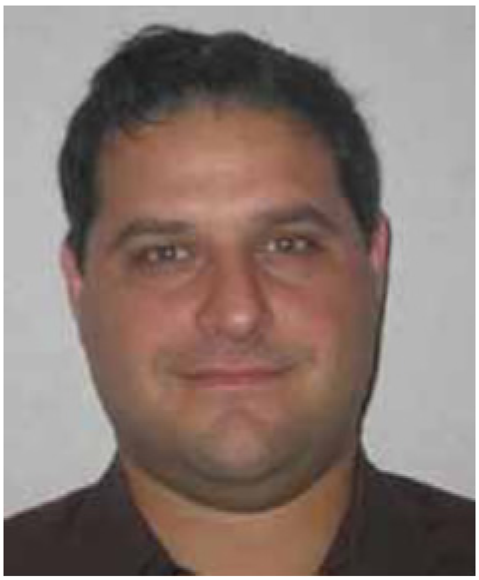
Interview with Abed Abusaleh from Euro RSCG



Adrian Bye: Today, I'm here talking with Abed who is in a unique field position from the interviews that we have been doing in the past since he is working with a direct response television company. This is not the sort of company we had the fortune to talk to before so, Abed, maybe you can pick it up and tell us a little bit about who you are and what your company is about.

Abed Abusaleh: My name is Abed Abusaleh, I am the Executive Vice-President of long-form media for Euro RSCG. So, I head up the long-form television buying and planning division for our agency. We do approximately as an agency a little over $500 million a year in both television and online advertising. Of that, almost $400 million of that is television and direct response television advertising between long-form and short-form. When we determine long-form; long-form is an infomercial that last 28 minutes and 30 seconds long whereas the short-form commercial are the things that people are most commonly used to seeing as ads which are 30-seconds, 60-seconds or 2-minute advertisement. We place media in every major, in every media market across the country as well as on every national cable. We actually started at the agency, it was 17 years ago, it was actually started by Steve Netzley and John Shearson, so much for this two guys out of the garage and then since then we've had 17 consecutive years of growth and we anticipate that we'll do a little over $500 million this year which will be our biggest year to date. So, that's just a little background on the company and kind of where we are and who we are.

Adrian Bye: You answered a bunch of my questions prior to I get to ask them.

Abed Abusaleh: Okay, sorry.

Adrian Bye: That's very good. I've never heard of long-form television or short-form television I mean, that sounds like a copywriting sample and we're talking about copy. Is that what you mean…does long-form mean 28 minute 30 second spot and a short-form is a 15 or a 30 second spot?

Abed Abusaleh: Yes, it's exactly what it means by long-form and short-form. Long-form basically, the purpose of a long-form advertisement is when you have a product that mrrds a little bit more explanation than you can accomplish in 30 seconds, 60 seconds or 2 minutes. For example, if you're doing a lead generation spot for something where you're saying call to find out how you can refinance your home today or something along those lines, those are messages you can pretty much accomplish in 30 seconds, 60 seconds or 2 minutes, obviously, that's a generalization of a much bigger category, long-form is where you more have a product, you need to basically build the offer in a unique selling proposition for it where it takes the full 28 minutes and 30 seconds broken out into several pods to explain the product that you're selling. For example, if we're doing something like a vacuum, while there's thousands of vacuums on the market but some of our clients that are bringing vacuums to the market, they have a unique selling proposition. For example, it's a self-cleaning vacuum where you can just pull out the dust pan at the end without the mess that you have with vacuum bags or it's a power level that's much higher than the other vacuum on the market. These massages usually take longer than a couple of minutes to explain and they definitely take longer than a couple of minutes to sell.

Adrian Bye: Yes, right. Alright, the term long-form and short-form, does that come from sales letters and copy?

Abed Abusaleh: You know, I actually don't know the origination of the name of long-form and short-form. The industry itself I know started, you know, they used to be until '84, Reagan deregulated the airwaves in '84 and at that point, you are only allowed to run 8 minutes of commercials in a half hour. When he deregulated the airwaves obviously, we're allowed to run 30 minutes of commercial in a half hour and at the end of the broadcast say for stations, they were running the American flag or snow or something like that so, marketer came up with the idea that turn to the stations and said, let me give you my half hour program, run it instead of a blank area that you're running now and that's pretty much how the industry was built. The name long-form and short-form, I don't know actually how they came out with that except that obviously 28:30 being a longer format than short format.

