Response Magazine's 14th Annual State of the Industry Report

Members of the magazine's Editorial Advisory Board speak out on the current state of the direct response marketing industry.

By Thomas Haire

The economic crash. The expansion of media technology. Regulators looking to crack down on advertising testimonials. As 2009 heads into the final turn, these are among the many issues facing the direct response marketing business.

For the past 13 years, *Response* has asked members of its Editorial Advisory Board to analyze current trends and make predictions about the future of the direct response space. Once again in 2009, their thoughts represent a cross section of the industry: from DRTV legends to technology experts; from the international perspective to that of the cable networks. According to these leaders, this is the state of our industry.

What was the most significant accomplishment in the past year for the DR industry?
Stan Bruckheim, Latino Media Services: For Latin America, it was most distributor/marketers maintaining their level of business fairly stably in the face of the global economic crisis. These companies are survivors, accustomed to dealing with sudden shifts in economic factors. And this past year was no exception.

Brian Fays, MTV Networks: The ability for the DR industry to deliver in a down general market — every ad supported network relied more on DR in 2008-09 than ever before.

Doug Garnett, Atomic Direct: This was a year of tremendous public awareness of direct response television. And that has spawned considerable interest in DRTV from outsiders. This is critical to evolving into the highly credible business that DRTV should be. The downside was that when lower media rates became a big item due to the recession, attention turned to the kitsch products, such as the ShamWow and the Snuggie. That meant many in traditional advertising ignored what was happening because of fear that "quality" products would get associated with kitsch.

Tim Hawthorne, Hawthorne Direct: Surviving the "Great Recession." Despite response downturns in second-quarter 2009, the industry has shown surprising stability. DRTV product value propositions have been just what a beleaguered consumer has needed.

Toni Knight, WorldLink: The industry has been able to move forward through the economic downturn, which has created innovative opportunities for direct marketers in traditional and new media.

Fern Lee, Factor Nutrition Labs: There were three: online video, online affiliate marketing and social networking.

Mike Medico, E&M Advertising: The continuing and exponential growth of accountable and measurable media that DR advertisers have been using for years. The poor economy has transformed the media marketplace to the degree that advertisers have been able to take advantage of lower-cost media to achieve their overall marketing objectives.

Digby Orsmond, ARM Direct Ltd.: The U.K. recession continues to have a seriously negative effect on the U.K. television advertising sector. However, infomercial airtime is bucking the trend and increasing on a number of cable and satellite channels. Relatively few European brands and direct response marketers have discovered the power of the half-hour show. Several U.S. companies, however — such as Guthy-Renker and Thane — and successful U.K. newcomers, such as TV Shopping Direct, understand this genre and now dominate the long form sector in Britain.

Ron Pruett, Mercury Media: The sad passing of Billy Mays reinforced his huge impact on our industry and also the ubiquity of DR in our society. Imagine the last time a DR spokesperson was top of the news on every station across the country and beyond — that is an accomplishment.

David Savage, Cmedia: The DRTV industry received a great deal of fairly positive national media attention, attracting marketers and consumers to different facets of the business. With the recession, the media marketplace opened more inventory up to DR marketers, and there was significant coverage on this topic. A hit DR product campaign for the Snuggie became part of the national cultural conversation. Finally, there was a national cable network television program, "Pitchmen," with Anthony Sullivan and the late Billy Mays, that focused on the entrepreneurial part of the business.

Richard Stacey, Northern Response Intl. Ltd.: For many marketers, DRTV has been the place to be in the past year. In particular, the short-form business combined with an Internet and retail strategy has seen especially strong growth. If you look at sales numbers for products such as ShamWow or PedEgg, you will realize that the power of an integrated marketing campaign driven by DRTV is truly amazing. The long-form business and higher priced products are doing well, but the short-form business, with its lower priced products, is definitely benefiting from the current economy. The economic downturn has opened up more airtime at reduced rates. At the same time, HUT (households utilizing television) levels have increased with people staying home to save money. The increase in the number of DRTV commercials airing has increased awareness of the DRTV industry, its products and its celebrities. It's also generated a lot of press about the business, some new books, and an increase in the number of YouTube spoofs. Few would have thought there would one day be a TV show called "Pitchmen."

Bob Yallen, Inter/Media Group: With the unprecedented economic slowdown, eroding consumer confidence, and declining advertising spending — an overall 12-percent decline in 1Q 2009 from the prior year — the DR industry led all categories with more than 14-percent growth. This is quite an accomplishment considering most companies in today's economy would be happy just being able to maintain market share.

What do you believe the hottest topic will be in the coming 12 months?
Greg Sarnow, Direct Response Academy: Federal Trade Commission (FTC) regulations for testimonials and direct response marketers will continue to be a hot topic.

Bruckheim: For Latin America, as the economic crisis gets expectedly tougher, companies will have to continue to make local adjustments to ward off issues of decreased consumer demand, difficult currency values against the dollar, and increased local competition from street-based counterfeiters.

Fays: DR price — networks have only one lever to pull in order to grow or maintain revenue. Inventory management and pricing has never been critiqued in a network's business model as it is currently and will be for the foreseeable future.

Garnett: The economic recovery. Specifically, leveraging the good press about DRTV as the recovery evolves. This means bringing new types of products and new companies into DRTV. It means putting the emphasis on smarter campaign choices and the full power of DRTV at retail and on all sales channels.

Knight: As the economy turns around, I see more mainstream advertisers realizing the effectiveness of DR advertising in the overall media landscape.

Lee: Again, I have three answers: the FTC's testimonial guideline changes, social networking and mobile marketing.

Medico: Mobile and social media marketing.

Orsmond: In the U.K., we have recently witnessed a rush of U.S. advertisers offering cash for gold in print as well as short form. This type of cash for old jewelry program has never been tested in the U.K. before, and it will be interesting to see who grabs the biggest market share and then rolls out across other countries in Europe. At present, the primary infomercial and home shopping product categories shown on U.K. TV screens are beauty and wellness, do-it-yourself, home and garden, jewelry and collectibles, and health and fitness. Combined U.K. sales for products bought directly from TV advertising have dipped slightly in the recession to $780 million per annum — but this excludes online sales, so the total sales figure will be much higher. Recent joint research by ARM Direct has confirmed that almost a quarter of the 458 U.K. television channels broadcast some infomercial content every day during the so-called “teleshopping windows” currently allowed by OFCOM, the U.K.’s TV content regulators. Each year, the number of hours increases, and currently 158 TV channels broadcast 180 minutes of ‘teleshopping’ content every day.

Pruett: Interactive television and monetizing online video for DR advertisers. New ways of media buying and leveraging the latest technologies will test media groups like never before.

Savage: The changing television media landscape and the relative value of the media that comprises it. The marketers who understand what media is most efficiently priced and —just as importantly — how to access it, will be the companies that continue to thrive. Access to and understanding of the value of a variety of national and regional media will help make new industry leaders.

Stacey: It will depend on what area of the DR business you are involved with. As a distributor and marketer, Product development will be an increasingly important topic. Success on DRTV requires a continuous flow of new and unique products with compelling creative that resonates with the consumer. It’s an ongoing challenge to create, develop or find new products that sell well. The DR industry is product driven so in order to grow, it requires continuous product development and innovation. Live shopping channels in particular literally “eat product,” so they are under even more pressure to constantly find winners. Another hot topic is the increasing role of social media in the marketing mix. Social media has had an increasing impact in the sales results of product like the ShamWow and P90X. When you look at the number of YouTube spoofs on those products — and how many went viral — I think it had an important impact in driving consumer awareness of those products. Social media is also increasingly important on the customer service side of the DR business, as dissatisfied customers no longer tell 10 people, they can now tell a million. Domestic multi-cultural marketing is another hot topic these days as digital TV opens up new stations targeting these large and unique audiences.

