



# Prescott Report

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## Editor's Note: Grow the Consumer Base

### China and India – Creditors No More

The recession conceivably will not even begin to end until some 3 billion "proto-consumers" at last are permitted to participate fully as consumers and to produce as much for domestic consumption as for export. Why is this? Because of underdevelopment. Too much money, ie, US dollars, were not being spent outside the United States in the creation of a modern middle-class consumer population. In one sense, the US consumer has been called on for the last 20 years to fund overseas development of jobs by buying the things made there. This could continue indefinitely only if American consumers continued to buy. If it hadn't been a credit meltdown, we suspect it might have been a change in habits. It couldn't last unless the "burden of consuming" was shared more widely around the world.

The beginning of this horrible period started when the rolling bicycle of easy credit came to a halt and

toppled over. This credit had fueled irresponsible lending to both businesses and consumers, especially for housing. Housing prices in many markets, especially the US, UK, China, and Spain, were buoyed by easy money and low interest rates, supported also by the belief that housing was a failsafe investment. In the United States, the easy credit and low, even non-existent, underwriting standards resulted in loans to people who had no possibility of repaying unless the houses that they were then buying continually increased in value. The bicycle had to keep rolling. These loans then were packaged and sold to third party investors who were made to believe they were "bullet-proof", and these investors were all over the world.

So where did all the money come from that fueled all of this?

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*...what the world will need going forward to prevent a recurrence of this enormous wealth-destroying tsunami is not easy credit, but intelligent credit, and more consumers in more countries...*



**(Editor's Note Continued)**

Much of it came from China, the largest buyer in the world of US Treasury bonds, and Japan and Korea. China, especially, has not used the earnings of its people's labor as quickly as both the US and, in fact, its own government would like, to encourage domestic Chinese consumption. The Chinese produce, ship and sell, and reinvest the earnings abroad in US Treasuries. We ship dollars to them, and they buy our bonds, not cars or clothing or any of the other accoutrements of the middle class life. The Chinese middle-class, now approaching 400 million people, have not had the same access to goods and services that US and European consumers have had. The Chinese government has already announced it will modify its policies to encourage that evolution.

This same state of affairs exists with respect to Korea, but to a lesser extent, for no one who has visited there would consider the life style and standard of living to be much different from Ohio. India has also exported more than it spent internally, mainly commodities and intelligence-based services, rather than manufactured goods, to be sure. And it

has also imported dollars, which again have not been invested in the making of a middle class consumer society.

So what the world will need going forward to prevent a recurrence of this enormous wealth-destroying tsunami is not easy credit, but intelligent credit, and more consumers in more countries who will earn those dollars to buy those goods which come from factories worldwide. With increases in wealth and consumer purchasing, the economic burden of creating jobs will be spread more evenly.



## Special Report: *The View From the Airport Lounge*

– An Interview with Daniel Rutenberg

Daniel Rutenberg, Vice President of Marketing for the International Airline Passenger Association (IAPA) has seen many changes in his 19 years in global direct marketing on behalf of IAPA, and very little surprises him. After all, he got his first external email address in 1993 and has been using email ever since. IAPA is part of the Collinson Group, a privately owned global organization that uses data, customer insights and marketing expertise to the benefit of its companies, clients and their customers. The company has a history of success within the travel and financial services sectors and has built its value through ownership of brands that operate in these sectors and by leading and supporting marketing activity.

The Collinson Group has four core divisions: International Membership Clubs, Marketing Services, Insurance and Group R&D, operating from 24 global locations and employing more than 800 staff worldwide.

Probably the most well known brands of The Collinson Group in The Americas are:

International Airline Passengers Association (IAPA), which represents the interest of frequent air travelers, giving them a voice on passenger advocacy issues while also providing travel related services and benefits. IAPA was established in 1960 and was originally known as the “Airways Club”. It is the most mature brand in The Collinson Group.

A relaunch of IAPA in 2007 provided its members with services and benefits in four pillars – travel, planning, insurance and technology, in addition to its advocacy efforts. IAPA’s website is found at [www.iapa.com](http://www.iapa.com). Presently, the IAPA’s website is only available in English. Prior to relaunch, IAPA offered localized sites for its members around the world.

International Customer Loyalty Programs (ICLP) is a specialist loyalty-marketing agency. Established in 1987, ICLP is a global, full-service agency. ICLP’s

website is localized in multiple languages and can be found at [www.iclployalty.com](http://www.iclployalty.com).

Priority Pass was founded in 1992 and is the world’s largest independent airport VIP lounge access program, offering its members access to more than 600 lounges worldwide, independent of class of travel or airline. Priority Pass offers localized sites in multiple languages and can be found at [www.prioritypass.com](http://www.prioritypass.com).

