

Direct Response in Broadcast Media

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It is midmorning on Saturday. You are surfing the television channels, looking for entertainment to take your mind off the paper you have to write this weekend. After clicking your way through all the channels, you still have not found anything you want to watch. Thinking about why that is, you realize that sandwiched between all the cartoons are programs that look like entertainment and that sell everything from exercise equipment to cosmetics to food preparation devices.

What is going on? Do people really watch these infomercials? Do they buy the products being advertised? When did this explosion of direct marketing on television take place?

Before we answer these questions directly, let's take a look at the nature of the direct-response television industry—how it began and its current status.¹

The Development of Direct-Response Television

The tone of many early direct-response television (DRTV) commercials can be attributed to Daniel Rubin, who sold Florida Fashions via television beginning in 1946. Rubin imitated the style of the pitchmen who worked the boardwalk in Atlantic City. He taped their sales pitches and brought them to New York to use in filming simple direct-response spots. Why did these crude commercials with their rapid-fire narration, minimal sets, harsh lighting, and simple camera angles set the standards for early direct-response television? The reason is simple—they sold products. Their success attracted many imitators, but it also quickly attracted reputable advertising specialists, some of whom are still working in the field today.

Record companies, the first major direct-response television advertisers, developed the classic 120-second direct-response commercial. During the 1950s and 1960s, they were joined by companies selling products for the home—kitchen gadgets and equipment, books, tools, and inexpensive home decorating items. Another development during this period was the appearance of celebrities as spokespersons, some of whom worked for modest fees plus a percentage of sales.

In the early years of television, the supply of advertising time was considerably greater than the demand. Crude production techniques combined with cheap airtime yielded a very inexpensive advertising medium. A commercial could be produced and aired on one or two test stations for as little as \$2,000. Results were available quickly; orders began to arrive in the mail about 48 hours after the commercial aired.

Another factor that stimulated the early growth of direct-response television was per-inquiry (PI) advertising. As the term implies, the PI advertiser's payment to the station is based on a negotiated fixed payment per response. Because stations typically use these spots to fill unsold airtime, marketers have no control over the date and time at which they are run. This makes planning for order fulfillment difficult. In addition, responses must be carefully "sourced" by the station for payment purposes. Although PI deals provided inexpensive advertising opportunities during the 1950s and 1960s, they became less common as network advertising time became more desirable and therefore much more expensive.

The next major change came about as the cable television industry grew in size and scope. Cable TV originated to serve isolated areas that could not be reached by regular television signals. Cable grew slowly for many years, but by the 1980s it became a serious challenger to network television as an advertising medium. Television shopping channels began with the formation of the Home Shopping Network in 1992. The 30-minute infomercial became a recognizable force about the same time; its positioning is discussed in chapter 2.

¹The material on the development of direct-response television is based on John Witek, *Response Television: Combat Advertising of the 1980s* (Chicago: Crain Books, 1981), 1–18; Sandy Davis, "Television Direct Response," in Edward L. Nash, ed., *The Direct Marketing Handbook* (New York: McGraw-Hill, 1984), 317–322; Jerrold Ballinger, "The Changing Role of DR Broadcast," *DM News*, 1 July 1986, 36–39; "Advertising Age's History of TV Advertising," www.adage.com, 16 August 1997; David Kyffin, "The Assessment of a Direct Response Television Campaign," *Journal of Database Marketing* 1, no. 4 (1994): 334–342.

There are now four identifiable types of DRTV advertising on the airwaves. *Direct-response spots* are most often produced in 60- or 30-second (:60 and :30) time frames. Spots of 120 and 90 seconds (1:20 and :90) were once popular, but the cost of television time makes their use less frequent today. The *infomercial* is most often 30 minutes in length, but can vary. *Home shopping networks* are aired 24 hours a day in major markets. Infomercials and home shopping channels offer a wide variety of products for sale. Direct-response spots often have sales as their objective, but they may also be used with an objective of generating inquiries and building databases, or they may be used to support direct-response promotions in other media. Finally, we often see what one author calls *added-value commercials*—brand advertising that takes the opportunity to promote a 1-800 telephone number or a Web site where viewers may obtain additional information.

ENABLING CONDITIONS FOR DIRECT-RESPONSE TELEVISION

Once the power of direct-response television became widely understood, it became commonplace during all times of the day. Major advertisers, however, brought a quality orientation that was almost totally lacking in early direct-response TV. Day and prime-time airing demanded different products and marketing approaches as well as production values that were consistent with the surrounding entertainment programming. The increasing quality and credibility of direct-response TV commercials for consumers also brought business-to-business advertisers into the arena, using prime time and weekend television for lead-generation spots and further increasing the credibility of this type of promotion.

Perhaps the single greatest growth stimulant for DRTV has been the availability of a national 1-800-number service. Without a toll-free telephone number to encourage impulse purchasing, it is doubtful that the industry would have enjoyed its substantial growth of recent years. However, some advertisers have learned to their sorrow that impulse buying can result in high return rates, especially if order fulfillment is slow. A related factor is the prevalence of credit cards among consumers. The ability to charge a purchase facilitates television buying, just as it does in other media.

At the same time that major national advertisers were doing their part to upgrade the quality of DRTV, the Federal Communications Commission and the Federal Trade Commission were engaging in regulatory and consumer protection activities that lessened the abuses of earlier days, and this has also added to the credibility of the medium. Although there are still some products of questionable value and advertisers of questionable repute featured in this medium, both the broadcast and the direct marketing industries have made substantial efforts to prevent genuine abuses.

As a result, the consumer's image of direct-response TV appears to have improved in recent years, although there is little empirical evidence on the subject. One study found limited support for a relationship between consumer reactions to several DRTV spots and a set of demographics, attitudes toward the advertiser and the commercial, and past shopping behaviors.² As seen in Table 16.1, many consumers do report watching DRTV, and a substantial number have purchased. Notice also, that these consumers report later purchasing at retail stores as a result of DRTV commercials.

²Glen Nowak, "TV Viewer Characteristics and Results Beyond Response," *Journal of Direct Marketing* (spring 1992): 18–31.

TABLE 16.1 Consumer Attitudes Regarding Direct-Response Television

Group	Ever Viewed Direct-Response TV					Where Bought Product (% of Last Purchases) ^a		
	Any Type	Infomercial	DR Spot	Home Shopping Show	Bought Any Product ^b	1-800 Number	Later at Retail	From Catalog
Gender								
Male	74%	45%	59%	44%	29%	61%	30%	6%
Female	79	50	61	55	31	66	28	5
Age								
16-24	85	57	66	63	16	46	54	0
25-34	84	54	64	50	34	60	29	9
35-44	84	58	69	54	32	61	34	5
45-59	76	50	64	49	37	74	21	5
>60	55	21	40	34	25	69	15	8
Household Income								
< \$20,000	73	44	54	51	28	70	22	5
\$20,000- \$39,999	79	48	63	50	35	59	32	6
\$40,000- \$59,999	80	54	64	49	30	60	35	5
>\$60,000	83	57	71	55	31	70	24	4
Total	77	48	60	50	30	64	29	6

Source: Data from NIMA International, 1995. From *Direct Marketing Association's Statistical Fact Book, 1996* (New York: Direct Marketing Association, 1996), 165. Reprinted with permission of the Direct Marketing Association, 1998.

Note: This telephone study was conducted for NIMA International by Leisure Trends and the Gallup Organization in January and February 1995 among a representative sample of 1,013 adults aged 16 and older.

^a“Thinking only of the last time you bought a product that was offered [through direct-response television], did you buy it calling the 800 number, buy it later in a store or buy it later from a catalog?” (Total may not add up to 100% because of “don’t know” or “refused” answers.)

^b“Have you ever purchased a product that was offered [through direct-response television]?”

When to Use Direct-Response Television

Planning and producing DRTV spots requires all the detailed knowledge of the medium that a general advertiser must have plus a thorough understanding of the special requirements of direct response. In addition, producing infomercials or shopping channel segments requires skills generally expected of entertainment programmers. These are substantial skill sets, and to provide an in-depth review of the complexities of television advertising, not to mention

programming, would take more space than we can devote to it here. Textbooks on advertising and marketing communications cover the advertising aspect in detail. Remember as you read the remainder of this chapter that it covers only those aspects of planning and executing television commercials that are essential to direct response.

