

DRTV's REVShare Emulates Internet Strategies

InSight
with
Joseph Gray



As CEO of REVShare, Joseph Gray maintains a leadership position in the television advertising industry. He is an active member of the Direct Marketing Association and its Broadcast Council where he has served as co-chair of Research. Mr. Gray regularly consults to Fortune 500 corporations on television marketing strategies in both traditional and new forms of television distribution and technology.

In 1988, Mr. Gray was first exposed to Cost-per-Action television advertising. His continued fascination with this form of advertising led to the creation of AMN Television Marketing, now REVShare, in 1989. Since that time, the Company has grown into Television's Largest Cost-per-Action Advertising Network representing over 1000 television properties across the United States and Canada. Mr. Gray is credited with developing the technology that established the industry's first unwired broadcast network specifically for Cost-per-Action Advertising.

"DRTV advertisers are usually first adopters of new media. So, as long as television continues to fragment, there will also continue to be new opportunities for DRTV marketers."

DRTVQ You began REVShare in 1989. According to a recent article, in 2005 REVShare had \$500,000,000 (RETAIL) worth of TV inventory available for clients. Over the course of the 17 years that you've operated, what has been the most significant development in the DRTV industry that has enabled REVShare to amass this amount of media time?

JG Media fragmentation has played a major role in that it has become extremely difficult, especially in local markets, for our agency partners to execute the traditional DRTV model. We have over 1000 local cable systems and broadcasters in our network. Alone, the overhead of working with such a diverse group of media properties, on a traditional DRTV basis is far too high to be justifiable for most campaigns, even though there really is a tremendous amount of media available in local markets. REVShare has brought all of these stations together in one seamless network, providing a cost-per-action solution mitigating the traditional DRTV management overhead, allowing REVShare to facilitate business between our agency and media partners that would not otherwise be possible.

DRTVQ Describe the broadcast environment that you experienced 17 years ago? Were broadcasters eager to sell you time?

JG I should point out that we don't actually buy media from our station partners. Similar to online CPA models like Google and others, REVShare pays its television network partners based on the leads that they generate from running DRTV commercials on a cost-per-action basis. At the beginning, convincing stations to do business this way was difficult. We began building our network working with local broadcast and gradually expanded into cable. Today, local broadcast represents about 27% of our delivery while local cable represents 38%. The balance (35%) of our delivery today is delivered through Syndicated shows and National Cable.

Back in 1989, the DRTV model was much easier to execute as ad inventory was quite plentiful in both cable and broadcast. In recent years, there has been a significant adoption of DRTV by Brand Advertisers but the additional market competition has taken its toll. Selling products via spot DRTV was significantly easier 17 years ago. As a result, REVShare primarily distributes brand and lead generation DRTV spot campaigns.

DRTVQ In what other aspects of the Direct Marketing process does REVShare involve themselves with their clients? (e.g. strategic direction, TV creative strategy, etc.)

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FEEDBACK

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JG REVShare has evolved over the years. Today, we are television's largest cost-per-action advertising network. Our goal is to make it easier and more productive for agencies, advertisers, and stations to work together. Last year our network grew 50% in total billings so we are putting 100% of our time and attention where it belongs, which is on the management side and growth of our cost-per-action network. Our agency partners do a great job of providing strategic direction, TV creative, etc. We'll leave those aspects of DRTV management to our agency friends.

DRTVQ **How is REVShare's Cost-per-action (CPA) business model different from a "Per Inquiry" (PI) model? How is a CPA different from ROI?**

JG REVShare's business evolved from what is known as the PI television model. Over the years we've invested in research and technology to overcome the inherent inefficiencies of the PI model and now possess proprietary tracking and reporting tools not available anywhere else. The biggest problem with PI is that the model lacks measurement as well as yield and bid management. Without these critical components, the model is extremely limited. Using a standard PI model, stations can't generate enough revenue to justify any real level of inventory investment.

