ALLOY.COM:
MARKETING TO GENERATION Y

On May 12, 1999, Matt Diamond, Jacobs Johnson and I met with Alloy, the catalog and Internet merchant of teen-oriented clothing that they had founded on Diamond's graduation from Harvard Business School in 1996. Snaled in streetwear grindlock, Diamond was on his cellphine discussing the IPO's pricing with analysts back in New York City.

An analyst urged Diamond to respond to an invitation by the world's largest website and portal, America Online (AOL), to make Alloy an anchor tenant on its teen shopping site. AOL wanted $2 million per year for the rights. "Matt, if you say yes, that will be big. If you announce tomorrow that AOL's partner in the Generation Y market is Alloy, it will put Alloy on the map. It will definitely affect the IPO price." Diamond shook. A headline deal with AOL today could be worth perhaps 10% on the stock price. But AOL was asking rich terms. It was widely rumored that AOL preyed on startup companies in the weeks before they went public, tempting them with big billing on its portal at the very moment when the publicity was most valuable. He estimated that he'd be paying a $42 cpm (cost per thousand exposures) to anchor the AOL teen shopping site. Nobody paid more than $30 for Web eyeballs. In the three years that he had been running Alloy, Diamond had prided himself on doing deals that made sense. If he could not anticipate a profit to Alloy from a promotional deal, he reasoned that Wall Street would not anticipate a profit either.

"It won't pay off," he told the analyst firmly. "We only do deals that produce value." To his colleagues in the limouinise, he wondered out loud, "Am I right?"

The Generation Y Market

Termed the "hottest demographic of the moment," Generation Y came to the attention of marketers to the late 1990s. This "echo of the baby boom" was made up of children and teenagers born in the United States between 1975 and 1989 and therefore aged between 10 and 24. They were estimated to be a 56 million strong group of actual and potential consumers, some three times the size of their immediate predecessor, Generation X. The U.S. Census Bureau projected that the 10 to 24 age group would grow from 56.3 million to 63.1 million by 2010, growing faster than the general population.

Although Generation Y matched its parents' generation in size, in almost every other way it was very different. One in three was not Caucasian. One in four lived in a single-parent family. Three in four had working mothers. Body glitttered, tattooed, pierced, they're a highly fragmented, unpredictable group of teenagers who, while toting around on five in-chits, voice conservative opinions about sexuality.

Professor John Deighton and Visiting Scholar Gil McWilliams proposed this as the basis for class discussion rather than to illustrate either effective or deficient handling of an administrative situation. The contribution of Ann Lamont, Manager, Center for Case Development, is gratefully acknowledged. Certain sensitive information in this case has been disguised and should not be regarded as indicative of the prospects of the company.


Integrated Marketing Communications
The impact of online shopping on retail sales

On-line Competition for Generation Y

Spending

Generation Y’s size and spending power had not gone unnoticed. Many conventional and on-line retailers courted them. After viewed as most significant competition for DEllAs and for on-line ring-in catalog. The neighborhood mall was also a threat.

DEllAs Inc.

The largest on-line mail order catalog serving Generation Y was New York-based DEllAs, with 1998 sales of $158 million. Founded in 1995 by two 33-year-old former Wall Street firms, Stephen Kahn and Christopher Edgar, DEllAs sold through print catalog mailed to more than 10 million recipients, of whom 6 million had bought within the past year. It managed its own order fulfillment from a warehouse complex, and operated twenty conventional retail stores. Most of DEllAs’s 150 employees were under 30. Its phone representatives were often high school and college students, and they frequently offered fashion advice as well as taking orders. In November 1998 DEllAs Inc. paid $4.75 million for the trademark and mailing list of bankrupt Fulcrum’s 5 catalog (Zoe for target girls, Storybook Heirlooms, Playclothes, After the Stock, and last for Kids), giving them 5 million names which nearly doubled their data-

base. It also paid $2.4 million for merchandise from Zoe and Storybook

By 1999, DEllAs went to market with a complex set of brands and marketing methods:

- The DEllAs brand marketed to teenage girls as a catalog through the mail and as DEllAs’om on the Web.
- The DEllAs.com Website was an on-line magazine for girls and young women, carrying articles as well as free e-mail, free home-page hosting and publishing tools, and links to a network of target-party sites for girls and women. DEllAs was the only property that was not engaged in commerce.
- The droog brand marketed apparel to 12 to 20-year-olds through the mail and on-line.
- Storybook Heirlooms retailed apparel and accessories for girls under 13 by mail and Web catalog.
- Dorothy sold apparel, footwear and accessories for girls aged 7 to 12 by mail and Web catalog.
- DiscountDomain.com was a subscription website selling discounted close-out merchandise.
- Contestline.com offered annual home furnishings, fine furniture and household articles for females aged 13-24. While predominantly a Web catalog, the property appeared intermittently as a print insert in DEllAs’s print catalog.

Information drawn from company website. www.DEllAs.com
In April 1999, DeLaIs Inc. spun off its Internet properties into an IPO, selling shares in a company called iTurf, which earned revenues from all of the above on-line elements. At the time of the deal, these on-line businesses could advertise in DeLaIs' print catalogs at a rate of $40 per 1,000 catalogs. The DeLaIs catalog 60 million of which were printed in 1998, had the largest domestic circulation of any publication directed at Generation Y. The on-line magazines also shared the parent company's $34.0 million square foot distribution center in Hanover, PA. Because iTurf did not take ownership of inventory until a customer's order was placed, the risk of obsolescence and markdowns remained with the parent company. iTurf shared offices with its parent company, enjoying a sub-market rent for New York metropolitan space.

In May 1999, iTurf announced record quarterly sales of $2.6 million (up from $0.6 million in the first quarter of 1998). Gross profit was 33.3 percent, or 49.1 percent of revenues, up from $0.3 million or 49.3 percent of revenues 1998 (see Exhibit 3). However, DeLaIs reported that it expected its iTurf unit to report a loss for the fiscal year. By April 1999, the number of people who had ever bought the iTurf Websites was 66,000 (up from 33,000 at the end of December 1998), and the number of unique visitors was 731,000 in April 1999 alone. Analysts estimated that each customer cost $26 to acquire. Private label merchandise accounted for 40% of iTurf's sales, in line with DeLaIs's ratios.

iTurf entered into agreements with RocketCash Corp. and DoughNet, companies that had been established to let parents control the on-line spending of their children. For example, RocketCash lets parents establish a credit card account and set each child's access to specific merchant sites, times of operation, and the option to set up an auto-allowance to periodically replenish the account. DoughNet was a virtual debit card that parents could set up for their children. Parents could customize DoughNet's site to guide teens through all aspects of managing their money.

In April 1999, DeLaIs's decision to spin off iTurf seemed shortsighted. The market capitalization of DeLaIs Inc. was $90 million, or sales of $200 million annually; iTurf was capitalized at $200 million on a sales run rate of $12 million annually.

mXg Media Inc.?

Hunter Heaney and Stuart MacFarlane graduated from the Harvard Business School in 1996. MacFarlane joined Bain & Co. and Heaney joined BancBoston Robertson Stephens. Heaney told bowne got the idea for mXg while Christmas shopping at Nordstrom's for his then-girlfriend. A saleswoman told him that the 'Y necklace featured on the 'Triforces' icon was in style. "I knew there had to be a more direct way to find out about fashion trends influenced by entertainments," Heaney said. 

In 1997, Heaney and MacFarlane quit their jobs and moved to Manhattan Beach, CA, to be close to Hollywood and surfers and skaters. Using the pay phone while sitting at a local motel they raised $250,000 in increments of $3,000, and launched mXg, styling it "a magalog," a hybrid of catalog and magazine, aimed at teenage girls. Unlike a conventional magazine, mXg reported exactly where to go to buy the fashion items that it featured on its pages. MacFarlane recalled their early lean times. "Typically, retailers order inventory in spurts (one small, two mediums, two large, one extra large). But instead of saying 'We'll take 2,000 stores' we'd say 'We'll take all'—literally one of each." They could fund a circulation of only 20,000 for the magazine's launch in the fall of 1999, but it did well. Some 5% of the recipients bought from it. The numbers were good enough to induce Urban Outfitters, a retail fashion chain, to invest $5 million for 40% of the company, incorporated as mXg Media, Inc.