DRTV FORMATS

The 120-second commercial is the preferred format for continuity offers because there is so much to communicate that a full two minutes of time is needed. It is difficult to make a 60-second continuity spot successful. In the same way, a minimum of 60 seconds is generally required to communicate the information for a one-shot offer. Because a lead-generation commercial does not have to present a complete offer—just sufficient information to entice the viewer to request more—it can usually be confined to 30 seconds. Although these are generalizations rather than absolute rules, it would be a false economy to squeeze a direct-response spot into a shorter time to save money and end up with a commercial that does not pull. Remember, it is also necessary to allow a substantial block of time to show the toll-free number and mailing address on the screen, although the audio repetition of this information can be shorter. The most important thing to remember is that DRTV spots can and should be tested, just like promotions in other media.

The formats in Figure 16.1 have withstood the test of time, and to ignore them could be dangerous. That is not to say that a knowledgeable direct marketer with a creative idea cannot structure a direct-response spot differently—as long as it is done on the basis of creativity, not ignorance!

Media Planning for Direct Response

Network and cable television compete directly for advertising revenue. There was a time when the competition seemed to tilt in favor of network, but as more homes have subscribed to cable, it has become a powerful competitor. With the ability to support many channels, each of which caters to a somewhat different demographic and interest group, cable is able to reach niche audiences in a way that mass-appeal broadcast networks are not. In the not-too-distant future, cable may provide households access to as many as 500 different channels. This will offer an even greater opportunity to reach specialized audiences.

The conventional wisdom says that cable audiences are more upscale than those of the mass-appeal broadcast networks. According to *American Demographics*, “For the past decade, cable television has been stealing the most desirable consumers away from broadcast network[s].”³ The DMA adds, “Cable viewers are younger, better educated, more affluent, hold higher level employment, and live in larger households.”⁴

Whether broadcast or cable networks offer the best target audience for a specific offer, the key media planning and buying concepts are the same. They are gross rating points (GRPs), dayparts, and availability. Let’s look at each in turn.

³Rebecca Pinto, “New Markets for Cable TV,” *American Demographics* (June 1995).

⁴Cabletelevision Advertising Bureau, Inc., quoted in *Direct Marketing Association’s Statistical Fact Book, 1996* (New York: Direct Marketing Association, 1996), 169.

120-Second Continuity Commercial

A	B	C	D	E	F
5-10	15	40	20	10	20

(number of seconds)

- A. Opening and basic premise of the ad
- B. Introduction of series
- C. Dramatization of product
- D. First-installment display
- E. Premiums, if any (position variable)
- F. Terms of offer, ordering instructions, telephone number

60-Second One-Shot Commercial

A	B	C	D
5	10-15	30	15

(number of seconds)

- A. Opening (attract attention)
- B. Premise and/or mention of premium
- C. Product display, possibly with premium
- D. Ordering information and telephone number

30-Second Lead-Generation Commercial

A	B	C
5	10	15

(number of seconds)

- A. Statement of problem or benefit
- B. Dramatization
- C. Telephone and/or address

FIGURE 16.1 Basic Formulas for Direct-Response Commercials

Source: Adapted from John Witek, *Response Television: Combat Advertising of the 1980s* (Chicago: Crain Books, 1981), 24-32.

GRPs are the basic measure of television efficiency—the cumulative number of households receiving the spot during a given period of time. This measure is computed by a simple formula:

$$\text{Reach (the percentage of households tuned in)} \times \text{Frequency (the number of times the spot is aired)} = \text{Gross rating points}$$

The objective of the direct-response media buy is to obtain as many GRPs in the most desirable dayparts as possible for the amount of money budgeted. This buying criterion is essentially the same as for general advertising. Remember, however, that the direct marketer will then be able to measure success of the commercial by product sales or qualified leads generated.

Broadcasters have divided the day into sections that are relatively homogeneous in terms of the type of programming offered. Finer divisions are possible, but the basic dayparts are morning, day, prime, and night. The significance of dayparts is that both the size and the composition of the viewing audience differ by daypart and, consequently, so do the rates charged for time in each.

Availability of time is a major concern to the direct-response TV advertiser because there are relatively few :120s or :60s spots available. This is not only because of sheer length but also because the networks and stations do not put directly competing products in the same commercial block, or "pod." Independent stations often have more long segments to offer than either the broadcast or cable networks.

Media cost is affected by issues other than length. Local advertising is proportionally more expensive than network. Buying specified time slots is more expensive than purchasing within a broader time frame. Less expensive alternatives are "preemptibles" (the advertiser chooses a specific time but the station can replace it with a full-rate advertisement if one becomes available) and run-of-the-station (ROS) spots (the station itself chooses the time). Per-inquiry deals, if available, lessen the risk that exists even when airtime is purchased at very favorable rates.

You may have recognized that this list of key media planning concepts omits one considered very important by the general advertiser—program ratings. Whereas general advertisers are eager to place their commercials on highly rated programs, direct marketers generally avoid them because they are not usually good vehicles for direct-response advertisements. It is possible that viewers of popular programs are too absorbed in the entertainment to pay much attention to the commercials. It is also possible that viewers tend to resent the intrusion of a commercial more when they are watching a program they like and that they do not want to chance missing any of the program while placing an order. The same reasoning in reverse explains why independent stations have been such successful vehicles for direct-response spots: it is not as much of a sacrifice to miss part of a rerun to place an order for an attractive product.

The concepts of GRPs, dayparts, and availability are all important to the direct-response TV advertiser, but the most important concept of all is profitability, which is usually measured in terms of cost per order or per lead. Because profitability can be measured on a station-by-station basis, direct-response television time is purchased with a clause allowing for cancellation at any time with 48 to 72 hours notice. Direct marketers must not hesitate to cancel unprofitable advertising, but they should give the spot a chance to perform.

Edward L. Nash points out that response builds over time with a television campaign, but because it builds erratically, it is difficult to forecast results. A successful campaign will reach a peak after 2 to 3 weeks, plateau for several weeks, and then start to decay. The direct marketer must show some patience in the beginning, but track results carefully so the spot can be removed once results decline below the minimum acceptable profitability level.⁵

⁵Edward L. Nash, *Direct Marketing: Strategy, Planning, Execution* (New York: McGraw-Hill, 1982), 163.

Creating Direct-Response Spots

The aim of direct-response television creative is to take advantage of the visual imagery unique to TV while conveying a convincing sales message. Products that lend themselves to demonstration are particularly appropriate for this visual medium. A unique product with benefits not easily obtainable elsewhere is also desirable because of television's high cost.

Having been assured that the product is well suited for television, the direct marketer should concentrate on creating an attractive offer. All the relevant elements of the offer (as discussed in chapter 3) must be described in sufficient detail to be clearly understood by the viewer. In addition, some products, such as financial services and medications, require disclosure of certain information, which must be shown on the screen in type that can be read by the viewer. Portraying the details of the offer will require a substantial portion of the allotted time. As with all other direct-response media, if customers misunderstand any of the terms of the offer, returns are likely to be high and back-end results are apt to be disappointing. Variations in the offer, such as changes in price or incentive, can have a substantial effect on the pulling power of the spot and should be carefully tested.

Having constructed the offer, there are a number of issues that must be dealt with to create a successful direct-response commercial, according to John Witek:⁶

- A detailed script is the first step. The script includes not only copy, but all the stage directions, so completeness and clarity is essential if the product is to be displayed to fullest advantage.
- A storyboard is the next step. It displays some of the key scenes in the commercial in some detail so that everyone involved in the production can grasp the tone and mood desired and visualize some of the instructions given in the script.
- A skilled and experienced production team is essential to translate the creative concepts and directions onto the medium of film.
- Choose the on-air talent carefully because the actors or celebrities will have substantial impact on the portrayal of the product and the kind of image established for it.
- Use motion (for photographic images such as magazine covers) or action (for any product that can be demonstrated) when filming the commercial. "Motion helps hold an audience's attention. Direct response visuals have interest in proportion to the degree of action they incorporate."⁷ The visuals must, of course, be synchronized with the audio, and they must also be integrated with the copy that appears on the screen.
- When deciding between film and videotape, remember that film produces a higher-quality visual image, but video gives a sense of immediacy.

