

Repeat Repeat BUSINESS

A solid program begins with understanding the customers' needs, providing clear communication and allowing customers to remain in control.

BY SHARI ALTMAN

Continuity programs are alluring to marketers because they are seduced by the potential of greater profitability. For the average marketer, 50 percent of new customers never make a second purchase. Even if your stats are better than average, it's hard not to be seduced by the fact that *continuity customers buy three to six times per year.*

But continuity marketing is complicated — decisions to pursue a continuity strategy should be made with eyes wide open to avoid mistakes and omissions that turn profits into red ink. Following are five important questions that direct marketers should ask themselves before creating a continuity program for their product or service.

1 Should I develop a continuity program?

If the lure of increased profitability has you considering a continuity program, first evaluate whether your product is a candidate for purchase on a continuity basis:

- **Products or services that consumers don't want to run out of** (e.g., vitamins, coffee, skincare items and Internet service);
- **Consumable parts required for use by the main product** (e.g., coffee filters, inkjet cartridges)
- **Education/entertainment products broken into small chunks** (e.g., book and video sets, collectibles)
- **Indulgences for oneself or someone else** (e.g., wine, flowers, gourmet food)

In addition, continuity offers are easier to sell if they include one of the following characteristics: 1) "Needs" (vs. "wants"), such as medication or shampoo; 2) Needs don't change frequently, such as vitamins or skincare products; or 3) Shopping for the item is not "fun," such as pet medication.

2 What kind of continuity should I develop?

There are actually four types of continuity programs to consider. The specifics of your product will determine which is best for you.

Closed-end series – A finite series of items, often collectibles, video or music. Customers have a unique delivery schedule based on their start date.

Open-end series – Shipments continue until the consumer tells you to stop; an example would be an annual tax software update. All customers receive the product at the same time.

"... of the month club" – Different items shipped each month within a niche, such as red wine. Set-up can be open ended until the customer cancels (for oneself) or a finite number of months (gifts). All customers receive the same item at the same time.

Auto-replenishment – Repeat the same shipment every time. Common products are consumables such as skincare items or vitamins. Customers have a unique delivery schedule based on their start date.

3 How about the operational challenges?

Along with the benefits, continuity programs add operational demands. Here are some areas where questions and challenges are sure to present themselves:

- **Inventory planning and management** – Continuities may make inventory planning more predictable by knowing today whom you will sell to next month. But accuracy of projections can have long ranging impacts; being out of stock on auto-replenishment can have disastrous consequences for revenues, as missed shipments cannot be "made up."

Barry Blumenfield, CEO of BMI Fulfillment Services, notes, "[Accuracy of] inventory projections are one of the biggest challenges." He adds that offering credit or installment payments fur-



ther complicates projections by impacting who is eligible for the next shipment. Customization of shipments further increases inventory complexity.

- **Information systems** – Focus on utilizing a system designed to manage continuity customers and shipping cycles. Attempting to adapt fulfillment and data systems not specifically designed for continuity are likely to be expensive and problematic.

Here are some key points:

1. Your shipping cycles must take into account shipments initiated by phone, Web and mail orders.
2. Current, recent and future shipment cycles must be accessible to customer service.
3. Be prepared for ongoing system adjustments to accommodate customer requests.

4 What are the best ways to promote continuities?

There are two basic approaches. First, use a continuity to acquire customers with the initial promotion. This works best when your continuity is easy to explain. Secondly, Promote your continuity as an up-sell or cross-sell to customers during the inbound call, in the mail, or via shipment inserts. This won't get you as many continuity customers (inbound up-sells result in 40-percent to 60-percent conversion); however, the customers you do get will stay longer.

Don't be afraid to test (and analyze) different continuity offers on the front end or inbound up-sell. You never know what may have the most appeal until you test! You should consider *front-end acquisition premiums* or *special offers for continuity buyers* – Free or upgraded S&H, special discounts or package deals, etc.

5 How do I keep customers in my continuity program?

The tricks to retaining continuity customers are clear communication, understanding customer needs, letting customers retain a level of control, and keeping on top of the data and analysis.

Prior to 1995 and the advent of the Internet, customers didn't experience the levels of communication and control over purchasing that they expect today. New expectations mean changes in your approach.