Merchandise accounted for most of mXg Media's revenues, but advertising revenue was doubling each issue. The company used newfound distribution (150,000 issues per quarter at $2.95 each, refunded with a purchase), as well as distribution in bookstores like Barnes & Noble, and B Dalton Bookstores. The magazine had a past- along rate of almost six readers per copy. Sensitive to the tastes of their target audience of female teenagers, they hired teens, paying them $7 per hour to work after school answering letters doing interviews, and writing copy to make it sound authentic. "No printed word goes out without a teen girl checking it... being.

1Information drawn from company websites: www.mxgعلامة.com
2Wallace Caroline, "Guys with mXg," Previews, May 31, 1999, pp. 136-137.
As a Harvard MBA student in 1996, Matt Diamond wrote a "business plan" proposing the idea of marketing extreme sports' clothing by catalog to young people in Japan. The premise was that the popularity of this style of clothing among American youth might generalize demand abroad, and that catalogs would be able to tap that demand faster than would store distribution. On graduation, Diamond implemented the plan. He and a friend, Jim Johnson, used seed money from friends and family to design and print a Japanese-language catalog, which they branded Durango Expedition. They mailed it in January 1997, and at the same time they went live with Japanese and English Websites, as alternative channels. The venture flopped. The mailing generated no significant sales. However, they discovered to their surprise that they were receiving hits on the English Website from American youths. Within a month they had re-cataloged the business to serve American teen girls through catalog and on-line channels, under the name Alloy. Diamond and Johnson each contributed $60,000 in cash and another friend, Sam Gradess, added $150,000 in cash when he joined six months later from Goldman Sachs. In September 1997, the first issue of the Alloy catalog, 48 pages in length, was mailed to a purchased mailing list of 100,000 teen girls. At the same time Alloy’s Website became active. The intention at that time was to reduce the number of catalogs mailed as on-line sales grew.

Organization

Diamond became president and CEO of the fledgling company. Johnson took the role of chief operating officer. Gradess was chief financial officer. Nel Vogel joined from Ladeberg Thalmann & Co., a consumer and Internet investment banking group to be the chief corporate development officer. Fellow Harvard students Andrew Roberts (left PricewaterhouseCoopers) and Jon Ayer (in January 1999 as VP of business development. Another Harvard MBA, Joan Rosenstock, was hired as marketing director, having held positions in marketing at the National Basketball Association as well as an advertising account manager. Meanwhile music editor of teenage magazine Seventeen, Suzan Kaplow, became executive editor and Karen Ngu, who had been a feature editor and fashion stylist at Seventeen, was hired as creative director.

Alloy's success is partly due to the fact that it stays in touch with its customer base. When Alloy collected email addresses it didn’t know what to do with them, but they realized it was possible to create more personalized communication, go through the email once a week and talk about what is interesting. It’s about getting the email off the desktop and into people’s mindsets. There is a lot of potential there.


uncool is the "name of death in this business."9 At the start of each fashion season m\$g recruited 10 "Mannie girls" to spend a hypothetical $100 each. Their virtual purchases determined which items appeared in the next issue. The magazine paid staffs to model clothes and invited would-be teen celebrities to pose free to gain recognition. A Website, m\$gonline.com, was established in the summer of 1997. It comprised a magazine, chat rooms, and commodity sites, and sold clothes and accessories. m\$g\ Media pursued extra access points for their on-line magalog, featuring it in on-line fashion malls such as fashionwindow.com. In 1999, m\$g sponsored concerts featuring acts like Goo Goo which were favored by Generation Y. Yahoo! produced a series of Webcasts of the concerts for teens. The company described its mission as cross-media publishing, targeted exclusively at teen girls. It planned to add m\$g's an Internet video site, to its media portfolio later in the year.

A Crowded Marketplace?

