

1984: In the Beginning...

We, (the buyers) were calling all the shots!

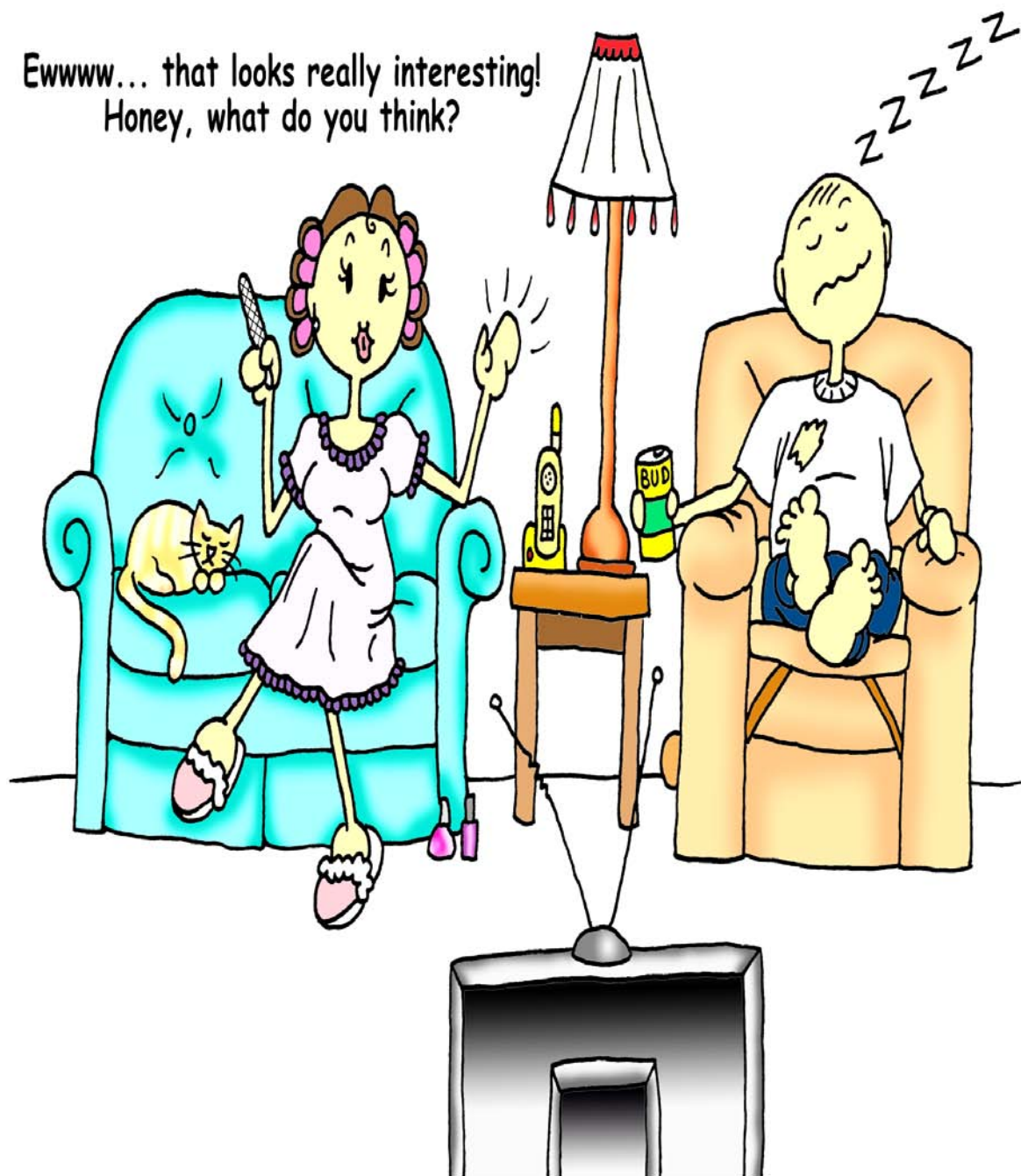
To understand how to negotiate great avails at great rates in an email world, I need to tell you the story of how we (as an industry of media buyers) lost our power to the stations. It's actually an interesting story, if you don't already know it.

