

The Evolution of DRTV: *A Direct Perspective*

InSight
with
Robert
Medved



Robert Medved is President and Media Director of Cannella Response Television, Inc., a full service infomercial and short form media agency. Robert has contributed to numerous industry publications and moderated and served on various industry trade show panels. Robert also helped compile "Infomercial Insights," Cannella Response Television's textbook on the infomercial industry. He joined Cannella Response Television in 1994 following a stint as a commodities trader at the Chicago Mercantile Exchange. Formed in 1985, Cannella Response Television specializes in direct response media placement on national cable and broadcast, and offers in-depth results analysis on its proprietary MediaStar®, software. The company works with clients as a project manager guiding them through the infomercial process.

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"...mainstream agencies have to see the true value in the power of marketing through a 30 minute commercial as opposed to 30 seconds....."

--Robert Medved

DRTVQ DRTV Quarterly has reported on how the industry is rapidly changing. In your opinion, what are the short term and long term challenges facing Direct Marketers?

RM Short term is always staying ahead of the marketing curve. What many marketers forget is that time is simply a commodity in competition with all the other shows (programming). The better their creative is, the more appealing the offer and the better they are at creating a higher average sale. Therefore, the more successful the product will be. Staying ahead of the curve means implementing things like call center technologies, increasing the backend, moving to a two for one offer to get the phone to ring more, etc.

Long term, I think will be the acceptance of traditional advertisers seeing the value of using a half hour to introduce and support a brand. If that happens, Direct Marketers will be priced out of media time altogether, as traditional advertisers don't live and die off the television sale like direct marketers do.

DRTVQ In the 1995 "Infomercial Insights" book that you and Frank Cannella published, one opinion submitted by Peter Spiegel stated that in the 21st century, one of the possible outcomes in our industry could be that mainstream advertisers will absorb infomercial marketers. Do you believe, almost 10 years later, this is still a possibility?

RM Definitely a possibility. And Peter is still one of the top marketers in our industry. First, however, mainstream agencies have to see true value in the power of marketing through a 30 minute commercial as opposed to 30 seconds. If that happens, Direct Marketers will be priced out of infomercial media time altogether. The big constraint holding that absorption back is the matrix used to measure traditional advertising vs. how DRTV is measured. They are still worlds apart. I think that brand companies get DRTV, but the agencies still don't fully embrace it. However, as emerging technologies start to change the way advertising is measured, this could very well take affect.

DRTVQ If it is a possibility, what does an outcome like that say about our industry? Does it mean that only brand advertisers are capable of taking our infomercial marketing to the next level?

RM That outcome would be devastating and validating all in the same swoop. Unfortunately, all of the niche vendors that survive because of

DRTV would become obsolete. Guys like GM and Procter and Gamble would be less concerned with call volume (bad for inbound), they have their own distribution centers (bad for fulfillment), they already support their own web initiatives, they already source product overseas, and they have agencies that would simply produce the shows and place the media.

DRTVQ Is it still true that traditional advertising agencies are getting pressure from their clients to provide proof that their advertising is working beyond Brand Recall studies?

RM Yes. Smart clients realize that brand recall and awareness don't always translate to sales. The click through ad mentality of the Internet has really helped to start a revolution of accountable advertising that goes way beyond Nielsen and Brand Recall.

DRTVQ How are emerging technologies affecting the way that advertising is measured? Will measurement be able to capture how consumers respond to multi-channel marketing campaigns beyond TV and the internet?

RM For traditional direct response products, there really is only one way we should be measuring results, and that is sales. Every other measurement is simply feeding off of that. If you don't have the TV front end working, then all of the other channels (catalog, retail, home shopping) suffer. Non direct response agencies have come up with hundreds of ways of analyzing and justifying running direct response campaigns that don't pull response dollars profitably. And that's fine, as

there are a slew of clients out there that want direct response media rates, the chance of recouping some ad dollars and gaining some branding along the way - but that's not really traditional direct response.

DRTVQ How could we, as an industry, better promote DRTV to brand advertisers so that they incorporate infomercials as part of their overall marketing strategy?

RM Personally, for the reasons mentioned above, I don't want to. The way to go about it is through the large general agencies, not the brand advertisers. The brand companies get it. The general agencies just can't embrace our accountable means of analyzing television media.

DRTVQ Given that today's media environment is so fragmented, how has Cannella Response Television changed the way it evaluates products as being suitable for infomercial marketing? How have your media buying strategies changed to remedy this fragmentation?

RM Even though we are an agency, because we have been around for over twenty years and have played a big part in finding and helping market many successes, we see hundreds of potential new products a year. We have fed many products to our client base that have kept them rolling.

The way we evaluate product has not changed. But the types of products that are now viable for direct response television has changed dramatically. Mostly, that is due to the baby boomers. Kevin Trudeau's book would never have been the huge success it was even five years ago. Living longer, looking younger and staying fit into the golden years is a trend that will

continue to dominate direct response.

