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PERSONAL PLANNING

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“It wasn’t my idea to offer free BEER coupons with every 95 cent dog whistle we sell. Not during football season!”

Smallbusinessstown.com

STARTING & OPERATING A MAIL ORDER BUSINESS

NUMEROUS mail order authors and get-rich-quick infomercial gurus would like you to think that mail order is a potential gold mine, and that there are thousands if not millions of consumers out there just waiting to give you their money.

However, this is far from true. Just like any other expansion opportunity, expanding into mail order has its advantages and disadvantages. And although there is always room for another inventive mail order operator, there is little room for get-rich quick schemers and unrealistic dreamers.

TYPES OF MAIL ORDER BUSINESSES

MAIL ORDER businesses can be born out of a garage or basement with little more than a P.O. box and a classified ads. They can also grow into huge catalog businesses, which gross more than \$30 million in sales annually like Lillian Vernon Inc., or Gateway 2000, Inc., which grosses \$50 million in computer sales.

However, although mail order can be a profitable and interesting full or part-time business, bear in mind that you will most likely lose money before you start making it. Thus, refrain from making a major investment until you have gained ex-

perience and until you have found the right product at the right price and the best means of communicating it to the most responsive market.



Repeat customers are the best and most profitable mail order clients. If people buy once through the mail they are likely to buy again.

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STRATEGIES FOR EXPANDING INTO MAIL ORDER

USE THE following start-up and operating strategies to help you expand into mail order.

Mail Order Start-up Strategies

1. **Choose products with substantial mail order potential.** Finding the right kinds of merchandise to sell via mail order is critical to the success of your mail order operation. Below are some strategies to help you accomplish this task.
 - *Search for products in the right price*

Never buy anything by the pound in a dark alley in a damp country.

MEL ZIEGLER

Founder of Banana Republic

(commenting on the pitfalls of learning a mail order retail business)

range. Successful direct-mail merchandise and catalog merchandise are normally in the \$20 to \$100 range, and preferably somewhere in the \$40 to \$60 dollar range. Space merchandise

can be less expensive as these items are often used to build mailing lists.

- *Search for products that are easy to mail.* Although many kinds of products can be purchased through mail order, from cases of apples and peaches to computers and refrigerators, the easier and less expensive they are to ship or mail, the easier they will be to sell.
- *Search for products that are hard to find.* Products that are perceived to be

hard to find do well in mail order, such as imports from exotic countries or new innovative products that have not used reached normal distribution channels. In the least, a good mail order product does not suffer from national exposure as this likely means the market is saturated.

- *Search for products that are likely to generate repeat sales.* Products that can be sold again and again and are exclusive to your business – such as innovative oil treatments, car waxes, and skin care products – can be highly successful mail order products.
- *Search for products that are unique.* Mass merchandised products do not do well in mail order. People must believe

Products that can be personalized do well in mail order.

they are getting something special, unavailable in retail stores, before they order a product through the mail.

- *Search for products that can be personalized.* Products that can be personalized do well in mail order. Products can be personalized with monograms, logos and engravings.
- *Search for products that can be sold to people out in the boonies.* People who don't have access to local markets will be more responsive to a variety of products that city folk take for granted. For example, people who live in remote places in Alaska or and who have to ship their presents out will be more responsive to mail order toys.

Three Types of Mail Order Merchandise

MAIL ORDER MERCHANDISE can be classified according to the type of advertising used to sell it. These classifications can help you pick the best kind of merchandise for the right kind of advertising.

- **Direct-Mail Merchandise** – These type of products are rare and quite difficult to find. They have to fill the severest requirements of the mail order business. However, a though they pose the most risk, they also offer the potential for the most reward.
- **Space Merchandise** – These types of products must be sufficiently attractive, non-competitive, unique and with enough profit margin to be able to run in space ads. These are the items you build catalogs around. They take a lot of digging to find but are easier to find than direct-mail merchandise.
- **Catalog Merchandise** – After about a year of successful single item promotions you will want to start a catalog of about twenty pages with 100 to 150 products. Considering that it would be nearly impossible to fill your catalogs with successful space or direct mail merchandise, you will have to find filler products. These types of products will become your staples having moderate to good sales records. They are a lot easier to find than space or direct-mail merchandise, however they must nevertheless prove themselves worthy of remaining in your catalog by paying for their costs and a little bit more.

- *Search for products with a high perceived quality.* In mail order, perceived quality is critical. A good looking photograph of the product itself in a catalog or space ad can help obviate any doubts the buyer may have had about its quality.
- *Search for products with large profit margins.* Due to high advertising costs, mail order products must have a large margin for profit. This means that you have to be able to buy low and sell high (just like in the stock market).

NOTE One single item can make you rich. However, you will likely never know in advance when you've indeed found a winner.

