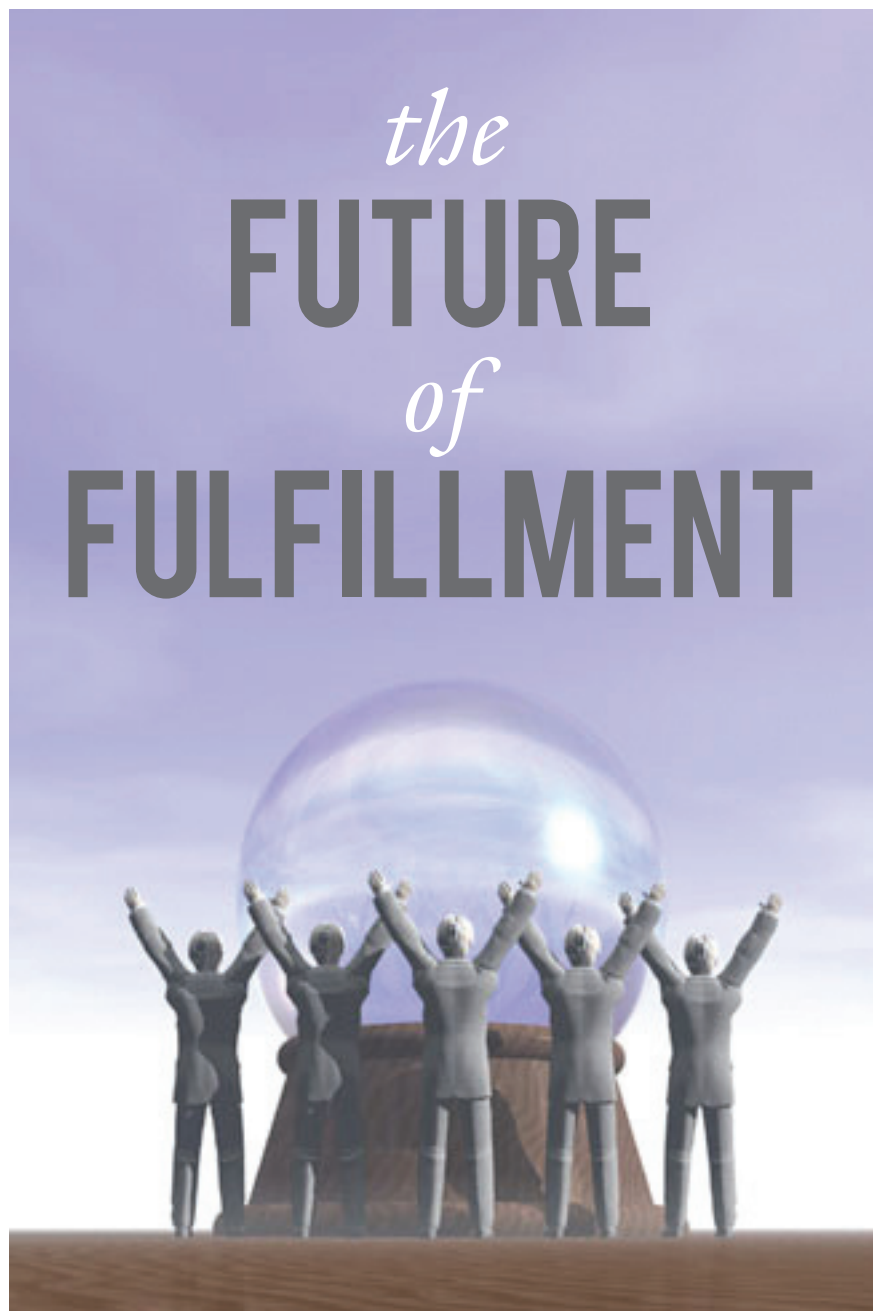

executive brief

SEPTEMBER 2008



the
FUTURE
of
FULFILLMENT

BY JOHN MENEUGH

While this paper focuses on the future of fulfillment, it goes without saying that the industry's critical commodity services are its backbone.

The processing of transactions, responding to customer service inquiries, mailing of invoices and renewals, and solid basic reporting are vital. They must be completed with exceptional speed and accuracy — and in a cost-effective manner.

