



Alternative Prospecting Techniques for Niche Catalogers

Wednesday May 25, 2005

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Vice-President



Building Blocks

- How to apply Mechanical Engineering to Direct Marketing
- “You have everything you need to be *successful*.” — Prof. Rivera, Union College
- Recipe for *failure* – copy what works for Cigars International



Who is Cigars International?

- Founded in 1996 – multi-channel retail cigar company – retail store, mail-order, internet
- Very niche market where only a couple of competitors dominate the market
- Consumable item, growth driven by a growing mailing list, high retention
- 8 catalog mailings per year



Advertising History

- Fooled by “get-rich-quick” and “no-brainer” sales pitches: ShopTV, imall, email blasts
- Lead generation: card decks, reader service cards, online catalog request sites
- Traditional prospecting: list rental, cooperative databases, survey data
- Alternative prospecting



Alternative Prospecting Options

- Qualified lead generation: using direct response space advertising (run-of-book and classified sections)
- Email blasts: targeted and un-targeted triple opt-in, CAN-SPAM compliant, legitimate vendors
- Free Standing Inserts (FSIs): newspaper coupons
- Pay-per-click Search Engine Marketing
- Package Insert Programs
- Card Decks



Some Examples

- Card-Decks

8 TOP CIGARS ONLY UNBEATABLE. \$10?

An EXCLUSIVE \$10 offer for you!

If you like handmade cigars, you're gonna love Cigars International! To prove it, I've compiled a sampler with 8 of the finest cigars in the world for one super low introductory price: instead of the normal retail of \$45.00, my offer to you is just \$10! I'm betting once you receive these outstanding cigars, together with our free \$20 pay-off cigar etahale, you'll become a lifetime customer. Now that's an offer you can't refuse! One per customer please.

Smaller time offer! Other expires 6-30-05

Sampler includes 1 each of: CAO Black • Don Tomas • Fonseca • 5 Vegas • Indian Tobacco • Guruhia • Nat Sherman • Paredone Reserve
(From time to time a substitution may occur based on availability)

www.CigarsIntl.com/sa573
1-888-244-2790 (code sa573)

LIMITED TIME OFFER

Order your First-Class Sampler today!

Send me one each of 8 top brands for \$10 + \$5 s/h (Pennsylvania residents add 6% tax - merchandise of any kind on orders shipped outside of PA is the responsibility of the purchaser). One per customer. Offer expires 6-30-05. Must be 21+ to order.

Phone: 1-888-244-2790 • Fax: 1-888-792-6242
6771 Chrisphait Drive • Bath PA 18014

Name _____
Street Address _____
City _____ State _____ Zip _____

Daytime Phone # _____

115 enclosed Visa Mastercard American Express Discover

By responding to this offer and signing below, I certify that I am 21 years or older.

Signed _____ Birth Date _____ Exp. Date _____

Credit Card # _____

Code: sa573
Item: SP-CIG006

selection of
yourself!
praised you as
course prices.
Mr. Keep up the

FREE CATALOG

- Space Ads: Run of Book

CHALLENGING EVOLUTION • FAREWELL, JOHNNY CARSON
February 7, 2005 \$3.25

Newsweek

The Ins Who Elec The Elec

Guaranteed Fresh!

CIGARS INTERNATIONAL

Introductory Offer for New Customers

8 TOP CIGARS FOR AN UNBEATABLE \$10!

Even the handmade cigars of Cigars International. To prove it, I've compiled a sampler with 8 of the finest cigars in the world for one super low introductory price: instead of the normal retail of \$45.00, my offer to you is just \$10! I'm betting once you receive these outstanding cigars, together with our free \$20 pay-off cigar etahale, you'll become a lifetime customer. Now that's an offer you can't refuse! One per customer please.

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More Examples

- Space Ads: Classified Areas

America's Largest Corporations

THE FORTUNE
THE 2005 RANKING
The Biggest Most
The Best Invest
The Newcomers
The Hall-of-Fam

THE COMPANIES

- WAL-MART: Brui
- THE TRUTH ABOUT H
- INTEL: New Man, In
- IS AMEX Playing Its
- DISNEY: Mao and th

BONUS

- Jack Welch: Doing S
- Where Are They Now
- Inside the World's Most Important Business Meeting

Fortune - Marketplace

Your Private Yacht
With 800+ yachts and 300+ crew members, we have the most diverse fleet of yachts in the world. Choose from a variety of yachts including...
1-800-327-8601

Cruise In Style & Comfort.
The new Sun Lane cruise ship...
www.sunlane.com

Zarabellita
...
www.zarabellita.com

8 TOP CIGARS FOR \$10?
UNBEATABLE.
only **\$10!** (4.99 value)
1-888-244-2790
www.CigarsIntl.com/SAS34

World-Class Premium Sampler only \$19
...
www.CigarsIntl.com

BEST PRICES
1st & BUSINESS CLASS
BIG DISCOUNTS
800-280-1400
www.FLIGHTSAVERS.com

- Package Insert Programs

Cigar of the Month Club

Get Your First Month for \$10 Plus a FREE Offer Box!