In a wide-ranging interview we discussed what changes he was seeing in his global market as a result of the financial catastrophe, what was working and what was not, and what were the challenges going forward, from the IAPA perspective.

### **Mailing: deliverability and indicia surprises.**

Daniel noted that increasingly deliverability in regions outside the US was becoming a problem. Mail seems to be slower than before. Perhaps postal employees are engaged in a slowdown. This seems counter-intuitive, but it does appear that in some posts the employees may decide to “save the mail for delivery next week” in order to be sure they have jobs next week. There is some thought that this is true on both inbound and outbound, and IAPA will be testing this proposition in coming mailings. IAPA has three regional offices, Dallas, London and Hong Kong, and they have the ability to mail any promotion from any of these three offices, and from any other locations where sister companies are located, such as Singapore.

This flexibility enables testing of deliverability, postage costs and indicia impact. We asked whether indicia still mattered. “The Hong Kong indicia for example brands us as more international, and attractive to the international traveler,” noted Daniel. “But, we have noticed that at times in a few Latin American countries US indicia has produced lower response.

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**Mailing: what does it need?**

Direct mail is still worth doing, and for the travel-focused IAPA. However, they have cut quantities and the old challenge of finding new names and proven names remains. Response to offers with new lists varies so dramatically from product to product that conclusions are not easily drawn. However, as one might expect, “Products with ‘unemployment,’ ‘financial crisis’ or ‘surviving hard times’ could work as successful themes,” said Daniel.

Daniel observed, “Direct mail is still working in countries where there’s liquidity and solvency, as in Latin America, which has not yet been as affected by the financial crisis. In fact, we do third party inserts globally, and responses are better outside the US both to inserts and all different channels.”

**Security and prosperity: IAPA**

Travel is down. “IAPA sales are still robust. However, we are noticing less business and leisure travel as the result of the financial crisis,” noted Daniel.

“IAPA and our other brands are great solutions for frequent travelers and executives, which we can tailor to the requirements of businesses and organizations. These have been very successful in the b-to-b world, including in China and Eastern Europe, more so than in the consumer market,” said Daniel. “Publishers create reader loyalty programs and provide IAPA benefits. This has worked well there, even though recently we are seeing less discretionary travel.”

**What Media and How?**

Not unlike other marketers, Daniel noted that publication ads aren’t performing as well as in the past, since circulation and readership are both down.

Digital marketing is performing well for IAPA because marketing is so highly targetable, especially for business-to-business promotion of their loyalty programs and products. Both businesses and their employees want to make the travel experience as pleasant and worthwhile as possible, and will respond to offers to help accomplish those goals.

As a consequence, email to current business and individual customers work quite well, and the ability to test permits rapid change. “We found that we get better results with email if it comes from an individual, not a

company,” noted Daniel. “Since we are marketing to executives, it seems that their company filters are more likely to stop messages from companies than from individuals – needless to say the subject lines, and we can change our messages within hours. Direct mail doesn’t allow such flexibility – not to mention the costs associated with each channel”

One surprise with emails is that in some markets, like Latin America, IAPA gets responses as far out as six weeks from mailing! So much for it being ephemeral.

**Global conclusions: good and bad**

Currency fluctuations recently have had a major impact on business, discouraging dollar sales except where the dollar is viewed as a refuge. IAPA prices in US\$, GBP and Euros only, of course, and the last three or four months the impacts of currency fluctuations were noticeable.

Business remains solid and responses acceptable where the old indicators of GDP growth are robust. “Latin America for example is expected to go down significantly from a forecasted growth of 6%, and we see responses are in turn impacted. That and currency fluctuations are the market indicators that we watch most closely,” said Daniel.

“As for the biggest new issue, it’s definitely mobile – TXT, SMS, etc. This medium is short and to the point and it is second nature to this new generation, so we are testing how to get opt-in to use it,” Daniel noted. “I think that this medium, since it is so new, will be more successful over the next period in the developing world than in the developed world, because it will be a novelty there,” he concluded.

Test, learn, launch. It has worked now for the Collinson Group for twenty years, and the formula seems to still be reliable.



# Fundraising in India – The Indian Way

## NGOs Adapt Traditional Methods to Succeed and Grow

If you are thinking of raising funds in India, go and do it now. If you wait, you will find yourself pushed aside by a herd of local and international not-for-profits who are exploring – and beginning to pour into – this incredible market.

In a country of 1 billion people, India's 200 million middle class citizens may be the world's fastest – growing new pool of donors. Faster even than China. But don't be fooled. India is no longer a "virgin" market that will respond to any kind of simple appeal. Today, any gains you make will have to be carefully planned and vigorously sought after.

