

# Stop Losing Money With Inaccurate CPO and MER Calculations — Make Money By Understanding ASR

Since the beginning of direct response television, companies have lived and died by the media cost-per-order (CPO) or the more widely used media efficiency ratio (MER) to determine if a campaign was making a profit. For instance, a 2-to-1 MER — the long-time industry benchmark of success — is based on spending \$1 in media and generating \$2 in revenue.

By the way, a 2-to-1 MER is likely the single most thrown around and misunderstood term in the business. How many times have you heard that a program was doing a 2-to-1 — and a month later it was off the air?

Newbies to the business automatically measure their success based on a number that is usually reported 30 percent higher than it really is. Many marketers often leave out returns, bad debt, overhead, infomercial production costs and other extra expenses of running campaign. Often the reported 2-to-1 is actually only about a 1.4-to-1.

However, MER and CPO are totally obsolete unless you truly understand how to use them. Today, there is a number that has gained more importance to DR marketers — one that, if calculated accurately, leaves much more room and flexibility to make money. It's referred to as the advertising-to-sales ratio (ASR).

That's right — the ASR is, in essence, a reversion back to the old advertising days, where companies looked at an ASR, or a media ad-allowable model. In today's market, most DRTV products are also sold on the Internet, at retail, on HSN or QVC and even in catalogs. Most products also have repeat customers or have customers that have been referred by other satisfied customers — and CPO and MER cannot track these sales!

Here is the good news: today, many campaigns can run profitably

at a 1-to-1 MER. This may be difficult to understand at first, but if you have the time and patience to actually build a business rather than just throwing something against the wall to see if it sticks, you find that running an infomercial at a 1-to-1 is also like receiving free advertising for your business. As a direct result of the

media spent for the infomercial, you may experience three-to-five times the sales in the form of retail pull-through, Internet sales and increased word-of-mouth sales.

Fortunately, it is simple to figure out ASR. Add up all sales from all venues — TV, retail, Internet, catalog, flea markets, etc. — then subtract all returns, bad debt, overhead and expenses. The remainder is your ASR — the amount of money you can spend in advertising, period.

If you want to actually make a profit, then just spend a little less than the ASR and you will be in the black. As your business grows, your ASR will become more accurate, and you will be able to start using infomercials and short-form spots as free advertising. Many successful companies have figured this out and are subsequently running very profitable campaigns at MERs of even 0.5-to-1. Say good-bye to MER and get with the program — start calculating your ASR today. ■

“By the way, a 2-to-1 MER is likely the single most thrown around and misunderstood term in the business.”

Take 2 Direct specializes in providing uniquely creative and highly responsive commercials and campaign management. If you want to sell your product and need a company that has the creative vision to drive the call, as well as the practical experience to manage the intricate back-end process, contact Take 2 Direct CEO Adam MacDonald at (714) 979-5555 or E-mail him at [adam@take2direct.com](mailto:adam@take2direct.com).