It begins with...

The Theory of Least Consumer Resistance

THE THEORY OF LEAST CONSUMER RESISTANCE

Ewww... that looks really interesting!
Honey, what do you think?



1984:

When 30-minute commercials were de-regulated from 5 minutes to 30 minutes in 1984.... Wow! What an exhilarating ride. There were a few no-money-down real estate guys who jumped on the bandwagon. I was in the right place at the rate time with Ed Beckley and Tim Hawthorne.

I was thrilled to be one of their first 10 media buyers. Tim Hawthorne, having a professional TV background, gave us training that made us the very best buyers in the industry.

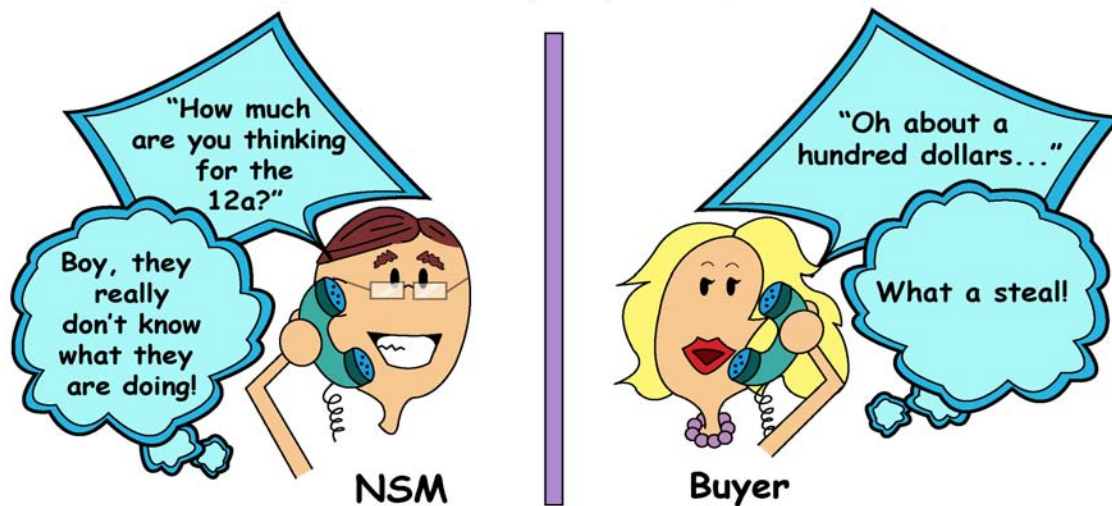
I immediately loved the buying game. 30 minute paid programming had been off the air since the 1950's - so it was up to each buyer to call every one of our stations and EDUCATE the station as to what we were doing. The philosophy of Infomercial buying was all about 'Operating from the Theory of Least Consumer Resistance'.

The theory of least consumer resistance was just the opposite of traditional advertising, which is all about the highest rating exposure. This made perfect sense. No one is going to pick up the phone while cooking dinner, monitoring school homework, bathing the kids, feeding the pets and dealing with 'general end of the day chaos'. Direct Response is all about the 'call to action'. Getting the consumer at a time when they can focus on your message, hear it, and want it enough to pick up the phone to buy it.

The theory was, wait until they are completely relaxed and offering no resistance to listening to your message! That meant airing late nights and weekends! This was a whole new ball game for the TV Stations.

And that meant... it was our J-O-B... to Educate the Stations!

We Educated the Stations... Not... the other way around!



Since we were wanting the traditional advertiser's "worst" time periods from the stations, this made negotiations a blast, as the stations felt guilty to be giving us such 'low rating' time periods, even though we were specifically asking for them.

Getting a low rate was incredibly easy, since they felt guilty to be selling us an 11p or 12m instead of prime time. You could actually feel them sympathizing with our 'ignorance'! Of course... we capitalized on their pity to the max! Especially sympathetic was every station when we went to purchase first quarter... the worst time of the year for Traditional Advertisers.