Adrian Bye: Yes, right, okay. You mentioned you do a $400 million on TV and then a hundred…is that a hundred million dollars a year online?

Abed Abusaleh: A hundred million dollars a year online in production. We also do, we produce the long-form and short-form shows that we run. We don't produce all the ones that we run but we do several of the shows that we run on-air. So, $400 million of our $500 million is just from our TV media placement.

Adrian Bye: Can you talk about how much you actually do just online like online lead generation or online sales?

Abed Abusaleh: Online lead generation, I don't know those numbers, those aren't divisions that I'm familiar with as much as I'm familiar with the television side of the business, but I believe that our production probably is in, I think they're probably split evenly between production and the online services that we provide, the last $100 million of what our gross billings are.

Adrian Bye: That's really interesting. So, you're taking clients that you worked with in on TV and then you're bringing them online and doing some of their online stuff for them?

Abed Abusaleh: Very much so. Our belief is that the industry is basically shifting that direction, you're seeing a lot more people that are actually doing their transactions online and less people that really want to pick up the phone and talk to a telemarketers. So, integrating the online capabilities into your TV ad campaign, we feel it's the way the industry is heading but it's essential for most people's success.

Adrian Bye: Will your company be doing, let's say in another 10 years time, are you also to become both an online agency as well as a TV agency?

Abed Abusaleh: Absolutely, I mean our plans are to develop the online agency to the point that it's as big if not bigger than our television agency in the future. We feel that the true growth of the agency will be in the online side more so than it will be on the television side.

Adrian Bye: Interesting. I would love to ask you more questions about the online stuff but that's not really your focus so I should talk more about the TV side?

Abed Abusaleh: The online side is not really my expertise, I mean; I would basically wagering a guess at most of your questions so I'm probably wouldn't be the best use of your time.

Adrian Bye: Fair enough. So, you're not a computer geek, you're one of those normal people, you just watch too much TV huh?

Abed Abusaleh: I'm a TV junkie, absolutely.

Adrian Bye: Fair enough. I want to ask you a question, I mean, the campaign that ran for a long time, maybe you can tell me some dynamics to this, the one that annoyed, I think, every single person here in the United States at least 10 times and I forgot the actual name but the one with, you rub it on your forehead and then it makes your headache go away, I forgot the name for it.

Abed Abusaleh: Head On?

Adrian Bye: Head On, yes.

Abed Abusaleh: That actually wasn't a direct response campaign.

Adrian Bye: I really love it, is it? I mean, it was a certainly a strong branding campaign.

Abed Abusaleh: It was a huge branding campaign. That actually was never direct response. That was straight branding. It was probably one of the most annoying spots on television but that's one of the few that doesn't get associated with our industry luckily.

Adrian Bye: I mean, tell me, the dynamics of a campaign like that, how is that even allowed to run, doesn't that just annoy people and make them crazy and force the station to pull it off the air or we would just like crossing the line not too much that it was allowed to continue. How does that actually work? You're out there buying media.

Abed Abusaleh: You know, for the most part as far as stations go, annoying is never a reason for them to not take media dollars. The only times that I have ever really seen them reject shows or take things off the air reasons for their choosing is content or if there's something that they're airing is offending or is not considered up to a standards and practices that they want to have on their air. While that commercial was annoying, you know we also, for example, there is that doctor show of our jelling commercial which was all over the place and while it was annoying, it got the job done as far as branding the message and it wasn't offending people as far as the content was something that wasn't made for TV.

