

Special Report: Insert Media Buying Guide

If location is any measure of success, that this year's Insert Day will be held in the Big Apple suggests that insert media as a sector is gaining more visibility. And nothing fosters success like more success. According to research conducted by Leon Henry Inc., about 60 new insert programs entered the market in the first six months of 2005. Given that Media Horizons puts the number of programs with annual circulations of 500,000 or more at 650, this growth spurt is a promising sign for a prospecting channel that used to be considered "alternate."

And yet it's hard to define the size of the sector, since some programs either are not listed or exist only as the occasional partnership. To some degree, insert media opportunities still are under the radar.

Maybe that's OK with companies that are getting strong results. Steve Berg at Cosmetique finds package insert programs often produce new customers with lifetime values better than that of his firm's direct mail campaigns. (Learn more on page 49.)

If you're thinking about starting your own program to cash in on this growth, you first need to get educated on the business economics. The money might not be as free as you think, says Guideposts' John Lyskowski. See page 50 for a Q&A on this topic with Lyskowski and Michael Feldstein of Boardroom Inc.

—Hallie Mummert
Editor in Chief



Sourcing New Insert Programs

Most types of insert programs, by nature, are a reflection of the program owner's business plan. If the owner conducts less prospecting, the program's inserts will reach fewer new customers. Conversely, if the owner invests more money in housefile promotions, inserts will continue to be presented to the same customers.

Depending on the desired reach, frequency and audience composition, insert media users must continually be on the lookout for new sources of prospects. It's rare, says Amy Benicewicz, vice president, list brokerage/insert media at Media Source Solutions, a list marketing firm in Plantation, Fla., for marketers to find the volume they need with only a couple of insert programs. For marketers targeting niche audiences, such as regional customers, it's especially difficult to find enough programs, she adds.

In previous years, finding additional programs to test was like selling door-to-door: Some people were instant sales, some slammed the door in your face, some didn't have the means to buy, and others simply ignored the doorbell.

But conditions continue to improve for this channel's progress, urging marketers to develop new insert media programs—or at least be open to partnerships that help both parties expand their market exposure.

Let's take a look at which sectors are producing the most new program options, some tips for hunting

down your insert media options and tactics to ensure you don't miss out on any valuable testing opportunities.

Where the New Programs Are

One of the great challenges in assessing the growth of the insert media sector is getting an accurate count on the number of new programs. To the best of its knowledge, Leon Henry Inc., an insert media and list marketing firm in Hartsdale, N.Y., figures 60 insert programs made their debut between January and June of this year. But that estimate doesn't include the various "unofficial" programs not listed with SRDS, mIn and NextMark—insert opportunities that have to be found through industry contacts.

There's no place anyone can go to get authoritative, conclusive answers to questions of channel universe and growth over time, says Leon Henry, CEO of Leon Henry Inc. For all the new programs launched, others shut down and many others change in annual reach.

And yet insert media professionals are certain the sector is booming. Benicewicz asserts that the pace of new programs being developed seems faster than ever before, and attributes a significant percentage of this influx to companies that already offer one type of program also "looking to see where they can get additional volume for their inserters." For example, companies with package insert programs now are taking blow-ins in their cata-

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logs, putting inserts in their branded credit card statements, etc.

Henry reports that "everyone's on a kick for blow-ins." Four years ago, he explains, the double cost of insertion and distribution on this program type scared companies away, but that seems to be less of a worry.

It also helps that the Internet channel continues to show strong performance. Dot-com firms continue to learn from their multichannel brethren, notably by opening up their customer shipments to inserts. Amazon.com opened the gate for other online firms to follow, says Mike Zuckerman, senior account executive, Zed Marketing, an insert media firm in Edmond, Okla. He predicts this

trend will continue, as long as the industry makes it a point to seek out and educate dot-coms that might not be aware of the potential revenue that could be gained from an insert program.

One footnote on package



A mailer using a new program, by definition, is one that has exhausted or almost exhausted the current programs it's using. Usually, you don't get first-time mailers testing into new insert programs.

—LEON HENRY, CEO, LEON HENRY INC.

insert programs offered by dot-coms: Zuckerman says these programs tend to command higher CPMs than those run by offline and multi-

channel marketers, because many of these dot-coms don't rent their customer lists. That makes their insert programs the only way to reach the customer files.

