

Fairytale Ending

An upscale catalog cuts its mailing list — and increases sales



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THE STORY BEHIND FAIRYTALE Brownies has all the charm of your classic rags-to-riches yarn: Two friends who first met in kindergarten decide in 1992 to launch a company with little more than a secret family recipe. Eileen Spitalny and David Kravetz bake their first batch of brownies in a kitchen borrowed from a friend, the culinary equivalent of an '80s-era Silicon Valley garage. Sixteen years later, their Phoenix operation is the largest mail-order gourmet brownie company in the United States.

It's the sort of story that inspires others to quit their day jobs and follow their entrepreneurial dreams. So one can hardly blame Spitalny and Kravetz if, along the way, they allowed themselves to get a little overambitious. Four years ago, the company hired an agency to help expand its customer list. On the firm's recommendation, Fairytale Brownies acquired "all these lists," Spitalny says with a sigh. That might've worked with a larger company, but for Fairytale, the strategy was risky.

Problems soon arose in the wake of this daring, unfamiliar new effort. To keep up with its expanding customer list, Fairytale increased its catalog production. By 2004, the catalog's circulation had increased from 600,000 to 1 million. However, response rates and new customer acquisitions were barely enough to recoup the cost of the campaign. Shortly afterward, the brand dissolved its relationship with that particular agency.

The problem the company encountered was a common one among businesses of all sizes: Poor list management. Companies often learn too late that buying lists doesn't automatically guarantee an increase in sales, or even that marketers' messages are reaching the right people, especially if those lists are outdated or filled with the wrong types of consumers. And in many instances, relying on poorly maintained lists can create more problems than a company may anticipate.

In the case of Fairytale Brownies, Spitalny says, the company was swept up by the momentum and excitement of a large campaign. She recalls that many of the lists which the agency urged them to purchase were from compiled lists and trade associations — a list of marketing directors at large companies, for example — with the idea that these professionals would be looking for gifts for their clients. Not a bad idea on paper, perhaps, but in many cases the lists themselves provided no more than a corporate title and an address. Actual names were often missing.

"The strategy [the agency] recommended got more and more aggressive, and we'd always been growing so we were up for it," Spitalny says. "But we went a little too far. We sent out catalogs without a specific name. That doesn't break through the clutter."

Spitalny's company returned to managing its postal list in-house and scaled its list back. Then in 2006, Fairytale hired J. Schmid and Associates, a catalog marketing firm in Mission, Kan., with the hope of growing its list properly. This time, the mail order company was determined to be less reckless.

J. Schmid's plan for Fairytale Brownies was multi-pronged. First, the agency insisted on list hygiene. J. Schmid staff cleaned up any inaccuracies in contact information or faulty assumptions. For example, Fairytale Brownie's internal marketing had previously assumed that a customer file with a name in the company field indicated a commercial customer, whereas customers without a company name were assumed to be private residences. That didn't account for customers who might've ordered a personal gift and had it delivered to their work address.

J. Schmid's second step was to help the brownie company segment its list more effectively by using an enhanced version of RFM, the letters of which refer to how "recently" a customer has made a purchase, the "frequency" of that customer's purchase history and the "monetary" value of those purchases.

J. Schmid enhanced the standard RFM by including two more variables specific to Fairytale Brownies. Steve Trollinger, EVP at J. Schmid, wouldn't share what those variables were: "That's Fairytale's secret sauce." But examples of ways a company like Fairytale Brownies might enhance its RFM include the type of product that a customer purchased and the occasion (whether it's birthday or holiday gift). The resulting segmentation helped the brand determine which customers should receive catalogs more frequently.

Along the way, something else became obvious to Trollinger — Fairytale Brownies' list was low on upscale customers. At nearly \$23 for half a dozen, these are no cheap brownies, and for good reason: They're made with imported Belgian dark chocolate. Testing samples of lists from other high-end catalog companies, Trollinger and his team at J. Schmid helped Fairytale Brownies acquire names of more upscale customers.

They also advised the company to rethink its message and design: In the last year, 90 percent of the catalog's photography was reshot for a more luxurious look, one that would presumably appeal to better-heeled prospects.

Since refining its list management, Fairytale Brownies' catalog circulation has ticked back up to 2 million, but this time the brand is doing far more than breaking even. Its sales have increased 12 percent. That's a pretty sweet deal, at least as far as the brownie maker is concerned. "[Our new agency] obviously knows what works for us," says Spitalny. **D**

