



Will Your Ad Work?

Run the numbers before you spend big money.

L always start with the numbers to find out if an advertisement to sell something has any chance to make money before I even write one word of a commercial or print ad.

The easiest way to explain how to do this is with an example:

Our friend, the direct mail guru, was once asked whether he could help someone with a direct mail project. So he asked for more details. His friend had written a book about his experiences as a drug smuggler, how he got caught, went to jail and did outstanding work helping prisoners get their High School diplomas. The book is an interesting story that's going to be made into a movie.

He wanted to sell his book by direct mail to social workers and people in the justice system who could benefit from his story. Our friend asked him what the book sold for and he said \$19.95. It would cost \$3.50 to print the book including the packaging to ship it. Then he asked if he had anything else to sell the people who bought the book. He said no. At that point, it was evident this project would not work and here is why:

With a sales price of \$19.95 and a cost to print the book and package it for shipping of \$3.50, that leaves a gross profit of \$16.45 (assuming he could charge enough shipping &

handling to cover postage). Take away another dollar for the cost to take the orders on the phone or process them and the profit is now \$15.45. Making an assumption of a 75 cent cost each for the mailing, the breakeven point is 4.85% (cost to mail one/gross profit from one sale –or– $.75/15.45 = .0485$).

To make any money at all, say just doubling his mailing cost, he'd need a 9.71% return. Highly unlikely.

What really kills this is that he had no other products to sell his customers. The book is a one time sale and no one needs two of the same book. On top of that, his target market of social workers isn't a high-income demographic. If he had other products and services to offer his book customers, it might work even if he lost money getting the first sale, but not without.

This product might do a lot better in a direct response ad in a trade magazine or newsletter, or as an enclosure in someone else's mailing or with other kinds of joint ventures, but those are discussions for later.

The lesson here is to do the math on any direct response project before you do anything else. You'll save yourself a lot of time and money.

Ward Rice