However, a drastic change in the course of fulfillment is necessary — one that erases the inherent conflict between publishers and fulfillment bureaus — and puts both parties on the same team, working together for mutual success.

This document presents challenges, opportunities and solutions for both publishers and fulfillment bureaus. The future of fulfillment is not tied solely to what bureaus do; it is tied to creating a more successful partnership between publisher and bureau.

Introduction:

Subscription fulfillment has largely transitioned from an in-house function to an outsourced one, resulting in more services and lower costs to publishers. Recently, a variety of converging influences have intensified the effect that shrinking circulations and slowly-recovering ad page revenues have imposed upon the publishing industry.

A robust new fulfillment offering that houses all customer information across product lines in one database could be the solution that reverses the downhill trends of the recent past. This technology gives publishers the ability to market based on the characteristics and total activity of their customers — unrestricted by traditional fulfillment systems.

The successful publisher will team with forward-thinking fulfillment bureaus who recognize the far-reaching benefits of leveraging customer-centric fulfillment database technology.

The Current Landscape:

As the future of both industries are intertwined, it is not surprising that the recent past of each has been a mirror image as well.

Against a backdrop of consolidation and contraction, the impact of the economic challenges faced by publishers has intensified. Competition from electronic media, annual postage hikes, difficult-to-forecast paper increases and declining newsstand sales — combined with shrinking circulations and sputtering ad page revenue — has turned life in publishing into a high-stakes version of “the survival of the fittest.”

Without question, publishers are searching for ways to adapt their business models to thrive and prosper into the future.

This reduced profit picture has pushed even profitable titles closer to the abyss. Many magazines have been shuttered and weaker publishers have been gobbled up by stronger ones.

Likewise, the same can be said for fulfillment bureaus, which have followed the same consolidation / contraction path. Industry leaders FCA and Neodata were absorbed into Kable Fulfillment Services. Palm Coast Data and Kable Fulfillment Services merged and are now one company; and unprofitable bureaus have shut down.

Even as the world around both industries has changed dramatically, the technology that produces the standard fulfillment services to which publishers cling — and fulfillment bureaus provide — has basically remained unchanged. The emphasis continues to be placed on keeping the cost-per-transaction at the absolute minimum by using traditional fulfillment systems.

This system, however dated, does work quite well with straightforward magazine fulfillment. However, the introduction of events, products and additional revenue sources controlled by a single publisher makes this status-quo method of fulfillment extremely ill-suited for multi-faceted publishers.

The Future:

Successful publishers will take control of their fulfillment futures by owning their fulfillment marketing efforts. Those that market based on a complete view of the total activities and characteristics of their customers — not single product lines — will flourish. Those that stay the course, will weaken.

In this light, the transformation from traditional fulfillment systems to customer-centric database fulfillment systems should be seen as an inevitable evolution.

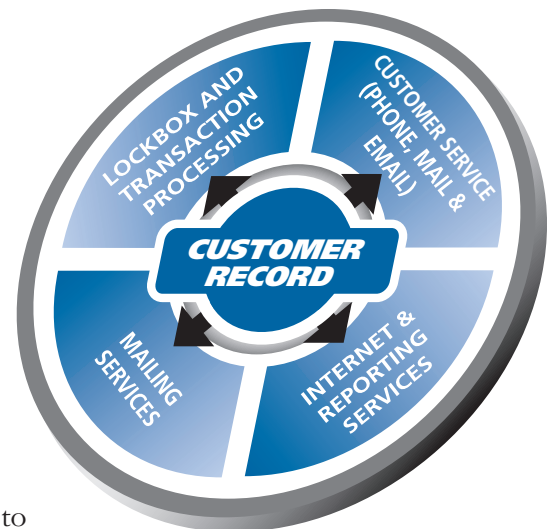
This change, though, must first be predicated on two things: 1) Fulfillment bureaus need to make the initial technology investment to bring the necessary tools that publishers need to market; and 2) A fundamental change in mindset, for both publishers and fulfillment vendors must occur.