Yallen: In the ad world, there is a new exciting trend of mobile media. Apps and streaming technology through devices such as smartphones and PDAs are enabling advertisers to reach consumers globally 24/7. This new technology is definitely a direct response pay for the savvy marketer.

What do you believe the most crucial topics for direct response marketers during the next 12-18 months will be when considering the actions of regulators, such as the FTC and Federal Communications Commission (FCC)?

Garnett: This may not make me many friends but I think increased FTC and FCC involvement is important. The Electronic Retailing Association’s (ERA) self-regulation program hasn’t reduced consumer abuses. The only way to get this cleaned up (and it needs to be cleaned up for a better future business environment) is to have the FTC and FCC step in. Testimonials are a key starting point for regulation because abuses are widespread — from brand producers who hire the same actors over and over to be “testimonials” to the traditional business where extensive testimonial coaching seems to be common practice. FTC and FCC action may become important in the coming year with scams that arise trying to take advantage of healthcare reform issues.

Hawthorne: The FTC’s initiative to change its “Guides Concerning the Use of Endorsements and Testimonials in Advertising.” This misguided proposal would strike at the heart of DRTV’s successful testimonial formula and the engine of all advertising to present the “vision” of possibilities that an advertised product holds forth.

Lee: Regulatory action on testimonials for the weight-loss and fitness genre, as well as in the ingestible and clinical trial/substantiation areas are all of particular importance in the near future.

Medico: Given the advanced technology available to direct marketers these days, it wouldn't surprise me if privacy — how direct marketers use the information they gain about consumers — becomes a great concern to governmental regulators.

Orsmond: Clearcast regulates all television advertising in the U.K., and U.S. advertisers often find the strict rules relating to content, testimonials and supers difficult to implement in post-production. The biggest challenge, therefore, remains whether U.S.-produced creative complies with the more stringent European TV broadcasting rules in each country. Quite often, this means having to soften the sell or considerably alter the offer according to the local regulations. Also, whole product categories are banned on European TV. For example, it is still not possible to use DRTV spots or infomercials to sell weight-loss or vitamin supplement or alternative health remedies on TV in the U.K. What the FTC, FCC or FDA (Food and Drug Administration) get up to in the U.S. doesn't mean a thing to European TV regulators or TV stations. To get a product approved, especially a cosmetic or pharmaceutical, it must conform to local standards, which vary from country to country. Uncontroversial product categories like health and fitness, housewares, collectibles, music and DVDs, and cleaning products tend to be the strongest sellers and least controversial with European broadcasters and viewers.

Pruett: Clearly health-related and pharma products will remain under closer scrutiny from regulators, as is prudent, but I don't sense the industry will be hampered by regulation, particularly in a down economy. DR is a bright spot. A regulatory solution around Internet radio will become a positive one for the industry and will pave the way for renewed growth in that old standby.

Sarnow: The FTC is trying to go too far in regulating how the everyday selling process can be seen on TV. Aspirational selling happens in every Mercedes-Benz dealership; it happens in every health club and weight-loss salon.

Stacey: Two critical topics for direct response marketers are the proposed changes regulating testimonials and tax harmonization. The regulations covering testimonials are most concerning as these are an important part of generating sales. Tax harmonization is a costly nuisance that would also hurt sales by making some products more expensive for consumers. Another topic of interest is the live shopping business and if it's possible for newer entrants to develop and grow or even survive in the current media and economic environment without some help from regulators with regard to media access and rates.

How are the ongoing economic problems around the world affecting the DR business? How well is the business responding in the economic downturn?

Bruckheim: Global DR companies selling into Latin America generally have recognized and supported the needs of the local distributors in this difficult economic climate. Many have brought down FOB (freight-on-board) costs by reducing manufacturing costs and offered extra services to help local distributor/marketers continue to buy and sell their products.

Fays: The economy has allowed advertisers to achieve more efficient pricing. From a sales perspective, I see economic conditions improving, thus rates are going up steadily.

Garnett: Typically, advertisers turn to DR when the economy goes sour. However, in this down economy we haven't seen as much of that because the siren song of new media has attracted their attention. So we're seeing a solid business growth trend. But not as good as it typically is during a down economy. What's too bad about this shift to new media is that DRTV is probably the single strongest media around in terms of cost effectiveness. Consider that the recent *Journal of Advertising Research* article showed that brand TV was more effective per-dollar-spent than online advertising/search. Imagine how much more powerful that becomes when you add DRTV's 6-to-10-times additional impact! In other words, companies should have broken from the herd and turned to DRTV. But too many chose the less savvy path and followed consultants and agencies into new media.

Hawthorne: Response is down, but so are media rates. DRTV will survive and potentially flourish as the economy recovers, if the general advertisers sit on the sidelines a bit longer, thus keeping rates relatively lower.

Knight: Like everyone else, the DR business has been touched. Consumers are not buying as many products, and advertisers have reduced budgets. But the economic downturn has created increased opportunities with non-traditional inventory, resulting in a positive impact on the overall business.

Lee: Just look at the top 10 IMS products — we are looking at business opportunities, the Cash4Gold genre, products for the "I" in the consumer — what can it do for them. In the ingestible market, consumers are turning to over-the-counter products for health and wellness rather than going to the doctor. This is helping drive both DR and retail business in this sector.

Medico: It appears that the economic downturn has greatly lessened the number of entrepreneurial companies with product offers that use DR. That leaves a void, which is being filled by the large traditional DR marketing companies. This is evident in what we see on TV, with very few really new products. Many are now coming back with offers that have been around for decades — like ShamWow, various food choppers, exercisers and more.

Orsmond: The U.K. economy is now officially in deep recession, and this is definitely hurting retail sales. The upside for the DRTV advertiser, however, is that television channels are struggling to attract the larger brand advertisers and are lowering their airtime rates to pre-2000 levels. This means that savvy DRTV advertisers are now paying less for 60- and 120-second avails, and, if media budgets allow, they will be able to increase their opportunities to sell. Combine this with other related media — such as newspapers, magazines and online — and those DR advertisers that are able to afford integrated campaigns are likely to make the most gains.

Pruett: Of course anything that hits individual's pockets will hamper growth, particularly in the drive-to-retail area. However, DR is counter-cyclical, and the industry will remain robust in the current downturn and come out of it healthier than before. Remember that the industry is widening in its definition of members to now include corporations who are seeking new channels and direct ways to connect with consumers. This is a great opportunity.

Sarnow: The DR industry is suffering. The supply-demand dynamic with TV networks has created a buyer's market, but still rates are not low enough that the average percentage of winners in any given month is stable. Marketers are indeed suffering — and yet the buzz in the marketplace is that spending advertising dollars in DRTV is far better than general ad spending. The reason is accountability. DRTV offers advertisers a way to see results, interact better with their customers and achieve short- and long-term goals better.

Savage: Marketers who make DR the main driver of their businesses — and who are offering great value and taking advantage of the media marketplace — are doing very well. Marketers who utilize DR more on a tactical basis and who are grappling with specific structural or industry challenges aren't able to spend as freely because of budget cutbacks. Overall, I think the business has responded well. Some companies and agencies have not done well, but those DR marketers who practice what they preach in terms of DR values know very well how to adapt to marketplace challenges like the one we're currently experiencing.