Determine the number of prospects that might be interested in your mail order products by considering the total circulation of all your qualified advertising media and the number of names on your mailing list.

Thus, it is important to always be on the look out for new products in a determined yet creative fashion. In other words, to be successful in mail order, you must systematically search for new products on a regular basis.

2. **Determine who your best prospects are and how they can be reached.** Determine the number of prospects that might be interested in your mail order products by considering the total circulation of all your qualified advertising media and the number of names on your mailing list.

However, never assume that if everybody uses a product similar to yours that they will also want to buy yours specifically. For example, if you've in-

vented a new type of cooking pot, you may think that everybody is a potential prospect because everybody sooner or later has to cook. But you could never be more wrong. Many individuals hate cooking and are not interested in trying something new even if it makes cooking easier. Therefore, limit your promotion to segments of the market that are the most likely to buy, like housewives with three or more kids, or cooks by profession.

Mail order houses typically spend about six percent of their total sales on advertising.

3. **Develop a mail order advertising plan.** Use the following step-by-step method to develop your advertising plan and improve your mail order advertising strategies:

- *Analyze all conceivable mail order*

media. Also, study your products benefit points and how each media source might best sell those benefits.

- *Budget a good portion of your operating expenses for advertising.* Mail order houses typically spend about six percent of their total sales on advertising. Depending on your operating profit, this will work out to be about twenty to thirty percent or more of your operating budget.
- *Choose which media you will advertise in.* Mail order goods may be advertised in any one of several paid media – direct mail, newspapers, magazines or television.
- *Determine how you will advertise in the media you have chosen.* If using

newspaper or magazine media, in addition to choosing the best newspapers or magazines which your target market reads regularly, you will also have to decide if you need to use display ads, display classified ads, or classified ads. If using television media, in addition to choosing the best cable or network stations which your target market watches regularly, you will have to decide whether to film a 120 second commercial or an infomercial.

- *Find out where your competitor's advertise.* A good strategy in mail order marketing is to advertise in the same place where your competitor's products are advertised. This is true whether the media you are considering is a

A good strategy in mail order marketing is to advertise in the same place where your competitor's products are advertised.

magazine or a list of names for a direct mail campaign.

- *Inquire about any special advertising rates for mail order companies.* Many magazines and newspapers offer special rates for mail order advertisers that are 30 to 40 percent cheaper than regular rates.
- *Plan your promotions around mail order months of the year where buying activity is the greatest.* As compiled from various sources, the best to worst months for mail order sales are the following: January, February, October, November, March, September, August, April, December, July, May, and June. However, another source,

found that the most important mail order months in order of importance are October, November, September, January, February and March.

- *Target your advertising towards marginal buyers.* In general, people who aren't interested in your product throw away your letter, switch channels or flip the page no matter what you say. The people who really want your product will buy from you unless you say or do something really stupid. However, marginal buyers are people who can't make up their

In general, when looking for good mail order products, evaluate your choices based on: quality, novelty, rarity, usefulness and mailability. Mail order products should also be: lightweight; nearly unbreakable; have a broad appeal to a large, specific segment of the population; and most importantly have a large margin for profit.

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minds. These are the people you need to convince if you want to make the big money.

4. **Establish a mail order pricing policy.** To develop a profitable mail order pricing policy:

- *Experiment with your pricing structures.* How you structure your offer is very important in mail order. Even if you have the right product at the right price, your promotion may fail simply by the way you present it. For example, if you want to sell a waterproof camping flashlight for \$5, you could advertise it just like that,

or you could advertise one for \$10.00 and a second one free, or one for \$9.99 and a second one for 1 penny, or 2 for \$10.00. All of these offers are exactly the same. However, they are perceived differently by your customers. Tests have shown that there can be as much as a 600 percent difference in response by presenting an offer in different terms.

NOTE Since every situation is differently, the only way you can usually find which offer is the best is through testing.

- *Get a credit card option.* Direct mail and mail order can take advantage of the electronic cash revolution more than any other medium. Credit card

Testing in mail order is not just the difference between failure and success; it can be the difference between failure and a small fortune.
SUPERTIP

options will out-perform cash and checks at least two-to one. Credit card privileges will also increase the size of the average catalog order by 20 percent, or more.

- *Markup sufficiently to cover your operating costs.* In retail-store marketing, a 50 to 100 percent markup is usually sufficient to cover costs and create profits. However, in mail order, your pricing structure should allow for two to four times the cost of goods in order to arrive at a profit-producing selling price. In other words, if you buy a product for \$1 you should be able to sell it for \$3 to \$5. This considerable markup is necessary as operating a mail order business can be quite expensive. Not

only will advertising costs be quite high (in relation to individual product costs), but you can also expect a high rate of returned goods and the added expense of setting-up and maintaining a shipping department.

NOTE Accurate, honest mail order advertising copy and better training of shipping personnel can help reduce mail order overhead costs.

