BEST DARN CONSULTING Co. PERIOD

Advertisers Protection Pack

www.bestdarnconsulting.com

aperson@bestdarnconsulting.com
307.222.9579

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Why The Advertisers Protection Pack?

Welcome to the Advertiser's Protection Package. Thank you for taking the time to read this revealing report. My name is Jared Rose; I'm the CEO of Best Darn Consulting. I sincerely believe that you will be able to profit - depending on how much you spend on advertising - anywhere from $50,000 to $5,000,000 just by understanding the simple concepts found in this little report. The reason is simple - Marketing and advertising offers your business more leverage than anything else in your businesses … by a long shot. Here's what I mean:

If you place a series of advertisements on the radio, and it costs you $5,000 to do so, the amount of money you spend (the 5 grand) remains constant no matter what your results are. If your advertising nets you 50 inquiries or 500 inquiries or 5,000 inquiries, it still costs you $5,000. If your sales resulting form those inquiries totals $9,000 or $90,000 or $9,000,000, the cost still remains constant. So it would behoove you to learn how to get the biggest results possible out of every dollar spent!

Don't Rely On The Opinions Of Advertising Agencies Or Advertising Salespeople Alone.

There's No Guarantee Either One Of Them Has Your Best Interest At Heart

How Ad Agencies Make Their Money

Let's start with ad agencies. Do you know how they make their money? Most of it comes from commissions they receive from advertising media when they place your ad. So let's say that they write a radio commercial for you, and then turn around and buy you a $10,000 block of ads on one station. The ad agency will typically receive 15% - or in this case $1,500 - from the station for placing the ad. If the wonderful ads that they wrote for you work - or if they bomb - it doesn't matter to the ad agency. They get paid just the same.

Of course if they don't work, you, on the other hand, are out of luck. I'll be honest with you. There is probably not 1 in 50 people at an ad agency that knows even 10% of what we've talked about so far. If they did, they wouldn't continue to churn out the mindless gibberish that they do every year. That's kind of harsh, I know. You probably think I'm just saying that to make a point. But I'm telling you right now it's absolutely true. I think that it's a disservice the way most agencies treat their clients. They'll buy whatever space they can talk their client into buying, just for the sake of collecting a commission check. How do you think all those dot-com businesses back in 1999-2000 got roped into thinking that 1 Super Bowl commercial could make them wealthy overnight? They let a boneheaded ad agency make decisions for them. It's amazing … but if you look at the stats you'll see what I mean:

> *"They wasted an average of $2.2 million per 30-second spot … or about $73,333 per second. Most dot-com companies are wishing they hadn't advertised."*
>
> **USA Today (Money Section)**

> *"Only 36% of the viewers polled could recall a dot-com brand. Of those more than 75% said E-Trade."*
>
> **Opinion Research Corp**

> *"Marketing experts say the Super Bowl advertisers have to keep advertising if they are to take advantage of the visibility achieved in the telecast."*
>
> **Spend MORE Money!**

Why Are They Charging So Much?

A friend of mine, Rich, who happens to be a marketing consultant, was talking to the heads of an ad agency in Dallas a few years back when the subject of television commercials came up. Rich had just completed the production of four spots for regional placement for one of his clients. They were filmed using the same equipment and same kind of film that the professional high-quality national TV commercials are filmed on. One of the guys from the hotsy-totsy ad agency started telling Rich about this one ad they had just produced for an Internet provider … and that the one ad had cost over $120,000 to produce. Now Rich had seen the commercial. And he thought it was so-so at BEST. Then Rich told the guy that his client had cut all four of their ads for a grand total of just $34,000. This ad agency guy just about had a heart attack and insisted that they must have been filmed on somebody's camcorder. Real TV commercials cost way more than $8,500 each to make. Give me a break. Some of these agencies are so proud of themselves. They think they're Steven Spielberg with a multi-million dollar budget. My advice to you: BEWARE.

Same Money, Better Results

Remember this always: advertising and marketing is the lifeblood of your business. Do not treat it lightly. Do not hand it off to someone who's more concerned about his or her ego than your bottom line. Your advertising and marketing has the potential to impact your business - for better or for worse - more than any other aspect of your business. Think about it. Let's say you place an ad that costs $2,500. That ad is going to cost you the exact same amount of money whether it generates $100 of business, $1,000 of business, $10,000 of business, or 10 times that. The investment is identical! You spend the same money for potentially vastly different results. Now, if you can get the results up, you've just massively leveraged your ad dollars. No other part of your business offers that kind of leverage; Only advertising and marketing.