Traditional Advertising budgets follow retail-buying trends, where consumers are financially maxed after the holidays, and therefore spend considerably less retail dollars in first quarter.

In a nutshell: Traditional Advertising budgets go down in first quarter, along with consumer spending. So while the rates were lower in first quarter, the HUT levels were the highest, due to everyone hunkering in for the winter.

We had to call and educate each and every station. And ... it was the NSM's 'sales job' to educate us about their station, position in the market, limitations and possibilities of their programming time... etc. Together, the NSM and the buyer were opening the time periods for paid programming, and we the buyers, were setting the rates.

Since there was no past history, we strictly used rating books to gauge the value of our avails. We looked up the HUT levels for every time period as well as the HH for each day of the week and the weekly average for HUT and HH levels on every time period. We then used what we learned from each station in a market - as a factor. As we accumulated past history, then we would simply take all the factors into account and use our best hunch on what the price should be for any given time period.

When we went into a new market or station, we would use our rating books to look up a comparable market that we had already run in - then look up our past history in the comparable market, and use that as our gauge, until we had accumulated some consistent past history.

We felt so savvy with our rating books... like we were not making it up... we were talking apples to apples, using languaging the stations lived and breathed by - while introducing our education of what "pay-out" meant.

As a result: When we negotiated with each station, we educated them on our 'accumulated factors' and how we came to our decision on what the rate should be. We were very confident in the rate we wanted, as we had thoroughly done our homework on each station. If the station did not meet the rate we proposed - we knew we had all the other stations in the market to reach our market goals with.

We were taught how to look at the market as a whole, always be friendly, and when we went to renew a contract after a few test times, to always say, "I need a lower rate." We were taught to: Never say the actual profits, only the losses. We were buying for an in house client, Ed Beckley - so no matter how great the pay-out was, we always wanted an even better rate - never hesitating to ask for one.

For example: At that time, I bought all the cable networks, and I vividly recall on BET, I had Sat and Sun 7:30a & 8a and was paying \$300. for 7:30a and \$350. for 8a. Well, true to my training, I called the NSM and said, "I need a lower rate."... She was like, "Wow, Gabriella, you already have the lowest rates on the network, but OK." Now, I did feel guilty about this, but I did not lie, none of us did, we did not say why we needed a lower rate, just that we needed one. She lowered my rate to \$250. for 7:00a and \$275. for 8a. Ed Beckley was literally making 10k on each time period! OMG! I did feel guilty, but... what a thrilling ride we had... All of us!

Eventually I got some backlash for being so 'rate aggressive'. Tim Hawthorne was continually bringing people in, so we could learn more about what we were doing, and how to

do it. One guest was Frank Cannella, who was working at Eicoff in Chicago. Alan Eicoff had written a book titled "Direct Marketing Through Broadcast Media" that was required reading for us, so we had a lot of respect for the Eicoff agency.

Frank came in to teach us about buying cable. In his 'talk' he said several cable stations had mentioned that 'we' (meaning I) had rates that were too low. All he had to do was say that... and I stopped 'low balling' the networks, as well as the stations. My first lesson in truly win/win buying. The pay off was... no more guilt!

The early days were a true win/win for the agencies and the stations. The stations were getting cash in advance - with uncapped budgets, the advertisers were making a killing, and as buyers... we were calling all the shots by educating the stations on what to do, instead of the other way around. We were heroes in the eyes of our clients - and our bosses.

We also had our first tough lesson in unprofitable offers. The Beckley Group was selling a \$400. book and tape with a 6-month return. Back then it was an assumed risk that very few people would return their product after 6 months...

Well... not only did they, they did it in droves - and it put the Beckley Group out of business. The stations got their first bad taste of being "ripped off". Many stations did not get paid. As the buyer for Cable and all of Canada, I was mortified. It never occurred to me I could be in a position to hurt the station financially, and it never occurred to the stations either, as we were all riding on such a high.

1987:

Pioneering Opportunities

A few years after the Beckley Group closed, I joined Katie Williams in Los

Angeles, to help her start her own agency. With only a few agencies in existence, once again, we had the opportunity to continue pioneering the industry.