1-888-244-2790
www.CigarsIntl.com

2790 (mention code PI???)
www.CigarsIntl.com/pi???

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Getting Started –Basic Strategy

- Don't bank success or failure on one vehicle
 - Select and design your ad first:
 - lead gen (no purchase req'd)
 - qualified lead gen (small purchase req'd)
 - profitable sale
 - Set goals
 - Measure your results
 - TEST, TEST, TEST... you can make it work
- **Failure:** Is it the offer? Unreasonable goals? Retest with a different offer, perhaps different category
 - **Success:** attempt the same offer in another campaign within the same category
 - **Continued Success:** test another category or channel



How to fail gracefully!

- No-brainer #1: competitor ran in every issue for 2 years
- No-brainer #2: email blast to hit 4mm last minute holiday shoppers



- Goal: 116 new customers
- Result: 86



Happy, limited time offer!

Not available to minors. One per customer please. From time to time, a substitution may occur.

Cigars International, 6771 Christy Rd., Beth, PA 15014

- Goal: 100 new customers
- Result: 27 (and 1 was the broker)



Metrics to define a successful campaign

Variables

Average Order Margin %	\$95.75 72%
Reorder Rate w/ each subsequent mailing	8.5%
Profit Per Subsequent Mailing Per New Customer Acquired	\$5.86 (Average Order * Margin % * Reorder Factor)
Profit per Order from Campaign	\$0.00
# Catalogs Per Year	4

Example

Cost of the Campaign	\$5,000.00
Customers Needed	
- profitable in 1 mailing	854 (Campaign Cost / Profit Per)
- profitable in 4 mailings	214 (854 / 4)

Actual Results

Customers Acquired	400
Cost per Acquisition	\$12.50
Catalogs to Profitability	2

Campaign will be profitable in 6 months



Strategy – Create Your Offer

- Sketch the offer
- Ad agency vs. in-house?
- How do you plan on qualifying the customer?
- What's the hook?
- Will there be a “coupon” or order form on the offer?
- How will customers respond?
phone, fax, internet

8 TOP CIGARS FOR \$10?
UNBEATABLE.
only \$10! (\$45 value)
CIGARS INTERNATIONAL
Cuban-made Favorites

1-888-244-2790 mention code SAS34
www.CigarsIntl.com /SA534

Introductions Offer for New Customers
First-Class Premium Sampler only \$10
To get this made cigar sampler, simply complete an order form with all 100¢. I've compiled a sampler with 8 of the finest cigars in the world for one super-low introductory price; instead of the normal retail of \$45... my offer to you is just \$10! I'm betting once you receive your offer, you'll be hooked on the taste and quality of our cigar catalog; you'll become a lifetime customer. Now that's an offer you can't refuse! *One per customer please.*

CIGARS INTERNATIONAL
6771 Chrisphait Drive, Bath PA 18014

8 Top Cigars for \$10 - 15 day Pennsylvania residents only \$8 tax - residence of any states on order shipped outside of PA is the responsibility of the purchaser. Allow 2-3 to offer.
Code: SAS34 Home SP-00003
Offer expires 6/15/06
FEEC 59-page catalog included.

Handwritten notes:
- "to buy" (with arrow pointing to "my offer")
- "is important" (with arrow pointing to "hook")
- "in person" (with arrow pointing to "order form")
- "Biggie" (with arrow pointing to "hook")
- "Web" (with arrow pointing to "order form")

Strategy – Where to Test

- Set your budget low and expectations high
- Use your intuition and hunch to find a test category for low-risk, low-cost placements
- Seek opportunities that cast a wide net: email blasts, FSIs
- Check your metrics
- With the slightest smell of success, roll-out more aggressively





Strategy – Tracking Results

- Be anal about tracking results with keycodes
- Analyze your campaign by category, channel (phone, fax, website), and even demographics

Only one answer per customer, please.

First-Class Premium Cigar Sampler

Only \$10

Limited time offer!

Smoker includes 1 each of:

- 100's of the Best
- 50's Best Connecticut Shores & Fog
- 50's Best Reserve 1962
- 50's Best Reserve 1963
- 50's Best Reserve 1964
- 50's Best Reserve 1965
- 50's Best Reserve 1966
- 50's Best Reserve 1967
- 50's Best Reserve 1968
- 50's Best Reserve 1969
- 50's Best Reserve 1970
- 50's Best Reserve 1971
- 50's Best Reserve 1972
- 50's Best Reserve 1973
- 50's Best Reserve 1974
- 50's Best Reserve 1975
- 50's Best Reserve 1976
- 50's Best Reserve 1977
- 50's Best Reserve 1978
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- 50's Best Reserve 2013
- 50's Best Reserve 2014
- 50's Best Reserve 2015
- 50's Best Reserve 2016
- 50's Best Reserve 2017
- 50's Best Reserve 2018
- 50's Best Reserve 2019
- 50's Best Reserve 2020
- 50's Best Reserve 2021
- 50's Best Reserve 2022
- 50's Best Reserve 2023
- 50's Best Reserve 2024
- 50's Best Reserve 2025

