



# **DRTV: the Opportunity for Catalog and Multi-Channel Marketers**

May 2005

## Is DRTV right for catalogers?

DRTV can help you achieve two primary goals:

1. Sell product through direct to consumers and establish a relationship with them.
2. Generate leads that opt in for catalogs and translate into sales.

DRTV leverages the power of sight, sound and motion to convey product differentiation in a manner the printed page simply cannot.

# Marketplace factors driving DRTV

- Media is fragmenting exponentially
  - Forget the 500 channel universe; it's infinite
- Internet empowers knowledgeable consumers
  - The balance of power has shifted; 67% of all U.S. purchase decisions now influenced by word-of-mouth
- On-line environment has given companies a taste of direct-to-consumer marketing
  - No longer taboo – from Nike to Jaguar, everyone sells
- Manufacturers have limited control over retail
  - Fewer players in control leaves brands with little say
- Direct imports and private labels are turning products into commodities
  - Isn't a meaningful and understood brand your best defense?

## Marketplace factors driving DRTV (cont'd)

- Infomercials are the “personal selling” of the digital age
  - They are replacing the vanishing consultative retail sale
- Branded spot TV (15s & 30s) can't do the job
  - Spots give you a brand impression; DRTV gives the consumer a brand *experience*
- Long-form allows time to differentiate
  - Affords the luxury to tell your story
- DRTV delivers ROI and consumers imbued with product knowledge
  - Inoculates you against “brand switching” and consumers trading only on price
- DRTV-built brands are seizing shelf space
  - OxiClean and Orange Glo are making P&G/Clorox pay attention

# DRTV is sales-focused television advertising

## Impulse

### Door-to-Door (Short Form)

- 1-2 minute sales pitch
- Competes with other ads
- Familiar product
- 3+ impressions before action
- 40 - 60% conversion
- >\$40 price point

## Consultative

### Door-to-Door (Long Form)

- Half hour sales pitch
- Competes with programming
- Less familiar product
- Immediate action
- 50 - 70% conversion
- Broad price points

## Factory

### Discount Store (Shopping Channels)

- 1+ hour visit to store
- Competes with programming
- Familiar and unfamiliar product
- Immediate action
- 30% conversion
- Broad price points

**Interruption**



**Election**

# America buys from DRTV

- Two-thirds of adult Americans watch DRTV
- 55% of the population views Infomercials (75 million adults)
- 67% of the population views spots (92 million adults)
- People who buy off of TV:
  - Are employed full-time (59%)
  - Have a higher income than you might think (\$55K mean)
  - Are married with children (60%)
  - Live in the suburbs (33%)
  - Aren't all females – 48.3% are male
  - Have a mean age of 45.9 years
  - Are mostly Caucasian (79.3%)

\*Percent of total viewer population

Source: Leisure Trends Study, October, 2002 & US Census Bureau population estimates for 2000 – Americans 16+ = 217,149,127

# Criteria for selecting a hero product

- Mass market appeal (appeal of >10 million)
- Product is truly unique and, ideally, proprietary
- Product is highly demonstrable
- Dramatic visible results
- Product “delivers the dream”
- Product lends itself to multiple utilities
- Margins of four or five to one, retail price to COGS
- Acquire a customer versus a single transaction
- Exclusive TV offer or limited time offer
- Solid guarantee
- Product lends itself to credible testimonials

## Using DRTV to generate leads

- Cost per qualified lead ranges significantly depending upon offer.
  - Typical range is \$3 to \$7.
  - Free sample offers can be as low as > \$3.
  - Niche products can be as high as \$100+.
- An incentive such as a limited discount offer should be considered to inspire immediate action.
- Diversity of media options ensures ability to reach targeted audiences.

# Successful DRTV categories

<u>Category</u>	<u>Percentage</u>
■ Health & Fitness	28%
■ Beauty	10%
■ Household	9%
■ Entertainment, travel and leisure	7%
■ Sports	7%
■ Brand awareness/lead generation	7%
■ Business and finance	7%
■ Kitchen	5%
■ Miscellaneous	5%

Source: Response magazine, "Total New Infomercials by Category 2004", December 2004.

## **DRTV costs and timing**

- **Costs:**
  - Spots can range from \$35,000 to \$200,000 for a :60 and 2:00.
  - More typically budgets range from \$50,000 to \$150,000 for a :60 to 2:00.
  - Infomercial production ranges from \$200,000 to \$500,000.
  - Costs include creative development and project management.
- **Timing:**
  - From initial kick-off to on-air testing for spot programs ranges from 6 to 20 weeks; 8-12 is typical.
  - Infomercials require 20 weeks optimally, but can be done in as few as 12.

## **DRTV media: what it costs**

- DRTV advertisers pay a fraction of what general advertisers pay; about 40 cents on the dollar.
- A typical DRTV media test is \$25-50k spread out over two to four weeks.
- Successful campaigns “rollout” and the amount of money spent on media depends upon the program but a typical range would be \$25 to \$500k per week as long as the target ROI is being achieved.

## **DRTV media: how it works**

- DRTV advertisers fill in discounted unsold inventory (not dissimilar to unsold print).
- They run in broad rotations (e.g., 9a-5p versus a specific program).
- They receive no audience guarantee and in return get deep discounts.
- Media “planning” is done by the buyers who optimize their buys based upon desired cost per inquiry or sales to media ratio criteria.
- Testing never ends as the process is dynamic and on-going.

## Understanding DRTV logistics

- The back-end infrastructure of a DRTV program must be laid in place:
  - Telemarketing
  - Fulfillment
  - Order processing
- DRTV generates spikes of calls and drag calls that have specific 24/7 requirements, therefore, it unlikely that current infrastructure will be adequate for DRTV.
- DRTV specialists abound in each area and can help facilitate programs.

## **DRTV potential lifecycle**

- The lifecycle of DRTV campaigns varies typically from nine to 24 months
- Video assets can be leveraged in a variety of venues:
  - Internal and external sales training
  - Trade shows
  - In-store/POP video loops
  - Fulfillment video/CD ROM/DVD
  - Streaming in online environment

## A word about DR radio

- Emerging as another direct to consumer option.
- Unique selling proposition must be able to be articulated aurally.
- Soft offers work best.
- As with DRTV, longer lengths enable you to tell a story.
- Media is also sold on a remnant basis.

# DRTV case studies