# Special Report

## Branding Efforts Drive Sales When Combined With Direct Response

The term “Branding” has been in use in American marketing vernacular since the 1800s, first being used for cattle in the west to identify members of the herd belonging to a single owner, but branching out to consumer goods shortly thereafter, one of the first of which was used to identify beer served at certain pubs, with a small symbol on the door that was also used on the beer’s label. Brands can be a symbol, a word, a name, even a graphic element (think the Nike swoosh), but each brand carries a set of characteristics that are brought to mind whenever someone sees it.

Direct marketing practices came into being shortly thereafter, when a now defunct soap miller created a flyer posted on people’s doors that offered a free soap sample if they brought the flyer into the store, but it was only distributed to the people on the west side of town, where the rich people lived, thus the list select was wealth and geography!

These two disciplines have in the past been seen as divergent in goal and practice, but current thinking would have it otherwise. Studies have shown that sales boosts can be achieved by using a combination of the two approaches, mixing the heavy rotation and creative enchantment of branding, with the mechanics of call to action, offer and response device of direct response. This extends from creative executions to media strategy to back end mechanics and PR. Longitudinal studies performed by a select group of high-volume consumer product marketers have shown a synergistic relationship when combining branding type creative executions with direct response mechanics and back end, to the tune of 50-75% improvement over sales of the same product using either approach singly.

## The Ads Have It . . .

In most cases, marketers and ad agencies have been creating branding ads in order to raise awareness, launch brand extensions to existing products, shift perceptions of the product or announce or formulate a new use for a product. They simply presented the product, reinforced the brand visually and ideologically, and repeated the process heavily to build consciousness among the audience. The targeting was largely done with media alone, for television using the program viewer demographics, for radio the listener demographic and stations or program format serving as differentiators.

Not much thought was given to tracking, or accountability of branding ads, as it was widely understood that few could unequivocally demonstrate a direct cause and effect relationship between the appearance of the branding ad and the increase in sales among a distinct population sector. Sales were tracked on a regular basis, broken out many different ways on reports using a variety of analytical tools, but none could correlate a sales blip directly with the appearance of the ad, and could not use such a correlation to quantify the “dosage” or frequency, or the

program selection or timing of the placement. Thus, the ad schedule could not be used as a predictor of sales activity, and conversely, the sales build up could not be used to fine-tune the ad placements to maximize their impact. Additionally, with no response mechanism other than to buy the product, there was no reliable way to market test one creative approach or offer against another directly as is common practice in direct response. However, even knowing this, U.S. and global companies spend billions of dollars each year on branding ads in an effort to keep in step with their competitors, build awareness and broaden their appeal to consumers in a general way.

Longitudinal studies were conducted by the Ad Council and other academic organizations in the late 70s regarding advertising's effectiveness in general, and included a treatise on subliminal advertising, the effectiveness of putting hidden messages in the backgrounds or sound track of television ads or print ads that gave a more direct explicit message. The conclusions were contradictory relating to the effectiveness except in a general sense, and noted that the more you advertised, the more likely it was that sales would rise, up to a point of saturation. Far from clarifying the situation, this study muddied the waters for corporate marketers for years, until the faith in advertising was slowly restored, initially by larger corporations with deep pockets and savvy media departments who could work through trade and reciprocal arrangements to maximize the value of the dollars they were spending. Media costs have far outstripped creative and production expenses in most media including radio, TV and Print, and distribution is the largest of all the concerns for advertisers, according to a study by Ad Age Magazine circa 1990.

## Direct Is The Way . . .

On a parallel path of development, direct response, the art of targeting the right audience with the right message at the right time, was having its own growing pains. Marketers realized early on that there were several major components to success in their business model and that efficiency topped the list for direct marketers. Fewer pieces mailed meant lower cost, and lower cost meant higher profit margins. But in order to mail fewer, the package had to be more effective to make up the corresponding loss in response. Testing proved to be the path to effectiveness, and testing programs are a staple in any good modern direct mail program. The simple act of changing a color on an outer envelope could have notable, and more importantly, statistically significant impact on the results when measuring response, so wide spread testing programs have become common in order to maximize response at every opportunity.