Stacey: In the media area, the economic slowdown has increased the availability and affordability of airtime — especially short-form time. On the product side, it has made it more challenging to sell higher priced products and equipment more normally marketed through long-form infomercials. As a result, we've seen that companies that are multi-channel marketers who use short-form combined with other channels of distribution (such as live shopping, print, Internet and retail) and who offer lower priced products are thriving in this environment. Some marketers who rely primarily on long-form infomercials, and who sell higher priced products or long-term payment plans, are finding the current economic environment more price sensitive. On a global basis, many foreign distributors have been slow or unsuccessful in transitioning their existing business models to a multi-channel platform and/or have been slow to fully embrace the growth in the short-form and Internet side of the business. As a result, we've seen some international distributors lose money, sell or close. Others have transitioned or diversified into businesses other than DRTV. We've also seen a renewed interest in U.S. marketers going overseas directly as a result of distributors in some territories who are not able to offer the full range of multi-channel services required today to make many DRTV programs pay out.

Yallen: There are fewer offshore marketers entering the domestic market, which alone would depress media pricing. However, with more general advertisers incorporating direct response media into their media mix, on a national level there has been a higher-than-predicted demand for direct response inventory. On the other end of the spectrum, with the huge losses of local media business fueled initially from the automotive category pullback, local markets offer tremendous opportunities for advertisers. Since you can literally shoot a cannon through their inventory, it's a great time to make outstanding deals.

How has technology changed the way your company does business in the past 12 months? How will it in the next 12 months?
Hawthorne: There's definitely a trend toward server-based delivery of commercials to broadcast and cable outlets, making it easier for dub distribution.

Knight: We looked at the technology landscape and determined new non-traditional platforms for advertisers to directly reach consumers. We have also continually enhanced our technology systems to better service our clients. Those will remain top priorities.

Lee: We are more evolved in the online genre than ever through cost-per-acquisition (CPA) marketing and social networking — YouTube, Facebook, Twitter. Our next piece of the marketing pie will be mobile marketing.

Medico: We have made significant upgrades on our media management system. Our online unit is also making major investments in new media and upgrades in their shopping software.

Orsmond: In the U.K., the Internet has withstood the recession and Web sales are climbing as buyers look for more bargains and lower prices — which is why having a Web site is so important for all DR advertisers. In the U.K., more than 34 million consumers are now online — up by more than 70 percent from 2001 — and more secure payment methods have helped convince U.K. consumers that online transactions are safer than ever. I cannot speak for the DRTV sector in all 27 European countries, but here in the U.K. we recognized several years ago that the best way to help our DRTV clients enter the European market and keep ahead of their competitors was for our company to create a bespoke analytical software that allows our DR clients password-protected remote access to their daily sales data online. Many of our DRTV clients are multi-national companies, and they can log on and view their sales data — everything from daily response per-TV-channel, per-telephone-number, to airtime and budget reconciliation per DRTV creative — from wherever they are in the world. We now live in a global village, and we needed to offer campaign tracking and analysis in easy-to-understand daily sales and call center reports.

Pruett: There is nothing affecting the industry today like technology, including the economy. In fact, it is driving the adoption of technology. From the way we develop scripts, version new creatives with multivariate A/B testing to buying media, technology and our smart use of analytics will be the largest challenge during the next few years. From a distribution standpoint, why is a handheld device with a 30-second spot on Hulu so different from the same on CBS primetime? Increasingly, it's not for the consumer, but what about in the hallways of the traditional agencies?

Sarnow: Getting commercials on to YouTube is a must. Communicating with your customers is becoming more sophisticated everyday. Monetizing this relationship is becoming easier. Finding ways to monetize newer technologies is slow in going but making progress.

Savage: It's changing mostly in the services we provide to clients. For instance, mobile marketing is very much a growth area, mainly because of the efficiency of the opportunity for marketers. Driven by the rapid evolution consumer behavior, demand from marketers for digital services will continue to grow in the year ahead.

Stacey: We are constantly looking for new technology that will help make us more efficient and increase our productivity. In the past 12 months, we've been enhancing our short-form media systems as that area of our business continues to grow rapidly. We've also been enhancing our retail forecasting systems with more and better linkages to major mass retailers to improve our inventory forecasting, speed to market, and "always-in-stock" replenishment capabilities. Lastly, we have implemented a more integrated media system that binds Web and TV results so we see the complete picture and can make actionable decisions based on the analyzed results. We also love Blackberrys, and almost all of our employees have one. This has turned our business into a 24/7 model and made us much more responsive to customers and the marketplace. If you send an E-mail on a Saturday, you now get an immediate response.

Yallen: A key growth initiative in the last year has been the expansion of our technology development company — InfoTech Development. We have invested millions of dollars in the development of proprietary software and tools that allow us to maximize our client's media investments. Regarding how technology has changed daily business, the paper trail is shrinking. More and more of our business is archived on our servers rather than in a file cabinet. All buys and traffic — even spots — are sent electronically. This enables us to revise buys and/or creative literally at the click of a mouse. In the past 12 months, we've increased stability of our network, creating easier access to data. We have become more lean, flexible and agile with a powerful and scalable IT infrastructure. This has accelerated business growth. Changes that took days in the past can now be performed in minutes. When potential issues are detected, our systems are now capable of notifying key personnel to address the issue before a real problem arises. In the next 12 months, our goals include making high-end digital technology mainstream. With television switching to all digital, people are switching to newer digital set-tops and wireless enabled devices. Behavior-based analytics will start to shape online advertising. We will see an increase in remote users as costs to work from home drop, and centralized sharing of knowledge through workshops and Intranet accessible databases will expand. There will also be growth in local market targeted ads online during the next few years. Following the switch to Windows 7 later this year — coupled with new advances in search technology — we will have near-instant access to our wealth of knowledge and data. Our staff's experiences and knowledge, coupled with market conditions, will continue to fuel the development of proprietary cutting-edge technology.

How has the digital TV switch affected the DR business in the short time since it was finalized in June? What changes do you believe will benefit or hurt the DR business the most?
Hawthorne: We haven't seen a significant change in the business since the switch to digital. There are still a million households without TV at this point, but they were probably marginal DRTV viewers to begin with. The benefit is the visual impact that an HD DRTV commercial can have, which may result in an overall lift in response as much as 5 percent.

Knight: There has been a very smooth transition that could create great opportunities for us as more channels provide increased inventories.

Lee: We fortunately have not been affected, but I have heard complaints of fewer eyeballs.

Medico: As our clients advertise predominantly on cable, the impact has been negligible. With regards to local broadcast station schedules, there has been little difference in terms of response prior to the switch versus after the switch.

Orsmond: The U.K. was the first country in Europe to cross over to 100-percent digital broadcasting several years ago, and almost all of Britain now receives TV signals via the digital network. By the end of 2012, the U.K.'s entire analog TV service for the BBC, as well as commercial TV stations, will be switched off. The rollout has already begun, and a program of regions will make the change each year until the entire U.K. is switched over. All U.K. TV viewers will benefit from a far wider choice of TV channels and other benefits, such as sharp pictures without ghosting or interference, greater selection of 16:9 widescreen programming, on-screen electronic program guide (EPG), more interactive services (more home shopping channels, pay-per-view services for movies and sporting events), plus, in some U.K. areas, HD and Dolby 5.1 surround sound. The U.K. introduced 16:9 widescreen and iTV digital technology before any other European country. U.K. consumers are ahead in the television technology race. For example, Britain leads

Europe in the sales volume of high-definition televisions, confirming the view that the British like to embrace new technologies and pay top dollar to be first. The 2012 Olympics in London are predicted to generate massive widescreen HDTV sales as viewers rush to upgrade their cable and digital TV packages before the start of the games.

