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Mobile, Social & Apps: B2B Potentials

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This article is adapted from the Keynote at the recent MeritDirect Co-Op held July 12-15, 2010 where the emerging applications of mobile, social media and apps technology was of high interest to the participants.

Introduction

I want to consider change . . . not the day-to-day change we all deal with . . . but the rare, life-altering, transformational change that—in a short period of time—totally redefines existing structures. A brief bit of background may help in understanding my conclusions about the potentials I see for mobile, social and apps.

My forty-year career includes, essentially, three periods: 1) the corporate period when I worked for corporations; 2) the entrepreneurial period when I owned my own companies; and 3) the advisory period when I advised owners and CEOs, sat on boards of directors and acted as an intermediary in the sales of numerous direct marketing companies. In each period, I have witnessed significant transformational changes.

In each of these career stages, I have followed the same path to find some understanding of change. First, I try to observe broadly—inside the direct marketing industry and outside. Second, I try to think about what I observe and create cause and effect potential outcomes. And, third, I attempt to establish a hierarchy of conclusions that potentially predicts what will happen over time and then act on those predictions to

create advantages. That is, basically, how I have made my living: observe; think; conclude; and monetize the conclusions.

During the first career stage—corporate—I “saw” and predicted the transformational effect of the introduction of laser printers on the business forms printing industry. When businesses began printing their own invoices, statements, bills of lading, checks and other routine forms internally on laser printers, the need for pre-printed and personalized business forms would, by default, diminish. That was massive transformational change for B2B direct marketing, and it was directly caused by Hewlett-Packard and technology. Recognizing that significant change early allowed for rapid changes to strategic plans and directions to compensate for lost business and shift the focus of the businesses for continued growth.

During this same period, I “saw” the effect of the introduction of the first Macintosh computer and what it would mean for creating catalogs. Being the first person in the world to produce a totally electronically-generated catalog produced massive advantages in reducing the pre-press, graphics and printing costs, thereby allowing me to shift money to investment prospecting and new customer acquisition. Similarly, I “saw” the transformational change of digital photography and what it would mean for catalogs.

I also “saw” the potential for postage sharing and created the first co-mailing between fifteen catalog companies in 1987. The postal savings that resulted gave me an incredible mailing advantage over my competitors during the next five years.

During the second period—entrepreneur—I “saw” the potential for the Internet in 1991 and, here at the Co-Op and at the DMA in 1993, made the comment, “Mark my words, in 10 to 15 years, over half of your orders will come via the Internet.” This was said at a time when we were getting 80% of our orders by phone and 20% in the mail.

In the same period, I “saw” the future rise of database marketing and—in 1992—wrote the first of three books on RFM, followed by the second and third editions, in 2006 and 2008, written with my writing partner, Chris Pickering of MeritDirect and published by MeritDirect Press. Database marketing has since evolved farther and deeper than I ever imagined; yet, it has never reached its potential. But, it has been transformational change, not only in direct marketing where it began, but, now, in almost all other industries.

And, in the present stage—advisory—I “saw” in 1998 the ageing of the baby-boomer owners of direct marketing businesses and realized that most of the small and middle market companies would be sold to strategic buyers and private equity investment groups over the next 15 to 20 years. And so, I began representing owners in the sales of their companies, finding qualified buyers and completing numerous deals over the years here in the U.S. and in the U.K.

I cite these identifications of change and the opportunistic action taken to successfully navigate change only to establish the necessity for a career-long way of

observing events if you are to be successful and continue to grow and remain profitable. There are degrees of transformational change—some very small and some very significant. Success is partially defined as the ability to anticipate and use change positively. But, to do that, you must develop the strategic mind that observes, thinks, concludes and acts. And you must be right most of the time.