Witek concludes by reminding us that today's audience has been raised on a steady stream of commercials that have great visual impact. The impact has further increased in recent years with the widespread use of computer graphics in advertising. To hold its own in this environment, direct-response advertising must use creative and production techniques that generate their own impact and believability. He goes on to say:

⁶Adapted from John Witek, "Direct Response Graphics—The Look of Direct Response TV Commercials," DMA Report 505.01A, July 1989, 1–3.

⁷*Ibid.*, 2.

Direct response spots tell you to go to the telephone. But they often show little to prove that the trip will be worth it. And a big part of the audience won't know that it's worth it until the flash and style taken for granted in general advertising becomes typical of direct response graphics and until the ability to build an image blends with the skills it takes to get an order.⁸

Testing Direct-Response Spots

Testing DRTV spots bears many similarities to test-marketing a product. Choosing representative markets and determining the length of the test must be done correctly if test results are to be valid. One DRTV executive recommends the following:⁹

- three broadcast markets, two stations in each market
- one or two cable networks
- a three- to four-week test
- at least 15 spots per week per station

Response rates are higher during the first and third quarters of the calendar year. It is therefore desirable to test during the second and fourth quarters in order to be ready to roll out during the more productive quarters.

A test must be monitored very carefully to measure its degree of success and to find ways, such as a better media buy, in which it might be improved. The time of the call and the station on which the spot ran are both essential pieces of data. It simplifies the tracking problem to assign each station a different 1-800 telephone number. David Kyffin presents a detailed methodology used in testing direct-response television spots in Great Britain.¹⁰

In preparing, first, to test a DRTV spot and, later, to roll it out, remember that part of the planning is to have both the telemarketing and the fulfillment operation ready to play their roles in the program.

SUCCESSFUL USE OF DIRECT-RESPONSE TELEVISION

Christian Children's Fund (CCF) is a not-for-profit organization that has used DRTV successfully for more than a decade. CCF, founded in 1938, originally used the mail, as do most other nonprofits, for its fund-raising efforts. In its case, fund-raising equates to convincing people to contact CCF for additional information about sponsoring a child in need. It runs spots on both cable and broadcast networks as well as local and syndicated stations, based on affordability. CCF receives 16,000 to 20,000 inquiries per month and finds that as many as 30 percent of the inquirers do convert into sponsors. CCF spends about 90 percent of its fund-raising on television.

CCF uses little outbound telemarketing except to place a call to prospects who have not converted into sponsors 15 days after receiving the information. They use card packs and package inserts for prospecting. They have tested prospecting on the on-line services, which do bring in some leads, but those leads have a low conversion rate. CCF uses its database when an emergency strikes in a geographical area in which it is active. They contact people

⁸Ibid.

⁹Diana Vogel, "DR Television Makes Marks with Marketers," *DM News*, 21 October 1991, 21-22.

¹⁰Kyffin, "Assessment of a Direct Response Television Campaign," 334-342.

who are sponsoring children in that particular area with an appeal for special assistance and find that the sponsors are receptive.¹¹

A much newer entrant into the realm of DRTV is Xerox Corp., which aired its first infomercial in 1997. The product was a new line of digital copiers, a product that the company felt would be difficult to explain adequately in conventional spots. The offer in both the 30- and 60-second versions of the direct-response spot is for a video demonstrating in detail the company's Document Centre line of digital copiers. One reason for using television is to reach multiple decision makers for a copier product that may be integrated into computer networks. According to a communications manager for Xerox:

The way the office is today, it's kind of hard to say who makes the purchase decision. . . . Is it someone who's involved with network services? Is it a CIO [chief information officer] or a manager of a data center? Or is it an administrative head or purchasing manager who traditionally has been part of the copier decision-making process? The purpose of DRTV is to let people know there's a new day in technology. DRTV is very complementary to everything we're doing.¹²

This concept was developed as an integrated campaign leading with publicity, followed by print, and later by direct mail. Its direct-response objectives were to generate leads for the Xerox sales force and to build a database of responders. Xerox planned to spend \$10 million on the campaign.¹³

Infomercials

What the industry often refers to as "long-form" promotions grew from its beginning in the late 1970s to more than \$1 billion in sales in the United States and more than \$8 billion worldwide in 1997.¹⁴ The way was opened when the television industry in the United States was deregulated in 1984, removing the restriction of 12 minutes of advertising time per half hour. Public attention was drawn to the format in 1992 when presidential candidate Ross Perot used it as an important element of his media strategy. Traditional DRTV products such as Jay Kordich's "Juiceman" flourished in the new format. According to *Advertising Age*, "Yuppies ordered \$500 exercise machines by phone and more than half the orders for Tony Robbins' \$149.95 'Personal Power' self-improvement course came from people with incomes of more than \$50,000 a year."¹⁵ Well-known national advertisers from Lexus to Club Med have used the format with success. How is it possible to produce 30-minute programs, purchase air time, and still sell enough products to make money? There are several answers to this question, including the nature of the prospective consumer market, the types of products that work in this format, and the economics of infomercials.

¹¹"Eight in the Top Corner," *Direct*, www.mediacentral.com, 1 October 1996.

¹²Rob Williams, "Xerox Launches First DRTV Campaign," *DRTV News*, 1 July 1997, 6.

¹³Ibid.

¹⁴Direct Marketing Association, *Handbook* (New York: Direct Marketing Association, 1996), 174; www.nima.org, 27 August 1997.

¹⁵Kathy Haley, "The Infomercial Begins a New Era as a Marketing Tool for Top Brands," *Advertising Age*, 25 January 1993, M3.

TABLE 16.2 Motives for Viewing Infomercials

	<i>Light Viewers</i> (n = 66)	<i>Heavy Viewers</i> (n = 68)
Learning about new products	30.88%	51.89%
Interest in specific product	20.58	32.91
Enjoy celebrities	8.82	11.39
Entertainment value	17.64	17.72
Bored (switching channels)	58.82	58.22

Note: Classification as light or heavy is based on an index that combined viewership scores with familiarity scores on 24 infomercials.

Source: Adapted from Michael T. Elliott and Paul Surgi Speck, "Antecedents and Consequences of Infomercial Viewership," *Journal of Direct Marketing* (spring 1995): 39–51.

INFOMERCIAL VIEWERSHIP AND PURCHASING BEHAVIOR

Surveys in 1994¹⁶ and 1995¹⁷ suggested that about 70 percent of respondents had watched at least one infomercial in the preceding six months. Elliott and Speck reported that 31 percent of respondents said they never watched infomercials, whereas 21 percent watched them once or twice a month, and 7 percent watched them several times per month. The infomercial viewers in this study were more likely than nonviewers to be younger, unmarried, financially optimistic, and willing to try new products. An industry study in 1996 found viewers to have an average age of 41 and an average household income of \$50,250. This study also found viewers to be employed full time, have children under age 16 living at home, and to live in the suburbs.¹⁸ Note that these studies do not agree on whether infomercial viewers are more likely than nonviewers to be married. Nonetheless, the overall profile of infomercial viewers appears to be relatively upscale.

The Elliott and Speck study asked about viewing experience with respect to 24 different infomercials. It found that "all of the infomercials in our sample were viewed completely by at least some respondents, and many were completely or partially viewed by a substantial part of the sample. Some had completion rates three times as high as others but [perhaps surprisingly] none had completion rates lower than 17%."¹⁹ In other words, many viewers watched all or a substantial portion of the infomercial. This study also asked about viewer motivations (Table 16.2).

¹⁶Hudson Street Partners, in Haley, "The Infomercial Begins a New Era."

¹⁷Michael T. Elliott and Paul Surgi Speck, "Antecedents and Consequences of Infomercial Viewership," *Journal of Direct Marketing* (spring 1995): 39–51.

¹⁸Cathy Asato, "NIMA Chief Views Future of DRTV," *DM News*, 4 November 1996, 10.

¹⁹Elliott and Speck, "Antecedents and Consequences," 43.

PRODUCT AND INFOMERCIAL FIT

There are two different situations with respect to the question of whether a product lends itself to the infomercial format. The companies that derive their livelihood from the DRTV industry are constantly on the lookout for products that will work well in the long format. National advertisers ask themselves whether it makes sense to add infomercials to the media strategy for a particular product.