All successful online CPA models utilize measurement as well as yield and bid management, REVShare is no different in this regard. Other enhancements that have been critical to our CPA network model include our network distribution technology which eliminates 90% of the costs of distributing spot commercials to the over 1000 stations in our network. Without this technological solution, it would be very costly and logistically impossible to deliver advertising content to so many stations.

CPA or Cost-per-Acquisition, as used by REVShare, generally means that we

track and pay stations when a call comes in, from a first time caller, or when a consumer visits a website for the first time and fills out a lead form. With phone responses, REVShare uses the exact same scenario that most pay-per-call internet models use. Recently, Google began testing CPA on its platform and this is essentially the same model that REVShare uses to validate web leads. CPA generates leads that are much more valuable to advertisers than pay-per-click models.

ROI, on the other hand, stands for return on investment. Agencies and advertisers struggle with how to measure ROI because it can sometimes be difficult to understand and track. Conversely, CPA is very easy to understand and very easy to track. Personally, one of the aspects I appreciate about DRTV is that it can be a great tool to enhance the ability to measure ROI.

DRTVQ **What is involved in the process of bidding for media time? Is it similar to the advertising model that Google has?**

JG REVShare's model allows advertisers to bid for leads not media time. In this respect, I would have to say REVShare's model is very similar to Google's. Another commonality is that REVShare also incorporates yield-based bid management into its model. That is to say that we track the yield of individual campaigns as compared to others. The cost-per-lead ranges can be very different between individual campaigns so one has to look at the yield which, simplistically, is the cost-per-lead that an advertiser is willing to pay multiplied by the response rate of the campaign. Both of these aspects are variable so every one of our advertisers is provided special reporting that shows how their offer is performing for stations against the existing market competition. This way, advertisers can manage how aggressive they want to be in order to increase their lead volume. If a campaign under performs to a great extent, stations will begin to pre-empt the campaign which is really

no different than traditional DRTV. Conversely, we report to our network stations just how well offers are performing, which motivates them to increase clearance for top performing campaigns. So, you get what you pay for in our model, just like in traditional DRTV. Using our method, the advertiser is always in control over their cost-per-lead. Again, just like when you advertise on Google

DRTVQ **The name "REVShare" suggests that you are sharing the revenue with a partner. How does that work?**

JG Back in the day, when spot DRTV was a model for selling widgets, advertisers always collected funds on the initial call. Through CPA they would then share a percentage of this revenue with the stations to pay for the media. That's where the name originally came from. Today, funds are not always collected on the initial call since most spot DRTV advertisers are either focused on branding or generating leads for service businesses. So, REVShare has evolved into a unique way to work with television stations where they are paid based solely on performance. Perhaps we should consider changing our name to LEADShare or something. I'll talk to our management team and get back to you on that one.

DRTVQ **Do your clients dictate to you what time they wish to be on-air or do they rely on your expertise?**

JG REVShare's model is still evolving but at the moment our network is generally best suited for advertisers trying to reach a broad demographic (Ex. Adults 18+). What happens during the course of a CPA campaign is that stations begin to focus their airings on where the campaigns are most efficient. Because of this self correcting feature to the model, we have had great success with advertisers looking to reach more narrow demographics, such as The Scooter Store, for example, which sells electric mobility chairs. Remember, the stations are being paid based on results

so it is in their best interest to utilize the tools REVShare provides to maximize their rate of return. We always share our network's daypart delivery trend with advertisers in advance of a campaign. Our two largest dayparts happen to be Daytime and Primetime. If that's not compatible with certain advertisers than we will discourage them from running on our network.

"We believe that television remains one of the strongest advertising mediums for branding and lead generation."

DRTVQ Is the REVShare model appropriate for Brand Advertisers or lead generation advertisers? Why or why not?