Indian fundraisers, whether domestic or imported, are developing their own unique methods and adapting traditional Western methods. For the most part, their goal is to benefit local non-profits that used to rely heavily on funding from the industrialized countries.

### Direct Dialogue

Take for example the traditional Western technique of face-to-face fundraising, pioneered in the West by Greenpeace and sometimes known as "Direct Dialogue".

Indian fundraisers do it, too, but they add their own unique twist.

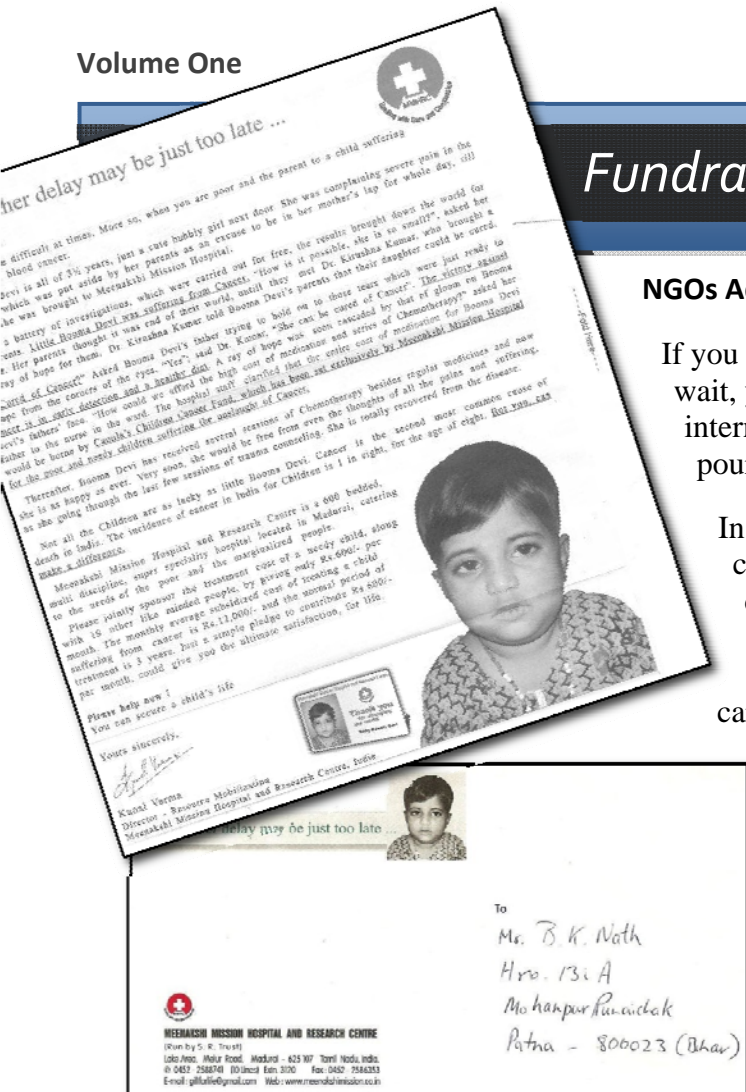
As everyone knows, India has excellent telemarketing companies who conduct inbound and outbound calls to generate sales or to service customer calls at extremely low cost. Some of these firms have now branched out from financial products and have started fundraising for Western and Indian NGOs eager to reach middle and upper class consumers.

What could be more natural than to use the many available telephone and address lists to reach potential donors? Taking care not to give the impression of overly-aggressive fundraising, they engage people in easy-going telephone banter about the charity they are representing. A pitch for funds is never made, because the purpose of this first stage is solely to generate leads. Recipients of calls are asked if they would agree to meet someone from the charity to describe the work of the organization.

If the answer is positive, the name and number are sent to a small group of trained face-to-face solicitors, who might even be in another city. These solicitors then call the prospective donors and set up appointments to meet at work, at home or possibly at a tea shop. At the meeting, the solicitor goes into action, using charm and reason to persuade the prospect to agree to a first gift.

Skilled solicitors are able to persuade about 50-75 percent of the individuals they meet to make at least a one-off gift, and possibly even join a monthly giving scheme or child-sponsorship program.

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## Pre-qualified Direct Mail

Another adaptation of a standard Western direct mail technique is using telephone pre-qualification of names and addresses before sending out an appeal letter. Using this procedure helps to eliminate mailing to people who are unlikely to become donors. While the high cost of doing this might make it prohibitive in the West, the low cost of skilled labor in India makes it very cost-effective.

Kunal Verma, who heads fundraising at Madurai's Meenakshi Mission Hospital in South India, explains:

“When conducting direct mail appeals for our hospital, we aim to optimize our investment right from the start. To be honest, we started pre-qualifying acquisition mailing lists more because of challenges we faced, than as a new creative approach. The lists we were buying were not giving us great results, partly because we could only afford to purchase low quality lists. We simply needed to keep our fundraising costs to a bare minimum.

