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Direct Response Radio: *Strategy • Media • Creative*

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# Are You Ready for Direct Response Radio Advertising?

These Six Questions Tell You How to Make the Answer “Yes”

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Direct response radio advertising is an amazingly under recognized way to grow a business quickly and profitably. For one thing, it's fully accountable, so every dollar spent can be tracked to the revenue it generates and unprofitable spending can be eliminated. In addition, it's extremely scalable. Once you figure out what works, you can increase your revenues and profits simply by increasing your media spend. It's nearly as easy as stepping on the gas pedal. Direct response radio advertising is truly a powerful engine for profitable growth.

When it is done properly.

Most of the time, radio advertising is not done right. The first step in “doing radio right” is not to do it until you're ready. The questions in this article will help you determine whether you're ready to take advantage of direct response radio advertising. If you're not ready, this article will tell you the steps you need to take to get ready.

## Do you know how you will define success?

How much, in profit, is each customer worth to your business over the course of that customer's relationship with your company? This is the customer lifetime value question and it is vital to know this before you go into

direct response advertising. Why? Because the definition of success in direct response radio advertising is acquiring a new customer at a cost that allows for a profitable relationship with that new customer. If you don't know the lifetime value, you cannot know how much you are able to pay to acquire a customer.

Think about the day when you run your first ad schedule on a station. The results come in. How do you know whether they are good or bad? Are they good because there is revenue? Are they good because the phone is ringing or because visits to the web site went up? These are not sufficient to understand and evaluate the performance of your advertising. You can only evaluate advertising performance within the context of your customer lifetime value.

But knowing your customer lifetime value is not enough. You have to break this down into the metrics that you'll use to evaluate and manage your campaign. These metrics are part of the formula for lifetime value, metrics like “cost per lead” (CPL), cost per order (CPO, also known as CPA or cost per acquisition), conversion rate, and average revenue per sale. Do not begin a direct response radio advertising campaign (or a business of any sort using any kind of

demand generation tactics) until you know your business profitability metrics very well.

## Are you prepared to test?

We have often heard people say “We tried radio advertising and it doesn't work for us.”

Here's the problem with that statement: Developing a profitable direct response radio advertising campaign isn't something that is accomplished with a “trial.” It is far too complicated an endeavor, with far too many variables, to assess its effectiveness for your business with a “trial.” There are creative variables and media variables, and together they present a daunting number of possible combinations to achieve success.

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To properly assess the potential for direct response radio advertising to generate profitable new customers for your business, you must approach direct response radio advertising with a testing mindset. That calls for a patient, methodical approach.

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What does this mean for you? It means that you need around \$20,000 to test multiple ads over a 4-8 week period before you'll know which approaches will (and won't) yield more profitable results. Don't go into direct response radio advertising with a "dabble" mindset. Go into it with solid business goals: a) To assess the potential of direct response radio advertising to drive profitable new revenues, and b) to understand which approaches—both creative and media—produce the best results for your company. While you'll generate revenues and profits during the test, the real benefit of testing is in the learnings that can be applied to a larger campaign over a long period of time to drive significant sales and profits.

### **Do you have a compelling offer?**

The offer in your direct response radio ad is one of the most important elements for success. But why do you need to be thinking about that before you even approach radio advertising? Isn't that something your radio advertising agency should come up with? Well, yes, but... The "but" here hinges on the fact that any offer must be something that's possible given the business profitability structure, and possible given the systems and processes that run the business. These are constraints that only you know about. It will take time to alter existing systems or processes should that be necessary to support a compelling offer in your advertising. Your agency might recommend you give away a free DVD player with each order. That would drive a lot of orders, but would they be profitable? You need to define the playing field for the agency and then engage in the dialogue of getting the most out of what's possible given the constraints.

What is a compelling offer? It's different, it's relevant, and it's meaningful. A free complimentary product or service is a good example. For example, if you're marketing a skin care product that fights acne, you can give away a skin softener product as a bonus. Others use free trials with conversion mechanisms. These can work well provided the product performs as promised. Still others employ the 'risk free trial' approach, which essentially positions the 30 day money back guarantee as an offer—a "risk free trial." The possibilities are many.

