

A Weapon In Plain Sight

Toymakers find a powerful tool in Direct Response Television

By Nancy Zwiers and Susan Nia

Many manufacturers in the toy industry are getting squeezed out when it comes to getting mass market distribution on their new product lines. As buyers become ever more risk-averse, they shy away from listing any products that are not planned for TV advertising support. And yet, a traditional advertising campaign costs more than \$1 million dollars. What do you do to secure distribution if you don't have the deep pockets of a major international manufacturer like a Mattel or a Hasbro?

A growing trend is for smaller toymakers to turn to Direct Response Television (DRTV) as a way to affordably get their product in front of consumers without depending on the retailer. DRTV lets you prove the consumer appeal of your product to help justify retail placement.

What is DRTV?

Direct Response Television is a television commercial that asks consumers to respond directly to the ad to buy a product, usually via an 800-number or website. Just like traditional TV advertising, DRTV helps build brand and product awareness and shares product information, thus stimulating retail sales. But unlike traditional commercials, DRTV ads qualify for "remnant ad" rates at up to a 70 percent discount. Media buyers in the DRTV space buy up unused TV commercial inventory at drastically reduced rates for short-form commercial lengths (e.g. 30-second to 2 minutes), all the way to long form infomercials (usually 30 minutes). The reduced media costs, as well as the pay-as-you-go way of buying media, enables even small manufacturers to afford TV campaigns.

History of DRTV in toys

Mattel was a toy industry pioneer in 30-minute infomercials in the mid-'90s ('DRTV' has replaced the term infomercial). The company focused on its adult-directed Barbie collector business. Its combination direct and retail selling of the Barbie 'Gone With the Wind' collection was widely seen as a success. Subsequently, Floam was the first prominent kid-directed campaign that combined short form DRTV and retail distribution and that is when retailers took note.

Since then, a host of companies and products have followed suit, many very successfully, including:

Color Loco

- Blency Pens
- Color Splitz

Overbreak

- R/C vehicles

Spin Master

- Air Hogs R/C vehicles
- Rocket Fishing Rod
- Moon Sand
- Pixos

Merchant Media

- Bendaroos

Benefits of DRTV

1. Securing and supporting retail distribution: Retail buyers have become educated about DRTV such that they no longer worry about the manufacturer competing against the retailer for sales. In fact, it's just the opposite: Retail buyers now know that DRTV actually stimulates retail sales of the product. Extensive research has been conducted which shows that for every one product sold directly to the consumer via a TV ad, the retailer typically enjoys multiples of three to ten-fold. That is, sales of DRTV products at brick and mortar retail actually outpaces direct sales.

2. Longer commercial lengths for more compelling communication: Because DRTV spots are longer than typical TV ad spots, manufacturers have more time to explain their product, communicate features and benefits, show process start to finish, and make an emotional connection. Toy-related DRTV spots can run anywhere from the traditional :30 up to 2 minutes, giving plenty of time to tell a story and "sell the dream." Case in point: Funosophy-conducted research in December 2008 with 299 kids ages 6-11 at the height of the holiday advertising season asked kids what their favorite toy commercial was. Roughly 75 different brands were mentioned, but it was noteworthy that three of the brands that were mentioned most were supported by DRTV. The conclusion was that showcasing a product longer more than compensates for the DRTV spot's sometimes less desirable media space.

3. Self-liquidating advertising: With DRTV, manufacturers have the chance to have product sales fund the media buy. Instead of being a cost center, the DRTV campaign is a potential profit center. Experience shows that DRTV campaigns are either completely self-funding or are partially self-funding (40-100 percent of media costs are recouped with revenue).

4. ROI optimization through pay-as-you-go: With DRTV, media is bought gradually over time based on successful results. So, after the initial "test phase," ad-

ditional media is only bought if the test is successful. In traditional campaigns, manufacturers buy the bulk of their media upfront at one time. While it is possible to sell-back media, that practice depends on someone wanting to buy it. Media placement is adjusted in near-real-time, based on tracking and analysis, to deliver maximum qualified responses.

Frequently asked questions

What's the initial investment for DRTV?

While it is possible to find a company to make the investment for you if you have a particularly noteworthy product, if you want to control your own destiny, you will need to fund the effort yourself. For an initial investment of less than \$100K, manufacturers can get a turn-key campaign, which includes: creative (ad spot), media (ad time), back-end logistics set up, and campaign management.

How do you find a company to work with?

There are numerous companies that play in this space and business models differ. As mentioned above, if you are funding the upfront investment, you are the buyer looking to hire the best service company. If you are looking for the DRTV company to fund the investment, you are the seller, trying to pitch your product line as the one they want to invest in. Contact Funosophy for more information on how to get started. ■

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