Pruett: Frankly, I was surprised how little the numbers were impacted — particularly in the senior care markets. It was almost a non-event. Going forward, I'd suggest this switchover will drive the adoption of interactive TV, which is too long in coming. This will be a boon for the DR industry.

Sarnow: It has hurt results, but mostly the first few weeks directly after the changeover. Results were down 15-20 percent the first week after for many marketers.

Savage: For short-form media, we have not seen a significant drop off in local broadcast results since the digital switch — and in some markets, the switch has afforded improved results because of digital tier media. On the long-form side, local stations continue to struggle in terms of hitting their budgets, which makes negotiations challenging. We are seeing some newly opened time, but in some cases, asking rates are too high for projected results.

Stacey: In the short term, there may be a loss of some viewers who are slow to convert to a digital box. With digital tuning, there may also be less chance to capture channel surfers with a compelling infomercial demonstration if they rely more on the EPG. However, in the longer term, digital TV will be advantageous to the DR business as it has the potential to open up more channels and offer a greater audience. One of the most important impacts is that digital gives you increased time-shifting ability and distant signal viewing. For example, in Canada, people in Toronto can watch "Grey's Anatomy" on local CFTO at 9 p.m., or catch Vancouver's CTV feed at midnight. Increased time shifting might actually hurt late-night infomercial blocks because viewers have more first run programming options at different times. At the same time, this may help inhibit the growth of digital video recorder (DVR) usage. The CRTC has set a deadline to turn off analog TV in Canada in August 2011.

Yallen: The digital TV transition has been evolving over time. At the original deadline of February 17, more than one-third of all TV stations switched to digital. After the deadline was revised deadline to June 12, fewer than 2.5 million homes were left totally unprepared. By late July, roughly only 1.2 million homes were unable to receive TV signals. DRTV has always been heavily focused on cable TV spending, and cable viewers have not been impacted at all. But the impact has been minimal on response. With more consumers upgrading their TVs, and with more viewing taking place due to the down economy, the potential audience to DRTV advertising is greater than ever before.

Given Cablevision's recent network DVR court victory, is DR reacting quickly enough to the expansion of DVR technology and what it could possibly mean to the advertising industry? How can this industry best adjust to this ongoing technological boom?

Garnett: First, we need to take a deep breath. The DVR hasn't reduced the effectiveness of TV advertising. Key research is showing that it may have even contributed to making TV advertising more effective. There aren't many opportunities to leverage DVRs to our benefit. Certainly, half-hour infomercials should get program listings whenever they can. But based on our pretty extensive testing of on-demand advertising, I don't think the DVR is going to help create any new types of consumer selected advertising — at least none that have good payout.

Hawthorne: It's not just DRTV that needs to be concerned. All TV commercial advertisers are watching helplessly as commercial viewership erodes. And there's little to be done. The ad-skipping train has left the station. We're not going to be able to resurrect the forced viewing of TV commercials ever again. What's left is for advertisers to be sure their commercials *attract* eyeballs with great creative that can capture viewers while fast forwarding. There is a silver lining, though. Cable VOD systems and Internet video programming are being distributed with the "skip" and "fast-forward" functions disabled. So as more viewers consume content on these platforms, and understand the ads are what pay for the content, perhaps commercial consumption will be on the rise again.

Medico: Traditional direct response has always operated on the premise of finding the most likely targets at the lowest cost and in the broadest rotations. Audience numbers are highly fragmented as is, and the metrics continue to change for how the DR business functions. Most time shifting occurs in higher visibility and first run entertainment. Most DR does not. The technology is no more or less significant than any of the other modes of delivery potential respondents are now looking to for their entertainment needs. The adjustments will come in the use of all available avenues effectively and measured as a whole for success.

Pruett: Clearly this was a complicated case with valid arguments on each side. However, in my mind, it looks like distribution and consumerism won out over the big networks and copyrights. This means wider adoption and usage by buyers and a positive for the DR industry. Look, the technology advantages demanded by the consumers will continue to evolve and win out in the marketplace. Next up will be questions around devices like the Kindle, and again the consumers will win. Any advancement like this will positively impact DR. Getting closer to the consumer always benefits DR.

Stacey: The DR industry is reacting to the DVR technology because DR is results driven, and it's a technology that can impact results. However, the impact has not been as significant as was first expected. DVRs are just one of many threats to DR from rapid changes in the television technological environment. The greater threat is from the overall proliferation of channels, the splintering of the mass audience, and the rapid increase in both substitutes and alternatives available to consumers in how they spend their leisure time. For example, instead of watching TV, many are now surfing the Internet, watching YouTube clips, talking on Facebook, Twittering or playing video games. The smart marketer will have to adjust to the impact of the DVR by finding new ways to connect to the customer.

Yallen: The thought that channel skipping could affect DR is not entirely proven, given that the majority of traditional DR media runs in programming that is not traditionally time shifted and where the viewer is likely to be more receptive to the message and ultimately respond. With few exceptions and advertisers, response-driven media does not drive the same response volume during first-run/prime-time programming as it would in other dayparts. This is also not the case in a campaign with a call-to-action using URLs, in which the click-through responses don't indicate any immediate pattern of response during the time the spots air, but rather show incremental lifts to online click-through during a television flight. Further, DVRs typically are utilized to record first-run programming and special events, which are traditionally cost prohibitive for traditional DR advertisers. However, for traditional media it could mean that consumers are fast-forwarding through the programs to get on with the entertainment. Industry sources are reporting as much as a 70-percent increase in DVR use in the next five years. Forty-three percent of consumers will use DVRs by 2014, and 56 percent of them will also use video-on-demand (VOD). These stats can cause a traditional media planner to cringe. However, we are seeing an increase in product placement and entertainment marketing to hopefully overcome the loss of viewers on television. Through all the data that is captured in all new media, we will be able to learn and apply traditional DR methodologies and incorporate the learning from new technology to find a marriage between the actionable media that drives response and those that will only drive awareness.

How will the stagnant upfront market in the cable and broadcast world affect DR advertisers in late 2009 and throughout 2010?

Fays: MTVN's upfront was quite robust, as deals were cut early and volume was achieved. DR inventory levels in 4Q and 2010 are 100-percent at the mercy of the general market, coupled with network's program ratings.

Garnett: This should work to our advantage and make more short-form *and* long-form time available. It seems there is a risk, though, that if the economy recovers in a way that causes a mad rush back to TV from major brands, then we'll be competing with brands for last-minute buys in ways we haven't had to compete in the past.

Hawthorne: The upfronts are always a game. But with upfront rates down about 3 percent, it appears the networks are finally getting the message: you can't keep raising the rates while your audiences flee. The upfronts don't have a significant impact on DRTV rates, since it's rare DRTV media buyers venture into broadcast network primetime media. But a soft upfront does indicate that local broadcast media rates should trend stable or downward — good news for DRTV.

Knight: Networks have held back increased inventory for scatter in the hope of seeing the economy strengthen at the end of 2009 and throughout 2010. While no one has a clear understanding of what the marketplace will ultimately look like, it's obvious to me that, in this environment, there will be many great non-traditional opportunities available for advertisers.

Lee: Hopefully, we'll see bottom-line media rates! Ok, so it's nice to have pretty dreams once in awhile.

Medico: In three ways: DR inventory will follow historical trends for fourth-quarter 2009, but could be made more difficult as general market/retailers take advantage of discounted inventory; there will be more "scatter" dollars than typically in the marketplace, which will impact available inventory for DR in the fourth quarter; and 2010 will follow rate and avail fluctuations as in past years.