DRTVQ In a recent article, you outlined this rule of thumb: "an airing receives 10-15% of its total calls as drag. What does "call drag" refer to?

RM Drag is simply the orders that come in after the initial response is measured. For example, many customers write down the number and don't order until days or weeks later. This could be because they are waiting for the next paycheck, or they want to think about it, or they need to discuss the purchase with a spouse.

DRTVQ You also indicated that drag needs to be accounted for correctly with proper software that will enable marketers to tell which airings are "hurting" your campaign. How can drag illuminate which airings are hurting the campaign?

RM Drag is important to track separately because it can skew results. For example, you are airing with great frequency on Network X but make the decision to stop due to falling performance. Orders will continue to come in. Those orders, if pooled into the last airing, will add up quickly and make that final broadcast appear to have paid out. If those orders get sourced over the flight, instead of just one airing, then you will be working with a true set of data.

DRTVQ In the same article you also mention that some local markets are overlaying national infomercial time with other infomercials targeted to a local market. Can you explain why this happens and how marketers can protect themselves to ensure that they are paying media rates appropriate to the number of markets their message will appear in?

RM On the national cable side, many networks contractually don't own their distribution 24x7. Therefore, a local MSO can sell off that half hour time for their coverage area to local infomercial marketers (like a car dealer), or to one of many national

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companies that buy up the time and package it or sell it off. The rate is where we come into play. Running millions of dollars of media each week allows us to be in tune with the market, so we don't overpay for media.

DRTVQ Technology has given consumers control over how they access information and entertainment. In your opinion, do you view new

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emerging television electronics (Digital Cable, Video-on-Demand, Digital Video Recorders, Interactive TV, etc.) as a threat or an opportunity to infomercial marketers?

RM None of these are threats; they simply bring more consumers to the medium. Digital cable and high definition simply improve the experience.

The VOD and DVR perceived "threat" is no different than when the industry thought VCRs would kill DR. They are no different than when the industry thought DVD/VHS rentals would kill DR. And they are no different than when the industry thought the Internet would kill the industry. Short form direct response does not exist in the shows people are recording. For long form, recorded shows are simply another competitive source for boredom (like the internet, or reading a book, or baking cookies). Interactive TV will eventually change the method of ordering. The good news is that people will always be bored and channel surf for new entertainment and content - and that is the space we live in.

DRTVQ Is TV as strong a medium that it was 10 or 20 years ago? In your opinion, should TV continue to be the anchor behind a well planned and integrated Direct Marketing campaign? Among all media, are TV and the internet the most powerful combination for direct response marketers?

RM It's stronger - from an entertainment distribution, branding, and sales front. Look at what American Idol has done to the pop charts and the interactive experience. Look at Trudeau's book sales on television and at retail.

Whether TV and the Internet are the most powerful combination for direct response marketers really depends on the product. Some products still only work and thrive in print. Other products only work on home shopping channels. Yet others only work on the Internet. The great thing about TV is that if it works there, it drives all of those other direct marketing channels of distribution.
-DRTVQ-

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"If we can't picture the customer and develop a credible hypothesis around what they do and why they do it, then...we're just product floggers."

Peter van Hezewyk, Direct Marketing News, March 2006.

The buzz word this year is

"engagement". I engage, you engage, I am engaged, we are engaging...well, you get the picture. But, come on, what does engagement really mean? How do marketers measure it? The DRTV Quarterly has reported that consumers are "over-engaged" and we, as marketers, need to break through the clutter and grab their attention.

DRTVQ has also outlined how fragmentation has made achieving the same kind of media efficiencies that were once so easy 20 years ago, so difficult today. This

fragmentation has forced marketers to find new ways to advertise, leading to further fragmentation and so on. In the last DRTVQ issue, we illustrated that 117 ads were needed in 2005 to reach 70% of the target population compared to just 3 ads in 1970.

Different companies define engagement differently.

To Nielsen BuzzMetrics, engagement refers to Word of Mouth marketing. In a recent press release, Simmons Research announced plans to measure engagement in the US. In the release, they indicated that advertising "must resonate on key dimensions that result in an 'engaged' prospect or consumer." When I set up a poll (www.adrants.com), 53% of you agreed with one of my 5 statements: engagement refers to interaction - two-way communication between consumers and advertisers. I believe that all 3 are true.

The bottom line is that your message should encourage two-way

communication between you and your customers. I think we'd all agree that frequently exposing your product to consumers will eventually result in logo/brand recognition and consumer awareness. While this recognition is still vital, product integration into your consumers' lives is the key to success. Consequently as our industry continues to evolve, marketers must reach consumers on multimedia touch points. There will be an increasingly gray area where media boundaries have existed in the past. Consumers don't view TV as the moving picture box available only in the living room anymore. TV is available on the internet, on-demand, on mobile

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phones, etc. Consumers control how they watch TV. If they record it digitally, they control whether they watch commercials when they play it back. Viewers don't identify with channels or networks; they identify with programming.