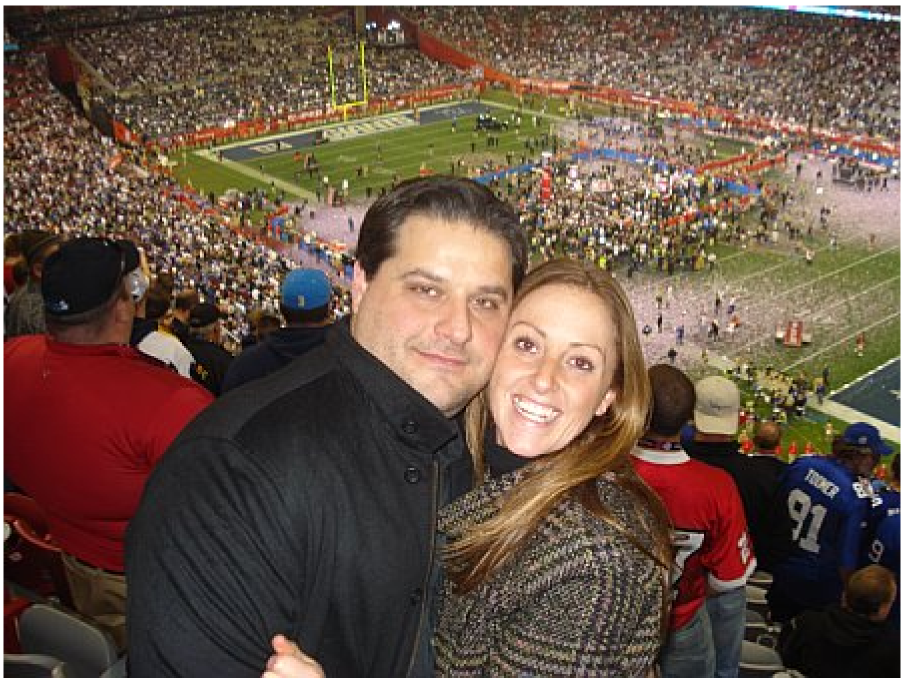
Adrian Bye: So, the Head On campaign, that wasn't pulled off the air, are they still allowed to run it if they want to run it?

Abed Abusaleh: It's still running actually on the air, it's not as big as it was but it's actually still on the air.

Adrian Bye: So, if they're doing that as a branding campaign, I mean how are they calculating their ROI on that?

Abed Abusaleh: It's not being calculated alright. Head On is not direct response. Head On is straight branding. It's actually not being booked by a direct response agency. I don't know whose booking that campaign and we're not. But Head On is not a DR campaign; it is just a branding campaign. So, there is no ROI metric to that.

Adrian Bye: So, they take basically a big bet, they spend a bunch of money on nationwide media coverage and then may or may not have made their money back, I guess if it's still running then they made some money back but maybe they can do it well as it hope that it was enough to keep it running.



Abed Abusaleh: In most cases, those companies tie the advertisement placement in dollars to the uplift that they see in retail sale. So, my guess would be and I don't know anything about the company that if they're that successful, that if they're still running this commercial which they are, they probably been able to tie some sort of left out retail into what they're doing in the advertising campaign.

Adrian Bye: Whereas had you been running that, you would have said, call to action at the end, get people on the phone, ordering tax and then look at also that listed retail.

Abed Abusaleh: Absolute. What probably we would have done is probably do something where you can call and get a free sample, call and get a coupon to take your local retailer, something that we could track to see where the response is coming from and that way, we could optimize the media to see if it's playing better in certain markets, if it's playing better locally or nationally, if there's a certain regions of the country that are particularly strong, something that we can get an idea where the response is coming from and then tie that back into retail sales and see if in TV is having the impact as desired.

Adrian Bye: Yes, absolutely. Let's move on to that point, what do you look when you're working with the client? I mean, let's say, my friend down the street who doesn't know much but you know, got his home video camera and shoots a little infomercial comes to you and says that he wants to run something. How do you know to turn him down? What do you look for in a client, of a guy that you do want to work with that's just doing dumb things on his camcorder and a serious guy that you know is going to work? How do you decide?

Abed Abusaleh: You know, there is no perfect screening process for that. You know, there are times where people are just trying to throw something together and get it on the air but you never know, you know, you really never want to burn the bridge in this industry because what we found is that a lot of times when people come in with a poor product or one that we know probably doesn't have a very good chance of success, those people are committed to the process. So, while their first show fails, often times those first show failures turn into…people then meet other people in the industry, they get themselves with a better producer, they get themselves with a stronger team around them, they develop and find a better product and often times, there's second or third forays into the space are much more successful.

So, we really don't want to burn that bridge with somebody. You know, even if the product may not look great or it may not be perfectly matched for DR TV. So, it's very rare honestly for us to turn down a campaign because you really never know what small fish end up becoming the giant fish down the road and it's not good business sense in our sense to burn bridges with anybody.

Adrian Bye: But not burning bridge, I mean, so you'll take on test any campaign or you won't test them and do they just come back with the next thing?

Abed Abusaleh: There are certain things that we won't test across the barrier of what we know the stations will allow. For example, there are a lot of people that would come to us with *Girls Gone Wild* knockoffs. They want to be the next *Girls Gone Wild*. We turn those shows down. There's not a huge place for that in the marketplace, it's a lot more headache than it's worth, it's just not the type of product that we really want to be associated with. So, we do walk away from those types of products.