Other companies vied for the attention of Generation Y. Bolt.com was a content-focused magazine-type site skewed towards a market slightly older than that of the Generation Y market, but into which the older end of the Y market might eventually fall. Bolt.com included sections titled jobs, money, movie reviews, music, news and issues, and datatag, and sports. It had a chat room and free e-mail, and sold branded merchandise. It boasted that 5,000 people joined it every day. The magazine Seventeen had an on-line version, offering chat rooms and message boards, as well as its regular articles, quizzes and contests. Indeed more magazines were now launching on-line versions of their magazines, and new print publications like Twist and Jump had appeared to compete for Generation Y’s advertising revenues.

Besides on-line retailers served this market, such as bluefly.com, selling discounted brands on-line, strong competition came from mall-based stores such as The Buckle, Gadooks, Abercrombie & Fitch, The Gap, American Eagle Outfitters, and Guess, all of whom sold merchandise on- and off-line. Apparel and sportswear manufacturers were developing on-line sales sites. Nike and Tommy Hilfiger planned to launch e-commerce sites with broad product offerings.

and ship within a 2-8 week timeframe, Alley pur-
gassed only 10% of its featured products and relied on a
quick order and re-order ability as to control inven-
tory levels. Telephone orders and order-processing were
outsourced to Harrison Fulfillment Services, based in
Chattanooga, TN. OneSoft Corp., based in Virginia, han-
dled on-line ordering and fed its orders to Chattanooga
for fulfillment. Alley personnel concentrated on market-
ing and merchandising issues.

Target Market
Unlike dELiAs, Alley opted for a single-brand strategy
targeted at both genders. Rather than dividing our mar-
teting resources across multiple brands and Web sites, we
seek to maximize the impact of our marketing efforts by
promoting a single brand. We believe this allows us to
attract visitors to our Web site and build customer loyalty
rapidly and efficiently.** Indeed Diamond considered that
Alley's key differentiator lay in being gender neutral,
believing that a successful Generation Y community
depended on dynamic boy-girl interaction. He thought of
their community site as an MTV-like interactive dis-
tribution channel, "It's an opportunity for girls to talk to
boys, boys to talk to girls, to deliver music, to deliver
fashion, to deliver lifestyle." Diamond conceded that the
majority of the visitors to its Website were girls, and the
print catalog was even more skewed towards girls. How-
ever, it was the intention to attract boys to the Website by
other means. There was some evidence that this strategy
was working, as the percentage of female Website visitors
decreased from 70% in early 1999** towards a desired 60/40
distribution. Boys tended to be drawn by music, extreme
sports, and games, while girls appeared to be more
responsive to chat and browsing. Diamond felt, however,
that just as both teen boys and girls hang out in shopping
malls, watching each other as well as chatting, the on-
line presence of both birds and girls was important.

Alley's target was teens making buying decisions with
parents "somewhere in the background." The target
group ranged from 12-20, but the median age was 15.
Alley was careful not to aim too young, partly for regula-
tory reasons, but also because they felt that by targeting
15-year-olds they reached a group at an important buy-

**PO Offer Document May 1999.
**Clayton, Darren. "PO First Words: Alley Online CEO Matt
http://dx.marketwork.com/article/19990614/news/current/pc_ 
world?intsource=https%3A%2F%2Fpo...
Building the Brand
Alloy built its brand, and with it traffic to the Alloy site, in seven ways. It undertook traditional advertising in print media (Seventeen Magazine, YM, Rolling Stone, and Style.com) and online (MGM Entertainment, Sony Music, Burton Snowboards, MCI and EarthLinkSprint, which provided free product and services that were used as special promotions for the Alloy community, such as private movie screenings, exclusive music giveaways, and celebrity on-line chats). Finally, it bought banner advertising on gateway sites such as Yahoo! Shopping, FashionDailyMag.com, CatalogCity.com and CatalogLink.com.

The Business Model
There were two revenue streams: merchandise sales, and advertising and sponsorship. An agent had been retained to sell advertising on the Website, and the longer-term intention was to build an in-house sales force to sell sponsorships, banner-ads, targeted advertising (segmented by Website area, time of day, user location, or age), and combination print + Website advertising. To this end, Samantha Sky, who had been responsible for commerce, advertising and sponsorship for Disney Online and Family.com and had worked for Buena Vista Internet group, was hired in 1999 as VP of e-commerce and sponsorships. In 1999 about 10% of revenues were generated by sponsorship and advertising deals, and the proportion was expected to rise to 20% in 1999.