The importance of choosing a product that is unique and that lends itself well to demonstration is true in the long-form just as it is in short-form direct response commercials. In addition, one agency executive recommends that the product should have broad appeal (to match the broad appeal of the medium), offer a solution to a problem, have an excellent price to value relationship (to encourage impulse purchasing), and have a minimum five-to-one mark-up.²⁰

The entertainment component of infomercials (which Table 16.2 suggests is not very high) does not override the need for a compelling offer. Another executive points out that few products priced at less than \$29.95 or more than \$300 are successful. In the higher price ranges most offers state price in terms of three to five equal monthly payments. Shipping and handling costs average \$8.95 except for high-priced exercise equipment or housewares.²¹

Within these general guidelines, are there some product categories that do well in infomercials and others that do not? Certainly some product categories, such as fitness equipment, personal care products, and self-improvement programs, have many successful models. However, many other products and services—from automobiles, to household cleaning equipment and devices, to telephone services and equipment—have been used in at least limited markets with success.

One way of answering this question is to look at the types of products that are selling well at any given time. The information in Table 16.3 (p. 394) is compiled on a monthly basis, so be careful about implying too much from one set of results or even from a several month time period. The media buys that drive the results may have seasonal patterns, or you could simply be seeing a short-term phenomenon. It is certainly true that over a few months in 1996 and 1997 offers as varied as Dionne Warwick's "Psychic Friends Network" and Richard Simmon's "Sweatin' to the Oldies" led the infomercials parade.

The data in Table 16.3 are interesting also because they show that this particular list of hosts includes few celebrities. There are some differences of opinion on the value of celebrity hosts to infomercial success. Celebrities do have attention-getting value, but some viewers appear to doubt their credibility. This may be especially true if the celebrity seems to have little affinity with the product in question. However, when the celebrity has a clear standing with regard to the product category (Bob Vila of *This Old House* promoting tools) or is the originator of the product (Victoria Principal and her line of cosmetics), their presence seems to work in the product's favor. If celebrities have, or can demonstrate in the infomercial, no obvious relation to the product, they might actually be counterproductive.

In addition to these product considerations, national advertisers of branded products have to ask themselves whether infomercials make sense in terms of their overall promo-

²⁰Peter Spiegel, "The Eight Most Frequently Asked Questions about Infomercials," www.smartbiz.com, 27 August 1997.

²¹"Guide to DRTV Advertising," www.tracomm.com, 27 August 1997.

TABLE 16.3 Infomercial Product Ranking for July 1997

	Product Name	Show Host	Cost	Category	Marketing Company	Product Description
1	Autobike Classic	Robb Weller	\$359.96 plus \$49.99 S&H	Health and fitness	CSA Inc.	Bicycle
2	Total Gym	Chuck Norris and Christie Brinkley	\$599.40 plus \$50 S&H	Health and fitness	American Telecast	Exercise equipment
3	Smart Wrench	Beau Rials and Bob Circosta	\$39.90 plus \$6.95 S&H	Household	The Media Group/ American Direct Marketing	Tool
4	Sweet Simplicity Body Smoothing System	Wendi Rogers	\$29.95 plus \$6.95 S&H	Beauty	HSN Direct	Hair removal system
5	Bun Trainer	Tracy Effinger and Lisa Lamendola	\$79.80 plus \$19.95 S&H	Health and fitness	Marson Media LLC	Exercise equipment
6	Great North American Slim Down	Larry North	\$79.80 plus \$9.95 S&H	Health and fitness	Quantum Television	Diet system
7	Sobakawa Pillow	Jennilee Harrison	\$29.95 plus \$8.95 S&H	Household	Kent & Spiegel Direct	Specialty pillow
8	WebTV Internet Terminal by Philips Magnavox	Unidentified male	\$249.99 plus \$19.95 S&H	Computers and electronics	Philips Magnavox	Internet-TV interface
9	Quick 'N Brite	Larry Gourlie	\$29.95 plus \$8.95 S&H	Household	Quick 'N Brite	Concentrated cleaner
10	Brown & Crisp	Darla Hahn	\$29.95 plus \$6.95 S&H	Kitchen	The Media Group/American Direct Marketing	Microwave cooking bags

Source: *DRTV News*, 11 August 1997.

Note: Ranking includes only hard good product infomercials. Business opportunity, brand awareness, and lead generation infomercials have been excluded. This ranking is based on gross media rates. Information provided by Infomercial Monitoring Service, Inc., 810 Parkway Boulevard, Broomall, PA 19008. To contact IMS, 610-328-6902, fax 610-328-6791, or <http://www.imstv.com>.

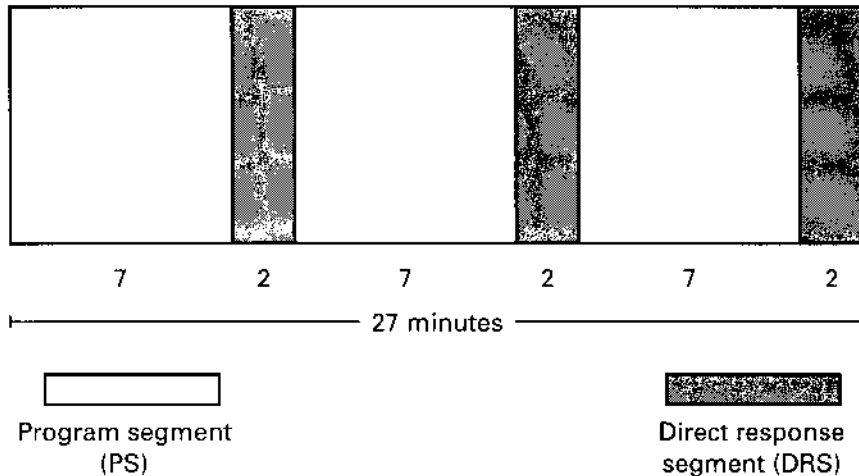


FIGURE 16.2 Anatomy of an Infomercial Program

Source: Michael T. Elliott and Pamela Lockard, "An Analysis of Information Content in Infomercial Programs," *Journal of Direct Marketing* (spring 1996). Copyright © 1996 by John Wiley & Sons. Reprinted by permission of John Wiley & Sons.

tional strategy. Infomercials may provide additional attention-getting power for a brand, and they are one answer to management's demand for more accountability in advertising. National advertisers may use infomercials to sell products as well as to produce leads and to build databases, but they may also have more complex objectives, which include image building and differentiating the brand from its competition.

PLANNING AND PRODUCING INFOMERCIALS

Like the short form, infomercials have a basic format, which is shown in Figure 16.2. This standard format is three equal-length programming segments, each of which is followed by a direct-response segment that presents the offer, ordering information (including the 1-800 telephone number, which may also be displayed for segments of time during the program sections), and encourages the viewer to take immediate action. Because it does not appear that most viewers watch the complete infomercial, it is important to make the "sales pitch" at intervals throughout the program. Our students have also pointed out that the three-segment approach tends to place the direct-response segments at the same time commercials are appearing on regular programming; a situation that inhibits channel surfing.

There are several types of infomercial programming. *Demonstrations*, often used for fitness equipment and food preparation devices, focus on showing how the product is used and benefits of usage. *Testimonials* feature an expert or celebrity who brings his or her own credibility to the sales message. Self-help or self-improvement programs use this format, which often includes interviews with obscure individuals who describe how their lives have been changed by the product. *Documercials* use a journalistic format to present the product in a way that may create audience confusion about whether the program is paid advertising or nonpaid programming. *Talk shows* use this popular format in ways very similar to traditional programming. Celebrity interviewers are often used and audience participation is important. One variant of the format has the host interviewing a group of product users or

prospects; another has a host interviewing the product's developer. Finally, there is the *dramatization*, which may look very much like traditional programming, including attempts to use the situation comedy format.²²

The format chosen guides the scripting of the program. Producing the infomercial will involve all the considerations of other DRTV formats. It will require longer to produce than a spot, perhaps several months. This brings us to the question of costs.

