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How to tally up your direct mail campaign costs

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## Virgin stores, Amazon split

By Chantal Todé

THIS FALL Virgin Megastores and Amazon.com will part ways, ending a five-year relationship in which the e-commerce giant hosted a co-branded Web site and providing inventory, fulfillment, site content and customer service for Virgin.

The multichannel music merchant joins Borders bookstores, which earlier this year said it will introduce its first proprietary e-commerce site in seven years in early 2008. The move will take place after its relationship with Amazon comes to an end.

For Virgin Megastores, managing its own Web site once again means being able to "customize and control what we look like online," said Dee McLaughlin, VP of marketing at Virgin Entertainment Group NA, Los Angeles.

"We have worked hard on rebranding Virgin Megastores as a lifestyle destination filled with great and unexpected products," she said.

With the new site — which will launch this fall with the same URL as the old one, [www.virginmega.com](http://www.virginmega.com) — the company can now "showcase these products online so that the brand offline and online will be consistent," McLaughlin added.

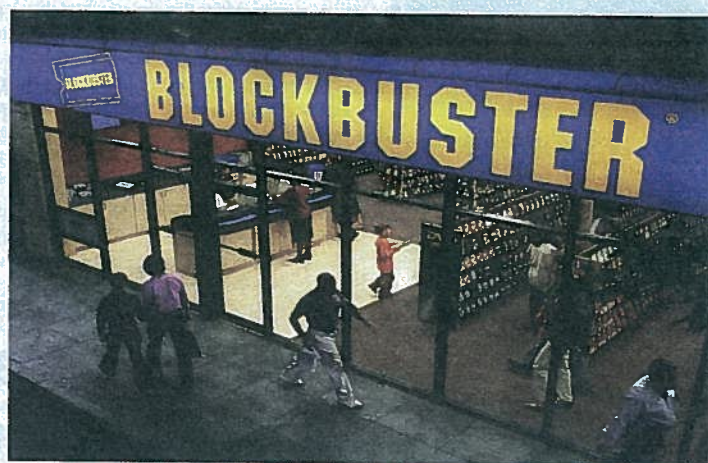
While she didn't go into more detail about the new site's features or how it will improve the company's multichannel retailing capabilities, she did say the site is just one example of how Virgin Megastores is trying to build momentum for the brand.

In the first quarter of 2007, Virgin Megastores reported a 9 percent increase in comparable music sales and a 15 percent increase in overall comparable sales.

Specific departments have experienced a significant sales increase, including DVDs, which rose 11 percent, and interactive games, which jumped 18 percent.

During the first quarter, the company's

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## Blockbuster boosts online offer

By Dianna Dilworth

VIDEO RENTAL retailer Blockbuster Inc. has acquired Movielink, one of the nation's leading movie download services, in a move that will help it compete with Netflix.

The agreement, whose terms were not disclosed, gives Blockbuster access to one of the largest libraries of downloadable movies and an array of television content.

"Our acquisition of Movielink is the next

logical step in our development as a company," said Karen Raskopf, senior vice president of corporate communications. "We're committed to keeping pace with the expanding needs of customers and this acquisition lets us get into the download business in a cost-effective way."

The acquisition is part of a large growth plan that takes on competitor Netflix, which

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## Direct mail services play a key role in FedEx Kinko's expansion

By Chantal Todé

FEDEX KINKO'S new direct mail services could receive a boost from the company's recently announced plans to open 300 smaller locations during the coming year.

Since adding direct mail design and production, list services and mail processing to Kinko's offerings in January, the chain's smaller outposts' services have been particularly successful, said Tom Leverton, chief development officer and EVP at FedEx Kinko's.

FedEx Kinko's smaller footprint centers, which range from 16,000 square feet to 20,000 square feet, were first introduced last year and rolled out to 200 locations. They carry more than 700 different office products and offer all of the chain's services, although some orders have to be produced at other locations and delivered to the store or a customer's home.

What's unique about the smaller stores, however, is their strength in "developing

one-on-one relationships with customers," Leverton added.