“We had three issues with the lists we were using. First, many of the addresses we rented were inaccurate because people had moved or passed away; second, many of the phone numbers attached to the names were incorrect (due mostly to poor data entry by list vendors); and third, people's phone numbers had not been recently updated. (In India, people frequently change phone companies). On analyzing our campaign results, we found that 28% of our DM packs were being returned owing to wrong addresses and 13% of the phone numbers we called were wrong.

“So, on average, 40% of our rented names were unusable. This was a huge drawback, in terms of wasted paper, printing, postages, cleaning the database and human frustration.

“We therefore adopted two important ground rules. First, we decided never to rent any lists which have no phone numbers. Second, before mailing out any packages, our tele-calling team calls all the addressees, to ensure that they really want to receive our appeals. We also ask them whether they prefer to support our cancer patients or our free meals for poor patients. We then send the appropriate appeal to each pre-qualified donor. This process not only eliminates wrong addresses or changed phone numbers, but also tells us what they are most likely to support.

“The tele-callers do not make an ask, but promise to call back after seven days (when people have received their DM pack) to answer any questions. If someone sounds very enthusiastic and motivated to give, the DM pack is sent out immediately by messenger (with a handwritten addressed envelope) so that the donor can make an immediate contribution. Otherwise it is sent by regular mail.

“Pre-qualifying the lists not only saves us a lot of money, but also boosts the morale of our tele-calling and direct mail teams,” says Verma.

Since these prospects have been informed in advance about Meenakshi Hospital's appeal, they are well prepared for the ask and respond at a rate of 24 percent. With repeated calls to the same names, Meenakshi Hospital's fundraisers are able to persuade up to 52% of mail recipients to make at least one donation. This is, of course, a big improvement over the previous situation, where they were failing to connect with 40% of the rented names.

As a result of pre-qualifying lists, Meenakshi Hospital now has a clean and updated house list. The tele-calling and DM teams are happy. People in the community do not receive unsolicited mail. The Hospital fundraising team has learned how to turn a low-quality list into a database that converts over one out of two donors.

*Richard Pordes retired from UNICEF in 2006 and now heads his own international fundraising consultancy, with clients in North America, Europe, and Asia. He is also an Associate Senior Consultant for THINK Consulting Solutions, UK. He can be reached at [richardmpd@aol.com](mailto:richardmpd@aol.com). Kunal Verma served with Action Aid India, Christian Children's Fund and Meenakshi Mission Hospital, in Madurai, India. He is currently head of the fundraising department at Oxfam India. His email address is [directorrm@gmail.com](mailto:directorrm@gmail.com).*

## Readers Trivia:

**Q:**

**Currently, what percentage of the typical large advertiser's budget is devoted to online advertising, including search, banners, community sites?**

**A. Under 10%. B. 10 to 20%. C. 20%to 30%.**

**A:**

US advertisers typically allocate 7% of their budgets to online. Why this makes sense is unclear when the typical consumer spends up to 25% of their media-conscious time online, ie, not watching TV or listening to the radio or reading a magazine. Unilever and Proctor & Gamble, for example, devote only 2% of their budgets to online advertising, but they are moving into online couponing to support their successful offline programs. Given their sophistication, however, perhaps 2% is about right?

**Q:**

**What does "break the buck" mean?**

**A. Be worth less than one dollar. B. Train a white-tailed deer to the saddle.  
C. Rip up dollar bills in frustration.**

**A:**

"Break the buck" is what a money manager who runs a uniquely American financial product called a money market fund should not do. This type of investment is basically an uninsured checking account with a requirement of a substantial minimum balance (usually \$500) and a high minimum amount for which a check may be written (usually \$250). The fund is really a mutual fund of other financial securities, usually short-term government bonds, and the \$1 valuation is the net asset value of the fund per share outstanding. When the value of the fund's assets falls below \$1, which occurred in December with one money manager, that this is not a bank checking account becomes painfully obvious. To maintain confidence in this "interest bearing quasi-checking account", the manager must never let his asset value "break the buck".

**Q:**

**According to the IMF, which of the following has been shown to be more effective in spurring economic growth, tax cuts or infrastructure investment?**

**A:**

Infrastructure investment, by far. Basically, according to World Bank research, infrastructure investments (roads, harbors, pipelines, post offices, railroads, Internet) help build businesses, employment and multi-generational tools for wealth production and tax revenue. Tax cuts primarily fuel current spending.