Pruett: CMOs today face incredible challenges as their traditional channels fragment and multiply. To many, the upfronts represent the notion of hedging in pricing while reducing options in an ever-changing channel dynamic. So if you're the CMO, you'd likely be looking carefully at minimizing your longer term bets — like upfronts — and instead consider alternatives like spot and remnant buys or other new channels online. For the industry, this will force new products and solutions like interactive TV. Longer upfront negotiations reinforce the benefits of DR.

Savage: A stagnant upfront market translates into an active scatter market, which means that inventory can shift in availability on a dime for DR if general comes in at the last minute with a scatter buy. In this type of marketplace, on the larger cable networks we see that some weeks they have excess inventory leading to some great DR deals. More and more advertisers are booking out week-to-week or a month at time, as businesses need the flexibility given the current economic environment. This creates a marketplace where traditional DR trends do not necessarily apply.

Stacey: A stagnant upfront market in the cable and broadcast world will help keep media rates and availability in check and therefore be beneficial to DR marketers.

Yallen: The 2009 TV upfront is the craziest upfront that anyone has ever been involved in. The cost of media and the available inventory in the scatter market will have the biggest effect on DR advertisers. Timing will also be a factor, because of upfront options taken later in 2009. This allows general market advertisers the opportunity to re-invest their budgets and take advantage of the lower scatter market rates, in turn making it difficult for the traditional DR advertiser to hold on to the inventory at DR rates. Longer term implications for DR advertisers could mean that while they may be able to secure media at their lowest negotiated rates, there is no protection against the general advertiser purchasing media in the scatter market at the higher rates and pre-empting DR schedules purchased at immediately pre-emptible unit rates. However, irrespective of preemptions, with less inventory being placed in the upfront, more inventory will be allocated to scatter and to DRTV which should allow DR advertisers more opportunities in the months ahead. If the economy continues to struggle, as many expect it to do, any lessening of demand for advertising from the general sector will only further increase the potential opportunities for DRTV.

How soon will all DR campaigns be produced and edited in HD? What are the cost differences from producing and editing your campaign in standard mode?
Hawthorne: It will be five years before all DR commercials are produced/edited in HD. Costs for HD cameras are coming down significantly, but many producers have great Digibeta cameras still in use that need to be amortized.

Lee: We have been producing in HD for the past year — it gives us a much more robust opportunity consumer viewership. Fortunately, we have not been hit with greater expenses for our production budgets.

Orsmond: We produce and create DRTV spots for a wide selection of U.K. clients, and it really is dependent on the budget available. By way example, of the 18 new DRTV spots we've made in the past 12 months, only one production was filmed in HD.

Pruett: Over the next year or so almost, all programs will be in HD as the costs drop dramatically and the value of the production quality becomes apparent.

Stacey: Producing a DR campaign in HD has limited benefits, with the exception of certain product categories — such as cosmetics — that may need high production value to best demonstrate results and add credibility. Not all stations will broadcast your DR programming in HD at all times of the day, and not all viewers can receive an HD signal. There is no significant cost difference of producing and editing in HD versus standard definition. Most software has the capability of editing both SD and HD. Where it may become more costly is the deliverables, such as the media format used to deliver content to the stations.

Yallen: Most of our campaigns are shot and edited in HD. The cost difference is negligible. A full HD camera can be purchased or rented for a very reasonable price today. With solid-state flash memory, not even tape stock factors into an HD production cost. On the editorial side of things, there are a few things that need to be upgraded when you choose to go HD in terms of video cards and monitors, but once the infrastructure is there, the cost is the same. To produce and edit an HD spot is inexpensive and easy, but to distribute the finished spot in full-resolution HD is much more difficult and expensive. A large majority of stations do not support an electronic data transfer of uncompressed HD video. They require a physical HD tape (if they support HD at all). Adding to the confusion is that there are several different HD formats, and no one is on the same page in terms of how the media should ultimately be delivered. At this point, the cost to own and maintain two or three or four different HD decks, along with the cost of HD tape stock, is extremely prohibitive to the DR world. The answer to all of these problems is a fully electronic mastering and transfer of HD spots. From shooting to editing to delivery, the spot would exist solely in the digital domain — no tapes. We predict that this will become a reality for a majority of stations in the next 3-5 years.

What are the biggest effects the growth of online video is having on the DR marketplace?
Garnett: Online video is a great place for consumers to go back and see a demonstration online or to see additional demonstrations that you can't put into your advertising. And this is a very important advantage. But we have to keep this in context. My guess is that we're seeing it affect less than 1 percent of sales, so while it's important to execute everything online as well as on-air, it's the on-air advertising that drives volume.

Knight: Consumers are responding to the shorter creative available online, which sends an important message to mainstream DR advertisers that they should consider shorter-length alternatives for new media. It also has created greater opportunities for direct marketers to touch consumers beyond television and throughout their daily lives, which is why the proper media mix is becoming so much more critical now.

Lee: It's part of a bigger breadth of branding channels to get out our marketing message.

Medico: Products now reach a broader consumer by posting videos on social media Web sites. If a consumer lands on a site that has the commercial displayed, they are more likely to purchase because they can easily relate back to what they have seen on TV.

Orsmond: The affect of online video is not reported in the trade press here, and it is difficult to make comment on whether it is having a negative on TV advertisers. A greater number of U.K. consumers have changed to broadband (U.K. is ranked No. 11 in the world) than most other European countries, but it is still relatively expensive here. So I do not envisage this having any discernable affect right now on DR advertisers taking advantage of the lower TV avail rates being offered by all U.K. TV channels.

Pruett: It adds new distribution options and audiences for marketers. Buyers will need to expand the scope of the way they buy and consider whether new cross-channel buying units should be formed. Big changes will occur in the way analytics are used by buyers and marketers alike as cross-channel spends become common.

Sarnow: One incredible effect is that the venues for placing your commercial are increasing daily. Media buyers find their jobs becoming more complex, but getting your commercial in front of the audience is more difficult because the audience has more choices. As marketers, we want to see the sales pie become bigger as a result of the brave new technological world. We don't want to see the sales pie stay the same, but just get sliced up into more pieces. That is our challenge. The demographic profile of the audience we are trying to reach is critical to the new uses of online video. We have not seen a big impact when audiences are older than 55. Between 45-54, we see some impact, especially when there is a retail play. More people are looking at video in more online venues, and the branding impact is excellent. Consumers are starting to say that their primary point of contact when learning about a new product is not TV, yet they are buying in the stores. This needs to be followed through and researched carefully during the next 3-5 years.

Stacey: The three biggest effects the growth of online video is having on the DR marketplace are: it has increased sales on the Web site as it allows the marketer to better demonstrate the product and use motion and sound; it has opened up new avenues of distribution (like YouTube) or made others more efficient — for example, by adding video to increase the sales of E-mail blasts; and it has eased the transition from DR as a pure impulse buy to a shopping buy, as consumers can now go to the Web to watch the video whenever they want or as often as they want before ordering.

