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Electronic Retailer Magazine





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the past 18 months to take a proactive approach to the challenging economy and provide increased value to all customers,” says Andy Arvidson, owner of Imagine Fulfillment Services. Likewise, Moulton Logistics Management has been working to further automate operational systems. Moulton records all customer service calls and then places them into categorized digital folders so that marketers can search through call types of interest. “Imagine you were trying to learn why customers were returning product, and your fulfillment house gave you thousands of calls randomly sorted on a DVD. With this technology, you can select a date range, call type, and even listen to the calls over the web in real time,” says Tony Sziklai, Moulton’s president. Last month, Moulton also rolled out customer service live chat.

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**—Tony Sziklai, Moulton Logistics Management**

## DR VS. BIG-BOX RETAIL

Besides shipping products to customers who order direct, fulfillment houses are also responsible for getting product to brick-and-mortar retail locations. “Our consumer fulfillment has been stronger than our retail fulfillment in the last 12 months. The retailers are struggling and buying less. The direct-to-consumer market is different,” says Latz, describing DRTV pur-

chases as impulse. It’s been similar at Christopher Morgan Fulfillment Services. “Our direct-to-consumer fulfillment has been fairly consistent. We’ve had more consumer than retail fulfillment in the last six months,” says Chris Rebholz, president. GSI has also seen retail go soft in Q1 of ’09.

Conversely, Hal Altman, president of Motivational Fulfillment & Logistics Services, has seen retail pick up. “Our retail business is doing particularly well,” says Altman, who alludes that sometimes consumers will see products from television while shopping at a big-box retailer and figure out a way to fit it into their budget at that time.

## BACKEND BANKING

Fulfillment houses are also reporting varying data regarding consumer purchase habits. “Continuity stick rates seem to be declining, probably because of increased financial consciousness of the consumer. It could also be that the consumer is adapting to traditional continuity strategies and is learning how to take advantage of the initial offer without staying on the plan. But certainly the economy is having an effect, as evident in an increase in charge-backs,” says Patrick Moulton, Moulton Logistics’ vice president of marketing. Moulton has worked to proactively prevent bad debt. “Automated systems that try to charge cards and automated outbound campaigns to contact customers and resolve billing issues in the early stages have provided significant improvements for our clients,” he says.

Motivational has witnessed similar



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events. "Cancellations for customers in continuity programs have gone up about 20 to 30 percent. We get a lot of personal bankruptcy notices where consumers will list the continuity program they're in," says Altman. To combat this, Motivational notifies consumers with post cards or e-mails and will sometimes put their cards through six times to get payment cleared. "Our fatal rejections are a little bit higher than they've been before and our chargebacks are going up," he says. All of this unfortunately turns into bad debt against the merchant account. Other fulfillment houses have experienced the contrary.

"Ironically, I think there's actually been a slight decline in bad debt and chargeback categories," says Rebholz. "We've quickly become a save and debt-reduction society. Consumers are making fewer large purchases, so there's room on their credit card for continuity and multipay," says Rebholz. IFS' Arvidson agrees: "Many continuity programs are doing very well. If the consumer feels the product is priced right and solves a challenge, the consumer will stay on the continuity program." However, Rebholz concedes that upsells and conversions are down as is average revenue per order for DR, which demonstrates that consumers are scrutinizing every transaction.

"Everyone's customer base is different and it all depends on the campaigns you're running," says GSI's Johnson. "Ours are a lot of single pay or two-pay deals, so there's not a lot of opportunity for bad debt. You pay the \$9.99 upfront or you don't get it." However, GSI has seen increased fraud in the past six months and has taken proactive steps to counter it. "A lot of it involved pre-paid credit cards—gift cards. We're seeing it a lot more in multipay than continuity," says Johnson, stressing that GSI catches hundreds of thousands of fraudulent dollars a month. It seems some shady consumers will buy a \$200 multipay product on a \$50 gift card, allowing

the first payment to go through, leaving future payments to default. "If you're not catching that fraud on the front-end, then there's no recourse," he says. With the possibility of fraud and bad debt for high-priced, multipay products, Arvidson suggests that third-party collection companies be part of the planning model for these

campaigns. "Unfortunately, bad debt is a fact of business life. Every effort needs to be made to recover the balance due from these accounts."

Moreover, it's when fulfillment companies combine this financial information with their other data that they can become a powerful weapon for marketers.



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## RIDDLE ME THIS

Fulfillment companies are aggregators of vast amounts of data across the multiple touchpoints in a campaign. It's the fulfillment companies that have the answers marketers seek. "A seasoned DRTV fulfillment partner is the first to see trends in the consumer marketplace," says Arvidson. Johnson describes it like the hub of the wheel with tons of information coming in from all directions. Because of the numerous companies intertwined in the direct response supply chain, Moulton asserts that marketers have a major obstacle when trying to collect and interpret millions of data line items from the various vendors to analyze a campaign. "As orders are being funneled to the fulfillment center and customer service calls and returns are coming in, these backend operations have the final campaign data, and thus are in the best position to provide the total DR campaign analytics, analyzing all costs associated from media buys to returns, and ultimately provide the P&L for a single order," says Moulton.