- *Realize that there is a limit to how much cash people will send through the mail.*

Mail Order Sales in \$Millions (1981 to 1992) of **Select** Businesses

	81	85	86	87	88	89	90	91	92
Books	1,775	2,080	2,150	2,230	2,500	2,520	2,760	2,770	3,120
Computer hardware	NA	NA	730	540	590	650	700	1,800	2,400
Industrial	NA	1,340	1,440	1,580	2,160	3,640	5,390	5,560	6,440
Sporting goods	825	1,310	1,670	2,010	2,380	2,750	3,460	3,910	3,650
TOTAL	50,705	93,780	99,540	111,240	122,720	137,390	151,640	162,050	168,050

NOTE Mail orders sales represent orders placed by mail, phone, or electronically without the person ordering coming to the point of sale to place the order, or the seller coming to the office or home of the orderer to take the order, or using an agent to collect the order

Source: Fishman, Arnold. *Portable Mail Order Industry Statistics*, 1993 edition. Data extracted from *Annual Guides to Mail Order Sales 1981 - 1993*, Marketing Logistics Inc., Highland Park, IL, 60035

People rarely send over ten dollars cash through the mail. One to five dollars cash is pretty much the limit they will entrust to safely go through the postal system.

- *Sell solo items for more than \$20.* If you plan to market an individual item through a space ad or DM package, its minimum price should not be less than twenty dollars and preferably in the \$50 to \$60 range.

Some good rules to follow when starting a mail order business is to first build your business with small classified and display ads, second, start a catalog when you have about 25,000 customers, and third, expand further to outside lists.

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- *Stay away from C.O.D. shipments.* Offering C.O.D. options to your customers can increase your response rate. However, this increase will not compensate you for

the increased worries and complications that these kinds of orders can generate.

5. Figure out what quantity of items you need to sell in order to break-even.

Break even calculations are very important in mail order. It is the only way to ensure that a product is paying for its advertising and share of operating overhead, as well as generating a healthy profit.

6. Find the best way to ship your merchandise. Many

mail order companies deliver their goods through the United States Postal Service. However, direct delivery

through private carriers like United Parcel Service, which offers traceable deliveries worldwide, is becoming increasingly popular.

- 7. Test your ads, products and chosen media carefully.** All mail order promotions should be tested before launching a full-scale campaign. This is a fundamental rule never to be broken. However, if you don't get good results the first time around, the potential of the product should not immediately be put into question, as you may be able to rewrite the ad, try different media, or redesign the product. To test our mail order promotion:

- *Begin your test by placing a single*

January and February are good months to promote products designed to help people keep their New Years resolutions for self improvement.

SUPERTIP

space ad or classified ad in a chosen newspaper or magazine. Space advertising and classified advertising is the inevitable starting point of most mail

order businesses. If an ad is successful, you can then test it in a several more print media, and if still successful, launch a full-scale campaign by running the same ad in as many publications as you can find with similar demographics. These ads can be repeated month after month until the market is saturated and the returns start to decrease.

- *Shoot for a 50% return on your investment with every space ad or classified ad you run.* For a promotion to be considered a success, it must pay

for its advertising cost as well as generate 50% profit. In other words, if your gross profit margin on a widget is \$3 and your advertising cost is \$300, you will need to sell 150 widgets for the promotion to be considered a success.

NOTE If using DM to test your product, begin your test using no more than a thousand names. Shoot for a response rate of about 20 to 40 orders.

8. Try and develop a promo right away.

When engaged in mail order and various forms of direct marketing, you will

Response from a typical direct mail letter is in the single digit percentage, usually between 2 and 3 percent if you have a good offer, 4 percent if you have an excellent offer. Thus, finding a way to increase your response rate by a mere fraction of a percent can have a dramatic effect on the profitability of your promotion.

FUNFACT

want to build your customer mailing list as soon as possible One way to do this is by offering a special promotional item that has high sales appeal. Promotional items can be left over inventory sold at rock bottom prices or new revolutionary products. Use phrases like, “Order within seven days no exception and you will get a free pair of stainless steel scissors worth over \$20.”

Another way to build your list is to offer special deals. For example, you might advertise, “Put a dollar in an envelope and get our new catalog PLUS a free five dollar gift certificate good

towards any merchandise.”

Promos because they are usually good deals often turn marginal prospects into new customers and regular customers into true believers.

NOTE Promo items come from abroad, almost without exception from the Pacific Rim or the orient. Places like Hong Kong, Taiwan, China, Korea, Philippines, Singapore, and Thailand generally have

Specializing in the Mail Order “Premium” Business

THE PREMIUM BUSINESS is a rather all encompassing term that covers all kinds of merchandise that is either given away or used as self-liquidators, executive gifts, or employee incentives. The advantage of specializing in premiums is you cater only to large and substantial firms who make large and substantial orders. You don’t have to deal with the onesies and twosies. In fact, usually your orders will be in nice round quantities of the same item, which you ship in bulk to one address, or in which you may be asked to drop ship to a gift list. You also don’t have to worry about extending credit or bad debts because the money is paid up front nor do you have to worry about handling returns.