JG Any advertiser that is involved in DRTV could be appropriate for REVShare's network if they are national and truly mass market in their objective. REVShare can exclude limited states or DMAs from a buy but our network distribution system favors national campaigns. Whether an advertiser is involved in branding through DRTV or lead generation doesn't really matter, REVShare is simply a cost effective solution to extending the reach of any campaign. Prior to running on REVShare's network we analyze past television campaigns that our clients aired. We find that they generally ran on less than 2% of the stations in our network. That really goes to show just how tough it is to execute a buy in local markets outside of REVShare's approach. In the vast majority of cases, REVShare provides additional cost effective reach that would otherwise be impossible for advertisers to obtain on their own.

DRTVQ How does the influx of the brand type of advertisers impact REVShare's business model?

JG I'd have to say it's been a very positive impact since many of these advertisers do work with REVShare through their agencies. We've been involved in many categories of branding including DTC Pharmaceutical, Mortgage, Internet Services, Insurance, etc. These types of advertisers are where most of the revenue comes from that has been feeding and growing REVShare's network in recent years.

DRTVQ How does an advertiser budget for their "cost-per-lead" tolerance?

JG REVShare always tests new campaigns on a small portion of its network to gain an understanding of what cost-per-lead range makes sense for a specific campaign. This test takes about two weeks. Depending on the level of leads the advertiser desires, our testing methodology does a good job of estimating what cost-per-lead will be required. During a campaign, the advertiser is free to increase their cost-per-lead to drive more volume. So, it's a process but most agencies and advertisers find it to be rather intuitive. Like with Google, the buyer decides how to price themselves and the economics of the model take care of the rest.

DRTVQ . Your website mentions that REVShare has a wide variety of media time available within a 24-Hour period, what is the most sought after time of day and why? How do prices vary between top 20 markets to the bottom 20?

JG A lead always costs the same regardless of what market it comes from or what time of day it is generated. 75% of the leads generated by REVShare's network in 2005 were from stations in the top 100 markets.

DRTVQ Your website refers to short-form availabilities. How much of REVShare's media time availability is long-form?

JG REVShare focuses solely on short-form DRTV inventory which is mostly used by lead generation and branding advertisers.

DRTVQ In your opinion, is TV as strong a medium as it was when REVShare first opened its doors? What will DRTV marketers have to do to maintain the strength of TV as a viable medium?

JG That's a tough one to measure since TV has changed so much and so has the DRTV model. We believe that television remains one of the strongest advertising mediums for branding and lead generation. There is a lot of talk about how television is changing but I'm not so sure that the average American is paying attention to all the hype. They are going home and watching TV as always. Let's face it, TV is a hard addiction to quit. Unlike TV, smoking will kill you but has that stopped people from lighting up? Say all you want, TV is still the medium to beat and that hasn't changed in the 17 years REVShare has been in business. Is TIVO going to kill DRTV? Again, I don't think so. I don't know too many people that TIVO news or daytime shows. Generally, viewers tend to TIVO more Primetime shows where, traditionally, DRTV response rates are very low. After all, who wants to get on the phone during their favorite Primetime show? I think Brand advertisers focusing on Primetime will be most affected by TIVO. Those brand advertisers utilizing DRTV measurement have experienced very high cost-per-leads during Primetime which has only been made worse by technologies such as TIVO.

Back Issues

Visit us at www.drtv.ca for access to all back issues of our newsletter, including featured articles and interviews with the people who have changed the face of DRTV.

Of course, when you work with stations on a CPA basis through REVShare's model you essentially have mitigated the TIVO problem since you are only paying on response generated. If someone zaps your ad with TIVO on REVShare's network, and therefore doesn't respond, there is no cost.

I think that DRTV marketers are in a good position to take advantage of all the new media opportunities that are on the horizon. The broadcast digital tier is just around the corner and we will be experiencing unprecedented levels of media fragmentation.

DRTV advertisers are usually first adopters of new media. So, as long as television continues to fragment, there will also continue to be new opportunities for DRTV marketers. The challenge will be to break through all that fragmentation. This will become more and more of a problem. This is why REVShare's model will continue to grow as a viable solution for agencies, stations, and advertisers.