The Change of Now

From those past conclusions to what I see presently, I conclude that we are embarking on a period of transformational change perhaps as significant as the changes created by the digital era. Remember, I have spent several decades in direct marketing *prior* to the computer age. I have mailed catalogs using Addressograph plates and adhesive labels. My customers' histories of purchases were maintained alphabetically, hand-notated, in index-card files.

Now, in what I believe will be a period of historic, disruptive, transformational change, we are moving from centralized, linear digital enterprise systems to dispersed, non-linear inter-accessed component systems. In short, everything and everyone can connect anywhere: entire libraries held in your hand; entire inventories held in your hand; entire sets of knowledges accessed from wherever you may be, whenever you want; discarding rigid and disciplined operating protocols in favor of adaptable, individualistic applications; the dispersal of work from formal, collective "places" to informal, individual "spaces."

Technology will likely advance at a rate more than double that of the last ten years. Everything you are doing today will likely be done totally different in five years and will be completely obsolete in ten. Your technology choice is to either move with it or to resist it and you already know what each of those choices mean.

There is no stopping this change. It is self-sustaining and feeds upon itself to create even faster change. We—the humans—are really no longer in control. If we were, we couldn't have conceived of or invented Twitter if we had tried. It is a spontaneous, living and changing entity with only token human innovation, control or management; it comes mostly from the applied will of the collective user community. That is the essence of the future that you have to understand if you are to successfully survive and migrate to the next reality of our work, our lives and our existence.

But, our purpose here—today—is not to delve into philosophy. Rather, it is to look at the emerging technologies and attempt to describe the potentials for the future of business-to business direct marketing. We are presently engaged in the normal disagreement in the early experience of these emerging technologies. We have those who dismiss these new approaches and we have those who are beginning to experiment and embrace the changes. What we do not have—and never will—is universal agreement. That will only come when these new marketing forces have been proven or abandoned based on their capacity to produce profits over time.

Mobile

Here is the central question you must ask:

Will “work” and “commerce” shift from PCs and laptops to mobile devices?

That’s it; that’s the question. If you believe it will, you have to follow mobile technology. If you believe it will not, you have to remain in the present technology. And, if most of your customers adopt one position on mobile technology, you probably should adopt that same position.

I would caution you that, whatever your conclusion, there is no room for straddling the fence. Let me give you an example. Fifteen years ago, few people paid their bills electronically. You could continue to send checks through the mail, or you could shift entirely to electronic funds transfer. But, you only make the “process” of bill paying into a hash when you try to do both. You can’t be partially in the technology.

There are fairly good precedents for mobile technology and uses in Europe where it is much more advanced than here in the U.S. In fact, direct marketing is far more advanced in the U.K. than here in the U.S. The British direct marketers leap-frogged and passed us by in technology, skills and knowledge about five years ago. The reason: they avidly embrace technology change and we reluctantly adopt technology change—at least in direct marketing. Otherwise, we would not continue to produce performance metrics and customer retention rates that are essentially unchanged or diminished from the 1980s.

As you consider whether mobile applications are important to the future of your business, consider this larger construct: our lives are compartmentalized into four sections. There is our family life; there is our work life; there is our play life; and there is our intellectual or thinking life. Which of these four life components can be enhanced with mobile technology? If you can find plausible applications in one or more of the life components for mobile technology, it probably means that technology advances will be applied to that component. If all four life components can be enhanced with mobile versus tethered technology, than it is inevitable that the technology will dominate our existence.

That is the essential and pivotal point. It comes down to whether a mobile or tethered state makes life easier and conserves effort. It is a matter of economic utility.

As B2B direct marketers, we are more concerned with the work component of life. However, I would caution you that if the family, play and intellectual components go mobile, it is pure fence-straddling to believe work will not change.