Commissions vs. Results

We have a client that sends about 250,000 pieces of mail a month. It costs over a hundred thousand a month to send that out. Before we came along, they were pulling about a .45% response rate … or in other words, 45 out of 10,000 people would respond. We've gotten that average up to .71%. You might think that doesn't sound like much, but it means an extra $330,000 in their pocket every month, most of which is profit. See, that $100 grand is spent and gone no matter how many sales it generates. Understand this point loud and clear: Your ability to make money hinges on your ability to advertise and market your business in an effective way. Please, please don't leave such important decisions to some knuckleheaded ad agency whose goals are totally different than yours. Oh sure, if you ask them, they'll tell you that they want you to make money. There's some truth to that ... you're less likely to FIRE them if they make you money. But in the final analysis, they just want you to place ads in every conceivable media known to man so they can make more commissions.

So that's the schpeil on advertising agencies. Pretty strange advice coming from an ad agency, isn't it! But my job isn't to sell you something. It's to sell you on doing your advertising in an intelligent, well thought out manner. Now let's talk about advertising sales people next. Again, just like the agency people, be careful.

Ad Sales People

Advertising salespeople make commissions on the ads they sell you. That's obvious. So realize that they're going to try to load you up with as much as possible because it makes their commissions bigger. This might come as a shock, but there is a chance that they might try to sell you more than you actually need to get the job done. So you've got to understand what you're buying so you can know if they're loading you up with too much or not. It's not like buying something like a suit. You walk into the suit store; you need to buy one suit. If the guy in the suit store attempts to sell you four or five suits, you smile politely and let him know that you only need one suit. If he becomes pushy, you tell him to back down because you're absolutely sure that you only need one suit. See, if you know you only need on suit, you just buy one suit; maybe two max.

But how many radio ads do you need to make an effective campaign? That's hard to say. What stations should you be on? Some are definitely more expensive than others. So how do you even know what you need to buy? How big should your newspaper ad be to maximize effectiveness? What section of the paper should it be in? Which days should it run? I could go on and on - asking these kinds of questions - for every possible medium out there, but I think you get the picture. It's not exactly easy to know what you need to buy in the first place, and that's what makes it difficult to know whether or not the ad sales rep is proposing to you what you really need or not.

Testing Your Ad Man

I'm going to give you some evaluation questions that you can ask the advertising sales rep to see if they really have your best interest at heart. You can use these questions to find out if they're trying to maximize your dollars or just maximize their commission check. I need to qualify these questions first though; you need to have a general idea of what you should do before you ask the sales rep these questions. Or in other words, you need to form your own opinion, draw your own conclusion about the best way to buy that particular medium … and then ask the sales rep these questions.

Test #1: Budget Allocation

So here's the first question. Tell the sales rep that you have a certain budget for your advertising campaign. Say it's five thousand dollars, or $20,000, or whatever it is. The number isn't important. Just tell them what your entire budget is for your entire campaign - not just their station or their newspaper or their billboard, or whatever. Tell them what your entire budget is and then ask them this magic question: How would THEY spend your $X budget if they were in your shoes? Which stations, which newspapers, whatever. Now again, make sure you've researched it out ahead of time so you have a good idea. Their answer to this question won't mean much if you don't know. If you do know, however, their answer to this question could be very revealing.

Let's say that you've determined by reading this report and doing your own research that you should spend $5,000 of your $25,000 budget on one particular radio station. Let's say that you've determined that $5,000 is about right, and that maybe as much as $7,500 would be within reason. Then you ask them the question, how would they spend your budget if they were in your shoes? Then let's say that they suggest that you spend at least half your budget on their station, and only $3,000 on the other station that is their major competitor, and the rest should go to print ads or direct mail or broadcast emailing. See that throws up a big red flag doesn't it? You've determined that they should get 20% of the budget, and they're gunning for 50%. Now don't misunderstand. I'm not faulting the guy for gunning for half your budget. I'm just making this point. Now you know that you can't trust his opinion. Again, this is assuming you've done your homework.

Test #2: Inflated Budget

Here's another way to test the trustworthiness of your advertising sales rep. In this scenario, you don't reveal your entire campaign budget. Instead you just tell him how much you want to spend on his station … or in his newspaper or in his publication or what have you. Now here's the trick. Make sure that the number you give him is actually about 50 to 100% higher than you actually intend to spend with him. If you were planning on spending $5,000 on his station, tell him you want to spend $10,000. Now, see how he reacts. Sales reps on the lower end of the spectrum will lick their chops and tell you that you're an advertising genius and try to take your money. You might find out, however, that they try to steer you in another direction.