"When you're getting into complicated upsells like direct mail, you need those relationships," he explained.

For example, one of FedEx Kinko's district managers approached the owners of a local car dealership after receiving a direct mail piece from the business at his home. The car dealership let FedEx Kinko's take a shot at its next mailer and assist with cleaning up its address list of 40,000 names. The mailer was so effective in driving business that the dealership has since done two more mailers with FedEx Kinko's, for a total of \$37,700 in sales for that location. The owners have also recommended FedEx Kinko's to another dealership.

As FedEx Kinko's continues to add smaller stores, Leverton said he expects that the dynamic reflected in the example above "is going to

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## Women's Health expands aggressively

By Lauren Bell

AFTER SOME aggressive mailing campaigns, Women's Health is boosting its rate base circulation and unveiling an international Australian edition.

The fitness and lifestyle magazine will raise its rate base from 850,000 to 1.1 million starting with its January-February 2008 issue. This will be the fourth circulation hike for Women's Health since it launched two years ago.

Slated to launch in September, Women's Health Australia is the first international edition of the brand. The Australia edition will be published in partnership with Pacific

Magazines, which has been publishing "brother" title Men's Health since 2004.

Rodale started testing Women's Health as a special issue publication in early 2005. Response was positive, so the company followed up with a direct mail campaign in April of that year. It sent out 500,000 mailings in the first campaign, slightly bumping that number up for a second mailing.

"It was a very modest mail quantity with very strong results," Kathleen Schroder, consumer marketing director at Women's Health, said of the mail campaign. "And those results led to the second campaign

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NEWS:

## DIRECT MAIL

# Tally up your campaign costs

By Bob Makofsky

WHEN IT comes to your campaign costs, are you looking at the big picture? Or are you seeing just the tip of the iceberg?

Looking at only one or two facets — like the cost of mail supplies or postage — can cost your company. Study the entire process from the pieces mailed, to the purchase and storage of mailing supplies, to the costs of preparing and shipping mail pieces.

This checklist can help you gain an accurate picture of total costs for mail campaigns.

**Postage fees.** Few businesses better understand the implications of shape-based postage now implemented by the US Postal Service than those in the DM industry. Once a favorite for their low cost and versatility, padded mailers now typically ship as parcels due to thickness — at a postage penalty of 33 cents per piece. Paperboard mailers may cost a few cents more at point of purchase, but they often yield a net savings by shipping as a flat, rather than a parcel.

For this same reason, companies are also rethinking the shape of the materials they send out. Redesigning a letter-size brochure to a digest-size format, for example, saves 39 cents in postage. Long-term postage gains ultimately offset the initial investment.

**Fulfillment costs.** The new shape-based rates reflect the fact that certain types of packages cost more to process. The same holds true when preparing these packages for shipping. For instance, boxes and padded mailers require manual insertion, and boxes incur additional costs for assembly. Using automation-friendly mailers can cut fulfillment fees in half.

**Inventory management.** How much time and effort does the organization spend man-

aging mail-supply inventory? With new guidelines for uniform thickness in place, the strategy of using a single mailer to accommodate contents of all sizes adds 33 cents in postage if shipping a small item in a large envelope.

Expansion envelopes can solve this problem. Bulk purchases qualify for volume discounts and reduce inventory management expenses. Plus, compatibility with postal machinery keeps postage low.

**Freight and warehouse costs.** What are the expenses associated with delivery and storage? When shipping supplies, freight is determined by volume.

Hence, the ever-popular padded mailer costs more to ship than slimmer alternatives. These same mailers take up more space on warehouse shelves — five times more than paperboard ones.

**Environmental impact.** Going “green” is the politically correct thing to do and for certain campaigns it offers a way to identify with prospects. Because of the plastic interior, padded mailers cannot be recycled—although the exterior can be made from recycled materials. Other mailers offer both: They’re made from recycled materials and are themselves recyclable.

No, it’s not strictly a cost factor, but inspiring goodwill and doing the right thing have always been priceless. ■



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