Early on it was postulated, based on scientific method, that testing more than one variable at a time, be it copy, design, offer, price, package, list, size, premium, timing, etc, would yield unclear and untrustworthy results. As marketers grew more sophisticated, and employed more statistical analysis to their return schemes, there were able to grow into the use of multi-variable test grids, which not only made better use of the postage dollar, but yielded results more quickly and efficiently, reducing labor costs and allowing marketers to launch and adjust new products more quickly, gaining an edge on their competitors. It was determined that you could test virtually as many variables as you wished, so long as you controlled each with a blind, or control version. With modern computing power and desktop list technology, assuring a truly random sample and accurate list selections from the main database, controls became tighter and made multi-variant testing possible even on a small scale.

Direct response is not limited to what will go through the postal system. Direct response radio and television hit a huge wave of popularity in the mid-80s, when direct response, long-form television was developing. Pioneers like Ron Popiel (of the famous Ronco company), started pitching products on TV in larger blocks than the traditional :30 and :60 spots, using product demonstrations to highlight the product's benefits, and aggressively urging viewers to "Call now, operators are standing by to take your call," creating urgency and driving response ever higher. These ads were usually run in the very late evening, and early morning hours, primarily because media costs dropped disproportionately with viewer numbers, and a block of thirty minutes could be had for pennies on the dollar compared to daytime, prime tome viewing hours. Cost per unit were so low, and the volume so high on these products, that they were an instant success, because the commercials could take the time to hammer home real benefits right in front of the viewers eyes, and explain complex features and differentiators without showing the weaknesses of the product. In the hands of skilled pitchmen, these products looked extremely powerful and valuable, painting scenarios in which ordinary people could easily envision themselves, and offering a solution for just a few dollars.

## For Just $19.95 . . .

The leading price point for most of these products was $19.95, on the assumption that if you broke out of the $20 ceiling, you would lose a predictable portion of the potential buyers due to risk aversion among the late night, post-2AM audience profile, largely blue collar, often night shift workers, security guards, insomniacs and nursing mothers. They found that if they didn't break $20, almost anyone could justify dropping $20 on one of these products, even if it only worked for a little while, they would have "gotten their money's worth" out of it.

Some of these ads took on a new direction in the later 80's after many of the basic functions had been put in place and the infrastructure to support the burgeoning DRTV industry had grown more robust. With very low-price point products, the cost per unit was s o low, that you could literally sell two or three of the product for the originally advertised price, and the additional volume would outweigh the additional cost. The phrase "making it up in volume," actually worked in this arena and the catch-phrase in the copy "but wait, there's more . . ." was born. By adding versions of the same product, maybe a smaller version, multiple colors, additional tubs or refills, associated products like cleaning rags, squeegees, or other ancillary implements, which added little to the cost in that volume level, complete packages of seemingly irresistible value were created, all for under $20. Sales soared, and clones came out of the woodwork.

Value Addeds reached the point where, in the late 90's, the products originally advertised were almost an afterthought, and the model developed where if you could capture the personal information from a potential buyer by getting them to respond to virtually anything, then you had captured unlimited marketing use of that bit of data, and huge house lists of buyers developed based on buying a $4.99 - $9.99 product range. The product itself costs less than the original acquisition costs of the name information, and by comparing the profit potential of a heavy buyer in this arena to the cost of the product, the math was pretty simple. Plus, by gaining access to the buyer as a respondent, marketers circumvented the list rental strictures of a one-time use of the ID data. They were virtually giving away the product to capture the name so they could sell them something larger and more profitable later down the line. This practice still exists today, and can be quite effective if the correct mix of products and placement and price is put together. The key

is to find a product that reveals something useful about the buyer, like selling a cleaner that works well on teak boat decks to uncover a niche of boat owners to sell sails or fittings to.

Fast forward to the turn of the century, to 2002. A landmark study conducted by the communications department of the University of Oklahoma showed that after a certain level of frequency, virtually any advertisement could be used for branding, and shown to increase recognition for the brand it carried, which translated to retail sales of the product even in a direct response situation. In short, if you sold products in retail environment that had been previously available only through DRTV, the brand carried, and it took with it extra cache for having been "seen on TV". The originating brand lived through repetition, and spread virally to general consumers, some of whom had never seen the original ad! Products like Ginsu Knives, the Pocket Fisherman, Juice Tiger, and others entered the popular vernacular, often synonymous with cheap or just entertaining, but nonetheless moving units in record numbers. Retails stores sprung up called "As Seen On TV" and featured a full range of exercise equipment, home products, weight-loss videos, cleaning products, vacuums, mops, food storage items, choppers and processors and a host of others that had until then only been available through TV response. One of the most prominent brands to break into the retail world quickly after a stint on DRTV is the George Foreman Grill. Starting life as a small electric alternative to help reduce fat intake while grilling hamburgers, it quickly grew to legendary proportions as the back story of its spokesman, the legendary boxer and heavy-weight champion George Foreman was slowly revealed. Today this is one of the highest grossing products by any manufacturer of kitchen products, selling millions of units, with three brand extensions, 8 models and sizes, and available in a host of well-respected retail outlets and department stores nationwide.