I do this all the time for my radio clients. We tell the sales rep that we want to spend $10,000 in a week, knowing full well that $5,000 is plenty to get the frequency and gross rating points we want. Sometimes the rep will fax over a proposed schedule with $10,000 that is just ridiculous. Way too many spots. It's like the radio equivalent of placing a full-page ad on every other page of the newspaper. You just don't need to do that, it's overkill, a waste of money. About half the time the sales rep will say, "Hey, that's just too much money to spend in that short amount of time. You need to either cut your budget, or extend the amount of time that your ads will be running." See, that makes you feel more confident in that sales rep, doesn't' it? But what if they don't say that? Then you know not to trust that person.

Test #3: Competing Media

Here's the third thing you can ask the sales rep to find out if their opinion is worthwhile … or worth-less. Ask them about specific competing media. Again, do your homework and form your own opinion about the competing media before you ask. If you've concluded that a competitive radio station or the other daily newspaper would be a good fit for your campaign, and the sales rep only has negative things to say about it, that should throw up a red flag. Here's a sales rep that only has one thing in mind: Fattening his commission check. Steer clear. Ask for a new rep that's more objective.

Bonus Test: Longevity

Okay, one bonus question to ask a sales rep to find out what their opinion is worth. Here it is: Ask them first, how long they've been selling advertising, and second, how long they've been with this particular newspaper or radio station or whatever. I've found that the longer someone's been around in general, and the longer they've been with the company they're with now, the more likely they are to be objective. Now that's a generalization, but maybe it can work for you. If a guy hops around from radio station to radio station every six months, that person is more likely to tell you whatever he thinks he needs to get the sale … because he's probably starving!

Conclusion

Why do I tell you all this? Why would you want to evaluate your sales reps anyway? Because I've found that the ones who are good, the ones who really do have your best interest at heart, can be a very good source of information. They can give you helpful suggestions and steer you in the right path when you DON'T know exactly the best way to proceed. Usually, these kinds of reps will be happy to work with you even if you're not buying anything for them. They know that if they help you now, that you'll be likely to buy from them when it is appropriate. This goes for ad agencies too. There are good ones out there, and there are not so good ones out there. Wouldn't you like to know which is which? Use these tips in this section to find out.

How To Decide Whether To Place Ads Yourself ... Or Use An Agency

After that last section, you may be wondering whether it's better to place your advertisements yourself, or if you should even consider using an agency. That's a good question, and one that doesn't necessarily have an easy answer. It depends on the needs of your company and what you're trying to accomplish. So for you to decide, let's use the good old Benjamin Franklin method. Remember the Ben Franklin method? That's where you get out a blank piece of paper and draw a line down the middle and write "FOR" on the left side and "AGAINST" on the right side, then simply list out the reasons FOR and AGAINST. In this case, we'll list all the reasons FOR using an ad agency, and all the reasons AGAINST using an ad agency. Whichever side ends up with the most points - FOR or AGAINST - wins. So let's do that to decide if you should use an agency or not.

AGAINST Using An Agency

First, let's start with the reasons AGAINST using an agency. Here are some reasons you might NOT want to use an agency, and do it yourself instead. Got your piece of paper out with a line drawn down the middle yet? Okay, let's go. Reason number one in the AGAINST column is cost. It costs you a certain percentage of your advertising budget to use an ad agency. For print and broadcast media, that percentage is usually 15%. In other words, if you spend $10,000 on a radio campaign, the radio stations will bill the agency just $8,500, and the agency keeps the balance. It's their commission. Now that's not a bad thing necessarily, I'm just telling you that it's money that in some cases you may be able to keep for yourself.

Here's what I mean: If you call the radio stations direct and tell them that you'd like to spend the $10,000, they're most likely going to charge you the full $10,000, not just $8,500 like the agency. That's because the 15% commission is reserved for advertising agencies only. It's designed to keep you, as an individual advertiser, from getting a discount on your advertising. And it's usually pretty effective. But you can get around it. Here's how: Set up your own advertising agency. That's right, set up a different company with a different name and a different phone number. Guess what? That's all it takes to become an ad agency; a name and a phone number. It's not like becoming a doctor. You couldn't just rent out some doctor's office somewhere, buy a stethoscope and call yourself a doctor. The only patients you'd be looking at would be in jail. But for ad agencies, it's not quite so strict. A name and a phone number is all that's required. You don't even have to have another office; or an advertising degree, or a certification from the American Association of Advertising Agencies. Just a name and a phone number and – BOOM - you're in business.

This allows you to buy your advertising at the discounted rate. Depending on the quantity of ads you place - and depending on your proficiency as an advertising guru - this could mean a substantial savings for you. Heck, if nothing else - if you get nothing else out of this report - go set up an advertising agency, do everything else exactly like you're doing right now, and save 15% on all your ads.