Yallen: Online video enables direct response consumers to view offers they are already interested in through incredible targeting options. You can test, change or reconfigure a campaign in real-time to match your consumer response. Online video also is giving DR advertisers options they have never had before. You can run a creative, branding or viral ad, which only requires a click-to-order for a response. You no longer need to rely on creative time hammering an 800 number down your consumer's throat. Much of the growth in the online video area has come from young adults, the 18-24 year olds who stream both TV shows and feature-length movies in ever-increasing numbers. There has been a significant increase in digital video Web sites during the past year driving this growth, led by Hulu in particular. And users want costs to be minimal, so there are increased opportunities for advertisers to get involved. But despite all the hype, digital online video is still a long way from replacing traditional TV. Viewing of broadcast and cable TV continue to grow and still represent the majority of all video viewing. Even among online video users, 64 percent would rather watch programs on their TV set, according to a recent IPSOS study. With the continued growth of HDTV and new technologies such as LED sets, the appeal of traditional TV viewing will continue to rise in the years ahead.

Has the influence of mobile marketing on the industry grown in the past 12 months? How will the expansion of mobile affect DR in coming years?
Garnett: We like the ability to text for info. Otherwise, mobile impact for our clients continues to be limited only to those clients who offer products that are mobile-centric, like ring tones, mobile apps or mobile games.

Knight: The mobile marketplace holds great potential for the direct response advertising business to become an additional platform that is a standard part of any DR plan. In the future, new interactive technologies will take a larger role in all ROI-based models, not only engaging but motivating consumers to make purchases.

Lee: The mobile landscape is constantly in a growth mentality, with new platforms and technologies evolving. We will absolutely start seeing positive monetary effect in the next 12-36 months.

Medico: It has grown. We are currently using mobile marketing as an effective DR tool by pushing advertising via text messaging and driving traffic to phones. This was not happening 12 months ago. In the coming years, a mobile device will be another method in which a consumer will be able to make an impulsive transaction.

Orsmond: In the U.K., we've seen an increase in the number of TV ads for adult dating using "text" as the primary call-to-action. Owing to the U.K. recession, we have also seen a substantial increase in the number of compensation-and-debt services DRTV ads now carrying a mobile text call-to-action, such as "Text CLAIM to 6800." DRTV advertisers are using text to speed up response from consumers who are desperate for help to sort out their personal financial problems. Apart from those two sectors, most DRTV advertisers have not embraced mobile/wireless response options.

Pruett: For the U.S. market, this will most impact sectors catering to the younger set in areas such as gaming. Other segments, like senior care, have been largely unaffected by mobile. It will take a game-changing event — like a contentious election, for instance — which compels heavy transaction and polling usage on these devices, which, in turn, will lead to greater DR opportunities. I wish this weren't the case, but evidence to the contrary is lacking.

Stacey: With regard to direct sales of consumer package goods, the influence or impact of mobile marketing is negligible and will continue to be negligible for the foreseeable future. There are a number of technological and cultural shifts that need to occur before we see any material sales opportunities with people ordering SlapChops on their mobile phones. It's still too early to see any significant sales by mobile marketing. There's a big difference between leading edge and bleeding edge — you can't push on a piece of string.

Yallen: Mobile continues to be one of the advertising areas growing even in this down economy. While newspapers, magazines, radio and broadcast TV are all seeing spending declines, mobile and online media, videogames and cable TV are all growing. Smartphone ownership is continuing to rise, with 37 percent of U.S. consumers now reporting they own some type of smartphone, according to a June survey by ChangeWave Research. The survey also found that 14.4 percent of respondents say they plan to buy a smartphone in the next 90 days — up one-third from a year ago and the highest percentage ever recorded in a ChangeWave survey. Mobile/wireless continues to offer exciting ways to pinpoint target audiences, either with a standalone campaign or as a supplement to a broader multimedia effort. What seems to be clear is that as consumers flock to these new emerging technologies, they are resistant to efforts to get them to pay more for these services. This creates an opportunity for advertisers to get involved and partner with the media to help keep costs down. The personal nature of mobile/wireless and the transactional nature of DR make for a perfect fit. Consumers are becoming accustomed to the quick access features, including online streaming of their television through mobile/wireless technology. It could and will likely affect the traditional DR models and encourage them to consider multi-platform marketing to be where the target audience is.

With Generation X coming into its peak buying power and Generation Y hitting consumer age, how must DR marketers change in order to reach two generations of consumers who are touted to dislike push marketing?

Garnett: Creating insightful marketing fundamentals (who's buying, why are they buying) is becoming even more critical. That means that using smart market research is more critical. It's especially critical because these consumers still buy a lot of product, but they need your pitch to be more authentic and with less absurd hype. That requires carefully learning the language and breakthrough ideas that make the product sell. We've always done this anyway, because it's been key to selling millions of Drill Doctors and making the Kreg wood-joining product succeed on TV. But a much wider group of DRTV companies will need smart market research and to learn how to change their companies so that they make use of what they learn.

Knight: Direct response marketers really need to include shorter length creative in their media plans. Research shows that consumers have a more positive experience viewing shorter creative and it can ultimately improve response levels for direct marketers. If your research shows your product sells better in blue boxes, why put it in purple boxes?

Lee: It is of the utmost importance not to niche your demographics. As marketers, we must hit a cross-pollination of consumers. Marketers realize that can't be everything to all consumers but they must develop a more comprehensive marketing message to a wider breadth of consumers.

Medico: Developing a social marketing effort for their clients as well as blogs where online discussions can take place and shared experiences communicated. This can form the basis of very valuable research for product development, as well as a key to marketing to Gen Yers in a way they will respond to.

Orsmond: Our experience is the opposite in the U.K., as we find both Generations X and Y like marketing provided that the sales messages to them are relevant and targeted to the right age group. For example, one of our longest and most successful DRTV music advertisers has been active in the senior market for many years, and they are now finding their continuity campaigns are doing even better, as many 50+ buyers are Web savvy and are choosing to go online to purchase. In the past, this age group would have spent 10 minutes ordering on the phone. By comparison, their 35+ buyers, while being cash rich but time poor, are choosing to buy music compilations that are delivered monthly direct to their door rather than spending hours visiting retail outlets — something they would have previously been happy to do. In the U.K., consumer buying habits are continually changing, and DR advertisers must react to these trends by making it easy for their buyers to become regular customers.

Pruett: This is one of the toughest challenges ahead: how does an industry which has grown through a broadcast medium thrive in an era of referral and community driven sales (anti-push marketing) both online and offline? And, how will the traditional, critical links of the DR buying process, such as call centers, be impacted? In essence, buyer selection is increasing — only this time it means the options for purchasing are greater than ever, not in product but in when to buy and how to buy (such as via Paypal over a handheld device without ever speaking to another person). Two areas will become increasingly important: just-in-time creative (JITC) delivered with sophisticated technology, and superior analytics allowing for this delivery.

Sarnow: DR marketers have to learn new ways of creating the sales message to reach these generations. The old “yell-and-sell” that the Baby Boomers are impatient with, but tolerate, is not working well with younger people. Will the extremes of ShamWow pitching reflect a new way to sell? Unlikely, but ShamWow is a good example of a good pitchman reaching younger audiences.

Stacey: Marketers need to follow their audience to connect with them wherever they may be, through whatever medium maybe suitable, and with a message that is appropriate for the circumstances and the medium. Some media, like TV, may be more push while others, like the Internet, may be more pull. Both can be effective. Similarly, some media may allow for you to play a full 30-minute infomercial with a direct call-to-action, while others, like an ad on Facebook, may require a two-step where a small ad may simply generate a lead of interest for later conversion by outbound telemarketing or E-mail. In general, DR involves three main components — lead generation, lead conversion and lead retention. The process of lead generation and lead conversion can be, and often are, separated as appropriate for the medium, whether it be passive or interactive in nature.