### **Is your business infrastructure set up to support direct response advertising?**

The most important aspect of preparing for direct response radio advertising is ensuring you're ready for the volume of leads and orders that can result. The easiest way to project this is to know your CPL and CPO projections (see above) and then assume

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a specific weekly media spend. For example, say you're running \$25,000 in media per week in direct response radio. This is considered a relatively small campaign. If your business model shows that you expect a CPL of \$15, then you'll be driving  $25,000/15 = 1667$  calls per week. Can your sales call center and fulfillment center handle this volume? More importantly, can

they handle more, because when you're profitable while running a \$25,000 weekly radio campaign, you'll undoubtedly want to grow to five to ten times that size as soon as you can.

There's another vital piece of infrastructure you absolutely must have in place before you begin direct response radio advertising. It is a firm requirement because without it you're wasting your money and ruining your reputation with the vendors you've hired to help you build the campaign. That requirement is excellent data collection and transmission to the radio media buying department at your radio agency. By this we mean that you absolutely must have a mechanism for capturing the lead, order, and revenue data by the unique identifier (such as the toll-free phone number) for the media buy that generated the call. If you're sending calls to a call center, this is no problem. They understand this need and are already set up to accommodate it. If you're trying to take calls in house, most of the time you've got work to do to ensure you can provide your media company with the information they need on a timely basis (usually first thing every morning). If you are sending leads to a web site, which is happening with increasing frequency, you must set up data capture and transmission mechanisms via a web tracking software program like Google Analytics before the campaign begins, preferably before you even contact a direct response radio advertising agency to get started. It's amazing how many times we've been told that this tracking mechanism is in place and that we'll get daily data exports from the web tracking software, only to begin the test and find out we won't be receiving data for many days and what we do receive will not be complete.

## Are you aware of your biases and assumptions?

This question probably sounds a little different than the rest but it's well worth spending some time on. What you must understand is that you, the client, lead the show. As the agency, we will tell you what we recommend based on our expertise in the field of direct response radio advertising. It's up to you to make sure we're making those recommendations with all of the necessary information. Biases and assumptions can damage this important aspect of the client-agency relationship.

Biases and assumptions underlie beliefs you have about key campaign questions like why your customers buy from you, or what appeals in advertising will resonate with the target audience. If you inject these into the process as facts, your agency will likely take them as such. The agency is unlikely to argue strongly with you -- it's just the nature of the "the customer is always right" tendency in client-agency relationships (as well as many others).

Let's say you've been advertising online with banners and pay per click (or with TV or with print—the medium doesn't matter). You want to test radio. One common mistake is to do a survey of your existing customers and ask them why they buy. The results show that the reasons these people buy match up very well with the appeals in the advertisements that you've been running. You conclude that the exact same approach will work in radio and you require that approach be followed by the agency. But you've overlooked the fact that your survey was very biased. Why? Because the people you surveyed were prompted to become customers by the ads you ran. Of course you're going to find people who validate the ads you've run—they responded to them to become cus-

tomers! The non-biased way to do a survey is to collect data from a random sample of people (not current customers) matching the target customer profile.

Notice the point is not to eradicate your biases or assumptions, but to become aware of them. It's nearly impossible to get rid of biases. However, if you're aware of them you can then test them methodically and you won't

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be in danger of leading your agency down the wrong path—one that often leads to the failure of radio campaigns.

## Are you different?

Me-too products or services don't work, period. In direct response you find this out quickly. You must be different. One important twist to this is that you can be different in any one of a number of different ways. As a certain marketing

professor liked to say "you can innovate anywhere in the value chain...the more places the better." Did Dell Computer make innovative new computers? Not at all. Dell found a way to put computers together faster, with higher reliability and at a lower cost than any other PC maker. That, among other things, translated into a super low cost structure which meant Dell could beat competitors on price and still make more money than those competitors. There are other examples. Maybe you're marketing a product in the diet aid category. There are "support" food programs (Weight Watchers), pills (Trimspa) and informational/diet regimens (the Atkins diet). Do you have to have the latest breakthrough pill to compete? That would be nice but there are only so many of those to be discovered. So you can be different in another way. Your spokesperson could be a celebrity. Your marketing angle could be radically different. Your offer could be unique. Your cost structure or overall business model might allow for an incredible free gift or a very low price. Your customer retention program might be so strong that you can give away a free trial to acquire large numbers of customers. There are many, many ways to be different. How you're different—while important—is still second to the fact that if you're a me-too product you'll not last long.



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