But before you get too excited about this 15% windfall, remember that we're only talking about the reasons AGAINST using an agency right now. And reason number one AGAINST using an agency is that you don't get to keep the 15% - the agency does. So, write underneath the AGAINST column of your piece of paper, "Give Up 15% To The Agency". So why else would you not want to use an agency? The only other valid reason I can think of is that the agency MAY not be competent. They might be very proficient at making pictures that look pretty and possibly win awards, but they might not actually know how to make money for you. That's a tough call, and it's going to require that you ask the right questions to screen them.

Reasons FOR Using An Agency

Okay, let's talk about some of the reasons FOR using an ad agency. For starters, there's a lot of specialized knowledge that goes into making a good advertising buy. Just because you have to be certified to be a doctor but not to become an ad agency doesn't mean that you don't have to know anything to be an effective ad agency. There are a lot of things to understand. Good advertising agencies usually have people who are skilled at knowing each of the different kinds of media … and how and when to most effectively buy each of them. They have experience that says, "You know, I don't think newspaper would be such a good idea for this particular product, but maybe direct mail would be." They have people who know how to negotiate the best rates and buy for the maximum effectiveness. In short, they really understand advertising.

That might sound a little generous based on what I said earlier in this report about knuckleheaded ad agencies. But let's make a distinction right here. The ad agency has two specific - and different - functions, generally speaking. The first one is creating ads; the second one is buying ad space, or what's known as media buying. But the reality is that media buying is a pretty big study. You need to get enough of an education that you can talk intelligently with an ad sales rep or an ad agency. But for you to learn everything you need to know might not be not worth your while. Let me summarize; a working knowledge of media buying will be adequate for most people.

When it comes to the creating the content of the advertisements, this is where you've really got to know your stuff. You don't have to be able to necessarily create your ads, but you do have to be able to look at what's been created and objectively critique it. Here's why. Ad agencies are notorious for creating bad stuff. Stuff that looks good, but doesn't sell. Stuff that impresses artists, but doesn't impress buyers. Stuff that doesn't invoke any kind of response to action. See, that's a problem. And the bottom line is this: If the content of your ad is bad, it's going to ruin your chances for advertising success.

The Three Biggest Reasons FOR Using An Ad Agency

Okay, so that's FOR #1 - there's a lot of specialized knowledge that goes into placing advertising; specialized knowledge that you may not possess. That leads us nicely to FOR #2. Remember that 15% we said you could save if you start your own ad agency? That was the good news. The bad news is that if the real ad agency that you would otherwise deal with is any good at all, they can more than make up for the 15% that they earn as a commission. Think about it. If the ad agency commission is 15%, then they've only got to be 15% more effective than you are at buying the space to make it profitable. Just 15%. Let's say that you're an auto mechanic and you charge $50 an hour to work on my car. In an effort to save money, I decide that I'd rather do it myself. Of course, I don't know 1/100th of what you know about fixing cars, but I go ahead and give it a go. Is my savings - not paying you the $50 an hour - really a savings? Of course not. The same could be true for that 15% you're trying to save. It could actually be costing you money.

I'll give you a few examples from the archives. A partner of mine had a client that he bought a lot of media for. He bought radio and fax broadcasting and direct mail. But his client bought their own newspaper ads. Why? Because when he first hooked up with them, they were buying newspaper already, and had taken the time to set up an ad agency like we just discussed. The newspapers didn't know that it wasn't a "real ad agency", so they got the 15% discount on all the ads they placed. And that was fine. Then when they hired him and he introduced other forms of advertising to them, they let him handle it. They correctly assumed that he knew more about radio than they knew and more about fax broadcasting than they did. But when it came to newspaper, they just hung on tightly to doing it themselves. They figured they knew how to do it and would go ahead and save the 15%.

Then he ran into a few problems. He was implementing a multi-media blitz in one particular city that had two major daily newspapers. My partner happened to live in that city for six years, and was very familiar with which paper was the most popular. Guess which paper the client bought with their own agency? That's right! The other paper that was less popular. When he brought this to their attention, they said that the advertising salesperson had said that nobody read that other paper, and that they should buy the one they bought. Remember the evaluation questions for advertising salespeople! Bad-mouthing the other paper should have thrown up a red flag. So in the final analysis, what should they have bought? Answer: both papers. The cost per column inch was low enough for both papers that the budget could have easily handled it. That way, they would be sure to get maximum coverage. So in this case, the 15% savings cost them making the best media buy possible. Be careful!