We had one of the very first home shopping shows on the air. Instead of sending tapes, the stations just had to 'turn their dial' to the satellite channel and pick up the show. We called every station to ask them if we could buy their overnight time.

At this point in time, all the stations went off the air at a certain hour. The stations were baffled at our request.

They would have to pay an engineer a couple of hundred dollars to stay at the station to fulfill our request. Plus it would cost them electricity. It was a decision for management!

I remember we had set a rate parameter for ourselves: we would not pay over \$200 for any given half hour - for any station

in the country. If the station wanted more than that, then we would just pass.

Well, the rest as you know... is history. While our overnight home shopping client eventually fled the country - overnight avails are now the accepted norm. But back then, once again, we had a blast pioneering new time periods at great pay-out rates.

The early days were exhilarating for both buyers and the stations. Traditional Advertising works strictly on specific budget parameters and pay no less than 30 day net - while paid programming brought unlimited budgets (governed only by pay-out) and was cash in advance. As any business would, the stations loved this new increase in their cash flow, greeting our calls with much enthusiasm for more possibilities.

The other major advantage for the stations: by selling us the half hour - they didn't have to worry about selling x amount of spots per half hour - to meet their budget requirements. They were getting cash in advance, selling us the most unpopular time periods and they had less work! They loved us!

The Moral of the Beginning...

We had to call each and every station since the avails did not even exist yet. We had to OPEN up 30 minute paid programming with EACH station. Essentially, in every single call to every single station, it was we, the buyers, who were educating the station to Infomercial buying, not the other way around.

We really spent time with the NSM's going over ALL the possibilities in their program schedules of what they could preempt for us to test. Where could they squeeze us in, what was the minimal damage to the viewers habitual viewing habits, what were they absolutely locked into by the networks that governed their programming? Surely the viewer could miss a few Gilligan Island's, I Dream of Genie and Andy of Mayberry!

Our goal as buyers was to very strategically test every day part. Early mornings, weekdays for the housewives, different nights of the week and several different day-parts on the weekends.

We fastidiously analyzed our results and ratings data to make the very best educated guess, in every single buy. Our attention was always on the market as a whole... on saturating the market reach... while never losing sight of our overall billing goals vs. pay-out... with our market lists.

1992:

"Tell it like it is Itis" took over!

I need some more of those great time periods. They really paid-out!



Buyer



NSM

We were on our 3rd and 4th generation of Infomercial media buyers, and the art of training was already a thing of the past... so buyers would call the stations and say, "First quarter is our best quarter of the year, I need some more of those great time periods!" Well, you can imagine what the stations thought and you are right... "Cha-Ching!"

It is now well known that first quarter is a great time for Infomercials - except now the rates are so high, that it is not uncommon for first quarter to be one of the worst pay-out quarters of the year.

Negotiation 101 is: You never tell how much money you made - only how much you lost! The stations will only use your 'profits' as fuel for higher rates. How could they not? Can you imagine anyone from a station telling you what his or her profit is? Of course not - No one would even consider it! They only tell you how much they have to have for the time - like the station will disintegrate if they don't get it!

By now, buyers were no longer working with rating books, only past history, and calling stations and saying, "My CPO is too high."

Can you imagine what the stations thought: they weren't sure if they were hearing something too personal or just misunderstood what the buyer was saying. "Excuse me, but your what is too high?"

Buyer: "My CPO! IT IS \$54 AND IT NEEDS TO BE \$25!!!"

Station: "I'm sorry, and exactly what I am suppose to do for you?"

I used to do in-house training for my peers, and the first company I went into; was the largest in the industry at that time, and I was astonished to discover that in their past history computer program, the buyer could only view CPO's, no dollars and cents. Clearly, Infomercial media buyers were so overwhelmed with the combination of meeting budget and CPO parameters that they were not even aware - on a business level - how to talk to the station, in terms that the station could understand.

Stations understand nothing better than Dollars and Cents!

Not only was our languaging very self-centered, it was an immediate alienation between seller and buyer. Paid Programming has always been a sellers market - so we need every advantage to sell right back. Talking in our own language that the stations could not equate into dollars and cents was our first real inroad as an industry to losing respect with the stations.

