

# Don't Just Advertise – Sell!

## How to Launch New Brands with “Pay-as-you-go” Marketing Tools

By Larry Popelka

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**M**ost big consumer products companies these days are fighting what seems to be a never ending battle to get more growth. Rarely does a week go by without a high profile Chief Marketing Officer getting sacked for not delivering the growth.

So what's the problem? Is it that no one is really trying hard enough, and we've all got to just buckle down and work harder?

What I've found time and again is that there are some fundamental marketplace dynamics that aren't being acknowledged. Many companies are chock full of good new product ideas that could potentially generate phenomenal growth. But there are certain marketplace barriers that are preventing these projects from seeing the light of day:

**Retail Constraints:** Retailers have limited space. We can't risk paying slotting or call in favors to put out new SKUs, unless we are sure they are going to sell at rates equal to category standards from Day 1.

**Cost:** It takes a huge amount of money today to “educate” consumers about new products using those mass marketing tactics we all know and love – like 30-second ads. And don't even think about trying to launch your product under a new brand name. The money required to generate awareness for a new brand is prohibitive.

**Time/ Risk:** New product launches have become expensive, risky propositions. It takes incredible planning and effort to meet all of the needs of the big retailers, who are working as far out now as 12 months on accepting new products. Yet a large proportion of the new products launched – as many as 95% at some companies – fail to last more than 3 years.

As a result, many companies have taken the “safe” way out, and are focusing all of their innovation efforts on “close-in”

line extensions – a new flavor, a more convenient package, maybe even a basic product improvement disguised as a “premium” version of the same old thing. But these so-called “safe” new products, in hindsight, are actually the riskiest course, because they burn up all your resources, fail to generate meaningful growth and frequently fail to sustain on the shelf.

So how do we get ourselves out of this mess? We need to start by recognizing that the market has changed. There is no mass market anymore, and mass market products and brands are being replaced by brands and products that more uniquely meet the needs of a specific lifestyle. If you don't believe me, just go to a sporting goods store. When I was growing up, kids played most every sport depending on the season, and most sporting goods were made by Wilson or Spaulding. Today many people play a single sport year round, and the brands that are doing well are “expert brands” for that sport, like Trek, Volcom, Diadora, Easton and Speedo.

Translate this insight back into your own category, and you'll probably realize there are innovations that certain groups of consumers would love to have, but that you can't launch because they don't fit your mass market model.

The solution to this problem is Direct Response marketing. Yes, we're talking infomercials. Contrary to popular belief, these are not all a bunch of late night spots with screaming announcers touting Ginsu knives and other dubious creations. DR Advertising, as it's called, is actually one of the fastest growing vehicles – because it is one of the best ways to launch new products today in a targeted fashion.

Here's a trivia question: What's the fastest-growing consumer packaged goods company today? It's Guthy-Renker, weighing in at \$1.5 Billion in sales. Five years ago their sales were just \$500M, and in 1988 they were \$0. And the fastest growing new brand? It's an acne product line

called ProActiv Solution from Guthy, with an estimated \$800M in annual revenue. If you have teenage kids, you know this is not some “flash-in-the-pan” product. ProActiv really works, and it is not advertised in the “schlocky” fashion you may have imagined from an infomercial. Guthy-Renker produces million-dollar ads with top talent (e.g., Jessica Simpson). Why haven’t you seen an ad for ProActiv? Because you’re probably not in the target, and infomercial advertisers do not waste their dollars on mass media.

Here’s the Direct Response model and why it makes sense for new products today:

**Big Innovations:** Start with a breakthrough product. Something really good, really different, and with a new brand name that stands out – like Altoids or Mini-Cooper. Not just another line extension.

**Educate:** Produce an ad that fully-explains the product. Mass market advertisers go wrong by limiting themselves to 30 seconds and a single idea. Good new products, like ProActiv, have many things about them that are different and better – you cannot and should not limit your message to a “single-minded” idea.

**Test:** Run the ad on a wide variety of cable stations, and see where it sells. This is the best way to really find your target.

**Adjust:** If the ad doesn’t do as well as you thought, change the message, offer or media, and see if it sells better. The George Foreman grill took seven attempts before it became a home run. You’ll never get even two chances in a big mass market launch, because the retailers won’t allow it.

**Go Direct:** Launch your product direct to consumers before you go to retail. For one thing, it’s faster – you can start selling it now rather than waiting 12 months. Second, it is a great way to be able to afford a bigger advertising budget, because DR is a “pay-as-you-go” medium – every time you sell, you’re generating sales, which can fund more ads. OxiClean became roughly a \$200M business without any Venture Capital funding. It was built entirely on a pay-as-you-go basis through DR TV.

**Build:** Continue to sell direct, even when you’re in retail. DR advertising saves you money, because you’re generating revenue as you advertise. Most retailers - following the success of OxiClean and others – have come to love DR Advertising, because of something called the “retail

multiplier.” In the industry there is a simple rule of thumb that says for every one item you sell in DR, you’ll sell 6-7X in retail. DR is a great way to “prime the pump,” so when you go to retail, you know the product will sell. It is also a great way to keep driving retail sales after you’ve launched.

There are many examples of successful new products created through DR that probably would have died fast deaths if they had been launched the way the big mass marketers are still trying to launch products today. Many of these products have had successful DR campaigns for over 5 years. Check out Bare Escentuals, the FoodSaver, Tempur-Pedic, Bowflex, Oreck, iRobot’s Roomba or the Little Giant Ladder.

One of the risks of being a CMO these days is that it is hard to demonstrate that you or your ad agency made a difference. DR is the ultimate in accountability. If an ad works, it will sell product instantaneously. If it doesn’t, you stop airing it and retool. And trust me, despite all of the great things I just said about DR, there are plenty of ads that don’t work. But the difference with DR is that you know they’re not working. How much of your traditional advertising isn’t working? How much isn’t working and you just haven’t figured it out yet? So don’t just advertise – sell!



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Larry Popelka has over 20 years of experience in consumer packaged goods marketing and management with Fortune 500 companies and start-ups. For the past 5 years he was VP of

New Business Ventures for the Clorox Company, making use of Direct Response Advertising to test and launch several new products, including Clorox Toilet Wand, Glad new products and recently-announced Green Works cleaners. Today Larry is a President of GameChangers, a consulting service that helps companies with breakthrough products develop impactful pay-as-you-go marketing campaigns for as little as \$100-200K.

**Contact Larry at: 510-521-7230 (W) or 510-846-7389 (M)**  
**e-mail: [lpopelka@comcast.net](mailto:lpopelka@comcast.net) or [gamechangers@yahoo.com](mailto:gamechangers@yahoo.com)**