So by way of review, **FOR #1** of using an ad agency is that there is a lot of specialized knowledge that you may not possess. **FOR #2** is that the 15% you save may actually cost you money. **FOR #3** then, is that placing advertising can be extremely time consuming, especially if you do very much of it. It's easy for a business owner to get faked out and forget that his or her time is actually worth a lot of money. But the reality is, for most businesses, that your time is best spent working on your CORE COMPETENCY. What's your line of business? Are you an accountant? Then spend your time honing your bean counting skills. Are you in retail? Then figure out the best ways to merchandise your store and buy the correct inventory. Are you a professional? Then work on your craft. Yes, gain a working understanding of advertising. That's the whole point of this report. But no, don't spend the time that it takes to become an expert at it. Outsourcing your advertising to an agency may be a smarter move.

Time Traps

Here's one of the time traps that most people don't see in regards to their advertising. They may call a newspaper or a radio station and ask what the rates are. The salesperson then gives those rates or emails over a proposal. The business owner (or fake ad agency) looks at the rates, decides what size ad to place or what kind of schedule to go with, and places the order … then smiles while thinking about the 15% he or she is saving. What they don't know is that a skilled advertising agency can in many cases negotiate either the rates down or the number of spots up. We do this for our clients all the time. We never take the first proposal and just go with it. We always take the time to make a second call and hammer them for a better deal. It's called negotiation. And it's certainly worth more than the measly 15% the client could save by placing it themselves.

So back to the Ben Franklin close. You were going to make a list and write the reasons FOR using an ad agency on one side of the paper and the reasons AGAINST using one on the other side. Now, if you've listened to my advice, you've most likely got more reasons FOR than you have AGAINST. In other words, you've concluded that it might not be such a good idea to place your advertising yourself. Is that true all the time? Well, not exactly. Here's when it might actually be a good idea for you to place your own advertising. If you are a small company and you don't do all that much advertising. If it won't take up too much of your time and your confident in your negotiating ability, then go ahead and make up a new name and get a new phone number and start placing ads. Otherwise, you might be better off leaving it to a professional. In that case, again, you've got to have a good enough working knowledge of ad placement so that you can evaluate the job your agency is doing. And most definitely you want to have a big say in the creative design and writing of your ads.

How To Never Make A Major Marketing Mistake Again

Guesswork – Headlines

In his classic book *Think And Grow Rich*, Napoleon Hill says that one of the major causes of failure is that people "prefer to act on opinions <u>created by guesswork</u> or snap-judgments rather than facts". Advertising decisions based on what <u>you</u> think will work rather than ***what the marketplace wants*** is the main reason advertisements don't work - and that businesses fail, for that matter. Your livelihood depends on your ability to determine which messages will effectively attract new customers and entice your current customers to come back for more.

You can make these determinations by putting every important marketing and advertising question to a vote by the <u>only people</u> whose ballots count: customers and prospects. This "voting" takes place in the form of small, inexpensive tests. An advertising test is different than a questionnaire, a survey, or a focus group. These things don't necessarily reflect your prospects' willingness to put their money where their mouths are - and the results are usually skewed toward what the participants *think* you want to hear. Or what they think they *might* do. Testing, on the other hand, allows you to find out definitively which headlines, offers, prices, etc. the market will respond to - and cause them to buy - *before* you spend a fortune on advertising.

Testing Headlines

You can test the effectiveness of certain parts of your ads on small but representative samples of your market, and you can learn what works and what doesn't. The results are reliable because each advertising question is answered with cash, check, or a major credit card. So ultimately, the purpose of testing is to demand maximum performance from every marketing and advertising dollar you spend. You will find that one approach will often times substantially out-perform certain others. ***But unless you test, you won't know which approach is the best one.***

You might think that this concept of testing sounds so obvious, so simple, that everyone must already be doing it. Well, are you doing it? I mean, are you really testing? And just running an ad and saying, "Dang, it! That didn't work!" does NOT count. The fact is ALMOST ALL businesses haphazardly run whatever advertisements "seem to be pulling well lately." If you methodically test and calculate your advertising efforts, you'll shred your competitors' advertising to pieces, and win *their* customers in the process. In short, every aspect of your advertising can and should be tested - advertising mediums, placements, headlines, prices, offers, packaging, formats, type fonts, sales pitches - everything.

Through the process of diligent testing, you ensure that you will never make a major marketing mistake. It's impossible. If an advertisement or promotion fails in a small-scale test, you either adjust it and test again, or scrap it for something different. By testing, you take the guesswork and conjecture out of advertising. You should be very scientific with your marketing - keep experimenting until you find what **really works**.

Test On A Small Scale, Because Guesswork Can Cost You A Lot Of Money.