Brand new buyers were being hired, and just thrown into the task of media buying, without any big picture understanding of what they were doing. The general instructions were pretty much the same: 'Bill as much as you can, use past history, test 2 times, 2 weeks apart so you can get out if it bombs, if it pays out - buy more, if it doesn't, get a rate reduction or cancel.' Buyers across the country were being trained on how to focus on the trees without a clue to what the forest looked like as a whole.

1994 - 1995: Mayhem!



The industry was thoroughly booming! The stations started flip flopping ownerships like crazy: Independents getting on UHF channels and Affiliates switching to VHF channels. The Independent on channel 54 was suddenly the NBC station! The stations were very excited about all kinds of possibilities for their income growth.

By now; it was also a well-known fact that Infomercial clients went bankrupt, were shut down by the FDA, the FTC, the FCC and the IRS - leaving outstanding media payments in the millions. The stations were continually being hurt, so they had started implementing some very strict policies. No check or tape by a certain date and you don't run!!!

Infomercial money was long past an enthusiasm for the stations – instead, it was a necessary evil. Stations now relied on that cash flow, and their initial gratitude for it - was long gone. They had been hurt too many times – from non-payment and late tapes. Too many stations were never paid, and now with a vengeance, they started taking matters into their own hands.

We had proven at this point, that as an industry, we did not care who we hurt. In reality, this was not true of the media buyers and the agencies that care very much about their win/win relationships with the stations, but it certainly was true of our clients. They were out to see how much money they could make with no true regard for the stations or the consumers.

We had become an industry all about Greed!

And... the Stations had, had enough!

"You don't care about us, so we are no longer going to care about you! We are going to sell our time to the highest bidder, and that's that!"

When everyone accepted those terms, the stations took it a step further...

"If someone comes in with a certain amount higher than you are paying, you are outta' here!"

Ouch!

And thus began...

The Bidding War

SOLD!
**To the Highest
Bidder!**



About this time, I had acquired Charles Givens' account, which was buying a million a month for his seminar business. I had to call about a hundred markets to secure guaranteed time for his events. Boy was I shocked, when I was introduced to the Bidding War!

And even worse... the stations would not guarantee the time. Even if I bid the highest, someone else could come along, pay more, and I would be pre-empted.

“What the Hell is This!?”

I could not have been more shocked. Since I personally bought the time myself, I had to speak to every single NSM, and in many cases, the GSM to fight for my rights. It is now a well known fact that seminars automatically pay more and pre-empt already sold half hours, for double and even triple the going rate. I think this is just wrong. They actually have the toughest pay-out criteria of all the offers on the air!

Not only do they have to make the phone ring, the person has to register for the free event, actually get off their rear end the day of the event, show up, and then be sold to buy the product. Thousands of dollars are spent weeks in advance of one single sale. And, to top it all off, the flight window is so short, they never cancel, and they always pay! Give these guys a break; don't rape them because they have to run on certain dates!

It was, and remains by far... the toughest negotiations I have ever done. And yet... I was able to get every single station to exempt me from the bidding war, at regular – not inflated – rates, with a guaranteed run!

However; it was interesting, because I added “Guaranteed Run – NO Pre-emptions” to my booking sheet they had to sign, and then it was like another round of negotiations to get them to sign off on it. They all did - because I was like... “Hey, you

already agreed verbally, so you are just putting your verbal agreement into writing!” Jeeza Louisa!

One of the biggest negotiation leverages I had; was the flight window was only a two week run and cash in advance - so there was no way my client could cancel. It was a guaranteed deal for the station in return for a guaranteed deal for my seminar client. I solved their problem... they could not get ripped off and they had guaranteed billing!

Equally important to note here: I tenaciously pushed through their anger and frustration to get them to re-connect to fair business practices on behalf of my clients and myself, and the persistence paid off!