## Readers Trivia (continued):

**Q:**

**What recent legislation contains an obligation to “Buy American”?**

**A:**

The original House of Representatives version of the \$800 billion economic stimulus legislation adopted February 11 by the U.S Congress contained a requirement that any Federal spending for iron and steel must be spent on American-made iron and steel. Since the bill foresees a great deal of infrastructure spending, conceivably this could be a substantial amount. However, the final bill contained the Senate version pledges to make the Buy American provisions “compatible with the US’s obligations under existing trade agreements”. While at least an improvement in recognizing that the US has legal obligations of an economic nature, that the requirement was not completely eliminated by the Senate, supposedly the “world’s greatest deliberative body”, is a great disappointment. Even many of the newest steel companies in the US opposed the provision because much of their production is exported. They feared a backlash overseas. In the early debate over the adoption of the Constitution, one supporter argued for establishment of the “elitist” Senate since it would “serve to moderate the inevitable tendency of the lower House to pander to the basest instincts of the electorate”. Too bad it doesn’t always work.

**Q:**

**ComScore reported that what kind of sites experienced a jump of visitor numbers by 51% in 2008 over 2007?**

**Was it: A. Travel B. Coupons C. Jobs.**

**A:**

Job sites, to be sure. Traffic increased 51% on 2007 to over 19 million visits as against 12.5 million. Coupon site traffic increased by 46% to even a larger number – 31.6 million. The future of couponing online is one of the unexplored stories of direct marketing. In fact, it’s not explored much off-line, either, and it is a powerful marketing tool for FMCGs and for local businesses. The coupon industry has faced severe growth restraints in many European countries and was until fairly recently illegal in Germany, where it was believed that discounts gave larger companies an unfair advantage. Elsewhere in this issue of the Prescott Report you will learn of the popularity of couponing in Argentina. However, it is growing only slowly because, as in much of Europe, there is no clearing mechanism.

## Readers Trivia (continued):

**Q:**

**Mintel Comperemedia recently reported that offers for these were down 33% in 4Q 2008 as opposed to the same period in 2007. Offers for what?**

**A:**

Offers for credit cards were off by 33% over Q4 2007 at 5.4 billion offers versus 7.4 billion, the lowest since 2000. This reflected the fears of credit card companies and banks regarding their own industrial issues, rather than their need for new customers, which continues. Judging from my mail recently, these volumes are recovering, but not to previous levels.

**Q:**

**China reported a drop in exports in January over the same period in 2007.**

**Was it: A. Under 20% B. 20% to 40% C. over 40%?**

**A:**

China's exports fell in January 2009 by 17.5% over January 2008. Some of that might be due to the Lunar New Year holiday, which was in February last year, but those arguing for this interpretation are probably just wishing. Chinese imports fell 43.1%, the worst on record. China is not alone, as we rich Western buyers aren't discriminating. Exports from Japan, down 35%; from Korea, down 17%; from Taiwan, 42%. Clearly, if the world is to get out of this slump, and avoid a similar one in the future, governments of those 3 billion people in Asia have to turn them into consumers.

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## NetMags?

### [www.Maghound.com](http://www.Maghound.com)

You probably haven't heard of it yet, but you will if you are in the magazine business or like magazines. A new business of Time Inc., Maghound was introduced at the DMIX luncheon in New York on February 11 by Time Inc.'s EVP of Consumer Marketing, Brian Wolfe. Maghound seems to have been inspired by Netflix. Some 3 years in development, the site went live in the third quarter of last year after a very successful dry test.

The concept responds to the perception that the current magazine subscription model is out of sync with the increasingly obvious fact of consumer power and control. Why should a consumer have to commit to a one year relationship? Why does a long-term customer pay more for her magazine than a new subscriber? Why can't the magazine company change your delivery address in less than 3 months? Why do they bombard me with renewal offers up to 6 months before my subscription is up?

Because they've always done it that way? Maghound enables the consumer to buy a "package" of magazines, 3 or 5 or 8, for one fixed monthly price. Some of the more expensive titles, e.g. *People* are "premium" titles so there is a surcharge for them. The first month is free. And the sweet thing is that the consumer can cancel *at any time*, or change the order, *at any time*. In addition, Maghound owns and guards the names jealously, providing data for mailing labels directly to the fulfillment house in order to insulate consumers from over-promotion by over-zealous marketing departments in the magazines. Sub data is provided for rate base purposes, however. The subscription database could conceivably provide enormously powerful data about the subscribers, who have a broad range of titles from many publishers to choose from. Think of the possibilities when a young woman stops ordering *Cosmopolitan* and substitutes *Young Family*, or a man stops reading *Outdoors* and subscribes to *Family Handyman*.