Customer-Centric Fulfillment:

A customer-centric fulfillment database is a must for publishers looking to the future. This style of database should provide the capacity to manage all products and services in a single database, which include:

- Multiple magazines
- Products
- Access agreements
- Club memberships
- International Customers and Currency

The housing of all activity in a centralized database provides the opportunity for the marketer to analyze its business across product lines to identify trends, including lifetime value. The database also facilitates multi-publication/product marketing and provides the opportunity to launch or expand product lines based on the customer characteristics stored in the database.



The Challenges:

While this technology puts more information and power into the hands of the marketer, it also requires a shift in the operating paradigm. In order for fulfillment providers and their publisher clients to maximize the power of the new tools, there must be a fundamental change in the way the publishing/fulfillment vendor partnership works.

For fulfillment companies, there are two major shifts that need to be made.

- The client services staff will take on an even more vital role in the relationship between the vendor and client. The delicate balance between technical skills and customer service skills will require increased emphasis on the technical aptitude of the account manager.

Given the open nature of these systems, the effective account manager is capable of accessing the system to execute queries, run jobs — and most importantly — effectively train the client to maximize the power of the system.

- Customer Contact Centers must evolve from being complaint/transaction centers to profit centers. While publishers will control the scripting, fulfillment vendors need to identify and train those individuals that can boost revenues.

The challenge for publishers is to accept the need for change and embrace the issue proactively.

- Consumer marketers need to expand their horizons beyond the row and column analysis of yesterday to the customer-oriented analysis of the future. The new technology provides the opportunity to understand each customer as an individual, instead of part of a panel. This additional customer knowledge enhances targeted promotions specifically tailored to the individual, not the masses.

But, customer-centric analysis requires a different set of skills. Since the new technology puts database access at a publisher's fingertips, the marketing staff must be receptive to, and capable of, understanding customer-centric marketing.

- Speed to market is key in any endeavor. The ability of the consumer marketer to conduct analyses instantaneously provides answers to questions that can immediately spark new, creative marketing ideas.

With customer-centric fulfillment marketing systems, there is no longer the time-intensive process of submitting a database request and then waiting... and waiting... for an answer before being able to act.

Now, publishers can take control over their own database and maximize its power. Many of the functions traditionally performed by fulfillment vendors can now revert back into the control of the client, greatly decreasing the time involved from analysis to action.

- Publishers need to acknowledge the role that customer service can play in the profitability of the enterprise. Customer-centric fulfillment systems provide a single view at the relationship between customer and publisher. Through scripting, upsells, cross sells and customer retention, the opportunity to maintain, improve and expand the customer experience is greater now more than ever.

The need for a corporate customer service executive that establishes “groundrules” may be required. This person will take into consideration the value of each customer to the organization as a whole. Publishers can't afford to lose a long-time subscriber to a \$100 newsletter because of a service issue with a \$12 first time subscription to another property.

As with promotions and analyses described earlier, publishers can now look beyond product silos to total customer involvement; and that requires a fundamental tweak in the system: Customer service policies need to be established across the organization and not by product.

Summary:

The future success of the fulfillment industry is directly tied to its ability to provide systems that deliver to the publisher the necessary data and capabilities for them to succeed.

The fulfillment bureau must augment the quantity and quality of its staff capable of exploiting the new technology while assuming a consultative role with the client. The continued investment in technology needs to be monitored. Technology need not be purchased for technology's sake. Each investment must be made with the goal of delivering the functionality needed by publishers to improve their profitability in light of the challenges faced.

Publishers must look beyond the static environment to the interactive world of CRM. This requires retooling of staff and policies to create a profitable future.

The times call for a strong partnership between bureau and publisher. The tools are available, the mind must follow.

About Palm Coast Data

Palm Coast Data is a unit of AMREP Corporation. For nearly 50 years, we have provided a level of excellence in subscription and membership fulfillment services that is second to none.

Palm Coast Data is a respected industry leader, with a client roster that includes nearly 900 of the United States' leading magazines and membership organizations. Our management team, experienced associates and state-of-the-art systems and technologies, work in concert to provide our clients the most reliable and flexible services available.

For Additional Information Contact:

Peter A. Beaudet

Senior Vice President, Marketing

386 447 2448 (phone)

386 290 2715 (cell)

beaudet.peter@palmcoastdata.com



get more:

11 Commerce Boulevard
Palm Coast, Florida 32164
www.palmcoastdata.com