Alloy was aware that it would never meet all of its customers' requirements. It was happy to offer links to other sites that could be seen as competitive, such as Gap's online site. "Look, we figure they're going to go there too," noted Roberts. "If they go via us, we at least get something for it. We're happy to have such complementarily deals. Probably not with DEAS, though," he grinned.


To hear Daimond describe it, running Alloy was, as least day-to-day, like running a production plant. "We know what it costs to get a customer, and we know what a customer will spend. We just have to keep the two numbers in balance. We could make a profit today, but in this in-test-foot climate there's no reward for beating your loss numbers." By April 1999, Alloy had a database of 2.6 million names and addresses, comprising 1.7 million previous buyers and 900,000 visitors to the Website who had registered their names and addresses but had not yet made a purchase. It was mailing monthly to the most responsive of the names on this list, supplemented by purchases of new names, and it hoped to mail 20 million catalogs over the course of 1999.

Alloy's catalogs cost $4.50 per thousand to design, print and mail. If Alloy mailed catalogs to names from the database who had bought from it before, it received an order from about 3% of the names each time it mailed. If Alloy bought a list of new names, for example a list of American girls who owned personal computers, at a cost that was typically $500 per thousand names, the response rate on the new names was about 1.5%. Alloy would often exchange some of the names of its customers for the names of customers of similar firms. It might exchange a response rate on the wrapped names of close to its own 3%.

Alloy also sent "postcards" to the wrapped names. Many of these cards were identical, but some were targeted at specific interests. If Alloy received a reply card, it would offer a discount on the next order. Customers could buy a free week of most of the magazines, and purchase products and services from Disney and other companies.

"Analytists ask me, why is your response rate down last month? I say: You want a 10% response rate, I'll give you one. I'll just mail to my very best customers."
Most orders were received by telephone, and orders from all lists ranged from $65 per customer in spring to $85 in winter. The gross margin on an order was about 50%. Alloy paid its fulfillment company $6.00 to handle each telephone order. Customers paid the shipping charges.

Texting to the Website, as measured by Media Metrix in the quarter ending March 1999, comprised 263,000 unique visitors per month. While about half of the visitors eventually registered themselves with the site by entering a name, address, and e-mail information, the proportion of unique visitors in a month who registered in that month was about 8%. In addition to catalogues and Web visits, Alloy interacted with Generation Y by means of a weekly broadcast e-mail, Alloy E-Zine, sent to 850,000 site visitors who had asked to receive it.

When a visitor to the Alloy Website registered, the name was added to the print catalog mailing list. Names gathered in this way, although they had not previously been brought to Alloy, tended to respond to the catalog at a rate close to the past-buyer rate of 3%. Calculating the cost of attracting someone to become a registered visitor was difficult, because Web traffic resulted from many actions—from banner advertising, listings on search engines, and Alloy’s print advertising in media like Seventeen magazine. The catalog was a significant driver of traffic to the Web. On the day that the catalog reached its audience, traffic to the site would jump 40%. It would continue to rise to about 180% of pre-mailing levels for a week, and slowly fall back. Possessing a copy of the latest Alloy catalog conferred significant prestige in a junior high school lunchroom. And then there was word-of-mouth. Many visitors to the Website, and many who decided to register, came at no cost to Alloy because a friend had mentioned the site, had e-mailed a chat room staff, or had asked for an opinion on an item of clothing shown on the site.

Less than 5% of Alloy’s revenues came from orders placed on the Website. When an order was solicited online instead of by phone, Alloy paid its fulfillment company $3.20 instead of $6.00 to reflect the saving of telephone handling change. Alloy’s e-mailed catalog, termed Alloy E-Zine, was another small element of the business. Because Alloy had no way of knowing whether a recipient’s e-mail system was able to view graphic displays or colors, it used only text in the E-Zine. Only 25% of those who indicated willingness to receive it ever opened it, and of those 1% placed an order in the course of a year. These orders were fulfilled at $10.00 each if they were placed by return e-mail.

Sponsorships and banner advertising were a small but rapidly growing source of revenue. As Alloy’s base of registered visitors and catalog recipients grew, both became assets that interested advertisers.

