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Beware: The Turning of the Internet

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This is another risky article. It explores a nascent trend that quite possibly only I am beginning to sense, and that is a risky perception. But, it is palpable and has potentially concerning outcomes, outcomes that only lead to regulation and rapid changes.

The Dark Side

When the Internet was first made readily available to us in 1993 with the introduction of Mosaic, it was—like television was in 1946—envisioned to be a boon to mankind, intellectual pursuits, the arts, and the general betterment of humankind. But, like television, it quickly sought a least common denominator level and began to embrace features akin to *The Beverly Hillbillies* of television's eventual malignancy. Many of you have heard that the Internet's longest running and most successful commercial application has been, is, and likely will remain, pornography. For some reason, humans are relentlessly drawn to the dark side of the Force. I am almost daily reminded of the former Chairman of the FCC, Newton N. Minow, and his May 9, 1961 charge that:

When television is good, nothing—not the theater, not the magazines or newspapers—nothing is better. But when television is bad, nothing is worse. I invite you each of you to sit down in front of your television set when your station goes on the air and stay there for a day without a book, without a magazine, without a newspaper, without a profit and loss sheet or a rating book to distract you. Keep your eyes glued to that set until the station signs off. I can assure you that what you will observe is a vast wasteland.

And, of course, Minow was right. The number one rated television show would soon be *The Beverly Hillbillies*.” Back then, television was free. If people had been required to pay for it, it might have evolved differently; but, somehow I doubt it. We seem to have a love of the inane. Somehow, we would have arrived at television as it is without any help.

It appears the Internet may be headed in the same direction. While there is some positive benefit of a Wikipedia, there is far more attention to Twitter, FaceBook, MySpace, and now ChatRoulette, a random, live video “speed-dating” of weirdness on a global basis. You are offered a random succession of live video hookups (and you are live on video as well) where you may encounter naked people, assorted crazies, couples talking about wine or food, or any other encounter you care to imagine. In the end, it is heavily weighted to the sex/pornography side of life. Reportedly, participants who do not have to log in or identify themselves in any way, exploded in one day from 5,000 users online to over 50,000 online, all ready to shock you, bore you, amaze you or scare you with their individual brands of bizarreness.

Why do humans desire the thrill of random, full disclosure of their every thought and action? Where does that lead? Be afraid, be very afraid.

The Concept of Control for Gain

When some social phenomenon gains traction, it is generally quickly controlled and monetized. Gambling, which was illegal, is now a primary source of revenue for states. Liquor and tobacco, which are detrimental to mental and physical well-being, are primary sources of revenue for government. Drugs, while still illegal with minor offenders over-crowding our prisons, are likely going to be the next promotable, taxed source of revenue for bankrupt state and local governments. It is just too big of a plum not to pick.

The Internet must ultimately be taxed. If it continues to turn towards negative or unproductive social benefits, as it certainly seems to be doing, it may also have to be controlled. Only through control can the maximum taxes be levied (think of casinos and racetracks).

Control of the Internet has shifted recently from the United States to Europe. The Internet domain name registry is now in global control and no longer in U.S. control. Ultimately, all control is likely to be shifted to a global venue. However, the intra-U.S. taxation and regulation is likely to gain in political favor with more and more scrutiny, particularly as conservative and fundamentalist pressure is brought to bear on politicians looking for a “hero” cause and a new source of easy revenues.

What Does This Mean?

If you thought catalog and postal regulations and costs were challenging, wait until you have to deal with social and fiscal Internet regulations. When emails have to be in six layers of compliance and cost you an amount similar to mailing a catalog, where does your current investment in all things Internet leave you? When SEO is under the regulatory control of political entities and lobbyists, how much will natural or paid search begin to cost you as a medium of customer recruitment? When affiliates in every state have to pay taxes on their commissions, what happens to the metrics of affiliate marketing? The point: *Should you be thinking now about these very real possibilities as you allocate your advertising dollars?* The answer is, of course, “Yes.”