And there's good news for direct marketers trying to reach particular niches; programs that reach more specialized audiences are opening up. For example, Benicewicz is excited about a new statement stuffer program from the Massachusetts Turnpike Authority that targets toll pass customers and offers access to both a regional and commuter/traveler market. She adds that one program manager even is working with models to segment its program by region for insert

users.

Zuckerman reports he's seeing new programs that are geared toward reaching younger audiences,

such as teens. Benicewicz also continues to find more programs targeted toward men, the affluent and different ethnicities.

One quick aside on the usage end: Zuckerman says it's been a terrific year so far for package insert program owners who can take mini-catalogs and product samples. In particular, packaged goods companies have been hot to insert samples, and have paid overweight limits to cover the owners' additional postage costs.

Finding New Ground

Considering that there are about 600 to 800 insert programs on the market (most industry experts agree to this estimation), a direct marketer and/or its insert media broker can become fairly knowledgeable about the marketer's options in short time.

All the usual list research tools—mIn, SRDS, NextMark, etc.—should be consulted on a regular basis. But the only way to track down programs as they are being developed—or that never will be promoted in any database—is to create a contact network. Zuckerman says that “unofficial” programs don't make up a huge percentage of the insert industry, and states that they tend to be pretty easy to find, especially those in niche categories.

A good broker or direct marketer doing its own research will stay in touch with list managers to see if any of their clients would be interested in gaining revenue from taking an insert, explains Benicewicz. Some of these individual arrangements tend to be the start of a new, more formal program.

It's also key to talk to marketers themselves, especially if they don't put their housefile on the market for rent. Sometimes, Benicewicz says, these firms are more open to the idea of trading inserts or negotiating a CPM charge to insert your promotional pieces.

Zuckerman notes that insert exchanges are not necessarily the best deal for the brokers or the man-

agers, but thinks they are good for the overall insert media business.

Of course, there are marketers who set up insert deals without the help of a broker and program owners who manage their own insertion businesses. When marketers are seeking out more and more insert volume, program owners certainly don't need a manager to drum up business for them.

But turning a profit on inserts—for both the program owner and the marketer—is a tricky business. Henry explains that what happens on the packaging floor of a program owner's production firm largely is unregulated, so it's not uncommon for insertions to be performed incorrectly.

Benicewicz advises any marketer brokering its own insert deal to make sure someone is involved who has experience with insert programs to make sure the right questions get asked.

You Snooze, You Lose

Given that few marketers can satisfy their insert volume needs with one or two programs, new insert properties are hot commodities.

“For the big advertisers, it's a continual challenge to find volume. Their brokers have standing orders with managers to say they'll test anything new on the market in their categories,” says Zuckerman.


Thus, the reason why many new insert programs get snapped up fast is because you've got sophisticated insert users that fight to get exclusivity on a particular category. They tend to have detailed history on what they can afford to spend on any type of program, so they're able to quickly negotiate tests, evaluate test results and lock up that space.

Of course, it does depend on the perceived quality of the program owner launching the new program. If the company already runs a success-

ful insert program of one type, Benicewicz explains, marketers are more apt to trust that any other insert opportunities it presents are valuable, too.

Or, if the new program is from a company that is taking inserts for the first time, marketers will consider the company's reputation and brand name. Still, when it comes to category exclusivity, competition is fierce on most programs.

Benicewicz points out that some programs are seasonal in nature, which makes it difficult to get accurate counts for each month. And if your insert is seasonal, it adds another layer of complexity. Working with such programs means marketers have to stay on their toes to ensure they have the volume they need at all times for their insert media plan, she explains.



More unique insert programs are coming onto the market, including some that appeal to regional offers.

—AMY BENICEWICZ, VICE PRESIDENT, LIST BROKERAGE/
INSERT MEDIA, MEDIA SOURCE SOLUTIONS

The following insight might make you feel better about your chances to gain access to good programs—or it might convince you that the insert media sector is like the wild West: Henry finds that the insert media business still is an unregimented medium where participants make up their own rules, following the standards that make them feel comfortable. As such, he explains, not all program owners, or their managers, offer the right of first refusal. So that category lock-up might only exist because the claimant made the best offer.

Overall, your best bets are to watch your CPO like a hawk and to network, network, network. Both offer benefits that extend beyond helping to improve your insert media opportunities. ♦

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Cosmetique's Sitting Pretty With Insert Media

Insert media might be a second-tier channel for quite a few direct marketers, but for Cosmetique, the Vernon Hills, Ill., continuity and club marketer of cosmetics and fragrance kits, it's top-shelf all the way.