The AOL Deal

Diamond reflected on the AOL deal. It was not a question of finding $2 million. If the IPO went ahead at the planned price of $15, it would generate $55.5 million and Alloy would be awash in cash. Diamond tried not to be annoyed at the idea that AOL would offer this deal on the eve of its IPO. “I’ve been talking to ACC, for a year about opening a teen shopping area, showing them what a big revenue opportunity it could be. Now suddenly they get it, and they think it’s worth $2 million.”

He thought to himself, “What else can I do with $2 million? That’s over 4 million catalogues, which means more sales, more site visits, more registrations, and more E-Zine registrations. Alternatively, it could buy as exposure on television, and that would build a stronger brand.”

Aloy’s budget for 1999 included a line item of $2.5 million for production of two television spots and $2.5 million for air time. Then again, he could buy banner exposure on other portals and Websites at prices in the range of $20 to $30 per thousand exposures. Industry norms suggested that he could expect about 0.5% of these exposures to click through to the Alloy site.

Yet AOL was Alloy’s most important source of traffic to the Website. More than a third of visitors to the Alloy site used AOL as their Internet service provider. Would a competitor on the AOL site be able to intercept them? Would the announcement of a competitor’s deal with AOL on the eve of the IPO be as bad for Alloy’s share price as an AOL deal would be good? The cellphone rang again. It was his partner, Neil Vogel. “Matt, Wall Street would like it if you would do that deal. They don’t want Surf to pick it up. This is valuable real estate on a really important teen property.”

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1 Many of the visitors to the site came more than once a month. Media Metrix used the term “unique visitors” to emphasize that they were counting visitors, not visits.
### Exhibit 1: Total Teen Spending in 1996

<table>
<thead>
<tr>
<th>Category</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>36.7</td>
<td>34</td>
</tr>
<tr>
<td>Entertainment</td>
<td>23.4</td>
<td>22</td>
</tr>
<tr>
<td>Food</td>
<td>16.7</td>
<td>15</td>
</tr>
<tr>
<td>Personal Care</td>
<td>9.7</td>
<td>3</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>6.7</td>
<td>6</td>
</tr>
<tr>
<td>Others</td>
<td>15.3</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>108.9</td>
<td>100</td>
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</table>


### Exhibit 2: Estimates of Teen Spending

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$54.1 billion</td>
<td>$50.8 billion</td>
<td>$41 billion</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td></td>
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### Exhibit 3  Consolidated IFRS Income (in 000s)

<table>
<thead>
<tr>
<th></th>
<th>1st Quarter Ending 1st May 1999</th>
<th>1st Quarter Ending 30th April 1999</th>
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</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>2815</td>
<td>69</td>
</tr>
<tr>
<td>Cost of goods</td>
<td>1332</td>
<td>35</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1283</td>
<td>34</td>
</tr>
<tr>
<td>Selling, general and administration</td>
<td>1753</td>
<td>109</td>
</tr>
<tr>
<td>Interest income (expense)</td>
<td>(112)</td>
<td>11</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(258)</td>
<td>(683)</td>
</tr>
<tr>
<td>Income tax (benefit)</td>
<td>(161)</td>
<td>(333)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(187)</td>
<td>(333)</td>
</tr>
<tr>
<td>No. of unique visitors</td>
<td>Age Q9 = 731,000</td>
<td>Feb 99 = 635,000</td>
</tr>
<tr>
<td>No. of page views in April</td>
<td>50 Million</td>
<td>4 million</td>
</tr>
<tr>
<td>Size of mailing database</td>
<td>11 million name</td>
<td></td>
</tr>
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</table>

Source: IPO Filing

### Exhibit 4  Alley Online Annual Fiscal Performance

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>1996 (thousands)</th>
<th>1997 (thousands)</th>
<th>1998 (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net merchandise revenues</td>
<td>525</td>
<td>61,000</td>
<td>70,100</td>
</tr>
<tr>
<td>Of which on-line order placement accounted for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsorship and other revenue</td>
<td></td>
<td></td>
<td>615</td>
</tr>
<tr>
<td>Gross profit %</td>
<td>32.5%</td>
<td>41.7%</td>
<td>46.3%</td>
</tr>
<tr>
<td>Selling &amp; Marketing expenses</td>
<td>960</td>
<td>52,000</td>
<td>55,200</td>
</tr>
<tr>
<td>Web pages views (Month of March)</td>
<td>1,500</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Weekly e-Zine registrations</td>
<td></td>
<td></td>
<td>480</td>
</tr>
</tbody>
</table>