THE ECONOMICS OF INFOMERCIALS

The cost of producing an infomercial can range from as little as \$75,000 to as much as \$1 million, with most falling in the \$160,000 to \$250,000 region.²³ Table 16.4 shows how those costs break down for a low-end infomercial, and confirms that the \$250,000 estimate is a common one. This is just for the production of a 30-minute infomercial; it does not include media costs. There are many variables that can impact production costs, such as the use of food stylists, audiences, customization, dubbing, and celebrities. Re-edits are common and costly.

According to the president of Kent and Spiegel Direct:

Media [costs are] generally broken into two categories; the test and the roll-out. Media tests run anywhere from \$25,000 to \$100,000. We usually get our feet wet with about \$10,000 and start doubling it every week. You pretty much know what you have after you spend \$50,000. A decent test should include a mix [of] broadcast and national cable.

The roll-out is another story. Our bare minimum for a successful infomercial is \$50,000 per week—generally we spend between \$100,000 and \$500,000 per week for a successful infomercial.²⁴

These costs appear quite substantial—and they are. However, when they are compared to the cost of traditional brand image commercials for network television, they begin to look quite reasonable. Production costs for 30-second brand-image spots are easily as much as \$250,000 to \$1 million. Media costs for top-rated entertainment programs and sporting events can approach \$1 million per minute.²⁵

The direct marketer knows the gross margin for the product going into the testing phase. At this point it would be useful to decide on an allowable cost per order (CPO) in order to help decide whether to continue testing and rolling out. The allowable CPO varies. "A low price offer may have a CPO of \$2, \$3, or \$4, but a product with a \$100 price tag may have a \$10 to \$14 allowable CPO. But even those thresholds may not apply to a specific product."²⁶

According to Spiegel, only one out of four infomercials is successful. He identifies a successful infomercial as one with sales of \$10 million, with \$50 million being a real winner.²⁷

²²Michael T. Elliott and Pamela Lockard. "An Analysis of Information Content in Infomercial Programs," *Journal of Direct Marketing* (spring 1996): 44–55.

²³Spiegel, "The Eight Most Frequently Asked Questions," 2.

²⁴*Ibid.*, 3.

²⁵Joe Mandese, "Seinfeld Is NBC's \$1M/Minute-Man," *Advertising Age*, 18 September 1995, 1.

²⁶Laurie Freeman, "Formula Mixes Numbers, Intuition, Tests," *DRTV News*, 24 February 1997, 3.

²⁷Spiegel, "The Eight Most Frequently Asked Questions," 4.

**TABLE 16.4 Infomercial Production Cost Worksheet
(for 30-minute Spot, Not Including Air Time)**

Script	\$15,000
Talent (Host/Hostess)	15,000
Commercial Agency (20%)	3,000
Testimonial Development	5,000
Shoot (2 cameras, 2 days—Rehearsal & Shoot Day. Plus 1 camera, 2 days—testimonials and commercial)	30,000
Videotapes (Beta SP, 20 @ \$45. ea.)	900
Teleprompter (2 days)	2,000
Production Assistant (5 days)	2,000
Director (5 days)	5,000
Make-up Artist (4 days)	1,600
Catering (5 days)	1,500
Location/Studio/Set Design	15,000
Props	2,000
Wardrobe	2,000
Voiceover	1,000
Audio Studio	900
Audio Materials	50
Music Score	1,000
Time-coded Dubs	575
Off-Line Edit	3,000
On-line Edit (30 hrs. @ \$325 per)	9,750
1-inch Tape Stock	175
Protection Master	150
VHS Dubs (4 @ \$25 ea.)	100
Animation (logo & body of show)	5,000
Administrative Costs	4,000
Production Fee	25,000
Total Cost	150,700

Source: Data from Concepts Video Productions, 1996. From *Direct Marketing Association's Statistical Fact Book, 1997* (New York: Direct Marketing Association, 1997), 174. Reproduced with permission of the Direct Marketing Association, 1998.

EXAMPLES OF SUCCESS

An interesting but atypical application of the infomercial format by a national advertiser occurred when Quaker State motor oil realized that it had a problem with both sales and perception of the brand in the southern part of the United States. They hit on an infomercial as a way to “build brand image and to develop a more positive perception of Quaker State motor oil in that part of the country.” The show was entitled the “Winning Formula” and featured stars from the Hendrick Motor Sports racing team. The story line included the team preparing for a race and discussing their trust in the product. The offer included a sweepstakes for a new car, a trip with a racing crew, and merchandise if the viewer called a toll-free number.

The company used focus groups to assess changes in perception of the product, which they found to be greatly improved as a result of the infomercial. They also reported that in one chain, retail sales increased by 7.2 percent during the eight weeks that the infomercial ran. The director of marketing for Quaker State says, "The show was a risk for us, in a sense, because it's not cheap, especially in this format. . . . We shot not in the typical videotape. We did a combination of high-quality film and high-quality production values that enhanced the total program." It was not clear, however, whether Quaker State planned to continue airing the infomercial.²⁸

Another unusual application of the infomercial format was developed by the Arthritis Foundation. The offer is for subscriptions for their publication, *Arthritis Today*, membership in the foundation, and resources including a guide called "101 Tips for Better Living" and a videotape of exercises for arthritis sufferers—all priced at \$39.95. What makes the infomercial unusual is that it is sponsored by Tylenol, MIC Communications, and HealthSouth, a national chain of outpatient service providers. Both Tylenol and MIC aired existing commercials in identified sponsorship segments. The story line involves real people who have conquered or learned to live with the pain of arthritis. The infomercial moved from test markets into a regional roll-out, although no specific measures of success were given.²⁹

THE FUTURE OF INFOMERCIALS

The long-form format has seen rapid growth in the United States and in other countries including Japan, Western Europe, and Australia. What the future holds is not clear. It has proven its drawing power, but it is vulnerable to cost increases, especially for airtime.

Will the format continue to grow and to expand internationally, drawing even more national advertisers? Will most infomercials in the future be sales oriented or will more be used as image and database builders? Or is the infomercial a short-term phenomenon, soon to be replaced by other types of promotional activity? Does the future include delivery of infomercials on demand over the Internet? No one knows the answers for sure at present.

One certainty, however, is that infomercials face competition from another type of electronic retailing—the home shopping channel.

Home Shopping Channels

Home shopping channels are another phenomenon fostered by the multiplicity of broadcast opportunities available on cable television. Originating in the United States, the two major channels are expanding their efforts into Europe, primarily the United Kingdom, Germany, and Austria, and also into Japan.

THE ORIGIN OF HOME SHOPPING CHANNELS

This aspect of direct marketing began with the founding of the Home Shopping Network (HSN) in 1985 and QVC (which stands for Quality, Value, and Convenience) in 1986. Both networks had their origins in established spheres of direct marketing. The founders of HSN had operated a radio shopping station in Clearwater, Florida, and the creator of QVC had ear-

²⁸Rob Williams, "Williams Sells Quaker State on 'Guerrilla' Tactics," *DRTV News*, 9 June 1997, 4.

²⁹Kim Cleland, "Arthritis Foundation Turns to Infomercial," *Advertising Age*, 14 June 1997, 14.

lier established The Franklin Mint, a well-known direct mail marketer of collectibles.³⁰ In the past decade a number of other electronic home shopping services have come and gone, while HSN and QVC and their subsidiaries have emerged as the key players in the industry. Other viable smaller networks also exist, and they all operate in essentially the same manner and tend to sell a similar array of merchandise.

THE HOME SHOPPING PRODUCT MIX

Consumer Reports provides an apt description of the merchandise mix: "Today, the fare of most TV-shopping channels is the same as it has been for years: collectibles, clothing, small electronics, housewares, and jewelry, jewelry, jewelry."³¹ Fully half the total volume of the channels is represented by jewelry. There are several reasons for this. Jewelry qualifies as an impulse purchase, especially important in this medium where comparison shopping is not really an option. Jewelry is attractive and shows well on the screen, especially if well lit and exhibited against dark, rich backgrounds. Often it is displayed on live models to show how it dramatizes an ensemble. Jewelry also has attractive margins.

