

From the Lab

Is It Really Getting Harder to Make Direct Response Work?

Every year at the ERA Las Vegas show, a major topic of conversation usually starts something like this: "Is it just me or does it seem like it's getting harder and harder to make an infomercial work?" We spoke with some of the DR industry's veterans to get a pulse on whether it's truly becoming more difficult; or is it just our overactive imaginations?

What Media Buyers Say	Yes	No	What makes you say that?
Nancy Lazkani, president, Icon Media Direct	X		Since direct response started, it's been like a media gold rush. In the last few years, a lot of inexperienced people have rushed in and discovered that there isn't as much gold as they thought. This decreases the overall odds of success and creates a false sense of supply and demand. However, the future is bright because the situation will eventually self-correct.
Stacy Durand, senior vice president, Mercury Media	X		This really isn't a yes or no question because this industry is so dependent on supply and demand. If demand is up, rates are high. If demand is down, response is down and so are rates. This last year has been tough, with Sept. 11, the stock market falling and consumer confidence waning. We have held our budget and made our clients some money but we have really had to get creative and work for it.
Rick Cesari, CEO, CRTV Inc.		X	It's only getting more sophisticated. In the past, a newcomer to this industry with a good product could usually get it to work, but not anymore. A person or company needs a complete understanding of how the creative, the offer, the telemarketing, and the back-end work together to make a success. A company also has to understand how to capitalize on other distribution channels that are stimulated by a successful media campaign. Companies that know how to do this are making as much or more money than ever via DR.
Steve Netzley, COO and president, media services, Euro RSCG Tyee MCM	X		It simply costs more to get a product to market than it did in years past. More marketers are launching products at retail and on TV at the same time, which impacts television as an ROI distribution channel. In the past few years, marketers had a higher margin on products due to as much as \$10 an order in buying club revenue. Today, they're lucky to get \$3-4 per order.

What Telemarketers Say	Yes	No	What makes you say that?
Mark Frei, vice president, sales and marketing, West Telemarketing		X	If you equate change to getting harder, then the answer is yes. I don't feel it is getting harder, although it is changing — which poses challenges to all aspects of the business. With costs increasing, it is more important than ever to maximize return on every aspect of a promotion. Teleservices companies need to provide creative solutions to maximize conversions and revenue per customer contact.
Steve Pittendrigh, CEO, The AfterMarket Co.		X	The direct response industry has always been what it is today — good creative managed by people great with numbers. But, DRTV, especially infomercials, has historically focused on searching for the next roll out, quick money and foregoing the long-term value of customers. As the industry matures, it requires more strategic, methodical, operational attention to ensure consistent success.
Bret Butterfield, director, Convergys Corp.	X		There is more than just one reason why DR is more difficult these days — media rates are higher, consumers are more savvy, costs of goods and shipping are up. The marketer has to create smarter offers and test campaigns. That means building a relationship with a telemarketing firm. The telemarketer is now a partner.
Michael Weintraub, vice president of sales, Protocol	X		We are finding clients having a harder time making programs work on the front-end. It is forcing everyone to focus even more on good training for agents to maximize the ability to close each caller. Also, there is a greater focus on strategies to increase and realize long-term value from each customer, not just front-end profits.

What Product Marketers Say	Yes	No	What makes you say that?
Jon Nokes, CEO, Smart Inventions	X		Recently, we've had to focus on our offers, and leave no stone unturned when searching for those extra revenue streams. Now that buying club revenue is diminished, we need to get more creative in enhancing our revenue. But with a constant flow of good products and media, we'll continue to see successes in this industry.
Dallas Celecia, president, M2 Marketing and Management Services	X		The name of the game is cost-per-call (CPC), and in the last few years, as media costs have increased, we have often had to move from priced ads to trial offers and lead-generation formats to create the needed call volume. This has resulted in more versions of a show — different calls to action (CTA), offer configurations and script changes. It also means a longer test cycle and a much tighter and more aggressive management of back-end options.



Founded by Adam MacDonald, TEST Marketing Group operates a "Test Laboratory," where campaigns are developed by experts in a controlled environment. The TEST Laboratory is a specialized inbound/outbound phone center. The center is staffed with a group of specially 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.