Source: Company records

Integrated Marketing Communications ▼ 423
### Exhibit 5: Alloy Online Quarterly Performance ($'000)

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net merchandise revenues</td>
<td>401</td>
<td>1,395</td>
<td>1,333</td>
<td>2,062</td>
<td>3,215</td>
<td>3,438</td>
<td>2,381</td>
</tr>
<tr>
<td>Sponsorship, etc.</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>5</td>
<td>41</td>
<td>73</td>
<td>153</td>
</tr>
<tr>
<td>Total revenues</td>
<td>401</td>
<td>1,395</td>
<td>1,354</td>
<td>2,067</td>
<td>3,261</td>
<td>3,509</td>
<td>2,544</td>
</tr>
<tr>
<td>COGS</td>
<td>263</td>
<td>783</td>
<td>906</td>
<td>1,200</td>
<td>1,665</td>
<td>1,715</td>
<td>1,249</td>
</tr>
<tr>
<td>Gross profit</td>
<td>138</td>
<td>613</td>
<td>448</td>
<td>867</td>
<td>1,596</td>
<td>1,794</td>
<td>1,395</td>
</tr>
<tr>
<td>Gross profit % of revenue</td>
<td>34%</td>
<td>44%</td>
<td>33%</td>
<td>42.1%</td>
<td>40%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>593</td>
<td>1,437</td>
<td>1,782</td>
<td>2,062</td>
<td>3,396</td>
<td>3,279</td>
<td>3,529</td>
</tr>
<tr>
<td>Net loss</td>
<td>(746)</td>
<td>(806)</td>
<td>(1,144)</td>
<td>(1,165)</td>
<td>(1,901)</td>
<td>(1,963)</td>
<td>(2,302)</td>
</tr>
<tr>
<td>Number of registered users</td>
<td>400,000</td>
<td>500,000</td>
<td>400,000</td>
<td>500,000</td>
<td>400,000</td>
<td>500,000</td>
<td>400,000</td>
</tr>
</tbody>
</table>

Source: Company records

### Exhibit 6: Circulation of Leading Teen Magazines

<table>
<thead>
<tr>
<th>Publication</th>
<th>Publisher</th>
<th>Circulation as of 1998/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seventeen (monthly)</td>
<td>Prime Media Consumer Magazine Group</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Jem (monthly)</td>
<td>EMAP</td>
<td>2,400,000</td>
</tr>
<tr>
<td>YM (6x/year)</td>
<td>Gruner &amp; Jahr</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Teen People (monthly)</td>
<td>Time Inc.</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Jump (10x/year)</td>
<td>Jenifer Publications</td>
<td>350,000</td>
</tr>
<tr>
<td>Tazz (monthly)</td>
<td>Bauer Publishing</td>
<td>785,550</td>
</tr>
<tr>
<td>Girl</td>
<td>Lewitt &amp; Lipkowitz/Freedom</td>
<td>250,000</td>
</tr>
</tbody>
</table>

Source: Various
Q: Here's the deal. I have a crush. I really want to ask her out, but if she says no, my
crush will be upset. What should I do, and if she says yes, how should I
react? Thank you! -Anonymous

Q: I'm a junior in high school and was wondering if
I could possibly get help with my college
applications. I'm finding it difficult to manage
my time and keep up with my coursework. Is there a
service that can assist me?

Q: I'm a high school student and I'm thinking about
applying for a summer program. Can you recommend
any specific programs that might be a good fit for me?

Q: I'm a college student and I'm having trouble
managing my finances. Are there any resources or
tips you could suggest to help me stay on track?

Q: I'm a high school student and I'm interested in
learning more about careers in technology. Are there any
opportunities or resources you could recommend to help me
explore this field?

Source: Alloy Website