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Direct Response Radio: *Strategy • Media • Creative*

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After the Phone Rings: 4 Tips for Maximizing DR Radio Profits

By Brett Astor, VP and Jeff Small, CEO of Strategic Media, Inc. (www.strategicmediainc.com) the leading full data direct response radio advertising agency, with Scott Badger of direct marketing management firm KPI Direct (www.kpidirect.com).

Media buying and ad development topics tend to dominate the discussions about successful direct response radio advertising. Yet the most successful DR radio campaigns—defined by profitability and longevity—have all acted on the need to extend their focus well beyond the media and creative aspects of the campaign. Why? Because while it is indeed vital to efficiently drive qualified leads, it is also true that low cost leads alone won't achieve a direct response campaign's full potential.

Often referred to as the “back end”, what happens (or doesn't happen) after the call arrives at the call center has an enormous impact on campaign profitability.

To shed some light on the tactics involved in maximizing DR radio profits, we talked to an expert about common mistakes and oversights that undermine the success of DR radio campaigns.

“I continue to be amazed at how many advertisers ‘set it and forget it’ when it comes to managing their ‘back end’. I've consistently found that with a little digging, some thoughtful promotion set up, and a commitment to disciplined execution, advertisers can literally add an additional 1.5 to 3 percentage points of profit to their bottom lines (net income as a % of sales)” says Scott

Badger, principal of KPI Direct, a DR marketing management agency. “As a percentage increase in profit, this is a very meaningful number—at least 15%, and often double or triple that figure” he says.

With this in mind, we talked with Mr. Badger about the top four opportunities he most routinely sees for maximizing DR radio campaign profits.

Tip #1: Pick the Right Kind of Call Center

“Direct response radio-specific call centers often deliver results that are 2–3 times better on key metrics than non-radio experienced call centers” Mr. Badger says.

As a radio agency, we've seen this first hand when new clients have come to us with a call center already in place. Perhaps they've been running direct mail, TV, print or online campaigns. When we test radio, we see a wide variation in performance across these different call centers. Some are far superior to others when it comes to direct response radio campaigns.

This is because radio leads are different in some important ways than TV, print or online leads that make up a large percentage of the call volume at

many large centers. Radio leads are calling as a result of a 60 second ad (most often) that aroused them and compelled them to want to try something out. “To convert that lead to a sale, complete with cross-sells and continuity elements, requires skilled salesmanship, not just an order taking script” says Badger.

According to Mr. Badger, the best call centers for radio campaigns are going to have a few common characteristics. They're not super-sized centers with thousands of agents and hundreds of clients. They're smaller boutique centers with between 100–500 seats and fewer clients. “Some clients become concerned about out-growing the capacity of a smaller center, but there are ways to effectively mitigate this issue without much difficulty.”

Second, these boutique centers specialize in “soft offer” promotions, the type often most effective in direct response radio. Soft offers don't discuss a price in the ad. Hard offers are more typical to TV and to a lesser degree print, where a price is shown in the ad. Soft offers work best in radio for a whole host of reasons outside the scope of this discussion.

Third, the call centers that perform best for radio campaigns have commissioned sales representatives, not hourly workers. “Commissioned sales agents do a better job at establishing a rapport, identifying the customer's needs, and

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building value around the highest value product offers—in short, they do a better job of ‘selling’” says Badger.

Mr. Badger cautions that while choosing the right call center is vital for maximizing both conversion and average revenue per order on the initial sale, it’s important to note that choosing the right call center marks just the beginning of the process of maximizing the profitability of a DR radio campaign “after the call” begins. “There are a host of opportunities to significantly boost ROI in the leads generated from soft offer DR Radio” he says.

Tip #2: Go After Non-Buyers

Mr. Badger’s experience indicates that one of the largest opportunities for capturing additional profits involves implementing programs to convert your non-buying leads into buyers. How impactful can this be? Using some round numbers, let’s say the conversion rate for your campaign is averaging 30%. That means that for every 100 leads you drive with your advertising, 70 of them don’t result in any revenue or profit for you. That’s 2.3 times the number that do buy! Converting just ten or twelve percent of these non-buying leads can increase your overall conversion rate by over 25%, resulting in an enormous percentage lift to revenue

and profits. Why? Because you’ve already paid for the leads and they are, by definition, interested in trying your product. “That’s why one of the first things I recommend to a client is to design and implement a non-buyer conversion program” Badger says.

Without a high enough customer lifetime value, a business can’t compete for new customers.

Tip #3: Convert Try-ers to Believers (and Repeat Buyers)

Mr. Badger says that typically 15% or more of a soft offer campaign’s buyers will take the lowest price (and sometimes “free”) offer that is being pitched, without an autoship enrollment, and won’t reorder down the road. “Unless you do something. Time and again we see that with the right message, method of contact and follow up offer, a good percentage of these ‘try-ers’ will be converted to loyal ‘believers’” he says.

Tip #4: Reactivate “Customers on Hiatus”

“I call them “inactive repeaters”—customers who have received two or more

shipments (whether auto or not), but none in the past 30 to 60 days” Says Badger. These people often represent a meaningful percentage of a marketer’s customer list and they are often the most likely candidates to “come back to you” if given the opportunity through a reactivation program.

Connecting the Dots

Why is the ‘back end’ profitability supremely relevant to a discussion of successful direct response radio campaigns? Because together with the ‘front end’ profitability stemming from media and creative efforts, the back end profitability contributes to the key business metric of customer lifetime value.

And here’s where it all comes together: Without a high enough customer lifetime value, a business can’t compete for new customers. The media CPO (to pick just one key business metric) required to achieve profitability will be too small. In any product or service category, the business that can pay a \$50 media CPO to acquire a customer and still be profitable will achieve far greater scale, longevity, and profits than the business that can only pay a \$35 CPO.



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