For me, much of the question as to mobile use is physical. Consider again: there was a time when IBM Selectric typewriters dominated writing. Then came the first “word processors.” Then came the early computers and the QWERTY keyboards. That progressed to smaller, integrated laptop keyboards. Today, much of our written

communication is accomplished with very small touch pads and two thumbs. It is a physical, eye-hand coordination evolution. In the same way, computer screens first enlarged, then began a steady shrinking, first to laptop size, then to net-book size, and now to mobile iPhone size. We are learning to view the world on smaller screens: adaptive, learned behavior. Only in our play life (television) are the larger screens dominant, and that is overwhelmingly due to sports programs.

And, if your conclusions regarding mobile technology rely upon solid evidence, please observe all people under the age of twenty and see what they are using in their lives. In the next ten years, they will be in charge of the business sphere and they will not be sitting at computers.

Consider another potential. Let's say my job is to purchase safety glasses for my company. I review specifications, prices, availability, and delivery time and I select a vendor to ship 300 pair of safety glasses to each of my company's 250 field locations. Ask two questions: 1) is it necessary that I do that piece of work in an office; and 2) is it necessary that I do that piece of work on a desktop computer? If you—and the business world—can accept that I can do that job equally well from *any* location, and equally well from an iPhone or Blackberry, then the conclusion is simply a matter of the speed of proliferation of iPhones and Blackberries in the business-to-business sector. It's really that simple. It is no different than asking whether you believe you can just as effectively bank on line via a mobile phone. If so, mobile technology represents freedom and convenience, and it will dominant.

As for screen size, it's only a matter of additional technology to build in effective projection capability to display information from the mobile device to a piece of paper, wall, or screen. That is a physical solution and does not weight the debate as to the move to mobile.

And, I would also ask you to consider cost. A monthly usage fee for Internet, plus mobile access, plus home cable is all redundant. One screen; one fee. Whenever a technology is cheaper, it wins.

To sum up the large issues regarding mobile:

1. It is simple and rich.
2. It is untethering and multi-tasking.
3. It is the technology of youth.
4. It allows the same functionality as older technology, plus much more.
5. It is likely less costly.
6. It is easier and more convenient.
7. The important transformational elements: speed, smaller size; platform is a person not an office; portable and untethered access.

Apps

Apps are the non-linear, inter-accessed portion of the transformational change. Apps are tools. They allow us to do things, usually short-cuts or drill-downs or narrow interest expanders; in some cases (many cases), games and “play” elements. Their primary B2B functions, however, seem to be process-benders, short-cuts, and informational organizers and algorithm generators; things that allow the optimization of the speed, small size, personal platform, portability, untethered access to information and accomplishing a desired action easier, faster and directly.

I will go way out on a limb and make the statement that apps are entirely mobile-dependent. Without mobile technology, apps would not flourish. They are primarily attractive to mobile-oriented users, youth, the untethered, and the readily adaptive individuals. Those traits describe mobile users.

I will also go a bit further out on the limb and state that there are a dearth of profit-oriented apps and, therefore, B2B is trailing in apps development. This is a world of small change. Granted, in total apps are significant, but one of the attractions is the low cost of app entry. It's a bit like the Pachinko parlor of Japan or the slots in Vegas: put a few coins in the machine and get a little prize; individually it's not much, but collectively the house makes a bundle. So far, the money is in app development that generates repeat revenue. When the apps are created that make money for the *business*, then B2B mobile/app usage will grow. Figure out how to create apps that make buying from you simpler, faster and less of a hassle and you will make money.

It may be that apps will replace repetitive analyses. For example, if you want to calculate the ROI of a 1 million email blast, there can be an app that will do that work, taking in all the variables and the metrics. Would you pay \$5 or \$100 or \$500 for such an app to be available on your iPhone? Maybe.

There will also be niche market apps. If you sell jars for body lotion directly to beauty supply distributors, an app might instantly convert an eleven-ton container load of body lotion into the number of 2-ounce, 4-ounce and 8-ounce jars needed to package the product, and then place the order directly with the supplier who provides the app free.

What determines whether you embrace apps? Improved profitability through elimination of costs, people, time, returns, inventory, waste, or inefficiency.

