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by Direct Marketing Magazine

In the unconventional, red-hot medium of direct response television, entrepreneurs can be successful one day and broke the next. Frank Cannella is one who has made it to the top and stayed there.

Ever considered a career in direct response marketing? Ever sit and read about all the people making money through direct response and think you could do the same? If this sounds like you, you are not alone.

But success in the industry is not a sure thing. A long career in an industry that is like a roller coaster ride of up and down cycles is almost unheard of. But Frank Cannella has managed to hang on for the ride and thrive for 20 years.

Twenty years. Not a long time, as time goes, but significant enough in an industry that is constantly changing. Cannella, founder and president of Cannella Response Television, Inc., a media agency in Burlington, Wisconsin, that specializes in buying time for infomercials, has seen it all.

During the course of his career, he has worked on both sides of the infomercial coin, as an agency and a client. Cannella has played a key role on numerous successful infomercials, from the industry award-winning Banjo Minnow, to placing the national cable air time for the hottest infomercial in the country, Billy Blank's Tae Bo.

"I believe the infomercial is the greatest advertising method in the world," says Cannella. "It is the only true form of advertising that enables the seller to fully present their product to the consumer in an educated and controlled format."

The infomercial industry was founded by entrepreneurs. The most successful of these became so by breaking traditional rules, and setting their own. Frank Cannella is one such entrepreneur. Cannella began his career with A. Eicoff & Company, in Chicago, the direct response television agency that is now part of Ogilvy & Mather.

Cannella grew up in a suburb of Chicago and attended the University of Illinois in Chicago, receiving a bachelor's degree in marketing in 1979. During his last month of college, he landed his first job at Eicoff as a media buyer. During his tenure with the company, Cannella worked his way up to vice president, management supervisor, pitching new business for the agency.

Twenty years ago, infomercials as we know them today did not exist. :60 and :120 "spots" dominated the airwaves selling everything from music and books to household gadgets. The most well known at that time was Time Life and their vast array of continuity record and book collections.

At the time, one of Cannella's accounts was Hansen House Inc., a music publisher that sold songbooks for Roy Clark and Liberace on television. He also handled media buying for Mattel Corp., marketing the Knitting Machine. "That was a time when \$9.95 to \$12.95 offers actually made money!" says Cannella.

He briefly left A. Eicoff to work for Hansen House in California before returning to the agency a year later. It was here, in 1982, that Cannella developed a new business lead which became the rebirth of program-length advertising, eventually to become known as infomercials.

Unlike today's procedure of making direct response television buys on a daily basis, back then the most common procedure for buying DRTV spot media was to purchase large packages of time in advance of the pending quarter, then divide those packages among the agency's accounts.

In 1982, Cannella encouraged stations to run a 30-minute "program-length" commercial instead of the late-night test patterns - testing FCC regulations limiting the length of ads. In doing so, Cannella jump-started an industry that each year now sells about \$75 billion worth of products and services around the world.

That first infomercial, for a line of hair care products called New Generation, went on to make millions for product developer, Bob Murphy, who, in those early days, mixed his formulations in his mother's kitchen and changed the way products could be sold on television.

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In 1984 the Federal Communications Commission rolled back regulations that had limited the length of commercials to two minutes. After that, marketers jumped on the direct response television bandwagon, airing program-length advertisements on those stations willing to accept them. The argument was that infomercials were not any different than Sunday morning religious programs or even Saturday morning cartoon shows based on popular selling toys. If "GI Joe" could get a half-hour show that promotes its line of action figures, why not run paid programming that sells everything from real estate to health and beauty products?

"The real estate pitchmen selling their books and programs through seminars across the country discovered that they could put the same information on the air and it would work," explains Cannella. "Instead of costly travel, they could do it once on tape, put it on the air in the cities they wanted, insert an 800 number to call, and they were in business."

One of the reasons this all worked so well was that at the time media rates were so cheap, making infomercials very profitable. Cannella remembers some of those early station buys. "Financial News Network (a predecessor to CNBC) would go off the air and we would pay them \$500 for 12 hours of commercials running back to back. No one else wanted the time."

In 1985, Cannella began to venture out on his own, working part time as a consultant to The Ed Beckley Group, a seminar company based in Fairfield, Iowa, that launched many other infomercial firms. Beckley sold "The Millionaire Maker," a kit that taught people how to buy real estate with no money down. Cannella became a full-time consultant for Beckley, teaching his employees the fine points of infomercial media buying.

"A lot of our effort back then was selling the stations on the idea of opening up to infomercials," he says. "It was wide-open territory for the time. There was no competition, only more time that we could fill with programs."

It was about this time that Cannella started his own media buying agency in Wisconsin.

In an industry that can take you from household name to obscurity overnight, Cannella has kept to what he knows best and succeeded. Unlike other entrepreneurs in the infomercial game who expanded their business based on the success of one or two shows, Cannella has kept a steady course and chose not to grow his company beyond what he considers unwieldy or unmanageable. The industry is full of companies that rode high on numerous infomercial hits, grew too big too fast and then crashed when their hits subsided. Many of the people Cannella worked with back in the early days are no longer in the infomercial business. Cannella Response Television employs only nine people.