Results so far are extremely positive with 84% of the subscribers continuing on paid status after the free trial. The average order is 4.7 subs and 75% of the customers are new to file, or at least they report themselves as such. This looks very promising. Currently, 33.9 million people in the US subscribe to 3 or more magazines, so this is a population of dedicated magazine readers. These readers are also from online households, of which there are 88 million in the US, of 113 million households in the country. The subscribers track 50/50 men/women, have a child in the household, and are in higher income brackets.

Subscription magazines, for all their problems, are still popular, with some 57.6 million people subscribing to one magazine, and 44.9 million to 2. This looks like it might be a turning of the page for the magazine business. As in so many things, maybe the product is ok, but the relationship with the consumer needed adjustment, i.e., a relinquishing of control.



## “Green” Advertising

So your client says his process is “green” or the product is “biodegradable”, or “mercury free” or “recyclable” and you’re inclined to let your copywriting Muse carry you away on these themes. Don’t be surprised if your legal department quite justifiably says, “Let’s talk about this.”

At a recent Washington, DC meeting of the International Chamber of Commerce’s Marketing Committee, a multi-national panel of experts chaired by Sheila Millar, Esq. of Keller and Heckman LLP, a recognized expert in consumer protection law and self-regulation, explored the current state of regulatory and self-regulatory treatments of environmental claims. There are some surprises that you as a marketer should be aware of.

First, this is an area in which the U.S. Federal Trade Commission has issued guidelines, held workshops, and generally updated and evolved its views several times since 1992, and continues to do so. See [www.ftc.gov](http://www.ftc.gov). See especially the Green Guides available through <http://www.ftc.gov/opa/reporter/greengds.shtm>. These are not themselves enforceable regulations and do not have the force and effect of law, yet. In the words of the FTC, they “do not preempt regulation of other federal agencies or of state and local bodies governing the use of environmental marketing claims.” Equally helpfully, the FTC continues to note, “Compliance with federal, state or local law and regulations concerning such claims, however, will not necessarily preclude Commission law enforcement action under Section 5.”

In short, these are more than important “guides”. (Reminds me of the old joke about the Israelites asking Moses if the 10 Commandments were real rules or only “guidelines”. Same answer here, probably.) An especially user-friendly publication by the FTC, which discusses all of this in plain English, is available at <http://www.ftc.gov/bcp/edu/pubs/business/energy/bus42.shtm>. Worth the trouble to look through.

Let’s look at a few of those words, which tend to be able to lay legal traps for the unwary, just as “natural” did years ago.

First, some general principles are in order. For example, when making an “environmental claim” such as “recyclable”, it’s important to be clear whether the environmental attribute or benefit being asserted refers to the product, the product’s packaging, a service or to a portion or a component. If the attribute or benefit applies to only a part, or to the package, the claim needs to be qualified. The label “recyclable” on a box of aluminum foil might be misleading unless both the box and the contents are recyclable. “This box is 100% recyclable” would be permissible, if true, where the contents are not.

Second, one has to be careful about overstatement of claims. “50% more recycled content” on a product that only had 3% recycled content in a previous model may be technically accurate, but it is misleading. The copy makes the change more dramatic than it really is.

Third, be cautious with comparative statements, as suggested in the previous rule on overstatement. Comparisons should be presented in a manner that makes the basis for the comparison sufficiently clear to avoid consumer deception, and your client should be able to substantiate the comparison. For example, saying a shampoo bottle contains “20% more recycled” content is ambiguous. “More” than what? The prior version, a competitor’s product? And of course, whichever is the case, the client should be able to substantiate the claim. I said twice for a reason, by the way.

Fourth, be careful with vague claims such as “environmentally preferable”, “Eco-safe”, “practically non-toxic”. There is a great risk of misleading consumers with phrases like these, which nearly all require qualifying and substantiating language to follow in the ad copy.

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These tend to be vague and thus from the law's point of view, suspicious and possibly dangerous. "Preferable" to what? The competitor's product? On what "environmental grounds" is the product preferable? "Practically non-toxic" screams for explanation.

The real fun in review begins with the increasing use of the requisite buzzwords. There are many non-obvious traps in the use of words like "biodegradable", "compostable", "recyclable", "ozone safe", "refillable". And there are traps in the use of some of the newly emerged symbols for environmental concepts, such as the triangle consisting of three arrows, indicating that a package is recyclable.

"Recyclable" in its own right has an interesting trap. It is potentially misleading to label a product's package (or the product, of course) as such unless a "substantial proportion" of people in the area in which the product is expected to be sold can in fact recycle the product. In short, you need to confirm that facilities for recycling are "sufficiently available" to the public. The US DMA ran into this issue in adopting a symbol for its members to use; they had to demonstrate to the FTC that in fact most of the United States had access to recycling facilities for catalogs and direct mail pieces.

