

24. BUYING ON C.P.O.

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24. BUYING ON C.P.O.

If your media buys are to be based on any single common denominator that monitors performance, it should be Cost Per Order (CPO).

In direct response television, the bottom line is your CPO - how much it costs you to generate one sale or one inquiry.

THE LOWER YOUR CPO, THE HIGHER YOUR PROFITS. Remember, with DRTV, media buying has nothing to do with programming or demographics. It is strictly a numbers game. The fewer dollars you spend to reach your viewer base, the better your CPO.

CPO SHOULD GENERALLY BE UNDER 50% OF SELLING PRICE. To determine your CPO, simply divide your airtime cost by the number of orders you generated from that single airing of your infomercial. This amount should be less than 50% of your selling price.

25. PERFORMANCE RATIO

Performance ratio is a percentage derived from dividing your CPO by your selling price, or by dividing your total sales revenue by your total media cost.

Although the maximum CPO should be 50% of your selling price, few advertisers consider 50% to be acceptable. Ideally, your CPO should be 1/5 your selling price, which means you should receive \$5 for every dollar you invest in media.

For example, if \$1,000 worth of airtime produces 50 sales, your CPO is \$20, which means it costs you \$20 in media time to sell one unit of your product.

- > If your selling price is \$40, your CPO is 50% of your selling price (\$20 divide \$40), a 1 to 2 ratio.
- > If your selling price is \$60, your CPO is 33% of your selling price (\$20 divide \$60), a 1 to 3 ratio.
- > If your selling price is \$100, your CPO is 20% of your selling price (\$20 divide \$100), a 1 to 5 ratio. This means that for every dollar you invest in media time, you're getting \$5 back.

26. MONITORING & EVALUATION

The success or failure of an infomercial can be determined by one or two airings. If the first airing produces marginal results, you may want to give it a second shot for comparison. If the second airing is equally disappointing, go back to the drawing board.

Immediately evaluate the performance of each airing the morning after. Although orders may continue to straggle in two or three days after an infomercial is aired, each airing's performance can be largely determined by evaluating it within 12 hours.

EACH AIRING MUST BE PROFITABLE NO IF'S, AND'S OR BUT'S. YOUR ONLY OTHER CONCERN SHOULD BE TO COMPARE THE CPO AND RATION OF ONE MEDIA BUY TO THE NEXT.

Infomercials are not like regular programs, which can build viewership with an increase in frequency. If your infomercial does not deliver a profitable return after one or two airings, it probably never will.

Furthermore, if after one or two airings, your infomercial proves profitable, your next task is to develop a media plan that will increase those profits. By selecting stations, time slots, and air dates that will produce the lowest CPOs, you can dramatically increase your profit ratio.