Offer ends 6/30/05

www.CigarsIntl.com/SA531

You must enter complete web address for optimal entry

1-888-244-2790

For 1-888-788-8444 mention code SA531

Category	Channel	Demographics	Results
Phone	Website	Male	100
Phone	Website	Female	50
Phone	Website	Age 18-24	20
Phone	Website	Age 25-34	30
Phone	Website	Age 35-44	40
Phone	Website	Age 45-54	50
Phone	Website	Age 55-64	60
Phone	Website	Age 65+	70
Phone	Website	Income < \$10k	10
Phone	Website	Income \$10k-\$20k	20
Phone	Website	Income \$20k-\$30k	30
Phone	Website	Income \$30k-\$40k	40
Phone	Website	Income \$40k-\$50k	50
Phone	Website	Income \$50k-\$60k	60
Phone	Website	Income \$60k-\$70k	70
Phone	Website	Income \$70k-\$80k	80
Phone	Website	Income \$80k-\$90k	90
Phone	Website	Income \$90k-\$100k	100
Phone	Website	Income > \$100k	110



Strategy – Larger Rollout

- Create a category matrix and map out a larger strategy

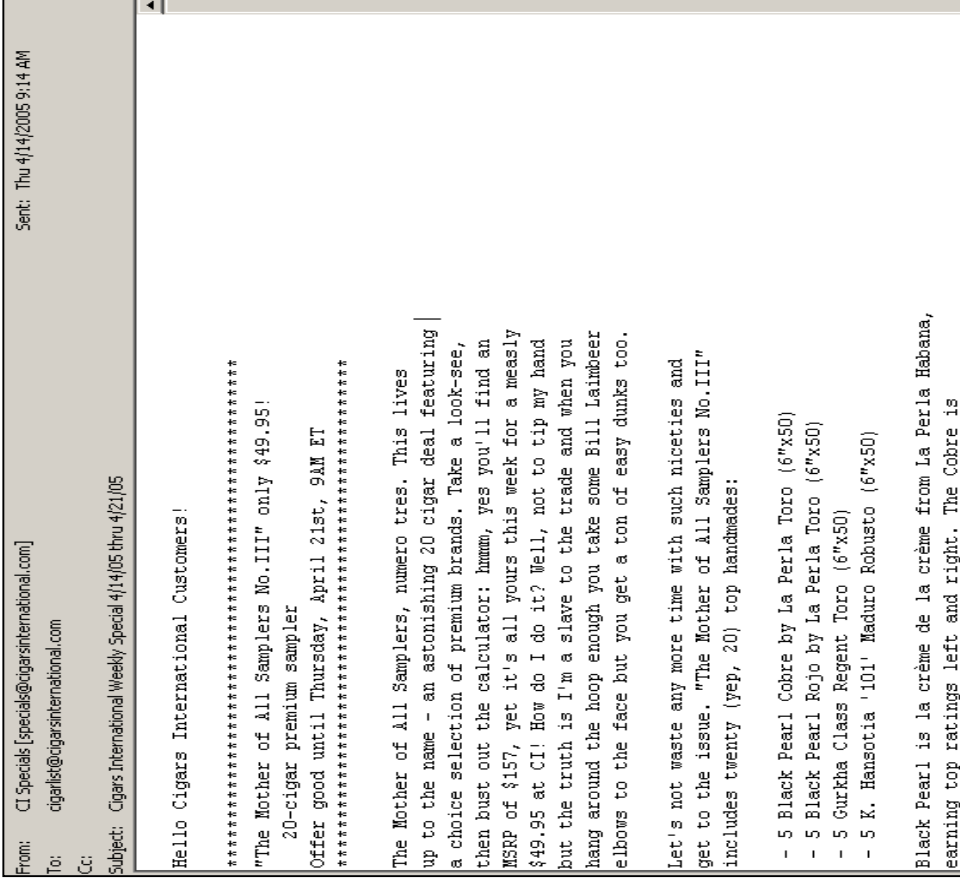
Category	Sub-Cat	Publication	Avail Circ	HHI	Age	% Male
In-Flight	Train	Arrive	200,000	\$195,600.00	42	63%
In-Flight	Plane	Continental	360,000	\$131,000.00	48	56%
In-Flight	Plane	American Way	344,579	\$95,000.00	41	47%
In-Flight	Plane	ATA Journey	130,000	-	-	58%
In-Flight	Plane	Delta Sky	400,000	-	-	-

- Consider brokers for lower cost remnant opportunities
- Seek out exchanges for certain media: PIPs, blow-ins



Strategy – Getting the 2nd Sale

- Inserts with the first package: catalog, new incentives to buy again
- Follow-up with regular catalog mailings
- Internally-generated email campaign: low-cost reminder
- Convert them to a regular customer!





Differences in Alternative vs. Traditional

- Traditional list prospecting:
 - Customers immediately qualified as catalog buyers
 - Proven success record, map to profitability is confirmed
- Alternative prospecting:
 - First purchase doesn't necessarily qualify the customer as a regular buyer
 - Set stricter goals, be impatient



Questions