Also, recyclable's cousin "biodegradable" is a complex term. Both the FTC and the self-regulatory program run by the National Advertising Division of the Better Business Bureau (NAD) have struggled with the term. The FTC interprets this to mean the product will decompose into elements found in nature within a reasonably short period of time after customary disposal, and the two main elements of concern to the consumer are the ability to degrade and the speed and extent of degradation.

The NAD also has issued cases concerning this and other terms, which it unfortunately does not make public without permission. In presentations, members of the staff take the consumer's view of what that means – that it will degrade in a reasonable amount of time under normal circumstances, generally held to be up to 60 days. In fact, it appears

that nothing degrades in a properly maintained landfill, according to the NAD, as landfills become more common and up-to-date, this term necessarily will become unusable.

Another environmental claim is that something is "free", such as "mercury-free" or "friendly", as in "ozone-friendly". As for "free", it better be, completely. And as for "friendly", in the example from the FTC, if a product contains any of the chemicals in Title VI of the Clean Air Act Amendments of 1990, Public Law 101-549, and others subsequently designated by EPA as ozone-depleting substances, it's not friendly. Some unlisted volatile organic compounds (VOCs) that may cause smog by contributing to ground-level ozone formation are not "friendly" The claim is likely to convey to consumers that the product is safe for the atmosphere as a whole, and is therefore deceptive.

Finally, if you do international marketing, be aware that in some countries, these concepts and issues have been under consideration for a long time, also. And sometimes translation of words and concepts is awkward. Ms. Prisca Ancion-Kos, Managing Director of the Dutch self-regulatory organization noted that the Dutch "Stichting Reclame Code" (Advertising Code) addresses many of these concepts and urges cautions similar to the FTC in using them. She noted a recent case using the word "compostable", which was not in common use in the Netherlands, and as noted above, is a subject of discussion by the FTC in its guidelines.

For an interesting view on environmental advertising, and indeed on self-regulation, from a country noted for its concern for the environment, visit <http://www.reclamecode.nl/>.



## Recession Watch



**Argentina.** On February 10, La Nacion quoted the Argentine Chamber of Supermarkets President Ricardo Cáceres as stating that sales in supermarkets in Argentina were off 8-10% in 2008 with respect to 2007. Industry leaders are also remarking on a very strong trend toward supermarket private labels, as opposed to top brands, as a savings option for consumers. Carrefour, for instance, indicates that its private label sales rose 100% in 2008. Discounts of 15-20% on (almost) the entire shopping cart are available on weekends, generally subsidized heavily by the banks. The same article says that shoppers are concentrating their purchases more and more on weekends to take advantage of the discounts. Mary Teahan of CP Proximity reports that she tries to avoid the weekends when possible because of the crowds. “However”, she writes, “whenever I get to a supermarket check-out counter, I ask ‘What plastic should I use today?’ to see if there is one in my purse with a discount!”



**Europe.** From the steel and chemical to the textile and electronics industries, sales are down across the board. In mid-February, it was announced that the entire EU economy shrank by 1.5 percent in the fourth quarter of 2008. The downward plunge is accelerating. A wave of bankruptcies is spreading throughout the European economy. In Italy, bankruptcies were up 30 percent last year, and they have almost doubled in Ireland and Spain. Countries like Romania are on the brink of bankruptcy. The Greek health minister is not even able to pay suppliers to government-owned hospitals.



**Germany.** This year experts anticipate about 35,000 bankruptcy filings in Germany, where the most prominent victims to date include underwear producer Schiesser, model train maker Märklin and porcelain company Rosenthal. Premiums offered to Germans to scrap their old cars and buy a new one also help French carmakers, who market aggressively in Germany. In turn, the Germans benefit from French government subsidies for their domestic automobile industry, since German production makes up about 20 percent of every Peugeot. The domestic industrial support programs now aid international economies! I just love multi-polarity.

## Special Announcement – and scary news.

**The Good News:** I am very pleased to tell the readership of The Prescott Report that I have been named Senior International Advisor to Marketing Capital Corporation. Under Wesley Wood, Marketing Capital Corporation has a long tradition of extraordinary success in classical direct marketing, on its own account and for the accounts of its consulting clients and partners in which it has invested. Most exciting for me is the fact that MCC has deployed its expertise in direct and interactive database marketing world-wide.

In this capacity I will be available to Marketing Capital's clients and partners in their marketing and investment efforts and will work next to these experts in dealing with the marketing challenges that now face all of us globally. I am very excited about this endeavor.

