy is slow, that is the perfect time to concentrate on internal training and teaching. There is time. And there is internal talent that can teach and who have the time to train up-and-coming managers.

The cost is low. You can afford to train and to slowly bring along a few talented people because you are saving on the 'rainmaker salaries' that you might otherwise pay. These approaches are essentially self-funded.

The return is higher. Individuals who are interns and who then go to work for the company tend to stay longer and are more loyal overall. Plus, you train people in your culture. You don't have to change someone's culture coming from other company experiences.

Finally, when you have mastered the art of home growing talent, you will never lose that skill. It no longer matters whether market conditions are good or bad, or whether the salary is competitive, or whether someone is willing to relocate. And, you get to observe interns for one, two or more years making it easier for you to determine who fits and who does not fit. Taking control of the talent pool makes sense in difficult times. It makes sense in good times, as well. In fact, it makes sense, period.

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# A Different Look at Merchandising

Don Libey

**Do you want to sell more products to more customers? Of course, you do. But, have you ever really *thought* about why a customer should buy those products from you?**

I've just finished a multi-catalog merchandising review for a very large business-to-consumer multichannel company. As a part of that project, I looked at every product in their catalogs and attempted to format four or five consistent reasons for customers to buy those products. Instead of focusing on just features and benefits, I focused on *why* you should buy this product.

Two things have to happen when you do this type of merchandising repositioning. First, the entire product position and description changes. Products no longer exist independently in space; they are transformed into a special cadre of products that have been specially selected for a number of reasons just for the customer. This is a process similar to what the old Sharper Image catalog used to do. Products were the best of the best; specially chosen because they met rigid standards of quality, design, functionality, performance, reliability and, last, price.

## **Purpose**

The method of getting to the essence of the product is to take each product individually and ask yourself, "Why does someone want to buy this?" I believe every product has a hierarchy of three or four 'purposes' that customers can understand. For example, a man's wallet has a number of purposes: 1) credit card security; 2) cash security; 3) driver's license security; 4) family picture security; 5) medical & dental insurance card security; and there may be others. One could easily say 'security' is the primary 'purpose' for a wallet. This comes closer to a genuine, resonating purpose for buying a wallet than other reasons.

Once you get to the essence of 'purpose,' not only can the product be described and positioned more appropriately for more sales, but something even more important happens. The buyers and merchandisers begin to think about wallets differently and begin to source products in keeping with the positioning. They find wallets with more credit card slots, or with more space for cash, or with more places for pictures. The wallet becomes a "better wallet for security" and that becomes a copy tagline for the catalog or online presentation.

## **Position**

Taking product attributes a few steps further, if a wallet is chosen that is also more durable, of a higher quality leather, with superb durability of the lining and the 'plastic windows,' then you have a product that has a secondary purpose of 'performance.' Now, you can merchandise (and source) wallets that answer the needs for security and performance. If the wallet products also are high-design and style, a third attribute—style—can be added to the merchandising hierarchy. Now we have a wallet

that meets the needs of security, performance and style. And, we also have the three primary factors to be evaluated when purchasing those wallets.

When a range of products is selected and merchandised and all of those products fit the needs of—for example—security, performance, style, exclusivity, and upmarket value, the entire range develops consistency and commonality. As a result, the brand takes on a customer perception that includes those attributes and a stronger positioning is achieved, better creative is executed and more sales result.



## **The Second Quarter 2008 Economic Outlook**

As of mid-April, the economic outlook continues to slow and looks to continue through the summer. All regions of the country have experienced the economic slowdown and the nation appears to be heading into a period of no growth in GDP or, perhaps, a contraction in GDP. The Leading Indicators are not signaling encouragement for the second half of the year at this point.

It should be mentioned that the financial/credit market is very much out of whack and dangerously stressed, not only in the U.S. but globally. This is due to both long term and short term influences. Long term, the U.S. is experiencing the results of a 50-year, post WWII shift that has focused on almost entirely on business gains rather than social needs. The short term influence is the effect of an unregulated, new financial instrument market, such as derivatives, which is so sliced and diced that nobody understands or has an analytic grasp of risk. This sector of the market has gone out-of-control and off the tracks. Couple the long term and short term influences and we have a dangerous economic climate that will take years to repair.

Oddly, within the current troubled economic outlook, the evidence is that the multichannel and direct marketing industry is performing reasonably well, particularly business-to-business. There are many failing consumer businesses, but the business-to-business sector appears to be holding up rather well. I am told that prospecting, list activity, and mailing expansion is in pretty good shape; similarly, it seems the bulk of B2B companies are having at least moderate growth (in the 3-5 percent area).

### ***Signs of Regional Stability or Status Quo***

None

### ***Flat or Slower***

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)

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# **The Second Quarter 2008 Circulation and Prospecting Recommendations**

### **Synopsis**

The short-term economic outlook for the catalog industry in the second quarter of 2008 is weakly positive. The intermediate-term outlook is moderately positive for the second half of 2008 and the long-term outlook for 2009 is also moderately positive.

While essentially positive, the outlook is less positive for growth than it was in February and March. I would lower my estimate for economic growth to less than 1.5 percent for 2008, likely down to zero or negative growth. Within the multichannel direct marketing industry, I expect no more than 3 to 5 percent growth overall for 2008, perhaps only 2-3 percent. Within the channels, I see overall catalog and mailing growth at the 2-3 percent level and overall online marketing growth at the 6-7 percent level.

### **Investment Prospecting**

For the second quarter and the summer months, we continue to recommend a careful review and study of your investment prospecting plan and an attempt to remain in the market for new customers.

Looking ahead to the third quarter, I would encourage a modest expansion in prospecting and a solid contact strategy to the customer files. There may be benefit in looking at varying your allocations of search engine marketing, pay-per-click, email, and other contacts.

Given the modest postage increase due to the Postal Reform and the efforts of the American Catalog Mailers Association, the last half of the year will not as difficult as last year.

## Nation at a Glance

There are no recommended changes for the balance of the second quarter mailings.

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

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