Yallen: When asked, most all consumers will claim to dislike push marketing. But as Gen X’s move into their late 30s and 40s, they start to behave a lot more like the Boomers did before them. Gen Ys are moving into their 20’s and are starting to settle down and begin families and will find themselves also evolving in their attitudes, needs and tastes. Savvy DR marketers must adapt and use the emerging technologies, as well as the traditional media, to reach and motivate these consumers. Advertising avoidance for consumers is now here in many forms, and only those advertisers who adapt will be able to survive. It should also be stated that this also holds true for Boomers who are actively embracing new media technologies and have the same ability to pick and chose the advertising to which they will consume. Gen X and Y want it now and most anything they want to know is only a text or URL away on their mobile devices that are imbedded in their daily activities. The growth in Facebook (at No. 6 in the top 10 of all Web sites) and Twitter — which had fewer than a million visitors in June 2008 and now attracts more than 20 million visitors a month, ranking it among the top 50 U.S. properties — is emblematic. They rely on recommendations from their “friends” online and mobile for the latest must-have products.

How is the trend away from immeasurable branding ads and toward measurable campaigns affecting multi-channel campaigns? Would you consider a marketer not using a measurable, multi-channel strategy in 2009 product/brand suicide?

Fays: It all depends on what the marketer is attempting to achieve. At MTVN, we welcome advertisers to come in and sit with our research department in order to best gauge how our brands most effectively and efficiently partner to drive ROI and brand awareness.

Garnett: First, brand ads *are* measurable, except they measure the potential audience that might see that ad. We use a much different form of measure — measuring response. But we only measure a portion of response (direct sales or direct inquiries) and estimate the remainder of the impact (retail sales, other channel sales, long-term brand value). So there are times when traditional brand advertising is exactly the right choice for a company. And there are times when response-measured advertising is the best choice for the company. In the past, more than 90 percent of all TV campaigns were audience measured. That was clearly wrong, and many companies have wasted tremendous amounts of money because those measurements were misleading or couldn't give them accurate insight on their advertising effectiveness. In the future, the business should shift to where 60-to-80 percent of campaigns become response-measured, because that's the most effective choice for their communication needs. Is anyone still using single-channel strategies? Yes, they are. But no one should be relying on a single channel anymore.

Lee: The marketer must have a multi-channel marketing campaign. In our current economy, it is important to squeeze the last nickel out of all the pieces of the marketing pie: print, syndication, online, TV, radio, home shopping, international, etc.

Medico: There is a need to balance the measurability and accountability of the DR media model along with traditional planning guidelines especially as it relates to brand awareness. The limitation of direct response along with the potential for preemption could impact meeting the client's objectives.

Orsmond: In the U.K., we have successfully combined what we call BRTV (brand response TV) spots, which are 10, 20 or 30 seconds long and less measurable, with totally measurable multi-channel 120-second DRTV campaigns. This has worked especially well for two clients: one in the youth sector (makeup for teenagers) and also the travel sector (Mediterranean villa rentals). The shorter BRTV ads feature the URL only and focus on the core brand messages, whilst the longer DRTV ads sell all the product attributes and offer to take an order. This strategy is complimentary and allows us to place the shorter spots in near peak airtime that the clients could not otherwise have afforded. Web hits for these two clients have massively increased, and business is booming in the recession, proving that this two-prong marketing strategy is working for these brands.

Pruett: The problem for marketers just starting to use measurable advertising, one of the hallmarks of DR, is that it's like advertising crack: it's addictive and nearly impossible to stop once you've started. Soon all campaigns will be multi-channel, not because of how they're initially broadcast or launched, but because of how the consumer decides to purchase. For instance, unbeknownst to you the marketer, someone may see your new TV ad on YouTube on their PC, linked by a friend on Facebook, and transact on their mobile phone through a third-party pay service. Now, what channel did that come from again?

Savage: It's creating more appreciation for the relative price of DRTV media, which is, in turn, helping the number and efficiency of multi-channel campaigns grow. Most marketers are shrewd enough to know that measurable media in multiple channels will keep their businesses growing and thriving.

Stacey: All advertising campaigns are measurable. First, you set objectives and then you set measurement metrics. There are many advertising campaigns where a direct sale is not their objective. Instead the advertiser may be interested in building brand awareness or supporting retailer placements, and there are ways to measure these types of objectives. The objective of the DR marketer is to make a direct sale, and this can be specifically measured by the number of orders generated from each advertisement. Any marketer not measuring their campaign against their objective is obviously not properly managing their business. Moreover, any marketer who is not using a multi-channel strategy these days is certainly leaving money on the table. These two oversights together — not using a multi-channel strategy and not measuring your campaign — is very likely committing product/brand suicide. Just how fast death will come depends on the circumstances, the particular product lifecycle, and the speed of the competitive environment.

Yallen: More frequently, we are seeing traditional media advertisers stepping into the market with complete multimedia campaigns that brand and utilize direct response tenets, such as phone numbers and/or a URL to drive to online. Plus, it provides measurability by providing a means to engage and track the consumer through several platforms with the high reach of television and the multilevel marketing components naturally built in through online, search, direct marketing and mobile. Behavioral marketing is a must, given the various media usage of consumers. Marketers would likely be considered short sighted if they are not taking advantage of any number of the multi-channel opportunities that exist to reach their audience.

What vertical markets are best equipped to survive economic issues and the transition to branded response — and even thrive — in 2010?
Garnett: In 2010, home will be of key importance. The tool and hardware channel has done well because it's selling to DIYs and not contractors (where home building has depressed sales). This also means that branded housewares should be seriously evaluating a return to DRTV.

Medico: Finance and insurance; health and wellness; legal advocates.

Orsmond: The U.K. economy is in deep recession and the uncertain political climate with national elections next year has substantially affected the banking and housing market. Unemployment is at an all-time high, and disposable income is down. All this gloomy economic news means that the companies that are thriving right now are the DRTV advertisers offering accident compensation, debt management and price comparison services. The combined TV advertising spend for these sectors dominates the short-form DRTV media landscape in the U.K.

Pruett: This is a time of opportunity and will not be limited to or by any one vertical market. Some verticals, such as software in a service — say gaming — may have an edge but only short term.

Sarnow: I won't speculate which markets other than health-and-beauty, but the marketing models for DRTV are increasing rapidly, and marketers that are primarily doing offline marketing to direct consumers to Web sites will do well. Marketers that are selling more expensive products to an upscale consumer will do well. Marketers that are sharing the variable costs of DRTV with their branding goals will do well.

Savage: Markets that are have proven track records as being DR-friendly, but that also meet the evolving consumer's immediate needs for health, wellness and personal care. Categories such as: highly targetable financial services (that address current consumer needs resulting from the recession), beauty and nutritional supplements jump to mind. To be successful in the beauty and supplements markets, though, the campaigns will have to have retail and/or efficient continuity programs in place.

Stacey: Products appealing to need, greed and vanity will always have a home in DR. In this particular economic environment, DR companies that offer lower priced products with a strong multi-channel strategy and a retail rollout have the best chance to not only survive but thrive in the future years. When you've got companies like Revlon imitating products like PedEgg, you're witnessing the power of DR to transition and build products into a major brand.

Does today's consumer respond better to short-form or long-form DRTV? Which of these two formats are best supported by other media, including online, mobile, print and radio?
Bruckheim: In Latin America, while our industry continues to prefer long-form media, short-form is becoming increasingly available and distributor/marketers are needing to make short form work, as both standalone media and reminder spots to sell otherwise long-form products.

Fays: It varies by advertiser, but starting a campaign with heavy short-form media and then complementing with long-form media, to educate further on the products, allows the consumer to gain trust through brand recognition.