This brings us to another buzzword for this decade: **Multi Channel Marketing** or **Integrated Marketing**. At a recent breakfast seminar in Toronto, Forrester Research noted that integrated marketing campaigns go far beyond just the normal URL on a TV spot. They combine advertising (TV, radio, online, etc.) with

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Customer Relationship Marketing (e-mail, direct response) and Promotional Marketing (events, grass-roots level sponsorships, contests). They build brand (emotional) and develop consumer interaction (relationship). These campaigns provide mechanisms that capture consumer information, allowing marketers to contact them in the future. This in turn allows

advertisers to target and contact customers based on specific psychographical behaviour (experience).

Demonstrating how important integrated marketing is, here is some information from Arbitron/Edison Media Research's latest study, "Internet and Multimedia 2006: On-Demand Media Explodes". This study, released in January 2006, shows how consumers are gravitating towards on-demand media defined as Digital Video Recorders (TiVo), Video iPods and on-demand TV programming available through satellite and cable providers, etc. Comparing the total population (age 12+) to affluent households clearly shows how the latter demographic exploits new technology to access media, be it for entertainment or information, at times when they see fit (notice how there is no reference to which medium the consumer is accessing). To those of us in the industry, we've become accustomed to seeing TV vs. print vs. radio vs. internet. To the end user, (aka our customer) media is media and merely a means to an end.

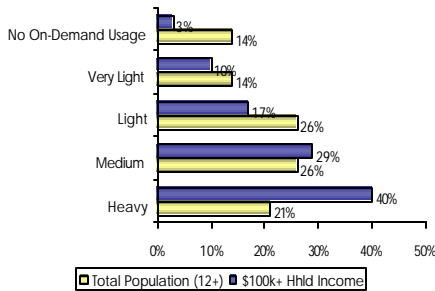
According to this study, heavy on-demand users are more affluent, they have less time for consuming

scheduled media. They own the technology and power to capture their media and view it when they want.

On the flip side, if your consumer is primarily someone who does not live in an affluent household, they will tend to be in the category of light to medium users of on-demand technology. Target groups from affluent vs. non affluent households are vastly different and it should be recognized when planning your media strategies.

On Demand Media- Total Population vs. Affluent Households

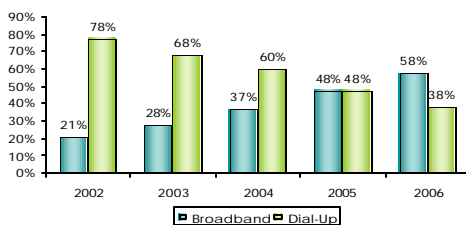
On Demand Media – Total Population vs. Affluent Households



Source: Internet and Multimedia 2006: On-Demand Media Explodes, Arbitron Inc./Edison Media Research

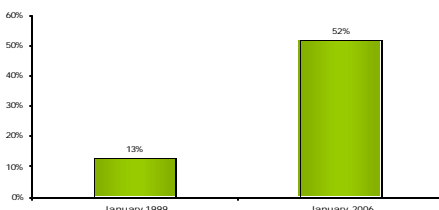
Internet will continue to change the shopping habits of consumers as access to this medium is shifting from dial-up to broadband. According to the Arbitron/Edison study, 58% of US households now access the internet via this faster service. The study also shows that more than half (52%) of US households have made at least one online purchase. Faster online access will ultimately catapult online shopping into a new warp speed.

Internet Access - % of US Households with Broadband vs. Dial-Up



Source: Internet and Multimedia 2006: On-Demand Media Explodes, Arbitron Inc./Edison Media Research

Online Purchases - % of Population who have ever made an online purchase



Source: Internet and Multimedia 2006: On-Demand Media Explodes, Arbitron Inc./Edison Media Research

As a result internet strategies are critical. To those marketers who have not given any thought to their internet strategy, this should be a warning. Consumers expect you to be able to supply them with the information they need and want. To those marketers who have a website that hasn't seen a serious update or upgrade since its launch date 5 years ago, this information should also be a wake up call. It is time to re-examine your online components to ensure that your website is current, refreshing, user friendly, "searchable" and informative so that consumers bookmark your site and come back over and over again.

So the age to engage is really quite simple. The DR industry will continue to deliver ROI and prove to

conventional marketers that they need to relax their grip on GRPs and brand recall studies. They must build advanced integrated campaigns, beyond a URL on a :30 spot; incorporating direct response and promotional elements. As a result, audience measurement will also be forced to evolve. As TV leaves the in-home screen and is accessible via digital technology, DR marketers will lead the way and teach conventional marketers that measurement isn't a database that you buy. Rather, measurement is the result of a well-executed integrated marketing campaign that builds credible relationships with consumers ultimately generating leads or direct sales and revenue for marketers.

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Jane Austin is DRTVQ's resident Research Analyst, unearthing the facts and figures surrounding our industry.