



## Coupon distributor Valpak turns 40

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ST. PETERSBURG, Fla. (AP) - Terry Loebel wasn't looking to start an advertising phenomenon when he went to his mailbox in 1967 and inspiration struck.

Valpak, the company Loebel soon started, is today an advertising giant, sending its trademark blue coupon-stuffed envelope to 45 million homes each month.

Valpak wasn't the first company to start targeting consumers by mail, but it has become one of the most successful -- it expects to ship 20 billion coupons in 520 million envelopes to U.S. and Canadian households this year from its massive new \$220 million facility in St. Petersburg.

As advertising has become more intrusive, spawning annoying pitches via e-mail, popup ads and flimsy mailbox fliers, Valpak has managed to find ways to stay in consumers' good graces with discounts for everything from oil changes to kitchen cabinets.

'It's interesting in a 40-year-old company to feel like you haven't scratched the surface yet,' CEO Bill Disbrow said.

Loebel sold his interest in Valpak years ago, which is now part of Cox Enterprises' newspaper division and earned roughly \$260 million in revenue last year. Cox made significant investments in Valpak, increasing its mailing schedule and embarking on modernization efforts.

Valpak has roughly 200 franchises across the U.S. and Canada, relying on them to keep tabs on neighborhoods and recruit the 70,000 businesses that offer discounts through Valpak each year.

'Those local owners know things about that local market before any national database does,' said Melissa Fisher, a senior vice president for marketing.

Until recently, Valpak relied on two plants in Florida and North Carolina to produce its coupons, but by this summer nearly all production will be moved to the St. Petersburg plant.

The new plant will increase printing and shipping capacity to more than 50 billion coupons annually. The company's Web site is 10 years old, and in 2006 Valpak inked a deal with Google Maps, offering popup coupons to nearby businesses when someone does a computer search for a location.

From the beginning, the company has staked its success on measurable results. Loebel required advertisers to record how much coupon-carrying customers spent. Valpak remains an intensely data-driven company, with the ability to divide neighborhoods into blocks of 10,000 residences.

For instance, Valpak can tell businesses which neighborhoods have swimming pools, where new houses are being built and where people with certain income brackets live.

'Valpak seems to work the best,' said Tom Wilson, who owns The Kitchen & Bath Factory in Tampa, and spends about \$60,000 a month on everything from newspaper and television ads to Valpak mailers.

With the economy worsening, Wilson said it is 'more important that we look very closely at how we spend our dollars.' After 10 years, Wilson said he won't cut back on Valpak mailings even if his business slows.

Irene Keys, 61, of St. Petersburg, doesn't consider Valpak junk mail, and always riffles through the blue envelope when it arrives. She saves some of the coupons for her daughter and tosses the rest.

It's a routine that Valpak executives study and understand.

Disbrow described the typical Valpak envelope opener: 'It's a woman that is somewhere between the age of 25 to 54.

'About 90 percent of the time, she opens it, and basically goes through about a three-minute drill. She says 'No, no, yup,' he said, mimicking the motion. "No, no, yup. ... And (she) makes a stack of the yups.'

Valpak's early success could be filed into the annals of 'beginner's luck.'

In late 1967, Loebel was living on Florida's Gulf Coast, a self-described scruffy factory worker on furlough from the American Motor Co. plant in Milwaukee.

That's when he did something he usually let his wife do -- he picked up the mail.

He stumbled upon an envelope stuffed with coupons for store products, and a spark of curiosity sent him to the post office. After learning that bulk mail could be sent for less than four cents, Loebel hatched his plan for Valpak.

His first pitch to a Clearwater TV repair shop quickly led to other business owners who were skeptical of Loebel's plans, but enticed by his promise they wouldn't have to pay if the experiment failed.

Days after the first white, coupon-stuffed envelopes arrived in mailboxes, the business owners started calling. When was the next mailing, they wondered, and more importantly, could he expand to other cities?

For Loebel, the coming months were a crash course in business. After being thrown out of several shops because his attire was often more beach than boardroom, he left the salesmanship to others. He, his wife and neighbors initially stuffed the envelopes at his house, but the business quickly outgrew that.

He began selling Valpak franchises, hired graphic designers and soon bought a factory.

Loebel decided Valpak envelopes should have a distinct color, and began polling women at his factory. They chose blue -- a color repeatedly reaffirmed by focus testing.

Within 11 years, the company was mailing nationally. Loebel semiretired in 1979, eventually selling his interest in 1986.

There are no people stuffing envelopes in Valpak's new plant and robots do the heavy lifting.

Everything could be measured in a giant's footsteps, with presses that stretch for a football field and warehouse shelves that tower eight stories high. Items at the top are stacked in darkness, retrieved by robotic arms that see only bar codes.

Nearby, coupons flow through a press like a river, cascading up inclines, bending around corners at breakneck speeds, then falling like a waterfall to machines below that wait to cut, collate and mail.

Gone are the rows of envelope-stuffing machines that dominate the floor space of the old Valpak plant nearby. Here, the blue envelope -- emblazoned this month with a promo for the 'Dr. Seuss' Horton Hears a Who!' movie -- is wrapped around the coupons.

Since 2000, Valpak envelopes have included promos for everything from the CBS television series 'CSI:NY' to a chance to party with Ellen DeGeneres for her 50th birthday. The promos entice people to open the envelope, and Valpak often receives advertising promos for its product.

Nothing is random -- the coupons shoot off the press in the exact order they will be delivered.

Loebel now splits his time between Florida and California and still gets a Valpak envelope each month. He always opens it.

He doesn't approve of everything he sees, such as competing retailers being included in one envelope, but describes his qualms as minor. Ultimately, it's still the same product that made him -- and others -- rich.

'It makes other people successful,' he said of Valpak's marketing. 'Otherwise, it goes nowhere.'