The other big surprise I had at that time... calling so many individual stations, in so many markets around the country... was that... 90% of the stations directly said to me... “We can not stand you! We do this only for the money. You have ripped us off so many times, we are sick of it! You have no professionalism! You don’t do what you say you are going to do. You don’t pay; you don’t get your tapes here on time... Annnd, a new buyer comes into your industry, works for two weeks and then leaves to start his own business! It’s ridiculous!”

I will never forget just sitting there listening to this, very quietly I might add, taking it all in, letting them really vent... and in truth, very saddened by the reality of what we had become, as an industry.

My response was simple. “I understand completely. But I need you to understand, what you are describing, you have

never experienced with me or my agency. I am in the industry, but I do what I say I am going to do, and so does my client!”

I had to really stand up to each and every one of them, to get that point across!

Just to write this, I have to take such a deep breath... it was truly a tough turning point... the love of it all was clearly gone, between the buyer and the station.

Now that bidding wars are the accepted norm of Infomercial media buying, I will thoroughly cover in this book, how to reverse your rights in this unfair Win/Lose business practice.

2008:

Where We are Now

Twenty-Six years later!

Now here we are... doing 98% of our buys strictly through email and fax. Totally powerless to know exactly what we are getting until we get it. This is really bad business for all but the largest agencies that do know what they are getting... so much so, they get to buy it on an annual contract instead of a monthly or quarterly contract like every one else. Essentially, the majority of buyers, are buying the leftovers.

There are a handful of very successful media agencies that have proven their reliability to the stations over the years, and they get special treatment because of it.

They have 'their' times, which they can buy annually, at rates below the normal bidding war rates. And trust me, they are getting a good share of the best times the station has available. Why? Because the stations know that for the most part they will hold their own, because they have plenty of show titles to rotate into the time - and they pay on time & send their tapes on time - making the station's life easier. The stations know they can 'rely' on 'them'!

Long gone are the NSM conversations of opening new time periods and wheeling and dealing a great package deal. Every station has an NSA (National Sales Assistant) who is pretty consistently 20 years old, too young for any prior businesses experience.

And yet, this is the person in charge of 'Negotiating' our avails. Our avails are the life and breath of our agencies and our clients! Clearly the NSA's have been given their parameters of highs and lows and that's it. And for some, there is zero negotiation. I quickly realized this is the toughest negotiation of all! Put an NSA in place - that only has the authority to take the rate they were told - with no flexibility to go any lower... is nothing short of... YIKES!

That means the NSM feels no guilt about hurting us, because he or she never knew they did. They just know if their NSA or 'paid person' did their job or not. This new way of operating, takes away all the powerful win/win influence – that OUR side of the story has - on the outcome of what time periods we get and at what rate.

The NSM is a businessman! When you talk to the NSM about your business, believe me – he understands! In contrast, the NSA probably still lives with their parents rent free; completely deficit of life experience, much less understanding the nuances of how to manipulate and negotiate a win/win deal for all parties involved!

Today, all avails are emailed or faxed... you put in your bid... send it back... wait and see what you get! For me, this has got to be one of the most dumbfounding business practices of the 21st Century!

How can you budget your quarter? How can you plan your billing goals for each client and your agency station list as a whole, not to mention the most fundamental thing of all... maximizing market reach!?

I already know the answer. You can't! All you can do is keep scrambling every single day for leftovers, fallouts, cancellations, new time periods and fire sales to keep upping your billing. That is, if you can even find the time of day, with all the bid requests, cancellations and revisions!

By never picking up the phone, you have absolutely zero chance of turning this around! And... since you can clearly see where I am headed, let me admit it now....

Yes! This is about picking up the phone to call the station. But I am going to tell you what to say to avoid any conflict with your 'paid person' or the 'Rep', as well as offer you effective questions to ask your 'paid person' so you KNOW what outcome to expect from the bidding war, long before it is over!

I am going to show you how; by spending time UP FRONT of a buy, you can save yourself untold hours of work for the duration of your contract! If you apply yourself to reading this book, I guarantee you: I will show you how to stack the deck in your favor. I have done the same for myself using the exact same techniques I am going to share with you. I always know; Pre-Bidding War, what I am 'getting' from each station, no matter what the situation!

To buy the e-Book, go to:

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