Redefining Old DRTV Principles

Have you ever wondered why the rest of the world follows age-old economic principles while direct response television (DRTV) seems to follow a complete set of opposing rules? We've all speculated that the infomercial industry has always been counterintuitive, but some things just don't make sense.

With the price of houses skyrocketing and the price of gasoline climbing to record highs, why is it that the price consumers will pay for an ingenious invention — like the One Sweep or the Smart Peeler — seem to be going backward? What consumers once paid $29.95 for on television — and only needed one of — has in many cases been cut just $14.95, or even $9.95. And consumers aren't happy unless they get a second complete set absolutely free!

If we keep going at this rate, we might have to start paying customers to try our cool gadgets then charge them only if they think it's cool enough to keep. It seems as if there's no such thing as inflation when it comes to buying gadgets on television.

On the other hand, diet pills are going in the opposite direction. Who in their right mind would pay more than $150 for a bottle of pills that everyone knows costs far less to manufacture? Nobody really knows when the industry began to change — or has it been changing every quarter since the very first infomercials began in the 1980s? Let's look at a few things that have changed and redefined some truths that have been accepted about this market since the beginning.

1 **Old idea:** You need a 5-to-1 ratio from retail price to cost-of-goods if you want to make money on TV. New reality: That ratio is now at least 7-to-1 or even as much as 20-to-one in some cases. Only if you have immediate and active retail distribution may you still be able to make money with at five to one.

2 **Old idea:** You can build a pent-up demand for your product before launching into retail a year later. New reality: You had better start your retail efforts simultaneously with TV. TV drives retail sales immediately.

3 **Old idea:** You need a 2-to-1 media efficiency ratio (MER) to make a profit on TV. New reality: You only need a 1.5-to-1 or even a 1-to-1 MER. Why? Retail and continuity programs are where the profits are.

4 **Old idea:** You need a live operator to sell your product. New reality: Telesales is even more complicated. Now, you often need a hybrid of an automated voice response system with the ability to forward a call to a live agent when needed.

5 **Old idea:** Your product can have a number of selling points that meet a number of different needs. New reality: Consumers seem to want products that target specific things instead of doing everything. It has to target belly fat directly or flip omelets only.

6 **Old idea:** You can catch channel surfers with good, targeted media buys on cable. New reality: There used to be only 52 stations. Now there are more than 500! Viewers are going to a "destination location." At the same time, media rates have climbed because non-DR companies are buying up DRTV airtime.

For years, Adam MacDonald has given direct response marketers an edge by combining in-depth knowledge and "big picture" DR experience to provide uniquely creative and practical input in developing successful DR campaigns. We are now excited to announce our transition from TEST Marketing Group to Take 2 Direct, specializing in bringing your vision to screen with unparalleled creative production, taking your product to market and managing all the details in between. As 2004 unfolds, Take 2 Direct will continue to bring "From the Lab" to *Response* readers with as much expertise and curiosity as ever. For the latest trends in creative direct response marketing, contact Take 2 Direct at (714) 979-5555 and ask for Adam MacDonald at ext. 202, or Betsy Sanz at ext. 212.

take2 DIRECT