The net result of this is more units sold for the product manufacturers and marketers, at a minor cost of the dilution of the direct response pool of data. By this time, however, list analysis technology and consumer information and data modeling had become so prevalent, available and cost effective; the effect on direct marketers was minimal. DRTV remains a viable channel to launch new products of any price point, thanks to the breakthrough of some high-ticket items adopting the strategy of breaking the price into credit payments. The phrase "with just three easy payments of . . ." has entered the vernacular at this point, opening the audience pool even further and broadening the range of products that could effectively be sold through this channel. Products such as the Bowflex exercise gear, a giant machine promising fitness benefits beyond belief, is currently available via retail, e-bay, and direct online, but started out as a DRTV staple. It sells for thousands of dollars, but the ads still cling to the Easy Payment model, at the $39.95 price point – they've just increased the number of payments.

## Together Is Better . . .

The Oklahoma Study opened the doors to brand ads to extend their reach into the direct response realm, and conversely, for brands that didn't have a good hold on the broad consumer market to gain a foothold through high frequency buys and shorter adapted blocks of time. 2-minute spots that both push brand and offer a phone number have increased their prevalence, and are working well for established products with solid order processing infrastructure. Direct buying via the Internet has increased the general public's comfort level with buying through alternate channels to retail. The rise of credit availability, and America's accompanying indebtedness as a result, has also boosted the confidence of direct retailers and built sales dramatically for some products.

All these factors delivered together have formed sort of a “perfect storm” of retail sales, allowing directly sold products to develop brands more readily, and to allow for branding ads to engage the audience more directly through the internet. Drive to web branding ads have become commonplace, and nearly every product on the shelves today in the traditional retail environment has a web address on it somewhere, whether for customer service purposes or for more product information. Cross-selling opportunities abound through this channel, as real estate on the Internet is relatively cheap and virtually unlimited, and a full range of products can be presented in multi-media fashion, offering both advertising and a direct marketing channel in one instance through a single website. It’s the perfect blend of branding and direct response, and it can come to full fruition now that broadband access has risen to a common level nationally and globally.

## Predictions Are Worth Their Weight . . .

Based on the factors related above and that landmark study conducted by media specialists at Michigan State University that showed that retail purchasing on the web will eclipse all retail in volume by the year 2015, we have the following recommendations for retailers and product purveyors:

1) TV and radio ads from today forward will be considered incomplete without including a web address as response device, driving traffic to retail sites to unprecedented levels.
2) TV and radio ads that embrace further consumer engagement with interactive web components will become commonplace by 2010, and partnerships between media, retailer and web partners will be standardized.
3) Web advertising opportunities, beyond banner ads, pop-ups, PPC and other current opportunities will peak by 2020, when TV and Radio will be served to customer via the Internet broadband, and all the normal communications channels, TV, radio, cable, telephone, satellite, broadband will meld into a giant media conglomerate.
4) Eventually, the TV in our homes will become the focal point for all communications, and be centrally wired to a big computer unit that serves all communications needs for the home. It will no longer be just a TV, but a communications portal monitor, linked to computers, internet, TV, audio, telephone, e-mail, and other forms, including a library of e-books to be read on screen.
5) Advertisers who embrace this holistic media model early will have the infrastructure in place internally to take full advantage of the multi-media capability that such a system represents, and will have a strategic advantage over competitors.
6) Advertisers and manufacturers who look at this side and the flip side of the coin, where the product is endorsed by media on the package, and the drive to web is for up sell and cross sell of other related products will have a strategic advantage over those who only allow the dog to wag the tail.

Clearly, the media mix is changing, differentiators between media are blurring and blending, the power of selectivity and targeting is on the increase across all media, including print, and the power of one-to-one marketing will finally become a full-scale reality, as brands drive reputation once again, and response can be gauged and measured accurately. As systems converge and centralized media monitoring becomes possible and later practical, media rates will stabilize, and anew scheme for media payments will develop based solely on audience participation, not just viewing. Product purveyors will do well to keep on the cutting-edge as this convergence

develops, as the sidelines are widening and getting further from the center of relevance, and the speed of convergence is accelerating beyond the ability of large firms to catch up if they get too far behind.

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