We worked with a client in the early days, which, after 25 years in the retail jewelry business, retired and sold diamonds at true wholesale prices directly to the public from his home. Because his prices were so low, he managed to sell several diamonds a month based solely on word-of-mouth advertising. But as for his advertising and marketing skill, well, he didn't even have a clue. One day he hatched a brilliant idea. He decided to start a company to sell lower-end jewelry and collectibles on a nationwide basis using newspaper advertisements as his marketing medium in the Parade magazine. He would place advertisements in newspapers that looked exactly like the Franklin Mint's. The only thing different would be his company's name and address at the bottom of the ad. He sharpened his pencil and figured that if his ads could pull a measly 6 responses out of every 10,000 placed, net profits would triple the ad cost. If he could only muster 3 responses per 10,000 and he would at least break even. Hey, if Franklin could do it, why couldn't he?

On the strength of projections and his reputation in the community, he raised over $200,000 from local investors to launch the first product, a gemstone ring. The initial ad cost over $60,000 for complete coverage in the Los Angeles Times' *Parade Magazine*. Since the paper was delivered to several million homes, he figured to be extremely rich very soon.

To make a sad story short, the product bombed. He tried a different product the second time, and still another the next time. Finally, after all of his capital was depleted, he was forced to quit. His investors were not happy. How could this have happened? All he needed was a measly 6 responses out of 10,000. Instead of blowing the whole budget on a couple of unproven ideas, he should have taken the time to run some tests in similar magazines with smaller circulations. These relatively inexpensive tests would have told him which ad concepts worked, which prices pulled the most orders, what kinds of terms his customers found most convenient, or anything else he needed to know before rolling out a huge, expensive campaign. Moral to this story: It's better to find out what works and what doesn't work when there is $60,000 at stake. Testing will ensure you never make a ***major*** marketing mistake again - ***ever***.

Like I said before, when you test one marketing variable against another, you will find that one always out pulls all others by a significant margin. A price of $19 may out pull $21 by three times. A certain headline in a newspaper ad might out pull another one by as many as 5 or 10 times! That's 5 or 10 times the result with no increased expense. Remember, we just stated in the last section that advertising and marketing offers your business the greatest source of leverage. But you have to continually test to take advantage of that leverage. As you test different approaches, carefully analyze and tabulate the results. When you find something that out pulls everything else, that becomes your "control". Once you know what works best, you can test other variables in your advertising mix.

For example, once you find a headline that works well in a magazine ad, you can then start to test it in different magazines, or different placements in the magazine, or in different sizes. Just be sure not to test more than one variable at a time, though, or you won't know what effect changing each one of the variables has. If you go changing the headline, the publication, and the format of the body copy, you won't have any idea which component accounted for the difference in results.

It's Not What You Say, It's How You Say It.

Another wholesale diamond seller found that his business became increasingly profitable the more he tested his advertising. His main selling point had always been lower-than-retail pricing. He had successfully run ads in the university newspaper with the headline "WHOLESALE DIAMONDS" for several months in a row. He was encouraged to test three or four other headlines based on low prices, including this one: *"If you're planning on spending $2,500 on a diamond engagement ring, I'll send you home with either a ring worth $3,800--or $1,000 still in your pocket."*

This simple re-articulation of the selling point "low prices" graphically illustrated just how low the prices were. It brought the ad alive to the readers. Inquiries and sales immediately increased by over 60%. We'll talk in detail later about the power of the headline. But this story doesn't end there. The advertisement with the headline I just mentioned, *"If you're planning on spending $2,500 on a diamond engagement ring, I'll send you home with either a ring worth $3,800--or $1,000 still in your pocket."* became his "control". We then tested some other concepts against the low price one. One of these concepts was based on the observation that people usually knew that wholesale diamonds were less expensive, but that they were leery of buying from a dealer that didn't have a big, fancy showroom. Basically, the customers' confidence in wholesale dealers was not very high. Remember, the advertiser's job is to raise confidence and lower risk. In this case there was high risk and low confidence.

The next newspaper ad to come out combated this concern head-on. The headline read *"Most peoples' greatest fear about buying their diamond engagement ring from a wholesale jeweler is that they'll be fooled into paying too much for an inferior diamond."* The ad went on to explain how this wholesaler never considered any sale binding until the customer had the diamond appraised by a certified gemologist of their choice. It also described in detail the "better than money-back guarantee" that ensured total customer satisfaction. See how that lowers the risk and allows the customer to take specific steps to raise the confidence level.

The huge increase in response this ad brought in drove home the importance of testing to this client. No advertiser has the right or ability to tell the market what it will respond to. Experience can show you what types of things tend to work best, but only testing can empirically prove what works best in every single situation.

