

Can Small Catalogs Survive?



Yes, despite all the challenges they face.

by JACK SCHMID

The pressure's on! Response rates are flat, or even declining. Consumer confidence is low. We're not pulling out of the recession as fast as some economists had predicted. The costs of doing business have risen. Are these signs of doom for the smaller cataloger?

If your sales are less than \$10 million a year, this article is directed to you. And you're not alone. It's wrong to think of catalogs as being only the "big guys" like L.L. Bean, Spiegel or Fingerhut. If we look at the statistics, about 75 percent of all catalogs generate less than \$5 million in sales per year. You're in the majority, but you're also the type of company that:

- operates only a single catalog—not two, three or 10 catalogs that has diversity to hedge against inflation;
- doesn't rely on import merchandise to drive down your cost of goods;
- doesn't have the "deep pockets" of corporate conglomerates;
- doesn't have unlimited staff to whom to delegate.

In short, to survive, you must work smarter. Hard work will help, but effort alone will not guarantee success in the 1990s.

RULES FOR SURVIVAL. Having worked with many startups and small catalogs for more than 10 years, I'm convinced that for smaller catalogs, the next several years will be critical to survival. Here are rules that might help:

1. Use your resources better. Unlike your larger catalog cousins, you must be smarter in using the funds you have. Better testing, strong offers, more dramatic creative, more segmented

circulation and better fulfillment and customer service are some areas where spending needs careful control. You must use your resources more wisely than you did in the 80s.

2. Analyze your catalog better. Large catalogs have huge staffs to post-analyze every aspect of their catalog. Small catalogs are more apt to "wing it" from an analytical standpoint. This can be a death knell! Small guys must become expert in analyzing their merchandise, lists, space, testing—every facet of their business.

3. Use your buyer file better. Large catalogs typically have a prospect marketing group, a customer marketing group and staff assigned to marketing package inserts, customer referrals, gift recipients and almost every other sub-segment of names on the house file. What a luxury! Small catalogs historically have under-utilized their customer list. You must look to your customers to generate more sales. You must give your better customers a chance to buy more often, by promoting to them more often.

4. Become a better low-cost provider. You might not be able to afford to visit every port in the world in search of unique products and lower prices, but you must become a smarter low-cost provider of product. You must learn to buy tougher.

Putting more onus on your vendors for lower prices, and better inventory backup is a starting point. Developing cooperative buying efforts where you can use imports and find unique, new products may also be a way. The target will be to drive down your

cost of goods while improving your product quality.

5. Use your people resources more effectively. I've had the privilege for the past several years of working with two women who run a small catalog called Gooseberry Patch. Starting with minimal catalog skills, Vickie Hutchins and JoAnn Martin effectively divided up the key tasks of managing a catalog. Vickie is responsible for the creative aspects and space advertising while sharing the responsibility of merchandising. JoAnn has effectively learned fulfillment, circulation and lists, and finance. The two have developed what smaller catalogs must have: a "smart" division of labor. They probably could not have survived without it. What people skills they are missing, they "buy" outside using selective freelancers or consultants.

Small catalogs can survive, but it won't be business as usual in the 1990s. Controlling costs, using staff and financial resources more effectively and striving to become a better, low-cost provider are but a few ways to survive. Small catalogs have a leg up on their larger counterparts in:

- their ability to react faster to changing conditions;
- their chance to show appreciation and to serve their customers better; and
- the opportunity to be involved in every aspect of their business.

I can't think of a more challenging, but fun, place to be in the next decade, than operating a small catalog. ■