I look at where the Internet seems to be heading—a vast wasteland of self-absorbed inane nonsense and porn with a small lagging edge of viable commercial activity totaling something like 8 percent of all consumer and business transactions, and I get queasy. If it is suddenly all jerked into some Draconian regulatory Wheel of Fortune for the governments, what happens to your infrastructure and technological investment?

I would like to believe that Internet commerce will remain unfettered by either politicians, regulators, or the greedmeisters, but I know better. The bulk of the Internet is now exactly as it was ten years ago; it’s essentially obsolete, like broadcast television. The only technological progress in evidence is mobile and small-screen. As the future Internet void (the “Vast Wasteland”) is filled, it will be filled with quick-hit, get-rich fads like ChatRoulette. And with content that endangers children and the “moral sensitivity” of America, it is going to be stridently controlled, regulated and taxed.

When that happens, I prefer to have a customer recruitment and customer contact model that relies on something other than a political football.

Beware the turning of the Internet.

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Thoughts Looking From My Window

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

My window this month here in Bodega Bay is so beautiful. Spring came to Northern California in mid-February. The Acacia trees are blooming; the vast pastures for the dairy herds are emerald green and looking like Ireland; the spring flowers are up and in full bloom; the temperature is in the mid-sixties and the rains are less. This past

winter, we had rains sufficient to fill the reservoirs to overflowing, thus ending over three years of severe drought. The earth is alive and smells wonderful.

The surf has been spectacular. Recent wave heights of twenty to twenty-five feet led to the calling of the worldwide Maverick Surfing Contest in Half Moon Bay south of San Francisco. Here, north, in Western Sonoma County, the surf has been even higher and more dramatic. But, there are so many rocks that it is difficult to stage a large competition. Of course, I rarely surf, as you can well imagine, preferring as I do sports having vintages and at least twelve-years in the barrel.

All of these Days of Zephyrs have led me to reflect that our catalog and multichannel world is due some good weather. We haven't had full sun since 2004 and there has been a drought for about three years now. I smell spring in the offing of our industry. The DMA appears to be finally reorganizing. The American Catalog Mailers Association is hosting its critically important Washington Summit in April and *you* should be there to plant your seed and water your future. The businesses and consumers are easing spending just a bit, and there is the warm light of hope beginning to be seen over the industry.

Unlike so many others, we have our incredible history of customer service and satisfaction to be proud of in this emerging of another spring in our industry. Read my comments in *Libey On Strategy* this month. It's available at the MeritDirect website, or the Libey website. If you have signed up with JoAnne Carrier at MeritDirect, you will receive it in your email.

The window is reflecting another season, a rebirth that only comes in spring each year. Businesses have seasons and so do industries. I think this year it may just be our turn. Regardless, it won't hurt to have a positive approach and expectation. I keep coming back to the "cycles of the season" that keep repeating over and over to me, "Get the Basics right; focus on the Basics; it's where the money is waiting."

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Merchandising

Niche Inventory vs. Satisfaction

I just received six different shirts I had ordered four months ago. Yes, you read that correctly: four months ago, and not one shirt six times, but six shirts one time each.

The online merchant I purchased from is a specialist in large sizes. The risk they have is that they will be the only place in America where you can get 3XL through 7XL

clothing. Let's see the risk . . . in a nation of 65% obese people . . . seems like a pretty good business model. You probably ought to have that stuff in stock all the time, Skeesix!

So, when one of the roughly 250 million overweight Americans is ready to buy, the answer is, "Sorry, we won't have any of those six shirts for about four months." Darn, this is gonna interfere with my plans for attending the Oscars.

Why do you pretend to be in the Big People clothing business when you don't have any of the products you sell in stock? Imagine Don's Hot Dog stand without any hot dogs. "Two dogs to go? Yeah, come back Tuesday . . . I should have some in by then. How 'bout some mustard in the meantime?"