NOTE If you are interested in this highly competitive kind of mail order operation, make sure you attend the Chicago and New York premium shows.

lower labor costs.

Mail Order Operating Strategies

9. Analyze your results regularly. In mail order, it is relatively easy to monitor the results of a promotion, to discover which ones are winners and which ones are losers. It is also easy to analyze your sales records to discover who are your slow customers, as well as, gain insights into how you might be able to stimulate sales with more persuasive incentives such as discounts, bargains, free gifts, credit or by sending out more sales letters. However, avoid the danger of over analysis.

Although, to a large extent, mail or-

der is a numbers game especially when using the awesome calculation abilities of the computer, don't get stuck in the numbers trap. If you start treating each customer as a number or a sales figure not only will they sense it, but you also will become very bored.

People are curious and creative, don't stifle this. If it takes a hundred customers to break even from advertising and other expenses, don't wait anxiously for your 101st customer. Treat every customer as your 101 st customer.

10. Avoid creating situations that make customer correspondence necessary. In the long run, you can reduce costly and time consuming customer correspondence by answering all

Avoid creating situations that make customer correspondence necessary.

inquiries promptly. Furthermore, you can take steps to understand the anxieties of people who send money through the mail and experiment with what you can do or say to reduce those anxieties. For example, by notifying customers immediately about delays in their order with a standard form letter, not only will you keep them from sending or calling in a complaint, but you will impress them with your efficiency, concern and save yourself the time responding in a detailed manner (which they will undoubtedly expect since you caused them to waste their time complaining in the first place).

11. Avoid selling staples through the mail.

Mail order can not compete with

staples sold through nearby stores where gross margins are usually under 10 percent. In mail order, gross margins have to be 60 percent and higher to make up for the high advertising costs.

When forecasting response rates for DM packages, two to four percent is an excellent response.

NOTE Mail order can usually compete with products for which a salesperson has to normally make outside calls for the firms selling the item. Since the average sales call visit, according to McGraw-Hill, costs \$200.

12. Be realistic in forecasting response rates. When forecasting response rates for DM packages, two to four percent is an excellent response. When forecasting orders from magazine advertisements, 1/10 of one

percent of the readership is a good response rate. However, many advertisements don't even bring in 1/100 of one percent of their readership.

13. Carefully monitor all costs.

Make sure your profit margin is high enough to justify advertising activities. Keep records of your past sales, the media response, the timing, and how the ad was designed and laid out.

14. Computerize your mail order operations as soon as possible. Modern computer software can help you pick out winning and losing promotions more effectively than any other method or product. Below are a few of the more popular mail order programs presently

Junk mail is advertising mail your prospects have no interest in or rather mail that misses its target or market completely.
POWERPOINT

being sold and used today:

- *Mail order Manager (M.O.M.)*, Single Station and Network Systems, Dydacomp Development Corporation, P.O. Box 641, Wayne, NJ 07470, (201) 694 - 0779
- *Mail order Pro*, Professional Publications, Inc., P.O. Box 199, San Carlos, CA 94070, 415-593-9119. Handles up to 300 orders per day. Write for a demo disk.
- *Response*, CoLinear Systems, Inc., P.O. Box 11562, Atlanta, GA 30355, 404-433-3217

15. Copy your competitor's more successful promotions. If you come across, by chance or after systematic

study, an advertisement repeated over a period of time in the same or different publication, assume it's a winner, and send away for the product and product literature for more careful scrutiny. These are the best products you should copy or develop a similar line. However, always use a special key or code in the name or address you use to purchase the company's product to find out what they will try to sell as a follow-up, and how many times during the year, or for a period years, will your name be rented out to other companies. Often, it is in the back end of the mail order business

Mail order is a 40-40-20 proposition. What this means is that the success of your promotion will depend upon a) who your audience is and who you are; b) what your product, service or offer is; and c) how creative and persuasive your advertising is.

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where much of the big money is generally made.

16. Develop ways to increase the response rate and profitability of your mail order promotions.

To increase response rates:

- *Arouse curiosity.* Curiosity draws in response. Curiosity and greed are major motivators.
- *Ask your customers to recommend friends or relatives.* Provide space for this on your order form.

- *Enclose physical objects in DM promotions.* An envelope that feels bulky gets opened. Bulky tactile objects

can include product samples, premiums, 3-d pop-ups, and other gimmicks (e.g. instant coffee, chili powder, a set of coasters, a calendar, pens, pencils a flashlight and a magnifying glass). Although costly, mailings with objects enclosed can really stand out from a mailbox or in a basket full of flat envelopes containing regular letters and flyers.