Start immediately to test every ad you run against another one with a different headline or price or layout. Send two relatively well-matched salesmen out with different pitches and see which one works best after a week. Test new and different ways to articulate each of the points of your case until you find one that works best. When you find approaches that are making you money, keep testing to find out, "How High is High?" You never know how high is high, how fast is fast, how far is far until you've tried several different things.

Yes, it takes longer to test than it does to not test. But by scientifically testing every facet of your marketing, you'll find that in the long run your advertising will be more effective, make you more money, and help your business grow more rapidly. Let me give you a few specific ideas about how you can use testing to your advantage. Here's one: Do what's known as an A/B split. What this means is to run two different ads, both at the same time. Let's say you're sending a mail piece. Instead of sending one piece to the entire list, try sending one piece to half the list - that's piece "A" - and a test piece to the other half of the list - that's piece "B". See, it's an A/B split. You can do this with other media besides just mail. It works great with email broadcasting and telemarketing as well. Some newspapers and magazines may be able to actually print every other copy with a different ad. This allows you to see which ad pulls better in a real live situation.

Anyway, the point of all this is to test, test, test. Become a test-aholic. Don't just fly by the seat of your pants. You'll find it to be very rewarding in the long run.

How To Tell If An Advertisement Costs Too Much

If I've heard it once, I've heard it a thousand times: "Advertising costs too much!" Our clients frequently go into cardiac arrest when they see how much the advertising for certain media in certain markets is going to cost them. I'll admit, it's pretty easy to get sticker shock when you see that a sixty second radio commercial on a popular Los Angeles station could cost you a thousand bucks. Each. Ouch. Or when you realize that all the "Dot.com" businesses in Silicon Valley have made radio spots on top stations in the San Francisco market cost as much as $2,500. A Minute. Or when you realize that a newspaper ad in your city barely bigger than a Hershey Bar will cost a couple grand. It's easy to automatically think that's a lot of money. Now here's the important question for you, the advertiser: Does the ad *actually* cost too much?

What's My Return On Investment (ROI)?

So what's the answer? The savvy advertiser will tell you that the cost of the ad is not the issue. What's important is the return that the ad will bring. Think about it this way: if I charged you even as much as $40,000 for a sixty-second radio commercial that generated enough sales to make you a profit of $50,000, then would the $40,000 be A LOT? The answer is NO! Of course not! You'd be a fool not to beg, borrow, or steal the $40,000 so you could make the $50,000 profit! Try getting that kind of return in the stock market!

How do you think that these big companies can afford to spend a million and a half bucks for a thirty second TV commercial during the super bowl? They know that an enormous amount of people will see it - enough to make the return on investment a good deal.

The point is simple; you've got to figure out how much money an ad will make you before you draw a conclusion of whether or not it costs too much. So how do you do that? It's actually pretty easy. Here's a simple process for determining the Return on Investment, or ROI, of an ad. First, you've got to know how much profit you make on each sale. For instance, if you buy it for $50 and sell it for $100, your gross profit is $50. Easy enough to figure out your gross profit. Step two is to figure out what your closing ratio is. If, on average, you close one sale for every four people who inquire, that's a 25% closing ratio. If 9 out of 10 end up buying, then your closing ratio would be 90%. This is simple math. Third, figure out what your break-even is. Do this by taking the cost of the advertisement and divide it by the amount of gross profit per sale. Remember, we already figured out what your gross profit is a second ago. So how much do the ads costs? If the ads cost $1,000 and your average gross profit is $50, that means you've got to make 20 sales to make back the $1,000 - that's your break even point - in this example, it's 20 sales. Fourth and last, figure out the number of leads you need to generate from the ad if you are to break even. To do this, you've got to know your closing ratio, which we just figured out also. Let's say it's 25%, or in other words, you close one out of four people who inquire. So if you close 25%, and you need 20 sales to break even, that means that your $1,000 worth of advertising needs to generate 80 leads to break even.

Now I know that all sounds kind of complicated, but it's actually really simple. We just calculated in the above example that if a $1,000 in ads can generate 80 leads, you would break even. That's a return on investment of 0. I'm not saying that your goal is to break even. I realize that you're in business to make a profit. But let's start with breaking even; that's the bare minimum you can accept when running an ad. Hey at least you didn't come up with a NEGATIVE return on investment! So let's say your goal was to double your money. What would have to happen to your numbers? That's right, you'd have to double your lead flow, or in this case, generate 160 leads instead of just 80. That means that if you generated 160 leads that you would generate a profit of $1,000 - again, on $1,000 spent. In other words, you've doubled your money. Your return on investment is 100%. That's pretty easy to follow, isn't it? By way of review, what we're trying to do is calculate your return on investment for your advertising. Here are the four steps again. As I go through these, think about your numbers in your business.

