



B E N N E T T   K U H N   V A R N E R

# Direct Response TV for the 21<sup>st</sup> Century.

by

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*BKV's roots are in DRTV; we've been doing it since 1981 for products, services and fundraisers. We've participated in some huge successes...we're the agency that took Sally Struthers to TV for Christian Children's Fund, revolutionized the lead generation processes for Tupperware and Bally's Health Clubs, and have helped product advertisers like Dirt Devil and Black & Decker sell hundreds of thousands of products direct on TV while leveraging as many as ten times as many sales at retail.*

## **What is DRTV and Why does it Work?**

DRTV has been with us for a long time now – over 50 years. The basic concept is simple: people watch a TV commercial, pick up the phone and buy a product.

Many products have been successfully sold through DRTV because of its great media costs and unparalleled ability to demonstrate. Advertisers that qualify for Direct Response rates get rates far lower than typical, even well-negotiated, television rates. Why this difference in rates exists is a subject for another article, but you can trust that this truly is the case.

Now this is not to say that all DRTV commercials will work simply because they demonstrate the product well and airtime can be bought inexpensively. In fact, most tests fail. But if you know what you're doing, DRTV can be an amazing tool to drive responses and increase revenues.

## **DRTV: A Constantly Changing World Where the Basics Never Change**

The rapidly changing world of marketing and media has had a big impact on DRTV, but the fundamentals of good DRTV are the same as they were years ago.

Let's look first at some major changes in the DRTV landscape.

### 1. More TV Stations

- a. In 1960, the average household received 5 stations. In 2005, the average household received over 95 stations!
- b. *Impact:* Buying DRTV has become more complex due to the increased number of stations to obtain avails from, buy and monitor

## 2. Higher Media Costs

- a. 10 years ago, the average HH CPM we saw for 120 second spots was \$8. Today the average CPM is around \$12 – a rise of 50%.
- b. *Impact:* All things being equal, a 50% rise in CPMs equates to a 50% increase in cost per sale, which is simply not tolerable. It is the job of today's direct marketers to take steps to mitigate this price inflation.

## 3. Lost Viewership

- a. This problem began with the widespread use of remote controls and VCRs, and continues to worsen with the advent of DVRs.
- b. *Impact:* Very simply, more and more people can skip over the commercials, meaning we get less viewership and therefore less response for every advertising dollar.

So, with costs up, greater expense in executing a TV buy and viewership patterns causing questionable value for every buy made, what are the basics that have not changed, and how can DRTV possibly work today?

What has remained unchanged is the model necessary for success. Simple adherence to this model will still lead to a successful advertising campaign!

Here is an example:

1. Build a customer lifetime value model, e.g. \$29.95 product, \$15 on upsells, \$3 in future sales:  $CLV = \$47.95$ .
2. Know your allowable media cost, e.g. based upon CGS, amortization of product materials, bad debt and fulfillment, we decide we can spend \$20 to make a sale.

Regardless of the changing media environment, successful DRTV today is based upon formulaic buying.

There are two factors that drive success:

1. The responsiveness of the commercial.
  - a. A strong offer well presented will maximize response.
2. The quality of the media buy.
  - a. A high-quality media buy is one that has been well negotiated to get the lowest prices and targeted to the most responsive spots at the best times on the best stations. This is easier than it sounds, because most calls can be tracked back to the individual spot that generated them. Thus, we track each spot and continually modify our buys to adhere to the best performing spots. Buying based on actual results is a lot better than buying based on demographics and hoping!

In the world of DRTV, the definition of success is simple: achieve your CPS goal. In the example above, the goal is \$20.

So what if we miss? Say we get a \$24 CPS ... do we admit failure and quit? No! We work with and manipulate the two factors above.

From a media buying perspective, we can achieve our goal simply by reducing our media costs (expressed in terms of CPM) by 20%. By setting the CPM goal 20% lower, we can have success! At times, however, this reduction in media cost may lead to a decrease in the volume of viewers due to an inability to clear as many spots at the lower cost.

The other alternative is to improve the responsiveness of the spot. The offer is vital to the response rate. Oftentimes “sweetening” the offer will allow for the desired results, but you may also run the risk of a decrease in profitability.

Additionally, a DRTV spot is usually not as “creative” as a non-DRTV spot. Like the media buy, it is formulaic: problem/solution, lots of demonstration, lots of phone numbers, and a clear, easy-to-understand offer repeated many times.

Good DRTV execution is a matter of constantly monitoring and adjusting variables to achieve the maximum result. The fundamentals of the world of DRTV have not changed; it is simply a more difficult world to navigate.

**About BKV:**

BKV is one of the largest independent marketing communications firms in the country. For more than 25 years, we’ve been helping clients like Six Flags, Cingular Wireless, The Home Depot and Black & Decker develop response-oriented marketing campaigns that generate results.

If you’re interested in finding out how BKV can generate quantifiable results for you and your company, give us a call at 404-233-0332. We’ll be glad to put our expertise to work for you.