- *Encourage prospects to order right away.* Do everything you can to get the prospect to order right away. Research has shown that regardless of initial intent, in most instances, if your prospects don't order immediately, they don't order at all. Include incentives, discounts, freebies and limited time offers.

To increase response rates, don't sell product descriptions, sell benefits.

- *Experiment with different lists.* Try different lists or segments of lists to get a higher response rate for your DM promotions.
- *Experiment with involvement devices.* To increase your response rates, trying involving your customers. The more they respond in any matter to your promotion, the more likely they will take the final step and order. Ask them do things like check boxes, mark yes or no, peel off labels, tear off stubs, scratch to win, or answer interesting questions.
- *Focus on the benefits of buying.* To increase response rates, don't sell product descriptions, sell benefits. Mail order buyers like to be entertained and

persuaded. It's part of the fun of buying through the mail. However, mail order buyers are generally lazy and need encouragement. The benefits you describe must override the cost of the product, in addition to the trouble you will put the prospect through in finding a stamp and envelope, writing a check, and mailing the order.

- *Format DM letters effectively.* Letters with indented paragraphs, underlined words, and portions of the text set in a second color, out-pull plain letters.
- *Get a toll-free number.* In general, having a toll free number will give you at least fifty extra orders per week.
- *Improve your offer or promotions.* To generate a better response rate, try

Having a toll free number will give you at least fifty extra orders per week.

improving the impact of your creative effort. And if that doesn't work, try and improve the offer itself by including additional items, services or increased payment options.

- *Increase pass along readership.* To encourage pass-along readership, print out instructions to do so on your promotion.
- *Keep your DM promotions from being treated and perceived as junk mail.* It makes sense that most people regard receiving mail that pushes products that they have no interest in presently nor will likely have so in the future, as extremely annoying. In these cases, they enjoy throwing other peoples ideas effortlessly into the trash can, or

perhaps worse start to fume, vowing to purchase one of those “Save the trees . . . we don’t tolerate junk mail” stickers.

However, if they by chance think your product is useful and targets their needs, they will actually appreciate your mailing, and even feel a little bit lucky (this is why it is so important to carefully screen your mailing lists).

In a perfect world, it would work this way: Your customer has a dream the previous night about a certain product that would make his or her life easier. The next morning he or she finds your letter describing this wonderful product to them at an incredible price.

Offer something of value in return for responding to the mail order promotion.

of the mail everybody thinks they do.

- *Offer a premium, a gift or something of value to prospects who respond to the mailing.* Offer something of value in return for responding to the mail order promotion such as a free brochure, booklet, catalog, demonstration, survey, estimate, consultation, or trail offer. Many advertisers also offer premiums as buying incentives, especially when sales need a boost. The premium should be something that they want, and relate to the product or offer.

NOTE Most people only receive a fraction

Selling Books by Mail

THE SELLING OF BOOKS and pamphlets by mail order has many advantages. One advantage is they are cheap to mail, partly because of their low weight-to-cost ratio. Another advantage is they are cheap to produce, and provide the necessary high profit margin for a mail order product to be successful. However, before tackling the challenge of selling books by mail, there are some significant disadvantages you will need to deal with: First of all, just as it is very cheap for you to test a printed product and then go into full scale production if the material is a winner, it is also very easy for competitors to catch on to your success and copy it. Competitors can copy your advertising, as well as, the ideas in your book, and if they improve upon it, can take away a large chunk of your market share. A second disadvantage of selling books by mail is that printed material is much harder to sell than real goods. A special effort must be made to establish the credibility and value of the information contained in the book.

How to Get into the Book Selling Business – If you find a book you think will make a good mail order item, write to the publisher and ask for discount information, agree upon a price, then advertise. Order from publishers only when you have orders (even if you don't own the rights to a book, you can obtain discounts of 40 percent or more off the list price from publishers). Another way to get in the book selling business is to buy remainder books from publishing companies. Remainder books are books that publishers can't sell, or have not promoted effectively. Many are huge beautiful picture books selling for a few dollars though having been previously listed for thirty or forty dollars.

- *Remove the fear of a potential sales call.* When generating leads through DM, space ads or the like, make sure you tell the prospect that he or she is under no obligation and that no salesman will call (unless he or she wants one to).
- *Study your competitor's advertising methods.* To increase the response rate of your own promotions, start collecting your competitor's mailing and analyze which make you want to open them. Also, look at their display ads and note what you think works. Writing down all these discoveries and then applying them to your own advertising can be just the ticket you need to turn a ho-hum promotion into a real killer.
- *Target only people who are mail order responsive.* To improve your mail order response, realize that not everyone is cut out to order things through the mail. Instead, target those who have a proven interest.
- *Treat each mail order product differently.* To increase your mail order response rates, realize that not every mail order item is the same. An item that responds well to one strategy may not respond well to another strategy, that previously worked wonders for another item.
- *Use bells and whistles with general consumers but not with business customers.* Letters with a lot of bell and whistles such as arrows,

To increase the response rate of your own promotions, start collecting your competitor's mailing and analyze which make you want to

fake handwritten notes in the margins, spot illustrations and highlighting can increase response when mailing to low and middle status consumer audiences. However, avoid these techniques when writing to business executives or upper-class consumers.