What determines whether your customers embrace apps? Convenience, accuracy, speed, lower cost, improved knowledge or performance, greater utility or margin, reduction of overhead.

The cost of the app will be consistent with the value of the tool, the frequency of use, and the breadth of use across the enterprise. High value, frequently used apps that reach across the entire organization and benefit profitability are four-star apps. Low

value, infrequently used apps that are niche-oriented in a small portion of the organization to improve a component of profitability are one-star apps.

Apps are created for something . . . a smart phone . . . an iPhone, an iPad . . . some specific device. I don't see anyone creating apps for PCs . . . and—frankly—I don't know anybody focusing on B2B niche apps. It's almost all consumer, mobile apps, and it's almost all in the play and family components of our compartmentalized lives. Does that mean there are opportunities for B2B? Perhaps.

Social Media

Here is the question you are going to have to deal with: Is this silliness or is it public relations?

If—in the best case scenario—it is public relations, then does it increase sales, profitability and customer retention?

That's it.

If it benefits customer relations and increases sales and earnings, then it is important and will endure. If it doesn't produce better customer relations, sales and earnings, then it is not important and will fade.

But, there is something very interesting that I am beginning to observe and, perhaps, understand. It actually may not matter whether a concept like social media is a success or a failure. It seems as if the “buzz” is the product, not the benefit or utility. If you can attract enough people to use the media—whether it is positive or not—it achieves critical mass quickly and creates its own utility—positive or negative. In other words, media for media's sake; technology for technology's sake. The “buzz” morphs into something and the “something” develops a form of utility that we—as marketers—adapt to our own ends. We learn to live parasitically on the playgrounds of our customers.

Conclusions

My conclusions are simple.

1. Mobile is real and logical. It will evolve as an important technology.
2. Apps are real and logical. It will evolve as an important technology.
3. Social media is a sandbox for children and may become a playground for adults. It has to have a significant impact on the world of work in order to evolve as an important concept. It could evolve as an important B2B technology.
4. Learn, master, embrace and measure mobile and app technologies.
5. Learn and observe social media technologies.

6. Strengthen and optimize catalog, mail, telemarketing, email, search, field sales, and the foundation components of direct marketing.
7. Invest in prospecting now and new customer acquisition on a channel agnostic basis.
8. Measure performance better than you have done in the past.
9. Achieve “roundedness” in all aspects of the business. Don’t become obsessed with channels alone.

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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.*

This time of year, the Pacific coast of Northern California is locked in its cycle of clouds and fogs, alternating with clear, sunny days. This year, however, the fog layer is unusually thick, extending upward to 2,500 feet. As a result, it has been colder than normal and the days have lengthened into unchanging stretches of gray monochromism. One wakes to the foggy gray and evening descends back into foggy gray. And one hopes for a bit of color, a bit of change, a bit of excitement. But, it all just lumbers along at its own pace. The great engine of the ocean and the winds determine everything. Except for a few contrarian souls, who tend roses and geraniums and lavender, and actively change the *status quo*. They force color onto the gray; they create spots of excitement and relieve the dull sameness with exciting difference.

Is this how our businesses are? Repetitive cycles of dullness alternating with a few isolated spots of color? Do we operate on a never varying cycle of sameness? Is there a contrarian soul at work somewhere in the psyche of the organization who creates color and at least attempts to save us from ourselves and our self-imposed inertia?

If so, buy that person more colorful flowers to plant.

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Merchandising

A continuation of Cause and Effect thinking for merchants

This is a very short article on merchandising. It is logic-based and requires you to think about the concept presented very carefully, as it is a primary strategic element of the near-future.

Raw materials and labor costs will go up worldwide. That is a clear fact. Therefore, choices will be limited by the necessities of economics. Where there once existed five product choices, only two will be economically possible in the future.

If you have 50,000 SKUs now, which 10,000 will your customers continue to purchase in the future? And how do you know that?



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