The same *Consumer Reports* article points out that the merchandise itself has changed from the early days when most of the items were closeouts and the quality was unpredictable. There is a greater variety of merchandise, chosen to appeal to a broader target audience. High-end department stores such as Saks Fifth Avenue have sold products through this medium and designers have created exclusive lines for the networks.³² In 1996, the fashion director of QVC said that clothing accounted for 25 percent of the network's sales.³³ Competitor HSN, having experimented with recognized clothing brands, commented, "We've been trying to get back to our customer, the customer that we know. We're selling lots of denim, lots of embellishment." The vice president for ready-to-wear and fashion accessories added that the collections created exclusively for them by U.S. designers were selling well.³⁴ HSN, which has two channels with a broad merchandise mix, also has a 24-hour jewelry channel, America's Jewelry Store. QVC's Q2 channel targets a younger, more upscale audience with a mix of merchandise.

Table 16.5 (p. 400) presents a thumbnail sketch of the two largest networks, including some data on their product lines and audience composition. It also shows combined sales for the two largest networks at more than \$2.5 billion in 1995.

THE FORMAT OF HOME SHOPPING CHANNELS

The programming on the home shopping networks is predominately live, although there are occasional taped segments. Programming is divided into 30- and 60-minute segments, just like entertainment programming. There are a few longer regularly scheduled segments, such as the QVC "Sampler Hour." The networks also run special programming. Referring to his larger competitors, Mark Payne, chief financial officer of third-ranked ValueVision, com-

³⁰Tim Allis, "Cable's Home Shopping Network Holds This Truth to Be Self-Evident: No American Should Pay Retail," *People*, 11 August 1986, 107; www.qvc.com, 27 August 1997.

³¹"Shopping by Television," *Consumer Reports*, January 1995, 8.

³²*Ibid.*

³³Sharon Edelson, "HSN, QVC: Another Fine-Tuning," *Women's Wear Daily*, 16 October 1996, 12.

³⁴*Ibid.*

TABLE 16.5 HSN/QVC Snapshot

	<i>QVC Network</i>	<i>Home Shopping Network</i>
Annual sales	\$1,600,000,000 (FY 2/1/95–1/31/96)	\$1,019,000,000 (FY 1/1/95–12/31/95)
Number of homes reached	55 million U.S. 5 million international	69 million U.S.
Number of active customers	12 million	5 million
Percent of repeat customers	60	69
Number of calls per day	192,000	158,000
Average number of packages shipped a day	130,000	58,000
Merchandise mix	Jewelry 35% Home and lifestyle 45% Apparel accessories 20% Other 10%	Jewelry 41% Hardgoods 34% Softgoods 14% Cosmetics 10%

Source: Data from NIMA Fact Book, 1996. From *Direct Marketing Association's Statistical Fact Book, 1997* (New York: Direct Marketing Association, 1997), 176. Reproduced with permission of the Direct Marketing Association, 1998.

ments, "When you're in 50 million homes you can put on lots of things with adequate success. . . . QVC did an hour of throw pillows."³⁵ Both of the major networks have experienced success with day-long specials featuring broad categories such as "Yukon Gold."

The regular segments are hosted by one or a pair of on-air personalities. Celebrity hosts are often featured: Vanna White selling shoes or Bobby Unser promoting an engine treatment. Joan Rivers sells a line of jewelry and collectibles she has designed based on her own collection of fine jewelry and Faberge eggs. In general, however, the hosts are television professionals who have become quite skilled at exploiting the capabilities of the medium. The on-air personalities have become well known to, and extremely popular with, their loyal viewing audiences.

Some shows are primarily a presentation of one product after another with air time allotted in proportion to expected or demonstrated sales. To vary the format, the developer of the featured product or the author of the book often joins the host to discuss his or her product. Sometimes the format resembles a talk show, but generally it is a straightforward sales pitch, enlivened by demonstrations and lively chatter. Audience call-in has also become a major feature of many program segments, with customers providing testimonials about their enjoyment of the medium and satisfaction with the products. The networks maintain that testimonials are unsolicited and spontaneous or that callers are selected randomly to speak with the hostess. One caller recently bragged to HSN that she had bought 23 rings from the network!³⁶ Some shows are filmed in front of a live audience. QVC built a special facility to accommodate more live-audience shows. It also contains a stage set called QVC Home, an actual house set up to allow filming to move from room to room according to the nature of the product being featured at a given time.³⁷

³⁵"TV or Not TV," *Inc.*, June 1994, 64.

³⁶"Shopping by Television."

³⁷Rob Williams, "QVC Revs Up with \$100M Complex," *DRTV News*, 11 August 1997, 1.

Response to the featured product begins very quickly after it goes on the air. Behind the scenes, producers are able to monitor the rate of sales and inventory in real time. If the product is a hit and inventory is almost depleted, the host will be instructed to move on to the next product before the allotted time elapses. If the product is doing well and inventory is available, the time may be extended. If it is a real bomb, the producer can pull it off and move on to something with more potential.

Recently, the networks have begun to use a bank of monitors to feed this information to the on-air personalities. The monitors show graphs of real-time data for important parameters such as call volume, number of calls on hold, inventory, and so forth. A skilled presenter can use these data to modify the on-air sales pitch. For instance, if call volume falls while one product feature is being discussed, the host can switch to another feature. The data can also be used to trigger sales support graphics or even prerecorded videotapes, again depending on the reaction to the depiction of specific product characteristics. Incentives can also be introduced, based on real-time audience reaction. One journalist has observed, concerning the use of the databanks, that

this information allows the producer of the segment to alter the amount of time allotted to a specific product based upon the data presented. Intuitively, higher sales rates should justify an increase in on-air time. However, this is not always the best case scenario. Inventory availability and, occasionally, inbound operator availability may also effect the choice of timing and sales pitch. I have observed offers that were so successful that all available operators were taking calls and hundreds of customers were on hold, the producer of the segment immediately switched to a more expensive product with a complex series of features to slow down incoming call volume until the operators could catch up.³⁸

Although the technology involved in this latest refinement is not terribly sophisticated, it provides an opportunity to remove some causes of customer dissatisfaction and to maximize the sales effectiveness of the medium. At the same time, it takes real skill on the part of the production team and the on-air talent to make smooth, seamless transitions.

This vignette raises another interesting question: Who are the people calling in and waiting on the lines to order merchandise from the television shopping programs?

THE AUDIENCE FOR HOME SHOPPING CHANNELS

The original home shopping channel audience was perceived as being somewhat downscale. After all, the initial merchandise was primarily factory overruns and discontinued items. Both QVC and HSN have worked to upgrade their audience to a younger, more affluent one as well as to attract males.

OTHER HOME SHOPPING CHANNEL DEVELOPMENTS

Both QVC and HSN continue to extend their reach in a number of ways, including the Internet and international expansion.

Internet Shopping

Both of the major channels have established on-line retailing operations. The QVC site offers more than 20,000 products similar to those offered on TV, including jewelry, home office supplies, and furniture. Kitchen items make up the best-selling category on the Web. QVC states that, in late 1996, it was averaging more than 100,000 hits per day and had an

³⁸David J. Katz, "On-Air Databanks," *DM News Home Shopping Supplement*, 19 May 1997, 14.

average order size in excess of \$100, which is higher than from television. The Internet Shopping Network (ISN) is a wholly owned subsidiary of HSN that focuses on computers, software, and computer supplies. HSN reports 30,000 to 40,000 hits per day and revenue of about \$1 million per month. In both cases, Internet sales are only a small fraction of television sales.³⁹ Little is known about the demographics of Web shoppers on either site, but it seems likely that they are quite different from their television customers.

International Expansion

Both major shopping channels have expanded into other countries. HSN operates in Germany in an alliance with GmbH & Co. The channel is called "HOT." It broadcasts 24 hours a day, 12 of which are live. It reached 8.3 million households in Germany and Austria in 1997. In Japan, HSN has partial ownership of the Tokyo-based Shop Channel. This channel also broadcasts 24 hours a day, but only 18 hours of live programming per week. In early 1997 this channel was reaching 845,000 Japanese households.⁴⁰ QVC has a joint venture with BskyB, which reaches four million households in the United Kingdom with 17 hours of live programming seven days a week.⁴¹

Direct-Response Radio

The use of radio as a direct-response or support medium bears many similarities to the use of television. Radio's special ability to reach targeted groups of people as they pursue many aspects of their daily lives has made it a useful direct-response medium from its inception.