17. Don't question success. If a classified ad, display ad, or DM sales letter is working particularly well for you and you don't quite know why, don't change it. Keep using it.

Whenever you fill an order, ALWAYS include a regular catalog, circular or special offer.

18. Encourage repeat business.

Repeat business is the lifeline of a mail order company. Continuous sales spell continuous profits. Five ways to stimulate repeat orders are:

- *Always be prepared to follow up a sale*

with complementary products and services. After someone has ordered a product from you, follow up by sending them literature on complementary services or products. For example, if someone buys a computer from you, send them a catalog of all the software you carry. This catalog can be included with their actual order or mailed to them at a later date.

- *Always use package stuffers.* Whenever you fill an order, ALWAYS include a regular catalog, circular or special offer. This advertising costs you next to nothing as it rides "free" in all outgoing orders, since postage and packing cost have already been paid.

- *Never take your regular customers for granted.* A list of regular satisfied customers built up over a period of time is the most valuable asset you have.

Use it to send offers of merchandise at frequent intervals. Also, make sure you offer customers a special purchase now and then to keep their interest.

- *Offer quantity discounts.* To get people to buy again, especially in larger quantities, offer them a quantity discount, a special price or perhaps a premium for an order over a given amount.
- *Search for products that are likely to create repeat sales.* As a potentially

To increase borderline direct mail raise your price, lower your costs or increase the size of your average order. Increasing the size of your average order will give you more promotional dollars per order to work with.

SUPERTIP

successful mail order entrepreneur, it is to your financial advantage to develop a product line to serve as a logical follow-up to your principle product.

19. Keep all advertising

claims honest. Absolute honesty is necessary in mail order because a successful mail order business is built on trust, satisfied customers and repeat sales. Cheat your customers even a little, and you've lost them forever.

NOTE Federal, state, and local government agencies, as well as Better Business Bureaus and consumer groups constantly watch advertising and are quick to take action against unsubstantiated claims or infractions of

any laws.

20. Keep your eyes and ears open for major events.

Major events can affect the results of a promotion. For example, November is often a good month for selling most kinds of products. However, during an election year, sales may be better or worse than the norm because of the impact of the election on consumer buying patterns. Similarly, a war, the death of an important person, or any other major event can affect the results of a mail order promotion.

When getting started in mail order, you can approach it two ways: you can open up your own mail order branch, or sell products to other mail order houses and distribution centers providing you own the exclusive distribution rights for those products.

SUPERTIP

21. Make items difficult to return to avoid abuse of your return policy.

Packaging that is destroyed when contents are removed make customers think twice about returning the merchandise (they have to find a new box to return the item). You can also make returns less likely by clearly stating in your return policy that all products must be returned in its original packaging. This strategy won't deter customers who really deserve a return but it will deter those who suddenly and for no good reason have changed their minds.

NOTE Book, tape and record clubs, are notorious for designing their shipping car-

tons to be destroyed when contents are removed.

22. Respond to customer complaints

with tact and skill. What goes around comes around. In other words, showing your customers openness and fairness when they have a problem or complaint will keep them open to buying from you in the future. In fact, even an unhappy customer can be turned into a happy one if they feel you have made a genuine and personalized effort to satisfy their needs.

In mail order, ultimately your catalog will become your store, while your mailing list and space ads will become the doors to enter your store.

POWERPOINT

23. Solicit for comments on services, prices and quality of products. Mail order companies need to regularly reassure their customers of

their credibility. Nothing does that better than the comments and testimonials of other satisfied customers.

24. Start a catalog once you have at least 25,000 customers. Initially, when starting your mail order company, you should concentrate on space advertising to help build a customer list and generate sales. This will keep your start-up costs and risks at a reasonable level. However, once you have about 25,000 names you should think about starting your own catalog. Below are some strate-

gies to increase the profitability of a catalog promotion (see Guidebook #63 for more tips on designing a catalog).

