

What P&G Learned From the Veg-O-Matic and Ginsu-Knife

Direct-response-TV Metrics Gain Traction Among Mainstream Marketers

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CINCINNATI (AdAge.com) -- Don't be so quick to sneer at that late-night Ginsu-knife ad. It likely represents the future of TV advertising.



Long considered a second-tier and somewhat tacky sub genre, direct-response advertising is gaining new respectability among major marketers.

Bold predictions

Direct-response TV experts boldly predict that in five or 10 years all TV advertising will be some form of direct-response as mainstream marketers seek greater return on investment and look to switch to a metric that reflects how engaged an audience is with an ad rather than sheer number of eyeballs reached. And as the analytics for measuring DTRV ads are applied to conventional buys, more marketers will start to appreciate the merits of knowing whether or not an ad was on the mark. It's a view shared by the world's largest advertiser, Procter & Gamble Co.

"People think that direct response is all about pills and potions and get-rich-quick schemes," said Michael Kokernak, CEO of Backchannel Media, a DRTV specialty agency in Boston. "But direct response is really just a measure of human engagement. You're going to find it will be the only way TV is bought and sold."

Ad costs rise

Already, direct-response TV -- made up largely of remnant inventory -- has soared in the past two years, and more rate inflation is anticipated for next year. So far, however, the tumult in DRTV is happening largely outside the view of the mainstream advertising industry; TNS Media Intelligence pegs direct-response advertising as a \$3 billion segment that grew 16.4% last year.

DRTV time-usually the lowest-rated daypart of the most thinly viewed networks

frequented by the bottom-feeders of the industry-is no longer its own media ecosystem, populated by the Little Giant Ladder and the Ab-Lounge. An influx of blue-chip marketers has changed the makeup of the client pool.

After about four years of growing experimentation with DRTV, P&G, the biggest conventional advertiser in the U.S., signaled a much deeper commitment last month when it named its first DRTV media-buying agency of record, Quigley-Simpson Brand Response, Los Angeles.

P&G broadens involvement

P&G quietly broadened its use of DRTV in recent years, from small efforts for low-priority brands such as Dryel to more than a dozen including Cover Girl, Iams and Old Spice.

Last year, P&G's top-spending brand in conventional advertising channels, Olay, made direct-response a major part of its media mix, with 60-second ads by Red, Cincinnati, for microdermabrasion kits and other products directing consumers to its Web site for special offers.

In all, P&G buying in the DRTV space may now be approaching nine figures, according to people familiar with the industry, though P&G and Quigley-Simpson declined to comment on the spending level.

P&G isn't alone. Other general-market advertisers, now labeled "hybrid" advertisers in the DRTV industry, such as Clorox Co., Bose, and several pharmaceutical marketers, also have crowded into the space.

P&G 'very comfortable'

As a result, "We're seeing [rate increases] across the board," said Kristi Moran, VP-media services for Hawthorne Direct. "One of the main contributing factors is that your major hybrid clients [such as P&G] have become very comfortable advertising on direct response."

A.J. Khubani, founder-CEO of Telebrands (see sidebar), has seen his media rates explode 250% the past two years, though he isn't sure why.

Even so, direct-response still offers CPMs 30% to 70% lower than broadcast or national cable prime-time rates, said Gerald Bagg, founder and CEO of Quigley-Simpson.

The consolidation of the WB and UPN broadcast networks-long two reliable generators of DRTV inventory-could fuel even more rate increases, Ms. Moran said. She believes much of what ordinarily might have been DRTV time on CW will be consumed with network promotion at least initially to pump Nielsen ratings that may put much of the time out of reach for DRTV.

Impact of CW consolidation

Yet the CW consolidation leaves many former UPN and WB affiliates without networks. They could end up with more DRTV availability than ever, Ms. Moran said, though in the form of more labor-intensive spot buys. It may be the perfect environment for P&G to apply its massive scale to a small and fragmented market. That's exactly what Quigley-Simpson looks to do as P&G's new DRTV agency of record. "DRTV is a lot more negotiable, since it's in the scatter market," Mr. Bagg said. "When you're buying with the heft of major clients behind you, you can drive those rates down, particularly with inventory that has fallen into remnant."

Mr. Bagg said he's seeing a broader "awakening" among Fortune 50 companies. "In five years every form of advertising is going to be direct-response," he said. "It's just a question of degree. It's going to be having a toll-free number or a URL in it. It's going to be video on demand. It's going to be mobile [phone] response."

What's ultimately driving DRTV, said Erwin Ephron, principal of the Ephron Consultancy, is readily measurable return on investment.

The trouble for conventional advertisers, he said, is that their consumer response rates don't measure the whole impact of their TV advertising, just like click-throughs never measured the brand-messaging impact of online ads. "A lot of the way TV works is not by eliciting response," he said. Still, by measuring comparative response rates on the same ads across different media, he believes advertisers may ultimately be able to apply analytics to the data their DRTV ads generate in order to get a better handle on the comparative value of conventional TV buys.