In fact, according to Steve Berg, Cosmetique's director of new customer acquisition, insert media ranks as one of his company's top three acquisition channels. And while lower response rates than those of some channels can be balanced out by lower costs, insert customers' worth to Cosmetique is anything but small.

"Looking at the print channel," says Berg, "package inserts overall [deliver] a higher lifetime value for us [than other channels]."

Berg's go-to program categories are: package inserts, ride-alongs,

statement stuffers and cooperatives.

When it comes to testing, Cosmetique sets aside about 10 percent to 20 percent of its insert media budget for new programs. The exact percent devoted to each category might differ, but the ability to find new sources of names is a priority protected from budget cuts.

To invest his testing dollars wisely, Berg says he's selective about which new programs he tests. Given that insert media plays such a large role in Cosmetique's prospecting plan, the company has quite a

Case Study

bit of performance history on different program types in different business sectors. With this insight, Berg can be tough in price negotiations and will bide his time until a new program comes down on its CPM to a level that works for his offers.

"The club arena [operates on] a much more definitive metric [than one-shot offers], in terms of 'you're

going to get this response range for this type of insert,' which is going to dictate a specific lifetime value," he explains.

The more history you have, the more quickly you're able to validate test results, too, so you can lock up your required frequency for the remainder of the program. On average, it takes two to four months to get response results on most insert media campaigns, where with direct mail, the results typically are in about three weeks from the drop date.

All things being equal, however, Berg points to his firm's continual testing of new offers and creative as its key to success with this channel. To keep its marketing fresh for the audience, Cosmetique switches back and forth between horizontal and vertical formats, new graphics, gift with purchase options, and more.

This strategy isn't just fashionable for Cosmetique, it's also smart marketing for any insert media user. ♦

No Such Thing as Free Money: Program Costs to Watch

The whole point of a direct marketer opening up its fulfillment packages, billing efforts, catalogs and other communication vehicles to inserts is to generate a stream of ancillary revenue. But the potential to make big money is not a guarantee. In fact, states John Lyskowski, marketing director at Guideposts, a publisher of inspirational books and magazines with headquarters in Carmel, N.Y., program costs can add up pretty fast and eat into your pot of gold.

Target Marketing Editor in Chief Hallie Mummert talked to Lyskowski and Michael Feldstein, director of alternate media for Boardroom Inc., to identify some of the key considerations in starting a package insert program. Boardroom Inc., a Greenwich, Conn., publisher of direct-sold newsletters and books that offer practical advice for living life wisely, offers a package insert program for its book shipments, reaching more than 1 million customers annually. Guideposts considered offering a package insert program, but chose not to start this line of business. Read on to learn why.

Target Marketing: What are the main costs associated with running an insert program?

John Lyskowski: Anything you add to the package adds weight, which costs money. And [the extra postage] varies. If you're mailing bound printed matter, it may only cost you \$2/M or \$3/M per insert, but if you're mailing at the Standard rate, it can cost you ... I don't know, up to \$10/M an insert. ... Each ounce, for instance, in Standard mail costs you 6 cents ... it all adds up. So if somebody looks at [insert media costs], they should add up the ounces they're adding to the postage rate based on what class they're sending out, and see what it's going to cost them.

There's also an issue, more on the publishing [side], that if you're close to the limit and you go over the pound [maximum weight], there's a huge penalty. So you have to be careful on that aspect, which is all part of running [a program].

Another thing is the insert costs, especially if you're going to a third-party vendor. And even if your operation is internal ... you still have to look at how much it costs you to man the insertion line. That's all real money.

And you have storage costs. I know it may not sound like much, but what ends up happening with these programs, in my experience, is the inserts sit around on the floor somewhere as you're waiting for them to be used up.

Finally, depending on how big the program is, you [might] have to take some of your own internal resources to run it. You're either adding to staff or taking someone from another area to manage it.

All that considered ... I know in [Guideposts'] business, where we're using Bulk Bound and Standard, [costs] would range anywhere from \$10/M to \$30/M for an insert. I know when people start discounting [inserts] and after commissions, [marketers will] be lucky if they're making \$20/M. So, net-net, you should look at how much you're making on these [programs]. Is it worth the effort?

TM: Beyond costs, are there additional considerations?

Michael Feldstein: The other thing you should make sure of is that [taking inserts] doesn't negatively affect your core business. You have to look at whether it's slowing down the shipment of your products, and make sure it's not creating additional headaches. Your core business is your

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