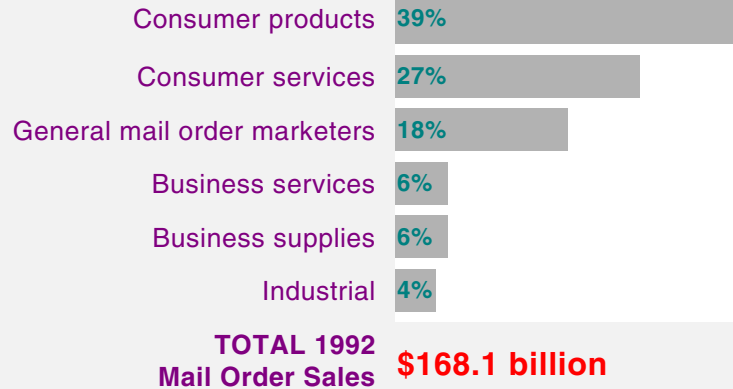
- *Consider testing an omnibus, before launching a full-scale catalog promotion.* An omnibus is a one page mini catalog. You might want to mail each of your customers a catalog such as this before printing 10,000 copies of a much larger more expensive catalog.

- *Don't vary your prices dramatically in your catalog.* Products in a mail order catalog should not vary in price or quality too much from other products.

- *Mail your catalogs year around.* Despite the fact that statistically the best time to mail catalogs is during the winter months, you should

mail at any time of the year as long as you have a good reason or promotion angle. Mail to people when they get their tax refund or when schools gets their budgets for the year or have to finish spending their budgets late in the

U.S. Mail Order Sales, by Kind of Business



Source: Chart prepared using data from table No. 1301 in the “Statistical Abstract of the United States 1995,” 115th ed., U.S. Bureau of the Census

year. Year round mailings can be successful because, the trend is for year round vacations, more conventions and trade shows and business meeting occur during these periods, and there is less competition during slow months.

- *Never advertise a catalog by itself.* Instead, promote items that will appeal to your prospects, and send your catalogs once they order. Or state in your advertising, “Send for our FREE catalog today.”
- *Offer a free gift to first time buyers.* It is a good practice to offer a bargain, an introductory offer, or a free gift for the first order from the customer. This encourages them to order again.
- *Specialize your catalog offerings.* Mail

Successful mail order house are those that mail out catalogs to large lists.
SUPERTIP

order catalogs must have a theme to be successful. If you specialize in lingerie, don’t sell car batteries. If you specialize in electronic goods don’t sell wine kits.

NOTE It is essential to realize that specializing your catalog is one of the most important ways you develop a company identity. Without an identity or image, customers won’t remember who you are, won’t care who you are, and you will become lost amidst the sea of competition.

- *Strive for a healthy profit margin to offset your advertising and catalog mailing costs.* A good profit margin for catalog products, and DM products for that matter, is 50% of sales price plus five dollars. In other words, if most of the products in your catalog sell

for about \$50 your profit margin should be about \$30 per product and your cost of goods about \$20 per product.

- *Strive to get \$50 per order from your catalog.* Many catalog professionals use a figure of \$50 as an average order size they strive for to make money on their catalogs. This is why low priced gifts and gadget items have for the most part dropped out of the mail order scene. To get your average order size up you can:

- ❑ increase prices
- ❑ increase the average selling price of your line of merchandise (that is go to the upper end of the market)

When your company's mailing list hits a hundred thousand names, space advertising becomes secondary. Your catalog will then become your real money maker.

SUPERTIP

- ❑ increase the quantity of units sold per order
 - ❑ offer a promotion to encourage larger orders, such as a free widget with every order of \$100 or more
 - ❑ promote products that lead to repeat sales (such as magazine subscriptions, book clubs, insurance policies or health products)
 - ❑ reward customers who order more than \$50 or \$100 dollars with free gifts

NOTE To make a catalog promotion as profitable as possible, understand that it is easier to encourage customers who are already buying, to buy a lit-

tle more, than to get customers who really don't have an interest, to buy just a little. In other words, it is better to concentrate on increasing your average dollar amount per order rather than try and increase your overall response rate.

- *Think twice about dropping an outside list that doesn't perform as well as you would have liked it to.* If you fail to make a good return using an outside list, don't throw it out too fast. Factor in the fact that catalog prices dropped so your house list made more profit, new customers can be added to your house list, and the resulting increase in sales volume can lead to quantity discounts and lower inventory costs.

The take rate for negative option offers will always outpull positive option offers at least two-to-one.
FUNFACT

- *Make your catalog profitable to outside lists.* The essence of the mail order business lies in creating catalogs that will pull to outside lists, and thus generate ever-widening circles of customers (large mail order houses have been known to mail over a million catalogs). Once you do this your potential for making money is unlimited.

A good way to brainstorm for new list ideas is to write to a company that rents lists, look at their lists, then decide what product might make money being sold to that list.

NOTE If you start to attach the burden of the cost where it should be, mailing to outside lists is actually more profitable.

25. Test every ad, product and media variable you can to perfect your mail order marketing approach.

If product has been proven to be only marginally successful, don't give up on it. Experiment with new copy appeal, mailing lists, ad layouts, prices, advertising media to any other variable that potentially has a direct influence on the response to an ad or mailing. Testing is what makes mail order more scientific than any other form of marketing. It is mail order's most potent secret weapon. It is what permits a mail order entrepreneur to fail with four

In his book, "Tested Advertising Methods," John Caples describes two ads of the same size, using the same illustrations, and placed in identical publications. The only variable that differed was the copy. One ad sold more than 19 times as many goods as the other.