EARLY DIRECT-RESPONSE RADIO

One author describes an early direct-response radio operation as follows:

Back in the wonder years of radio, in the late 1930s, the 1940s, and early 1950s, one of the most popular direct-response ads running over WCKY in Cincinnati peddled a lamp shade impregnated with insecticide. When the lamp was turned on, the announcer promised, the heat would activate the insecticide and kill all the bugs in the room. . . .

WCKY was one of several 50,000 kilowatt, clear-channel stations which, since many stations were required to go off the air at sundown, were able to "skyway" their signals at night over as many as 30 states. L. B. Wilson of WCKY was one of the most colorful station managers. At one time, he was said to have 16 to 18 people in the mailroom just filling orders for products that included baby chicks and a very popular plastic statue of Jesus. Stories of closets full of "crystal-like" table cigarette lighters or leftover "collapsible" hula hoops were common station gossip through the years.⁴²

Radio and the sophistication of its audience have changed a great deal since those early days. One practical difference is that stations no longer perform the fulfillment function.

³⁹"Cable TV Shopping Networks Face Online Retailing Realities," *Electronic Marketplace Report*, 1 October 1996.

⁴⁰HSN 10K Filing, www.sec.gov, 14 April 1997.

⁴¹QVC Corporate Facts, www.qvc.com, 27 August 1997.

⁴²Terry Considine Williams, "Will Direct Response Radio Return to the Golden Ad Days?" *Direct Marketing* (October 1986): 50-52.

Marketers who do not have fulfillment capabilities hire independent fulfillment specialists to handle responses from their radio advertisements. An even more important change is that radio has lost its status as the only mass medium capable of attracting a large national audience with broad-appeal programming. The days of long-running situation comedies, dramas, and variety shows on the radio are gone forever. Those formats are now almost exclusively the province of television. With the widespread adoption of television in the 1950s, radio evolved into a low-reach, high-frequency medium that offers its own unique advantages to the direct marketer.

RADIO TODAY

At present there are as many as 10,000 radio stations selling commercial airtime in the United States.⁴³ According to the DMA, radio attracted \$5.1 billion in direct-response advertising revenue in 1997, split about evenly between consumer and business markets. Of this, \$3.5 billion was spent on lead generation in this medium, \$1 billion was allocated to direct sales spots, and the remainder to retail traffic generation. The 3.5-to-1 ratio for lead generation to direct sales advertising dollars is considerably higher than the roughly 2-to-1 ratio for all direct-response media combined. Direct-response sales attributed to radio in 1996, when total direct marketing advertising revenue was \$4.7 billion, were \$31.8 billion. Direct-response advertising accounted for more than one-third of radio advertising revenues in that year.⁴⁴ In spite of the perceptions of many people that radio is not a good direct-response medium because listeners are often engaged in other activities while they are tuned in to the radio, clearly the medium is an important one for direct marketers.

The reasons that radio is effective in producing sales and leads as well as attracting traffic to retail locations include

- *Cost efficiency.* Radio is a local medium and major markets are extremely competitive, keeping rates in check. In addition, it is quite inexpensive to prepare and produce radio advertising, compared to other media.
- *Excellent targeting.* Part of the competitiveness of radio markets is the proliferation of stations appealing to well-defined target markets by age, listening preference, ethnic background, and language. The ability to selectively target adds to the cost efficiency of radio.
- *Availability.* Radio can be accessed at times and places where other media are not readily available.
- *Flexibility.* It is often possible to place and withdraw radio spots on short notice, and the script can be changed almost immediately to reflect current developments.
- *Involvement.* Radio is a local medium that attracts and involves its audience.

THE RADIO AUDIENCE

The Radio Advertising Bureau (RAB) data for 1996 indicate that 77 percent of all consumers listened to radio every day, and fully 95 percent listened each week. Persons over age 12 listened more than three hours a day during the week and five and three-quarters hours each

⁴³Gary Kretchmer, "The Right Ingredients for Successful Radio," www.smartbiz.com, 27 August 1997.

⁴⁴DMA Report, "Economic Impact: U.S. Direct Marketing Today, 1996," www.dma.org, 14 September 1997.

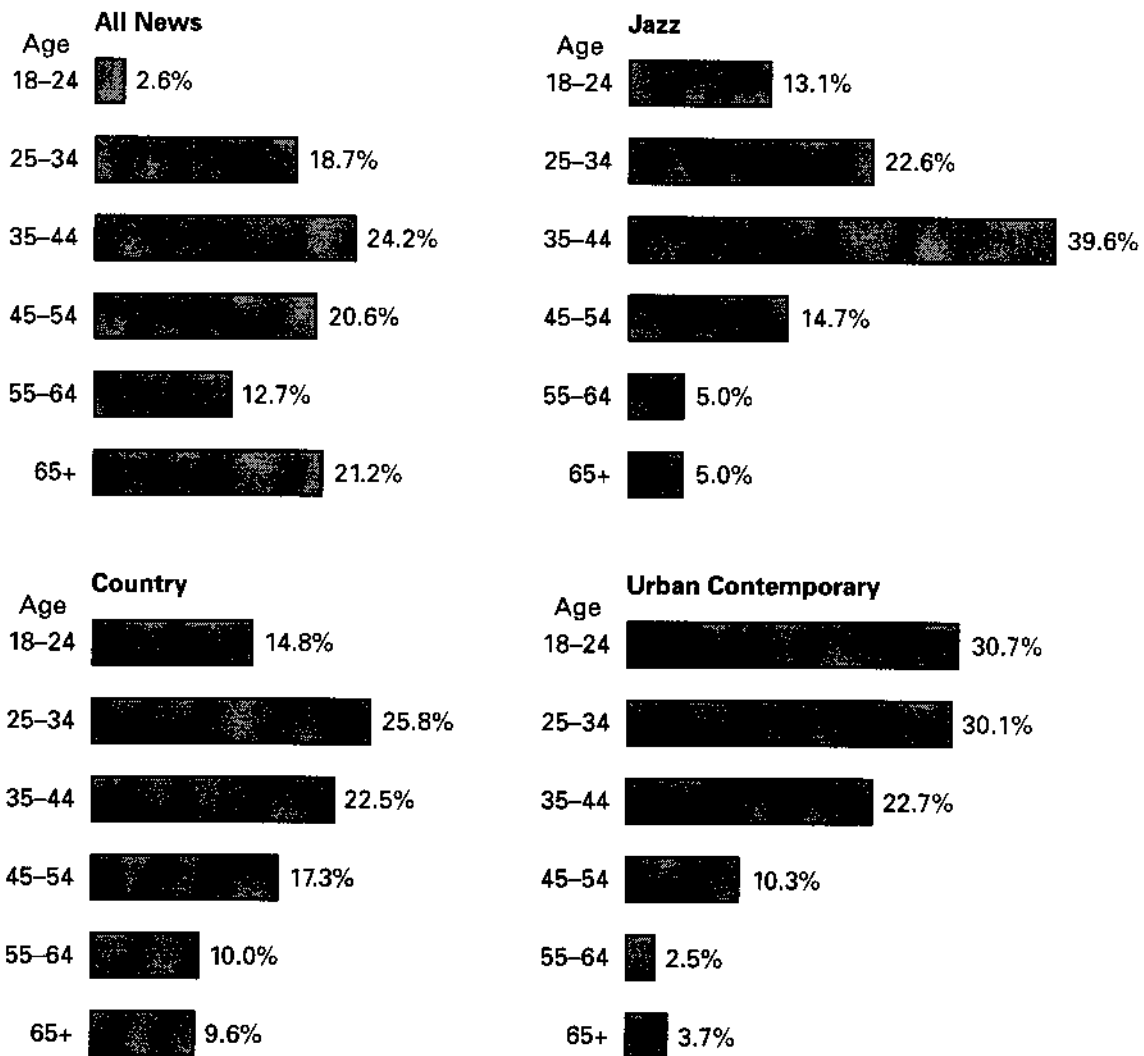


FIGURE 16.3 Listenership by Age of Selected Radio Formats

Source: *Radio Marketing Guide & Fact Book for Advertisers, 1996*. Reprinted with permission of the Radio Advertising Bureau.

weekend day. The RAB data also show more than 80 percent of all adults listen to the car radio each day.⁴⁵

Perhaps even more important to an understanding of radio listenership is the recognition that there are as many as 20 identifiable radio formats in the United States today.⁴⁶ Each format appeals to an identifiable target audience with a unique profile that can be used by the direct marketer to target the sales message. Figure 16.3 shows four profiles from a large number to show how audience composition differs between format. Keep in mind two things as you examine this data. One is that it is national data and local profiles for the same format may differ slightly. The second is that for some stations, especially those for which drive time listenership is very high, profiles may differ by daypart (time of day).

