

JOINT-VENTURE PROJECTS

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JOINT-VENTURE PROJECTS

Financing is a common roadblock for most start-up businesses, particularly if the business involves direct response television, which people outside the industry often perceive as an extremely high risk.

Infomercials, a relatively new form of marketing, have their share of critics who consider their stability to be suspect. Because of this - and the general volatility of television - conventional financing is often out of the question.

Start-up businesses and individual entrepreneurs often seek friends and family members to provide seed capital for infomercial production and test marketing.

A simple infomercial with no celebrities, elaborate props, or post-production effects may cost anywhere from \$10,000 to \$15,000 to shoot and edit in 3/4 inch U-Matic format.

Add to this another \$10,000 to \$15,000 for TV airtime, and you are looking at a minimum of \$20,000 to reasonably launch an infomercial campaign on your own.

INFOMERCIAL MARKETING COMPANIES (IMCs)

IMCs are among the best sources for financing for two primary reasons: (1) they are familiar with the industry and have available funds, and (2) their hands-on involvement with your campaign provides helpful expertise.

AIRTIME INVENTORY. The strength of IMCs lies in their huge inventory of excellent TV airtime available for half-hour paid programs. Most of these companies buy huge blocks of strategic (early evenings and weekends) airtime from most major cable networks.

QUALITY PRODUCTION. Most IMCs have their own production facilities. Those that don't, usually have access to the best production houses in the country. These production capabilities are usually combined with talent agencies that enable them to negotiate the best rates for celebrities.

MANAGEMENT. The third benefit to using an IMC is its experience in managing infomercial campaigns. If a major IMC takes on your product, your campaign is likely to be handled by a team of experienced managers.

2. PROVEN PRODUCTS ONLY

Two major constraints are normally imposed by IMCs. One has to do with your product - IMCs do not take on every product that comes their way.

Presenting your product to an IMC is like an author selling his manuscript to a major publishing firm. Your product must pass a set of litmus tests before the IMC will consider risking their dollars on your product.

If you have only a prototype of your product, it may be more difficult to sell to an IMC. If the IMC does buy it, they usually want to get involved with the actual manufacturing of your product.

Conversely, if your product has been successfully sold in some other form of direct response marketing, or if you have already produced and test marketed some version of your infomercial and have impressive sales performance numbers, IMCs will be more receptive. Furthermore, having numbers to substantiate your offer will give you negotiating leverage.

3. CONTROL

Some entrepreneurs hesitate to deal with an IMC because of the control factor both financial and creative. Without any numbers to back your projections, your figures are mere speculation.

As a newcomer to the business, you will not have the leverage to dictate financial terms nor will you have a free hand in determining how your product should be presented.

As with most other businesses, the leverage goes to the party with the most to offer. If you are new in the business and have an unproven product, you do not have the luxury of shopping around for the best offer. On the other hand, if you have a proven product, particularly one that has been test marketed via an infomercial, you can compare offers and negotiate the best terms.

4. OPEN DEAL

There is no set structure for financial terms between entrepreneurs and IMCs. Each company has a formula for structuring a deal, which may vary from one product to the next.

You will be better off focusing your evaluation on two factors: (1) How much money you stand to make based on their projections; (2) How much time it will take for you to make your first dollar.

Needless to say, where profit projections are concerned, IMCs tend to be conservative. When your objective is to convince them that your product will make them a lot of money, the IMC will naturally argue the opposite. Therefore, when evaluating an offer, consider your own projections objectively

while viewing the IMC's figures as being pessimistic.

5. GOING UPSCALE

To provide leverage for dealing with major IMCs, entrepreneurs commonly launch their own small scale infomercial campaigns to produce performance figures favorable for negotiation.

The strategy usually follows this sequence: (1) You produce a simple infomercial to test market your product; (2) You buy airtime in a number of secondary markets and track the results; (3) You present your product and your test market numbers to an IMC.

**A MAJOR INFOMERCIAL COMPANY CAN REV UP YOUR SALES AT AN ACCELERATED PACE
YOU MAY NOT BE ABLE TO AFFORD ON YOUR OWN.**

With a heftier production budget and a huge inventory of prime infomercial airtime, an IMC can do wonders for your campaign. You can reshoot your basic infomercial to feature celebrities and give your new infomercial a glossy look. And with the expanded access to better TV airtime, your sales can soar at a rate you may not have been able to produce on your own.