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Direct Response Rebounding

Ads, Made More Attractive by DVR Technology, Now Frequently Carry Ratings Guarantees

By Wayne Friedman

With the advent of digital video recorders, direct-response advertising has become more attractive to major advertisers that hadn't used it before.

Mainstream advertisers such as Pfizer and American Express are turning to direct response. What's more, the direct-response business grew 6 percent last year to more than \$200 billion in the U.S., according to industry estimates.

"In the age of TiVo, DR is pretty successful," said Bill Abbott, senior VP of advertising sales for the Hallmark Channel.

Direct-response TV advertisers get immediate response, either from viewer phone calls or visits to Web sites. As a hedge against the deterioration of traditional TV messaging-with constant ratings erosion or the use of digital video recorders to fast-forward through commercials-more advertisers are turning to direct-response ads.

"We are certainly seeing it from smart media directors," said Glenn DeKraker, president of COREMedia, a Fairfield, N.J.-based software company that provides media agencies with direct-response software. "Our business has more than doubled in size over the last two years."

The growth of direct response could be good news for television, which has just experienced a mediocre upfront ad market in which few if any programs recorded price increases or significant overall revenue hikes in any advertising categories versus a year ago.

Major Cable Player

Direct-response advertising is one of the dominant categories for the majority of cable networks and accounts for \$500 million in advertising sales, according to some industry estimates.

For some cable networks, direct-response advertising can represent 10 percent to 20 percent of all ad sales activity. Typically, smaller cable networks depend more heavily on direct response, bigger networks less so.

The major benefit of direct response for advertisers is that the commercials have an immediate sales effect. When viewers call to purchase a product via an 800 number displayed at the end of a commercial, advertisers can instantly tally the number of sales recorded.

Up until recently, advertisers paid for direct-response commercials predicated on the amount of viewer response, and the spots were fully cancelable by the advertiser, though networks reserved the right to immediately pre-empt the spots. But with major new advertisers arriving on the scene things have changed. Some such ads are bought during the upfront, which means they can now carry ratings guarantees.

In the recent past direct-response advertisers could have one 800 number for ads on ESPN and another for ads on CNN, which would help them determine the source of their customers. This worked well for traditional direct-response advertisers, such as small companies that sell steak knives, exercise equipment or small kitchen appliances.

"We don't like to rely on traditional DR too much," said Hallmark's Mr. Abbott. "It can make the air look cheesy."

But now that direct advertisers include major brands-pharmaceuticals, computers and financial and insurance companies-the ads are becoming classier. The major advertisers are not necessarily looking for specific sales at the time of the call but for viewers who want additional information about products. With that comes the need for more sophistication in buying direct-response ads.

"Agencies with hybrid direct media departments have seen tremendous cross category growth over the past two to three years," said COREMedia's DeKraker.

Mercedes Mann, North American direct-response broadcast director for OMD Direct, noted that her agency's business has doubled over the past three years.

Greater Sophistication

COREMedia, founded in 1992, has been a major software provider to the direct-response business. Its CoreDirect software has some 100 media agencies and 15 advertisers as clients.

The company, recognizing the need for greater attribution sophistication, has made additions over the past two years, offering advertisers more sophistication, control, and accuracy on how calls are related back to media.

"CoreDirect's response sourcing algorithms are deep and the key variables are user customizable," said Kevin Gaffney VP of Sales and Marketing for COREMedia. In