While I will be engaged significantly in this work, it will not detract me from continuing to separately develop my law practice in marketing, privacy/data protection, and foreign investment work. Nor will it draw me away from my work at the Universal Postal Union as Chair of the Consultative Committee. I will be focusing especially on the subject of the address, and improving address and change of address systems world-wide. In that respect, I will continue to develop my knowledge of and contacts in postal and courier services globally.

As consumer-driven e-commerce continues to grow, so will the number of consumer-demanded package shipments. Postal and express shipping services will only become more critical, as will addresses.

**Some bad news:** Part of the benefit of working with Marketing Capital Corporation is access to its own unique network of global contacts in the direct mail and catalog communities. There is significant fall-off in business in MCC's primary

areas of interest.

- Opportunity seeker files responses are off 15-20% from 2008.
- Sales through catalog non-sweeps mailings to high price points - off 35-65%.
- Sweeps mailers in developed countries house files responses stable, but prospecting down 14-20%.
- And with this, the USPS raises single-piece parcel rates.

It has been widely known that there are few new lists coming on the market. And a squeezing of the mailable circulation short term will threaten those companies that received investments from highly-leveraged hedge funds and other non-traditional investors. With no new names, interest won't be getting paid, with attendant knock-on risk to much of the business.

On top of this, the view that began to be expressed a few years ago that online and direct mail buyers were significantly different is more widely held today. Online and postal marketing and consumer worlds are not connected, in many ways –habits, buying patterns, motivations - and it's not all, or just, age differentiation. We've all got a lot to learn, and the next set of learning experiences promise to be painful. Good luck to us all.

Charles Prescott, Editor



## International Events:

### MARCH

#### **FEDMA Seminar: Privacy and Your Business**

When: March 9, 2009

Where: FEDMA Headquarters, 439, Avenue de Tervuren, Brussels,

Contact: [jandreassen@fedma.org](mailto:jandreassen@fedma.org) or register online at  
<http://www.fedma.org/index.php?id=4555530>

This is FEDMA's annual update on the state of the law and practice of privacy and data protection throughout the EU. Space is limited to 25 people.

#### **IDI Marketers Forum –International, Direct and Interactive**

When: March 24, 2009

Where: Recently changed. Check website below.

Contact: For the program and to register: [www.dmi-events.com](http://www.dmi-events.com).

This one-day event is intended to be a New York replacement for the deceased IDMF of London. It is not an exhibition but a quality conference and unique networking opportunity. Organized by DMI Events – a partnership between DMI magazine and the international marketing consultancy 1 Stop Data, the line-up of experts includes representatives from Business Week, Nikkei BP, USPS, Pitney Bowes, Zinio, DHL and more. Registration/continental breakfast is 8am-9am. Program closes with cocktail reception 5:30 to 6:30.

### APRIL

#### **Mail Order in Russia 2009.**

When: April 16-17, 2009

Where: Borodino Business Hotel, Moscow

Contact: [http://www.mail-order.ru/cgi-bin/show.pl?tpl=eng\\_about](http://www.mail-order.ru/cgi-bin/show.pl?tpl=eng_about)

National Association of mail-order and distance selling trade (NAMO) together with Marketing Communication Agency Ivanov & Ivanov Direct are organizing the 8th International conference of retail distance selling trade «Mail Order in Russia 2009». Both Russian and invited foreign speakers will cover current issues. In addition, heads of large and well-known mail-order companies, which deal with Russian market and which are planning to begin working here, and representatives of specialized government structures including Communication Ministry, Economic development Ministry, Federal Antimonopoly Service and Russian Post will take part in the conference.

#### **NextMarketing 2009**

When: May 6 and 7, 2009

Where: Madrid, Spain

Contact: <http://www.nextmarketing.es/>

This will be the second year for FECEMD's new major conference on marketing. Year one (2008) was well-received, and this year's event promises to be even better. Note the venue has been changed from Barcelona to Madrid. Please mention *The Prescott Report* when you register. When you are there, look for the Editor. I will be attending.

### MAY

## International Events (continued):

JUNE

### **International Senior Management Marketing Programme in Direct, Interactive & Relationship Marketing**

When: June 22-25, 2009

Where: ISEC, Madrid, Spain

Contact: <http://www.icemd.com/ismpeNG2009/icemd/home.html>

Held on the campus of ISEC, one of Spain's foremost business schools, on the outskirts of beautiful Madrid, Spain. Students stay in a first class hotel in Downtown Madrid. This intensive and entertaining programme organized by ICEMD and FEDMA brings experienced senior marketers from major companies together for three full days of presentations, interaction, and project work. This is a major learning experience combined with an opportunity to establish relationships with colleagues from all over the world in formal and informal settings. For more information, visit the programme website for complete details and to register. Space is very limited and past attendees have been very grateful they attended. Please mention *The Prescott Report* when you register.

JULY

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