1. What's your gross profit per sale?
2. What's your closing ratio?
3. What's your break even … in terms of number of sales needed?
4. How many leads does your ad need to generate enough sales to break even?
5. What's your return on investment on any given number of leads that you generate?

Now realize something important here. What we've just done in this exercise is figure out how many leads you need to generate to break even on the cost of the advertisement, and then calculated the ROI for how many leads your ads end up generating. That's a good piece of information to have, but now I want to take it a step further. Let's figure out what's known as the Lifetime Value of a Customer. What if your average customer brings you a $50 gross profit per sale like in the example we just went through? Well, is that the only time that customer will ever buy anything from you? I hope not! How many times does that average customer come back in the course of a month, or a year? If your average customer shops with you one time a month and makes you $50 of gross profit every time, that customer is now worth $600 a year - in profit. And if you know that your average customer stays with you for 3 years, now that $50 a month client is worth a tidy $1800. So now how much would you be willing to spend to accrue that client? What if those were your average numbers, $50 a month for 3 years. Then in the example earlier, remember where we broke even with 80 leads and just 20 sales? Now those 20 customers would be worth an astounding $36,000 over the next three years. And it only cost you a thousand bucks worth of advertising. Now your break even looks a lot better doesn't it! If you could accrue a $36,000 annuity every time you ran a thousand dollars' worth of ads, I'd tell you to mortgage your house and spend as much money as possible on advertising!

Now, a couple of words of advice when figuring your return on investment for advertising. First, always estimate your numbers conservatively - or in other words, on the low side. Always figure on getting a lower number of leads than you're hoping for and expecting. Always count on a lower closing ratio than you're used to. If you calculate your numbers using conservative figures, then you'll do fine if your results are actually lower than projections … and in the event that you do as well as you had initially hoped, you'll just make more money than you expected.

ROI Example

Let me give you a real-life example to give you a little better idea about this ROI stuff. We worked with a client who was promoting seminars where they would attempt to sell a service that cost $8,000. They hired us to do their advertising for them to promote these seminars, and the question of how much budget should they allot for came up. They wanted to start filling seminars within about a week of when they hired us, so we decided that fax broadcasting would be the best way for them to quickly get the message out about the seminars. We could do faxing for as little as 7¢ per page in some major metropolitan areas, so they came back and said they thought they would want to send out about 25,000 faxes a week for the 5 weeks they would be doing seminars. So I asked them, how many sales were they planning on generating? They said because of a unique financing plan that allowed them to sell their package on a low monthly payment basis, they thought they could sell at least 100 packages in that 5 week time period.

Well, 100 packages is a lot, and I told them that they would have to do at least 100,000 faxes a week for the 5-week period to get the number of leads required to sell that many packages. The guy got his calculator out and did some quick math and realized that I had just told him that he had to spend $35,000! 7¢ times 100,000 faxes times 5 weeks! That number - $35,000 - sounded so huge it caught him off guard. His idea was to spend just under 2 grand a week, or a total of less than $9,000. Big difference. That's called "sticker shock."

So what we did was figure out the ROI, according to the steps I just gave you. Remember the steps? They are:

First, figure out your gross profit per sale. He said his was about $3,250. Second, figure out the closing ratio. He thought his would be about 20%. So then, how many sales would he need to break even on a $35,000 advertising expenditure? Well, 35 thousand divided by $3,250 gross profit per sale is about 11 sales. Just 11 sales to break even. So if his closing ratio was just 10%, he'd have to generate about 110 leads to break even. 110 leads on 500,000 faxes? I'll tell you right now, that's a laughable number. Easily attainable. The last thing to do would be to figure out how many leads he has to have to reach his goal. His goal is 100 sales, and his closing ratio is 10%. That means he'd have to generate about 1,000 leads. On 500,000 faxes sent out, that's like a two-one-thousandths of a percent response. A very doable deal. He'd generate a total gross profit on the deal of $325,000 … and if you subtract out the $35,000 advertising cost, that's still a healthy gross profit. His attitude toward the $35 thousand changed instantly. Do you see how that works now? Just run through your numbers and you'll know how much money is a lot of money when it comes to advertising.

Conclusion

The tools and advice just described are the culmination of years of media buying and when applied will significantly leverage your advertising dollars. Again, regardless of how much you spend on advertising you can dramatically affect the results you get. Profitable advertising is not for dawdlers or casual experimenters; if you are serious about making money with advertising I recommend you talk to an experienced consultant. Should you be interested in additional information or a FREE initial consultation, please visit us online at www.bestdarnconsulting.com or give us a call at 307.222.9579.