DRTVQ As media fragmentation continues to challenge advertisers, what is the future for REVShare? Where do you feel your biggest growth opportunities exist in the DR market?

JG There's not a more fragmented example of media than on the Internet. Consider how companies like Google dealt with the problem. They aggregated media on publisher sites all over the Internet and made it available on a cost-per-action basis. I'm not sure how they would have succeeded using any other model. The cost-per-action model is a proven way to bridge the gap between a fragmented media world and agencies/advertisers. Many have said that television is becoming more fragmented and like the Internet every day. REVShare has already built a proven cost-per-action network on over 1000 television properties. You

will continue to see this model grow and become more relevant because it is one of the proven ways to deal with media fragmentation whether on the Internet on Television. It also solves the TIVO problem. The opportunities for growth of REVShare's model will continue to exist across all aspects of the television medium which is

expanding onto the Internet (Broadband Video) and onto portable devices. We envision REVShare's model will expand in a similar fashion.

MEDIA PLAN

Top 10 Markets

New York	8,008,278*
Los Angeles	3,694,820*
Chicago	2,896,016*
Toronto	2,481,500**
Houston	1,953,631*
Philadelphia	1,517,550*
Phoenix	1,321,045*
San Antonio	1,144,646*
San Diego	1,223,400*
Dallas	1,188,580*

Why would you leave the 4th largest market out of your media plan?

SOURCE: CENSUS METROPOLITAN AREAS: *US CENSUS BUREAU 2000, **2006 CENSUS CANADA 2001 CENSUS

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Web 2.0: Basic Training

This is much more than a marketing buzzword - and we here at DRTV Quarterly want to demystify this concept. Marketers need to understand that this is much more than small improvements to a website's graphics or layout. So we dug deep ... real deep ... (maybe too deep), and assembled a brief summary on our findings.

So what is Web 2.0? Well, it's a term created by O'Reilly Media, and subsequently used in conjunction with MediaLive International as a title for a conference held in 2004. It refers to a new level of web services; a second generation. Web 2.0 websites are characterized by open, interactive communication, shared information and content, and a user-friendly interface that encourages participation.

Concepts that contribute to the philosophy of Web 2.0 include blogs, tagging, RSS feeds, podcasts, and wikis. Let's tackle these one at a time.

Blog - an online diary shared with users, allowing them to comment and/or share content with other people. Users can subscribe to blogs and receive notification whenever they're updated. Blogs can be found on many websites, anywhere that people want to stay in touch with other users. Authors, celebrities, and musicians use them to stay in touch with the public, but anyone can start a blog - even if it's just to stay in touch with distant relatives and friends. Try the "help" section of www.blogger.com to see how easy it is to start your own free online diary.

Tagging - users organize content on a website by either creating their own tags (labels or key words), or using the tags created by others. Successful tags are adopted by other users, which makes for a very efficient system, relevant to those who are using it. Flickr (www.flickr.com) is a good place to check this out, as you can take a tour of the site and its features. It's a site that was created for users interested in sharing photos with other users. Click on "browse popular tags" to see how the content has been organized. They use tagging as an information retrieval system to classify the content (eg. "cute", "dog", and "retriever" might be used to identify the same photo).

RSS feeds - RSS stands for Really Simple Syndication, and all that means is that users can subscribe to the content. This allows them to be notified when the content has been updated. In the above example, Flickr users can subscribe to anyone's photos, and be notified when new ones are added to the collection.

Podcasts - the distribution of videos, music, talk shows, and other audio/video content, using syndication (like RSS feeds), for use on a mobile device or computer. Podcasts have appeared in the press lately as a way to get content into the hands of consumers so they can view or listen to the material at their leisure. Popular radio station hosts are now podcasting their shows so listeners can catch the show later, if they missed the broadcast. But it doesn't take a broadcast station to make podcasts possible - in

exploring the podcast directory in itunes, we discovered the Jet Set Show, a kid's show written, directed, and produced in a living room!