We are all in "niche" businesses. The foundation concept is that we sell people stuff when they need and want it. The primary rule of customer satisfaction is "Yes."

And yet, when cost controls take center stage, the first thing we do is trim inventory. This can be dangerous. Why not shift costs from other areas and *increase* the inventory to assure *zero* customers are unsatisfied? What would 100% satisfaction of product expectation and delivery cost you?

Consider the logic. You spend a significant amount of money to get new customers and then you skimp on inventory so you can tell those customers, "Come back in four months."

Merchandising is many things, but—first—it is being *able* to make and complete the sale right now. Cash now is better than cash later in every instance. A customer who waits four months and *still* takes delivery of the back order is a customer with infinite patience. Or that customer has a lot of other shirts.

The point: In a niche business, spend a few extra dollars to assure *every* customer is satisfied at the moment of ordering. Yesterday, a wise CEO told me, "I never worry about an extra five percent in inventory because I know it's an extra twenty percent return on customer satisfaction."

That's worth the price.

The Box Festival

*I see it is time to refresh one of my most popular seminars from 1994:
"101 Things You Can Do to a Box".*

As merchants, many of us have pursued cost-cutting and efficiencies to the point of taking the life out of the purchase experience. I received a box the other day containing

some items I looked forward to receiving and there they were—stuffed into the folds of four yards of Kraft paper wadded in a ball to fit the plain Kraft box. The tape was sloppy and there was *nothing* else in the box. What a let-down.

You have put so much effort into your product selection and quality. Next, you have invested in your customer base and customer retention. You have the best systems you can afford to assure integrated operations and business intelligence. You have a great call center and well-trained people. And—finally—it all gets down to the box itself, and what do we have? The lowest-cost, least exciting, and most bland presentation imaginable.

It is time once again to focus on all of the magical things that can be done to a box in order to make it work for you to satisfy customers and make them feel like they matter.

There are things that can go *on* a box, *in* a box, *stuck to* the box, and printed *on* the box. There are things that can be printed *inside* the box. There are “freebies” like Northern Safety’s icon: a bag of hard candy. There are stories that can be printed in booklets about your company, its history, and the unique customers you have come to know over the years. There are “Star-Histories” that tell about individual employees who try to make every customer a part of the “corporate family.” There is special sealing tape, special stickers, special hidden messages, special dunnage, special surprises, special quotes . . . there are hundreds of things you can do inexpensively that set you apart from any other company. Part of merchandising is creating a sense of wonder and uniqueness.

Take an afternoon and get all of the thinkers together. Explore what you can do to move your box from ho-hum to “Wow!”

The One Word

What do you stand for?

Is there one word that you want customers to associate with your company? What is that word? Is it “quality” or “savings” or “selection” or “friendly” or “in-stock” or something else you have built your business on over the years?

Whatever you decide is The Word, take a look at everything you do and see if you are using that word over and over to drive it into the awareness and front of mind of the customer. Does it appear in catalog copy repeatedly like the steady drive of a good rhythm section in a great jazz group? Is it on every page of your website? Do your sales reps repeat the word when they are speaking with customers? Do you *think* the word as you go about the day-to-day activities of your business? In short, are you *living* that word constantly?

Take the One Word concept a bit further. Is that word on the box, in the box, on the invoice, on the envelope, on the tape; is it everywhere to make sure the customer is constantly reminded of what it is that makes you great? If not, should that be a priority?

The usual condition of most companies is that when you ask the top five managers to name The Word, you get five different words. Everyone believes what they believe; it is not in our nature to believe one thing. Gather the thinkers again and spend a few hours debating about what is your company's One Word. When you reach agreement, talk about how you communicate that word to the customers. Explore whether it is clear or whether it is a mixed message. Get down to the absolute basic thing that you want them all to understand. Look for mixed signals, missed opportunities, opposite realities to The Word. Then fix them and get on with clarifying the One Word awareness in the mind of every customer.

After all, you have to stand for *something*; otherwise you are just another peddler.



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