The only other reason that we would possibly walk away from a product would be a client that doesn't have the funding to even run a media test. For example, I put this together and I want to run a $500 test, well to us, if the client is not well-funded, they're not really seriously looking at their test, they're just trying to throw something out there and see if it sticks. We would probably walk away from something like that. But otherwise, we would test most things, if somebody comes to us with a $5,000-10,000 budget and a show that's produced and they're really looking to see if it's viable, the answer is yes, we would probably test it. There are very few things that we really look at and try to walk away from.

Adrian Bye: That's really interesting. So, let's say, I produce my show and we'll talk about that later because I haven't got a clue of how that works and I think most people don't either, let's just assume that we'd magically got our show, we readied it and we're giving it to you, let's say I come to you with $10,000 per test, what do I get for my $10,000?

Abed Abusaleh: What you would probably get for your $10,000 in test would probably be anywhere from 15 to 35 airings. Most of those on a budget like $10,000 would air in local broadcast markets, probably smaller ones in the Southeast or Midwest, you probably wouldn't be on New York or LA or something like that and you would be on very small national cable stations if any. The idea is to get as many data points as possible on proven stations that have worked for DR TV to see if the show is at all viable because if it works on those stations then now we can go on to other stations and expand them as per chance. So, likelihood is if that $10,000 test fails on those stations because they're so vetted carefully to make sure that they have proven history, that if it fails on those stations that you're most likely not going to be able to have a campaign you can be successful with and at that point, people usually go back to the drawing board or go on to rework their show.

Adrian Bye: So what's your level of confidence? Have you ever had shows come on where you've done a $10,000 test like that and then it failed but then the guys go on found another way to make it work somewhere else and then you'd actually end up looking or do you have rock solid confidence that that testing is accurate?

Abed Abusaleh: I cannot think of one instance where we've tested a $10,000 test on a show that failed and then somebody took that same exact show to another agency and then rolled out because what we truly do is do tried and true stations that are proven on a bunch of different levels, that are proven on different categories, direct response under the strongest stations in the market and we do a pretty good job of researching where their shows should test. The only times I've seen that happen are our $10,000 test that has failed, they've done a complete rework of the show and then test it somewhere else and then some of those clients have gone on to success. But for the most part, if they take the same exact show somewhere else, we're very confident that it won't work there either no matter who else they go to.

Adrian Bye: What's the minimum reliable test you encounter with, is it $10,000, is it $5,000?

Abed Abusaleh: It's probably $8,000-10,000.

Adrian Bye: So, tell me about getting a show produced. I don't know anything about that, I guess you don't do that but how much do I have to pay to get a show produced?

Abed Abusaleh: You know, it depends. There are hundreds of producers, literally, hundreds of producers in the industry that do it. Our agency, if you wanted to get a show produced through our agency a half hour show, I mean, realistically, you're probably looking at, probably $300,000-600,000 to get a show produced which is something that we would be willing to work on. I mean, there's a lot of production cost that go in that, a lot of talent fees. There are producers in the industry that will do it for a lot less money and some of them had that success, some of them haven't but obviously the quality of the video tape is different, they will cut a lot of corners as far as really getting a bare Bruen's Production done and there's some clients that produce it internally. They can probably get a show produced for under $50,000 that is set up very much like a CNN news format where you just have a one set, two people talking and it's basically 2 or 3 cameras on them at all times and then they edit the show later.

So, there's a wide variety. I mean, you can get shows produced for as little as probably $30-40,000 and I've seen shows that go up to a million point two in budget.

Adrian Bye: Let's say you are an internet guy, you've been doing pretty well, you're doing $30-40 million a year, you don't know the first thing about where to start on TV but it sounds really interesting and you got products that are working well, who do you go to and how much are you realistically, I mean, are they going to be having a say that they're going to spend $600,000 to get their shop produced even though they don't know that TV or they can reliably do that in the inside thing and do it that way or how should they get started?

Abed Abusaleh: What I really think is the product specific. If you're talking about something that's a fitness product; fitness products tend to run more expensive because there's a huge clinical trials that you do on it or you're watching testimony of groups for several months at a time and then you do a double blind studies, you have to do a lot of those things that at least validate what you're putting on television and then you have the weight loss programs, those kinds of things, the before and after, the location shooting, that's where it starts to get expensive. If you've got a very straight forward product that is fairly easily explained through something that you can do in the talk show format or you can do in a limited, keeping the expense lower, my recommendation to anybody that are looking at Direct Response is that unless you're familiar with the business, I wouldn't invest $600-700,000 in new infomercial out of the gate. I would try to get it produced for as little as possible. The only thing I would suggest is that you spend your dollars wisely. Talk to everybody you can possibly talk to; agencies, producers and see what they have to say so that you're making an informed decision. For example, if somebody comes to us and says, “Well, I want you guys to help me.” I also recommend that they talk to 3 or 4 other agencies. I want them to know what the market has in store, I want them to know other opinions out there and I want them to work with us because they feel like we have the best ideas.

