

From the Lab

Price Points That Work for Short Form

In general, you might hear short-form direct response works only at a price point of \$19.95. The fact is that 90 percent of DRTV spot products are priced at \$19.95, but as this industry evolves, there are other examples where smart marketing has created successful spots at other price points. This month, TEST takes a look at why these scenarios work.

Soft-Offer/Lead-Generation Spots — 2 Scenarios

Product	Advertised price point	Average order size (AVO)	Media cost-per-order (CPO)
#1 Popular in-house exercise machine	\$0; pure lead generation	\$1,000-plus	\$500
#2 Anti-wrinkle product	Free trial; pay only \$9.95 shipping and handling	\$48	\$30

It's almost always true that the lower the price point, the more calls will be driven.

Scenario #1: This is a two-step strategy. Step one drives the call, while step two is selling. The high price point requires highly trained, dedicated salespeople answering the calls; the average call time is long; and this strategy also may require follow-up phone calls and direct mail.

Scenario #2: This strategy is called a soft offer, because technically the \$9.95 price point is for shipping and handling only on a free trial offer. Notice the media CPO is much higher than \$9.95, but the AVO makes it work. In this example, a high percentage of callers took the 60-day supply upsell and the continuity program. Those high take rates drove the AVO over the top, making this a successful strategy.

Price-Ad/Hard-Offer Spots — 4 Scenarios

Product	Advertised price point	Average order size (AVO)	Media cost-per-order (CPO)
#1 Popular pasta cooking gadget	\$14.95	\$45	\$28
#2 Popular chopping gadget	\$19.95	\$32	\$20
#3 Popular teeth whitener; 2-for-1 offer	\$29.95	\$55	\$28
#4 Anti-wrinkle product, two payments of \$19.95	\$39.90	\$55	\$50

Scenario #1: When product cost is low enough, this strategy becomes increasingly popular. Notice the media CPO is almost twice as much as the price point, but the AVO is very healthy. This strategy works so well because shipping and handling can be charged on the premium and, in some cases, it's even higher than the base price. It's very similar to a \$19.95 offer because the difference is made up in shipping and handling. This is a very popular strategy for companies that have extensive retail distribution.

Scenario #2: This still remains the most popular short-form hard-offer price point. Kitchen gadgets and household products are most often seen at \$19.95 because of low product costs. It's important to note that this and the preceding scenario are typical price points used to drive retail and don't necessarily need back-end continuity revenue to remain profitable.

Scenario #3: Like the previous example, notice the relative balance between the price point and the media CPO. However, in this type of offer, the significant revenue is in continuity products — the first shipment of which is typically factored into the AVO.

Scenario #4: In this particular case, the media CPO is very high, and the AVO is not much higher. But again, the value is in the continuity revenue. This offer tends to work on smaller, more specialized media buys, and the main strategy is to gradually build a solid continuity base.

In all of these examples, notice the pattern of the AVO/CPO relationship to the price point. First, glance at the soft offers. There is the very high price point lead-generation offer, where the AVO and media CPO are both very high. Then there is the low price point lead-generation offer, in which the CPO and AVO are obviously lower, but still higher than lower-priced hard offers.

With hard offers, the price point rises, but the AVO and media CPO continue to drop, and they generally hit "bottom" at the \$19.95 threshold. At price points higher than \$19.95, the AVO and media CPO are on the rise again. Depending on your cost of goods, retail distribution and continuity revenue will dictate which strategy is best for your campaign.



Test Marketing Group

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.