



## The Rise & Fall of List Brokers by David Bancroft Avrick

Once upon a time the list brokerage company earned 20% commission. Before the days of computers there were no 'net' name arrangements, because there was no merge/purge. Everyone paid "rate card." An order for 100M names @ \$40M generated \$800 in profits for the list brokerage company. The average clerical employee was earning \$200 a week.

It's now the 21st Century. That same list is currently marketed for \$80M. The list brokerage company is now working on 10% commission. The list broker negotiates, after 4 phone calls, the list price down to \$60M. The order is placed on a 50% net.

The bottom line is that 50M names are paid for @ \$60M. The list brokerage company earns a commission of \$300 on the order. And, they are paying their clerical employees \$700 a week. The list broker did 300% more work to earn 70% less money. And, the 21st century overhead is 300% higher than it used to be. The bottom line is that brokerages are going bankrupt, selling out, or closing down.

This model does not work, yet no one has come up with a solution. We will continue to see the industry suffer unless and until everyone agrees on a better system. The net name game has become a blood sport. Each list broker is trying to prove he or she can "out-negotiate" the competition. The brokerage company gains a client and simultaneously creates a non-profitable situation. They've won the battle, and lost the war.

Net names require tremendous supervision and paperwork, and delay payments. They also cause frustration and animosity. A better

solution is a contract price. The list price is X dollars. Rent 50M-99M names and receive a 10% discount. Rent 100M-249M and receive a 20% discount. Rent 250M or more and receive a 30% discount. Contract for a full year and receive a bonus 10% discount. If the list is large, and you contract for a full year, receive a 40% discount off the list price. The rate card is \$80M - you pay \$48M. No nets, no computer verification, no negotiations.

This 'formula' might not be the 'right' formula. But clearly the present situation is broken, and someone must come up with an alternative system that works. If the list community will accept this, we can go back to a healthy industry, one that is not so cutthroat. And we can stop the bickering.

It starts with the mailer. Instead of demanding lower nets and lower prices and 'better deals', there must be a consensus on what's reasonable and fair. And everyone has to agree that it's in the best interest of the mailer, the list manager and the list broker to accept this formula as fair. Someone will always want to out-negotiate, outsmart and outmaneuver the competition. But if there is consensus, then this becomes the rarity and not the rule, and the industry can begin to heal.

Every time I hear about another broker going bankrupt, I check my receivables. As a list owner I would welcome the opportunity to have a simple, straightforward, honest industry. The current environment is toxic and everyone engaged in the ownership, management or brokerage of lists is exposed. It's time to get rid of this poison and bring back some sensibility to the industry.