Rebholz concurs. "There's no more accurate P&L than that derived from a good fulfillment company. We can give you initial sales from the 800 number in addition to TV, web and mail and then balance it with the returns, bad debt and the cost of goods. Most assuredly, we can give the most accurate and detailed analysis of a campaign and program," he says. *But in many cases, marketers fail to employ this information. Why?*

"Conventional wisdom is that there's no reasonably intelligent marketing mind that could possibly reside in the warehouse or a fulfillment center—and that conventional wisdom is wrong. If I want to know what my kid's up to in school, I'm going to ask the janitor; he knows a hell of a lot more about what's going on than a guidance counselor or the principal. So if I want to know what's going on with my campaign, I want to talk to the person who's doing all the touches.

It's a responsibility of a marketer if they really want to maximize their campaign to engage and involve the fulfillment center as much as they can," says Rebholz.

Altman insists it's because fulfillment companies simply aren't the romantic aspect of the business. "The romantic part of the business is media buyers. They present themselves as the gurus of the business because they're dealing with the largest amount of money being spent," he says. "They present themselves as the expert in every field and they're interested in the phone ringing and not necessarily shipping the orders or the backend consequences. They certainly don't want to see a station-by-station report. They don't want to paint the picture that some stations can be more negative than the others. If they have warehouse inventory of a certain station on their shelf, that's the one they want to sell," says Altman. At the end of the day, it's the data that can settle the score. Because while station A may have yielded a promising number of calls, that same station could be abnormally aligned with bad debt or returns when compared to station B that received a similar amount of customer calls. With this information, a marketer would obviously pull their media from station A to invest heavier in station B.

"We have reporting capabilities that enable our marketer clients to reconcile what their buyers and call centers are saying is the performance data in a campaign. We don't have a vested interest in floating books. So it's a shame when marketers don't utilize the backend reporting and analytics we provide to reconcile and verify," says Wille.

And this is not to say that marketers should be wary of the information they receive from other vendor partners in the industry. Exploiting fulfillment house analytics is simply a cautionary solution for marketers seeking a comprehensive view of a campaign.



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## CHANGE OF COURSE

Besides keeping tabs on various areas of the industry, the wealth of information kept by fulfillment houses can allow the company to act as a campaign success watchdog. From buffering negative customer service comments and answering functionality questions, to actually shipping the end product, fulfillment houses ironically have more direct contact with consumers than almost anyone else in the supply chain. "The fulfillment house is the last impression of the consumer's overall buying experience," says Arvidson.

When Motivational receives a certain number of customer service calls on a product, it stops shipping and contacts clients to let them know there's a problem. "Customer service is a good barometer of what's happening when the product is out," says Altman. Additionally, Altman maintains that there are other ways to save money that marketers may not have thought

trends, most fulfillment houses have seen a rush to low-end items. But, one negative trend Moulton Logistics has noticed is the increase in unsold merchandise being returned from retailers to the marketers. "Your visibility

campaigns rising from the dead like zombies from a grave. "The media climate has been so favorable that our clients have brought back dead campaigns, re-run the media and manufacturer new inventory and

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**Chris Rebholz, Christopher Morgan Fulfillment Services**

into sales and returns is much better, giving you the ability to change your marketing strategies without long-term commitments where campaigns that were thought to be profitable, months later are realized to have been unsuccessful," says Sziklai, stressing the advantages of selling direct. Thus, taking cues from the fulfillment

have had significant order volumes," adds Wille.

Then there are the products and companies that aren't doing well regardless of their positioning or pricepoint. "We manage the e-commerce of BigLots.com and we've seen an eagerness for product liquidation. Not all companies have survived this downturn and BigLots.com has been opportunistic in looking for product liquidations," says Wille.

BigLots would do well to keep an eye on sporting and leisure goods. "On the retail side, there's been a demonstrative downturn in sporting and leisure goods. The big-box retailers that cater to this category have laid-off their buying teams and stopped stocking shelves, so they're prophesying their own doom—they didn't have anything on the store shelves! But other sides of the retail business are flourishing," says Rebholz. Consequently, Christopher Morgan has seen household items do particularly well lately. At the end of the day, if a product solves a need and the show is produced effectively, consumers are always going to have the buying impulse," says Rebholz.

When considering future direct response campaigns, it always comes back to the product. Now if only someone could invent a real Batmobile.... 



of vet. Altman notes that new clients should inquire if similar products have been sent over the years to divulge what's worked from prior campaigns. "Sometimes little things like taking off an inch or two of the packaging would save them a lot of money," he says.

In terms of current overall product

house during this economic time can also help when readjusting product marketing. Simple change-ups in strategy have also proved fruitful.

"Our clients are buying as much media as they can get their hands on, both short and long form," says Johnson. GSI sees a trend of old