

From the Lab

Driving DRTV Products to Retail ... and Retail Products through DRTV

Top Three Direct Response (DR)/Retail Advertising Models

1. *DR hit campaign that opens retail doors.* This campaign is developed specifically as a DR campaign. The campaign is a "home run," with media budgets that grow and retail buyers that clamor for the opportunity to carry the product.

2. *Retail product company that uses DR to drive retail.* A traditional retail distributor develops DR campaign specifically to drive retail sales. This is especially beneficial for products that need demonstration and otherwise may not be noticed or appreciated on retail shelves. TiVo and WebTV are prime examples. Seasonal products like Charbroil's "Grill To Go" also use this model successfully.

3. *DR/Retail hybrid that drives both calls and retail traffic.* Retail distributors who blend DR advertising with their general ad budgets often use a DR/Retail "hybrid" model. In this model, advertisers push retail outlets along with a "call-to-order" message. Sears will often use this model to launch unique new Craftsman tools.

The Biggest Question: How much do companies need to invest in media spending to gain access to wide-spread retail distribution?

The consensus is an ad budget needs to be \$300,000 per week or higher for a minimum of eight weeks to attain an adequate brand/product awareness. Further, a similar budget must be in place for another quarter to support retail sell-through. Specialty categories and unique products, such as golf clubs or the Tap Light, can get to retail on smaller budgets than products like cosmetics and cleaners. Most believe short-form infomercials require about a third of the media that long-form shows require in order to go to retail. Further, companies that have existing retail distribution can get new products to retail easier than companies that are going retail for the first time.

— Steve Netzley, MCM;
Nancy Lazkani, Icon Media Direct

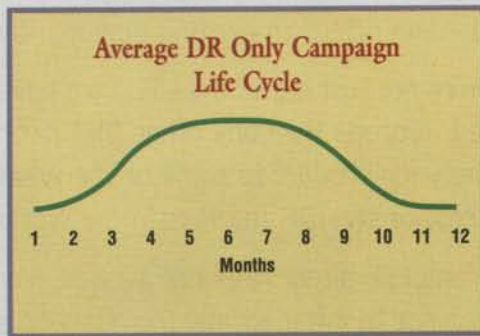
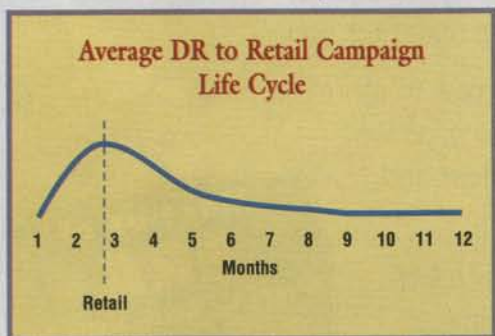
What is the typical retail sell-through rate?

Typical DR products that go retail sell an average of five units in retail for every one sold on TV. There were huge variances in the answers to this query. The key indicator is how long companies are willing to continue running a DR campaign to support retail sell-through. Companies that are willing to continue running DR campaigns (often at a loss) reported retail-to-DR sell-through ratios as high as 20-to-1.

What kind of return on investment can you expect from "going retail?"

DR products are typically sold for 20 percent less at retail than on TV. Products are typically sold to retailers for 65 percent of the proposed retail price. Further, retailers often force warranty reductions, markdown money, buyer's holds and returns, which add up to a total "dilution factor" of approximately 25 percent. This brings the net to product suppliers down to 49 percent (.65 x .75 = .4875) of proposed retail price. Finally, expect payment terms to be, on average, net 90-120.

— Jon Nokes, Smart Inventions



The typical direct response only campaign (with no drive to retail) lasts six months to one year. A DR campaign designed to drive the product to retail usually lasts three to nine months, with the campaign peaking around the third month. That product usually is capable of selling consistently in retail for a time of three months to a year. A unique or personality-driven product, such as Hooked on Phonics or Tony Robbins' self-improvement campaign, that drives no retail can last anywhere from two to 10 years.

A product's direct response performance inversely relates to the extent of its retail distribution. As retail numbers go up, DR performance comes down.

Founded by Adam MacDonald, TEST Marketing Group operates a "Test Laboratory," where your campaign is developed by experts in a controlled environment. The Test Laboratory is a specialized inbound/outbound phone center staffed with trained marketing agents working on a state-of-the-art platform designed specifically to develop and measure the most profitable sales strategies for DR campaigns. Once determined, the strategy is "rolled-out" through the primary inbound and outbound telemarketer. The preferred result of this process? Massive increases in net profit. TEST can be reached at (714) 546-5555. For Adam MacDonald, TEST CEO, dial ext. 202. For Chris Walshe, TEST president, dial ext. 201.

Special thanks to this month's expert panel: Jon Nokes, CEO, Smart Inventions; Dallas Celesia, president, M2 Marketing & Management; Steve Netzley, president, MCM; John Johns, co-CEO, New West Products Inc.; Nancy Lazkani, president, Icon Media Direct; Susan Rowe, senior vice president/managing director, Carat; Marybeth Peters, vice president/director of DR advertising, Carat; Sean Fay, co-owner, Cesari Response TV.