Communication and customer service. The first step should be a welcome letter in the first shipment detailing how the program works. This will go a long way towards ensuring customers understand what to expect.

Consider providing customers access to their accounts online. Not only does this save you money in service calls, it adds control for the customer. Ron Pulga, vice president, direct response marketing for MD Beauty, concurs this function is a plus. Blumenfeld adds, "The biggest disadvantage is that a live operator can offer upsells and cross-sells to the customer ... and tailor the message based on the customer's attitudes, frame of mind, etc."

A big service concern is customer "amnesia" that occurs — customers forget they signed up and express distress when the continuity shipment arrives. The key is being clear before the sale is made. According to Rachel Edlich, executive vice president and co-founder of OneWorldLive, "I try to be really clear up front in the scripting and confirm everything at the end of the call. Also, your in-box communications needs to spell out that they signed up for a members [auto ship] program and they can cancel continuity at anytime by calling or sending in a card specifically designed for their convenience."

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Jerry Love, former COO of Good Times, is more emphatic, "Making your telemarketing script clear to your customer from the beginning as to what they are committing to is essential. ... Give your telemarketing reps ammunition with compelling rebuttals that not only make the offer clearer, but get the customer to think twice about agreeing to the purchase. Reducing cancels at shipment #2 starts with a more qualified customer at shipment #1."

Gather insights for making improvements. Get feedback from customer service, so you know what customers are saying about the product, offer, etc. Periodically survey customers so you can improve and provide more reasons to stay in the program. Edlich notes, "We use lots of E-mail surveys ... asking what they want, what they need, how we can give them the satisfaction they want. In addition to providing us input, it makes the customers feel good and that they have a voice."

Reducing cancels and retaining continuity customers.

The first step to retaining customers may surprise you — a complete fulfillment package that delivers more value than expected. Mark Ratner, senior vice president of Hawthorne Direct Inc., indicates, "Our clients find that packaging on the back end is incredibly important."

Someone calling to cancel likely still values the continuity, but something about your program isn't working for them. Give them more control so staying in your program makes sense. Control can mean allowing customization of the items in their shipment, postponing or canceling specific shipments (for moves or vacations), or altering the frequency of shipments if they arrive too quickly.

According to OneWorldLive's Edlich the best tip for retaining continuity customers is to "Really listen to what the customer is saying. We are always offering different ways to try keep them in the program — change delivery dates, payment programs, incentives for staying in, etc. ... Flexibility is key — when you are rigid with a continuity customer you will have issues ..."

The ability to customize shipments in the future can impact your ability to make the initial sale. According to Tami Cubel, account director of Inpulse Response Group, "From the perspective of the front-end sale, it is imperative that customers have the option to change, cancel or customize their shipments at any time. Not given this option, they are hesitant about "signing up" and start to doubt whether the product is going to really deliver any of the promises they are buying it for

to begin with."

Levels of customization need to be evaluated for each unique program. Ron Pulga adds, "You should run a cost-benefit analysis to see if it's worth it. Sometimes the cost of customization does not warrant it."

Program analysis. Lifetime value should be your primary measuring stick for success. If you cannot accurately measure customer lifetime value, use the number of shipments sent to a customer as your closest proxy for that data. Ratner notes, "most clients look for at least four additional shipments beyond the initial order." Whether your goal is three, four, five or more additional shipments, the key is monitoring and analyzing results on an ongoing basis.

When it comes to analysis, Love identifies the biggest challenge as "the ability to interpret the data that your system delivers. The lifetime value of the continuity customer is the single most important piece of information. ... but still relies on human intervention to manipulate the multiple pieces of data in order to determine your next strategies."

“If you don't have continuity experience, hire someone with experience to help you make the right decisions and test, test, test.”

— Barry Blumenfeld,
BMI Fulfillment Services



Final Words of Advice

Don't be afraid of continuity marketing, but don't go blindly into it either. Think about and plan customer retention before you launch on the front end. Embrace testing and customer communication as tools to success. Love advises, "The most critical component in continuity marketing is testing. ... You must continue to test each shipment level to make sure that you are getting the most shipments at each level."

BMI Fulfillment's Blumenfeld concurs, "If you don't have continuity experience, hire someone with experience to help you make the right decisions and test, test, test." ■

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