Garnett: Consumers respond to the DRTV that's right for the product. The Kreg Jig would never have worked in short-form because it's a product that needs long-form. At the same time, ShamWow would have been a dud in long-form because no one needs that much information about a hunk of synthetic cloth. Having said this, long form continues to be the untapped resource in DRTV. It's so easy to throw a short-form campaign on-air that people do it all the time. But long form has much more economic impact. Interestingly, I find long form to be a better complement to other media because it provides the information core for the campaign and responses can be generated through all of these other channels. In a sense, long form primes the pump and sales flow driven by all these options.

Knight: Short form works well with a lot of new media technology. However, long form is still viable and a good fit with the right platform.

Lee: Currently in the DRTV world, short form is outperforming long form — but this is cyclical and is constantly changing. DRTV is the driver for our campaigns to retail and is supported by our radio, print and online campaigns.

Medico: Short form, by virtue of its airing in dayparts with greater audience viewership, has the potential of generating significantly greater response. Short-form media is far more effective in supporting other media.

Orsmond: In the U.K., it has been the substantial growth of sales generated by U.S.-style infomercials that has generated substantial DRTV product sales during the past 2-3 years. U.K. TV viewers respond well to long form, and the only problem seems to be that there are not enough different shows available with only a few advertisers dominating this sector. In our experience in the U.K. and elsewhere in Europe, if a U.S. advertiser already has a successful infomercial, then doing a 120-second cut-down makes sense, as we are able to run these short-form ads across a greater number of cable and satellite channels and dayparts. This works very well to support sales on TV channels where long-form broadcasts are restricted to just three hours of home shopping per day. Combining newspaper advertising with DRTV short form can work well if the offer is relevant to consumer's needs. For example, several of the U.S. "cash for gold" advertisers that have recently launched in the U.K. are combining their DRTV campaigns with national newspaper ads, as the media rates in the U.K. are now substantially discounted due to the recession. The U.K. is also unique in Europe in that newspapers have much wider national circulations than other countries, such as Germany and France where regional differences are a hindrance.

Pruett: Consumers are responding equally well to both, and there are a number of new crossover options such as three- or five-minute infomercials. The industry is adapting. The beauty — and sometimes frustration — of our industry is that much of the success will depend upon the sophistication of the product and viewer. Testing will remain important depending upon the unique properties of the product category. Strange format combinations will also occur with frequency. For instance, short-form ads may be used alongside radio to drive prospects online, where they will watch a long-form infomercial. Channel optimization and creative leveraging in each will increase.

Sarnow: Short form is doing better right now, but that is very product driven. That can change anytime. Short form drives more people online. Long form is still the ideal format when a complex message must be shared. Kodak is a perfect example. Short form would not have been appropriate as a way to introduce its printers. However, short form might work now because the infomercial has been seen enough.

Savage: It really does depend on the product or service. Short-form lead generation for certain services is thriving right now, as are retail-driving campaigns for certain DR verticals. Long form will always be effective for launching and providing education around higher-priced products. And most of our clients, whether they are driven primarily by long-form or short-form TV campaigns, are pursuing multi-channel strategies. Online, print, alternative media, radio and mobile efforts are all made more efficient by the TV spending.

Stacey: In the current economic environment, we're finding consumers are responding better to short form than they are long form. Long form has to attract its own audience, which is increasingly difficult in a fragmented media environment. Short form, on the other hand, can be placed right across the dial into shows that can reach existing target audiences. Both long form and short form can be supported by other media — such as online, print, and radio — but the bigger campaigns often rely on TV as the main driver of a mass-market campaign.

Yallen: Consumer response by format really depends upon the offer. However, because short-form media is in essence a real media model — being that it provides media modeling, reach and frequency — short form better supports all other media. For the past 15 years, we have positioned our media organization as a company with all of the resources of a general mainline agency — that plans media using conventional media planning standards and research — but executes the media plans with the much more efficient direct response rate structure and optimizes using the actual results as opposed to a third-party rating system.

Given the current state of the DR industry, what would you change to ensure its continued health and growth?

Bruckheim: In Latin America, the companies that maximize successful, existing revenue streams, best reduce costs and keep focus on what they already do best to maintain sales will get through this economic downturn just fine. In addition, successful companies will choose the path of cooperation over competition, as the resources needed to enter into new markets and make new competitors will drain the resources needed to beat back the impact of the economic challenges all companies face.

Fays: Marketers, agencies and sales organizations must partner more then ever in these challenging times. One area cannot be successful. The overall health of the DR industry squarely resides on the shoulders of the idea that a team must all row in the same direction to get to shore.

Garnett: Marketing sophistication. As a business, we have been driven by the "try it and see if we get enough sales" approach. Unfortunately, this has left a wide range of products that would have worked if only we'd been smarter about what we tried. Remember the industry lore that there were three or four attempts to make the George Foreman Grill successful (without George) before they found the one that succeeded. A disciplined approach to marketing fundamentals and relying on market research can ensure success nearly every time and weed out the failures before wasting valuable production dollars. However, few companies have the internal structures and skills to execute this way. I'd also recommend that we learn more about how to sell niche products on TV. There's this idea that it's only good DRTV if it's in the top 10 shows. But we have a campaign that ran for seven years and drove sales of 2.5 million units of a $100 product. It never rose about No. 40 on those lists. This clever niche campaign is a much more dramatic success than yet another ab machine.

Knight: If the DR market can continue to think out of the box and be flexible with its business models, it can flourish in the new media world.

Lee: DR marketers need to focus on a number of things to ensure the continued growth of the market: multi-platform integrated marketing campaigns leveraging all pieces of the campaign; strong database mining; cross-sell promotions and upsells; relationship marketing and loss-leader campaigns.

Medico: The DR industry needs to continue to develop strong back-end efforts and develop ongoing relationships with its existing customer base. New customers are getting more difficult to acquire. We also believe in "life after DR," and that means retail, whether it is brick-and-mortar or online. A better understanding of how each component of a marketing campaign contributes and interacts with all the variables is increasingly important.

Orsmond: In the U.K., it comes down to changing the OFCOM and Clearcast broadcast rules to allow a wider range of advertisers and products to be sold on TV channels here, such as vitamin supplements or alternative health products. Followed closely by the regulators is allowing 30-minute infomercials to generate leads rather than just selling products within the teleshopping windows. The European Union is now a combined 27 countries with more than 400 million potential consumers, all of whom already like and buy U.S. products. For many U.S. marketers, Europe is still a success story waiting to happen. Finally, we strongly recommend to all U.S. short- and long-form marketers that 2010 is the right time to do business this side of the pond, as Europe does its best to pull itself out of the global recession.

Pruett: The industry needs to expand its advertising users and continuously remind them that ads that can be measured surpass those that cannot, particularly in a down economy. Build your brand smartly through real, measurable leads and sales — that is our mantra.

Stacey: The continued health of the DR industry depends on a large number of factors, including access to airtime and other media at affordable rates. It continues to amaze me how the U.S. has only a few shopping channels, while the U.K. has dozens. Clearly there are still issues to conquer with respect to media access and affordability for TV shopping. The DR industry also depends on a healthy relationship with regulators and in that regard, I think ERA needs to continue to grow and strengthen so it can ensure that regulators understand our industry and avoid drafting policy measures like the proposed changes to testimonials, which may be drafted in a way that could severely impact all of us.

Yallen: General marketers need to be educated better on incorporating a DR strategy into their media mixes and not just because of lower CPMs but because of accountability, better media optimization and — from a creative standpoint — more engaging communications.

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