Wikis - websites that allow users to easily add, change, and discuss content. This promotes collaborative work and results in a better product (many heads are better than one)! In fact, the Jet Set Show has a wiki on their site, which provides a forum for their viewers to do all of the above. Check it out at www.jetsetshow.com. And of course, there's also the namesake, www.wikipedia.com, where users are welcome to contribute content, and join discussion groups.

Now that we've covered some basic definitions, we're going to focus on 3 predominant trends that embody the concept of Web 2.0:

1. User-driven content
2. Social networking
3. Technology

User-generated content.

Philosophically speaking, Web 2.0 centres around people - people who contribute content, people who post their commentary, people who send links to other people -- and the end result is a website that's better off for it. It's a user-driven approach to creating and distributing web content, which fosters collaboration and participation. As mentioned earlier, www.wikipedia.com illustrates this well - it's a web 2.0 version of a dictionary, allowing users to query any word or phrase, post articles, and join discussion groups on any topic. All of which contributes to an improvement of the site, the quality of the

information, and it's use-ability.

Social Networking. The Internet has become an open forum where users can share content, comment, criticize, prioritize, and connect with other users. On sites like www.myspace.com, users can create their own profiles, make friends, share photos, post videos, start blogs (or subscribe to them) and find many ways to express themselves. In other words, the Internet is now not so much a place to go, as something to do.

Technology. Users are entertained by interactive sites that provide them with an in-depth online experience, such as the manipulation of graphics and stills, customization, and queries that update as variables are changed. All of which are brought to you by Rich Internet Applications (RIAs), the tools that make it possible for sections of a webpage to update without refreshing the whole page. Ajax is one of the most popular applications that make this possible. We'll leave any further technological review to resources like www.wikipedia.com, for those of you who want to dig deeper. But we did have fun designing shoes on Reebok's website, www.rbkcustom.com, which illustrates our point nicely.

Although the phrase, Web 2.0 was first used in 2004, the Internet has been evolving constantly, since inception. Historical perspective has allowed us to assess the current state of the web, and declare its services as significantly changed from previous incarnations. Websites are moving from static sources of information, to dynamic interactive platforms, allowing users to contribute as well as

consume. How does that affect the direct response industry? And how can DRTV marketers use the power of Web 2.0 to optimize their sell? Don't miss our next issue of DRTV Quarterly, where we talk to industry professionals, and explore the answers to these questions.

FEEDBACK

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Announcement

MARK GOODALE

Jagoda Pike, Executive Vice-President, Newspapers, Torstar Corporation, is pleased to announce the appointment of Mark Goodale to the position of Vice-President and General Manager, Torstar Media Group Television (TMG TV).

TMG TV operates SHOPTV Canada, a 24 hour direct response TV channel available in approximately 1.5 million households in South Central Ontario and TMG TV Productions, an award-winning full service video production facility.

In his new role, Mr. Goodale is charged with leading a solid team of experts in direct response television to develop and drive the strategies that will ensure continued leadership in their industry. Mr. Goodale joined The Hamilton Spectator in 2002 as the head of the Human Resources team. At the start of 2005, he was appointed to lead the Circulation and Marketing departments of The Spectator and was instrumental in helping The Spectator team meet the challenges of growing readership, inspiring innovative marketing/branding campaigns and further strengthening a customer-first culture.

Torstar Corporation is a broadly based media company listed on the Toronto Stock Exchange: TS.B. Its businesses include newspapers led by the Toronto Star, Canada's largest daily newspaper; CityMedia Group, publishers of daily and community newspapers in Southwestern Ontario; Metroland Printing, Publishing & Distributing, publishers of more than 90 community newspapers in Ontario; digital properties including workopolis.com, toronto.com and LiveDeal.ca; and Harlequin Enterprises, a leading global publisher of women's fiction.