"We've just tried to remain focused and do what we do best," says Cannella. "We capitalize on 20-year relationships to buy time for our clients. These relationships have matured well, to the client's benefit."

The early 1990s brought explosive growth to the infomercial industry along with government scrutiny and the possibility of re-regulation due to questionable business practices. Along with that growth came competition for media. What was once a wide open arena became cluttered with companies selling everything and anything, from exercise equipment to fishing lures. Major corporations wanted in on the game and began to see the value of direct response television in addition.

Still, direct response has become the byword for advertising in the late '90s. Corporate giants such as Microsoft, Time-Warner, Proctor & Gamble, AT&T and Honda are utilizing direct response advertising, particularly short-form (30-second, 60-second and 120-second spots) as an effective way to generate consumer leads and sales. Pharmaceutical companies especially have embraced short-form direct response television advertising (DRTV) with a fervor ever since the FDA lifted restrictions preventing marketing prescription drugs via television.

The '90s also brought in a new kind of threat to the industry, the explosion of the Internet which has taken away television viewers. "We've seen a drop in sales over the past two years," says Cannella. "The popularity of the Internet has taken our audience away from what I call the 'boredom time periods.'" Before the Internet, people would watch TV either because they wanted to be entertained or they were bored. Now they can go on

line, talk to people, play games and even shop.

"Historically, infomercials always worked in the boredom time periods. Mainstream advertisers would laugh at our placements but our clients laughed all the way to the bank. Now during those boredom time periods, people are on the Internet instead of watching TV." But overall, the Internet is not seen as a real long-term threat.

"I don't see the Internet ever having the ability to sell product like a well-produced infomercial can," says Rob Medved, executive vice president and media director for Cannella Response Television. "I see the Internet more like catalog shopping, not so much impulse but browsing. On the Internet, a consumer still has to search for what he or she is looking for. Whereas an infomercial "pops" out of the 50 or so channels you're surfing."

Cannella is confident that the infomercial industry can ride out this recent wave of change and prosper as we head into a new millenium. "No matter who enters the industry or what distractions come along, the goal of the 21st century advertiser will be the same as the '90s...keep the viewer watching as long as possible. The more you tell, the more you sell."

How the Infomercial Business Has Changed

During the course of his 20-year career in the direct response industry, Frank Cannella has seen it all and done it all. He has seen companies rise and fall away. Cannella has also seen many changes to an industry he helped create.

"Cable has exploded with over 50 good-sized networks now offering paid time. And still more will develop," he says. "The addition of more cable networks, and now the Internet, has created more options for viewers - options that have impinged on the traditional TV surfer and diluted the viewing audience. Although most rates have reflected that, the trend will continue to cause antagonism in the negotiation process between buyers and sellers of time."

Cannella also sees a rise in infomercial companies filing bankruptcy, mainly due to expanding too fast and trying to do too much in-house. "A lot of companies start off small, have a few big hits, then expand the company too quickly based on the success of those hits. But when those hits dry up, the company has too much overhead to sustain itself."

The entrance of brand marketers has caused direct response media rates to escalate, affecting everyone. "I've seen too many instances of traditional advertisers and their agencies coming in and paying three to five times the normal rate to get on the air. Many cable reps have acknowledged that they can charge more to these advertisers and their agencies since their basic goal is different, which is to drive retail at any cost," says Cannella. "The traditional side of the advertising industry will never truly experience the greatest gift to a marketing company - the infomercial!"

Other factors Cannella sees as contributing to sustained high media rates is a reliance on the back-end (upsell offers, buying clubs, catalog, retail, outbound programs, etc.). He sees marketers more willing than ever to break even on the front end for profit down the road.

Although the influx of brand marketing has given the direct response industry legitimacy while providing new sources of revenue, it has also caused infomercial agencies to change the way they market themselves. Many companies are now actively courting traditional advertising agencies, touting themselves as specializing in brand marketing, to the point that they position themselves as a "hybrid" traditional agency. The goal being that they sell themselves out to traditional ad agencies.

"These companies now realize that they could not initiate this philosophy and have returned to servicing the real clients of the infomercial industry - the entrepreneurs."

Overall, Cannella feels that Fortune 1000 companies will continue to only dabble in the direct response business. Sooner or later the infomercial industry will learn to accept that fact and stop trying to court traditional advertisers.

"The eternally haunting question asked year after year, for 20 years now, is have we reached the peak in infomercials?" says Cannella. "The bottom line is this: direct response is still an entrepreneurial business that never ceases to amaze me. Just when everyone starts talking about how hard it is to have a profitable front-end hit show, along comes something like Tae Bo, the biggest infomercial ever."

"As long as program-length commercials are allowed on the air, media rates will adjust to allow the entrepreneur the ability to keep on rolling. The more quality products sold on television, the more acceptance the consumer has for buying off of an infomercial. There's always more down the road, and that's what keeps people coming back to television direct response marketing."

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