⁴⁵www.rab.com, 12 September 1997.

⁴⁶Kretchmer, "Right Ingredients for Successful Radio," 3.

When to Use Direct-Response Radio

Although radio is an electronic medium like television, the requirements for successful direct-response radio are quite different from those for DRTV.⁴⁷ For one thing, the successful use of radio does not require a product with broad mass appeal. Products that serve niche markets can be ideal candidates if customer characteristics have a good match with the profile of a particular format. Second, response to radio spots does not usually begin immediately, as it does with DRTV. It may require two or three exposures for any given individual to be convinced to respond and to be in a place to conveniently do so. That means that a great deal of frequency is needed to reach a specified audience.

The requirements for successful direct-response radio include

- *A suitable product*, preferably one that can be explained without visual demonstration. A product category with which the listener is familiar may still work without demonstration, however.
- *A simple offer*. This is why the statistics show so much lead generation on radio. If a product or the overall offer really requires more than 60 seconds of explanation to give listeners a clear and compelling reason to buy, a lead generation spot, featuring a 1-800 number, will be more successful. This presents a particular problem for product categories such as financial services and medicines, where disclosure requirements are important. These categories do not lend themselves well to radio sales, although a two-step process may be used.
- *Good creative* that exploits the strengths of radio. A good script, with a strong lead-in, strong offer, copy that stresses benefits, and a clear call to action, is required (see Figure 16.4 for an analysis of a script). In addition, Kretchmer says,

when you play to the intimate, one-on-one qualities of radio and the loyalty people have to their favorite radio stations, then your creative will go the extra mile for you. And it doesn't take expensive, highly-produced commercials to go the distance. Just make sure your approach is informational and personal, with copy crafted for the spoken word and repetition of the most important points. Without visuals, radio can often paint a much more dramatic and convincing picture than other media.

- *Pacing* is another important issue. If you try to cram too much information into too brief a time, the delivery will become very fast and hard to comprehend. "Normal, conversationally paced commercials with pauses will be understood and comprehended better than a spot that becomes a race with time."

Finally, Kretchmer warns that humor does not usually work in direct-response radio spots. Presumably, the humor distracts from the sales message.

RECENT DEVELOPMENTS IN DIRECT-RESPONSE RADIO

On-Line Experiments

Estimates of how many U.S. radio stations have Web sites vary greatly, but it is clear that most stations in major markets are experimenting with this new medium. Finding out how the Internet can support audience acquisition and the experience of listeners has not been easy, though. Beyond the obvious—programming schedules, rate cards, and job post-

⁴⁷This section is based on Kretchmer, "Right Ingredients for Successful Radio."

Can you recognize your body's danger signals? Which of those aches, pains, or changes in your body should your doctor know about at once? With Better Homes and Gardens' FAMILY MEDICAL GUIDE in your home, you'll always have practical, easy-to-understand health and first-aid information on hand—when you need it. When you're confused . . . when you're frightened . . . when there's a medical emergency. Written by 29 of America's most prominent physicians, the FAMILY MEDICAL GUIDE gives you frank advice on hundreds of health problems—on female disorders, irregular heartbeat, loss of vigor, arthritis, strokes, cancer, allergies, and much, much more. It's profusely illustrated and contains more than 2,000 clear, simple explanations of often-confusing medical terms. Yes, you owe it to yourself and your family to examine Better Homes and Gardens' FAMILY MEDICAL GUIDE and right now you can do just that—absolutely free.

In fact, to encourage you to take advantage of this no-obligation opportunity you'll receive from Better Homes and Gardens not one but two FREE gifts . . . an amazing see-through Atlas of the Human Body and Better Homes and Gardens' EAT AND STAY SLIM cookbook.

All you need do is call toll-free, 800-228-2200 and ask to have a copy of the FAMILY MEDICAL GUIDE sent to you. Then, if you agree the FAMILY MEDICAL GUIDE is a book that will prove its great value in your home time and time again, you may pay the full and complete price of \$16.95 plus \$1.45 postage and handling in four easy monthly payments. Four easy payments of only \$4.60 each—which covers all costs. Or return it within 14 days and not owe a single penny. But no matter what you decide, the two gifts from Better Homes and Gardens are yours—free . . . just for examining the MEDICAL GUIDE! So act now. Operators are standing by! Call 800-228-2200, today. Better Homes and Gardens pays for the call, 800-228-2200 . . . call today!

The opening attracts attention and excites interest in the minds of the target market.

An important benefit is promised early in the script.

The participation of experts add credibility.

Considerable detail is given about the attributes and benefits of the product.

A free trial is offered as one way to reduce perceived risk.

Two free gifts are offered as incentives.

The toll-free number is mentioned well before the end of the script to alert listeners to the fact that this is a direct-response ad.

Since the objective of this ad is to close a sale, the terms of the offer must be completely spelled out.

The call to action gives specific instructions on how to take action. The toll-free number is repeated two more times.

The ending is another call to action.

FIGURE 16.4 Analysis of a Direct-Response Radio Script

ings, for example—a wide variety of content can be observed on station Web sites. It ranges from background on on-air personalities and featured performers to concert schedules to event promotion. As a general rule, however, the content of sites does not seem to be very good. Worse, it is not at all clear that many stations are benefiting from the investment in a Web site. One solution may be to use industry-sponsored sites such as Electric Village and Rock Daily.

Exploiting the Widespread Use of Cell Phones

One of the difficulties that has always been associated with direct-response radio is that listeners in automobiles or other locations outside their homes or offices could not readily respond. Cellular telephones, either hand-held or in automobiles, obviously offer a solution to this problem. Industry data indicate that 85 percent of all cellular phone calls are made from automobiles and that 65 percent of them are personal, not business, calls. However, because cellular rates are relatively high, response to radio spots from cell phones does not appear to have grown rapidly. A solution is to provide cellular 1-800 numbers, which require advertisers to pay all charges. Although this service is in its infancy, according to a supplier called Radio 2000,

The service is effective for decisions that pertain to using a car, such as a new car lease or purchase, automotive services, or food deliveries. For example, . . . it's late and a person is driving home from work and hears an ad for pizza delivery. He dials *800 and has the pizza arrive at his house shortly after he does.

No further number is required because the calls all go to a center where a “conciierge” answers and either collects the necessary information or reroutes the call directly to the advertiser.⁴⁸ No data are available yet on this type of service, but it represents an innovative solution to a vexing direct marketing problem.

Summary

Television and radio are not new media to the direct-response marketer, but both have gained considerably in use and credibility in recent years. Both continue to be successful in selling a wide variety of products, and television, especially, has evolved important new formats—the infomercial and the home shopping channel. The direct marketer's approach to using broadcast media is more structured than that of the general marketer. The direct marketer finds the same opportunity to test, refine, and measure the effectiveness of broadcast commercials that exists in the other direct marketing media. These electronic media also provide interesting opportunities to integrate promotional activities with newer media, including the Internet.

Discussion Questions and Exercises

1. What are the similarities and differences between general and direct-response advertising on television? On radio?

⁴⁸Cathy Asato, “Partnership Targets Cell-Phone Users to Boost Radio Direct Response Ads,” *DM News*, 8 September 1997, 4.

2. What are the major considerations when buying direct-response television time? Direct-response radio time?
3. The formularized approach described in this chapter for direct-response television spots and infomercials unnecessarily hinders creativity in their development. Comment.
4. What are the similarities and differences in the audiences for DRTV spots, infomercials, and home shopping channels?
5. Watch an infomercial all the way through and a program segment on a homeshopping channel. Be prepared to discuss your observations.

Suggested Readings

Arlen, Gary. "DRTV: Beyond the Fringe!" *Marketing Tools* (October 1997): 37–42.

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