FUNFACT

out of five products and still walk away with big profits on the fifth product.

26. Think about adding a retail outlet to your mail order house.

Adding a retail outlet to your existing mail order business has many advantages. These advantages are:

- *Advertising for one helps the other.* Advertising for your retail outlets adds credibility to your mail order operation. On the other hand, advertising for your mail order operation draws more attention to your retail outlets.
- *Both can share a common inventory.* A common inventory is easier to manage

and handle than two completely different sets of inventory. This can result in increased inventory efficiency and lower overhead costs.

- *Expansion allows you to print more catalogs at a cheaper price.* The more catalogs you print the cheaper your per catalog cost.
- *Greater market penetration.* A mail order house can access national and world markets while a retail outlet can access local markets resulting in a happy marriage between both.
- *Having a retail outlet makes mail order more respectable in the eyes of consumers.* Having a retail outlet makes your mail order business more legit in the eyes of consumers.

Without repeat customers, you might just as well invest your money in a dry oil well.

SUPERTIP

Consumers feel more comfortable if they know what you look like and where to go if you botch their order.

- *Having both outlets increases your buying power.* Since your mail order inventory will be likely the same as your retail inventory, you will be able to make larger purchases at greater discounts.
- *Improved customer service.* Having a retail outlet allows you to provide better customer service.
- *Mail order catalog remnants can be sold in your retail outlet.* After a successful or unsuccessful mail order campaign, left over stock is often difficult to liquidate unless you have access to local discount centers.

However, if you have your own retail store, you can implement quarterly or year-end clearance sales.

- *Mail order experience will complement your retail experience.* Your mail order experience will complement your understanding and implementation of your retail business and vice versa, especially in dealing with customers, vendors, distributors and manufacturers.
- *Provides alternate shopping methods to your customer.* Offering your customers an alternate shopping method will get you business that would have gone elsewhere.
- *Your computerized mail order operation*

Mail order is the marketing wave of the past and the future. However, it can be a very treacherous wave.

POWERPOINT

will give you accurate statistical knowledge of consumer buying patterns. This can prove invaluable making your retail inventory decisions more profitable.

NOTE When selecting a retail location, keep in mind that this outlet should present the best possible image, as its image will also add to or take away from the image of your mail order operation. Sometimes an outlet in a mall will do better than an outlet closely linked to your main building. On the other hand, a small tastefully designed retail outlet in a large building that houses the rest of your mail order business, might be a great way of impressing your customers. When selecting a retail location, you should also consider selecting it based upon density of

sales. In other words, if you have a well-established mail order company with close to a million customers, you will have a good idea of where most of your sales take place. If you sell a large quantity of products in Houston Texas, consider opening a retail location there.

27. Up-date your mail order marketing skills on a regular basis. Mail order requires knowledge. Without knowledge of the how-to's and the why's, your chances for success are minimal. Success stories like Sears, Lillian Vernon's, and Cossman's are built around a constant search for knowledge – knowledge that answers two critically important questions:

- What works?
- What doesn't?

28. Use other mail order houses as a means of distribution.

If you own the exclusive distribution rights to a product that you have found to be a hot seller, it may be profitable for you to expand your opportunities by approaching other mail order distribution houses and centers. To approach a distribution or mail order house, get a mailing list of all such establishments and send them a circular or a DM package containing a reprint of your classified or display ad plus a detailed report on its success. Be persistent, as most buyers buy after the third,

If you combine a retail business to access local markets and a mail order business to access national and world markets, a happy marriage can result.

SUPERTIP

fourth, or even fifth letter.

NOTE If a product costs you \$1 and you normally mark it up to \$4 or \$5 you can expect to be able to sell it for about \$2 to \$2.50 to a mail order house (50% of your selling price).



Your Customers Won't Buy Through the Mail When . . .

THE FOLLOWING CHART is designed to help you overcome objections people have about ordering through the mail.

Problem A – Customers think the product being sold won't fit them properly or will likely be the wrong size.

Solution – Sell clothes where one size fits all, or simplify sizes to s, m, l and xl

Problem B – Customers think the color will be all wrong.

Solution – Sell only basic colors, neutral to all tastes

Problem C – Customers think that once they open the box, try it for a few days, that it will then cease to work properly.

Solution – Guarantee it.

Problem D – Customers think it will take too long to receive their order and don't want to wait.

Solution – Guarantee fast delivery. Stamp RUSH on your order form.

Problem E – Customers are intimidated by complex looking order forms.

Solution – Simplify your order form or keep reassuring your customer that they are filling it out correctly.