So, what I would definitely say is they talk to some experts and let them guide you but talk to several different people because most people, they present a slanted view that would get you to work with them and then they'll explain to you, “Oh, you need to do this or you need to do this.” I think, if you talk to a variety of people, you get a better perspective on the overall industry and then you get an understanding of what you're walking into before you do.

Adrian Bye: Well that sounded I was going to work with you or now not.

Abed Abusaleh: I'm okay with that to be honest because I really don't think that you should just get one perspective and what I've often found is that clients that talk to 3 or 4 agencies often come back to us and ask them to do the work for us whether its production or media. In some cases they may find out, they find our production partner they're more comfortable with, they can do it cheaper. But at least they appreciate that honesty that I give them those choices and then they usually come back and want to run their media with us.

Adrian Bye: Alright, now that's something that's the right way. So, at that point I looked a little bit at your site through this portal, why don't you tell us about some of the clients that you actually currently have?

Abed Abusaleh: We currently right now are, if you look at Jordan Whitney at IMS which are two tracking services that rank infomercials nationally on a weekly basis, we are basically between, of the top 25 infomercials in IMS, we're booking 8 of them and on Jordan Whitney of the top 60, we're booking 22 of those shows. We estimate that based on our average spend which we think is probably, our average weekly spend right now is about $5.1 million a week in long form billing alone. In the industry, we think it's probably right around $15-18 million a week. We're approximately 30% of the marketplace. Some of the show that we worked on are like Euro-Pro, Body By Jake, Kodak, 6 Second Abs, Melt It Off with Mitch Gaylord, Contour Abs, Works GT, some of these are the best direct consumer products that are out there and they're extremely profitable shows or at least popular shows with the audience that spend very good amounts of money. We also work with a lot of the business opportunity staff like Dean Graziosi's program that we're working with, the real estate millionaire. We work with the Better Trade seminars, we work with the Russ Witney Seminars, we work with the Dyno Tech Seminars, I mean, we have as wide arrange of clients and it's a pretty diversified agency. There's not one client in our agency that represent any more than 8% of our annual billing.

Adrian Bye: You've got some pretty good clients; do you work with Billy Blanks?

Abed Abusaleh: We do. We do work with Billy Blanks.

Adrian Bye: Does that mean you go and like meet all these guys, do you know Billy?

Abed Abusaleh: I do not personally know Billy. Now, Billy Blanks runs his programs through a marketing company called Gaiam which is based out of New York. So, our client is actually Gaiam who's has bought the rights to that and runs his programs for him; the new Billy's Boot Camp and then the Tae Bo shows before that. In some cases, I will meet the talent in the show but in most cases usually we work with the marketers that represent their talent.

Adrian Bye: Right. That's interesting, so in most cases it's not the talent actually doing the show himself, it's more a marketing ad company that does it and then they hire in the talent.

Abed Abusaleh: Very rarely will the talent be the person that's running it themselves. In some cases, there are people that the talent is in fact the owner or the CEO of the company, but in most cases, the CEOs find somebody that they really feel matches their image that really believes in the product that really acts as a great spokesman, introduces them into the show and may have an interview the CEO or present at the company, maybe interviewed on screen but yes, rarely…usually they hire talent that they bring in independently.

Adrian Bye: So a guy like Dean Graziosi is a little bit unusual…

Abed Abusaleh: He is. I mean, Dean Graziosi is one of a few people that actually, I mean, Dean manages every part of that process. I mean, he's an entrepreneur to the point that he manages his media, he manages his sales staff, he manages his call center, he's probably one of the most hands on CEOs I've ever probably worked with.

Adrian Bye: At the same time he acts all the role, too. I think he only has like 5 employees and then he just works through companies like you also that have a listing.

Abed Abusaleh: You know with him and he keeps a core group around him and that he really tries to work with the best in class in all areas so that he is surrounded by good people and it's been very successful formula for him. I think the number speaks for themselves there.

Adrian Bye: Yes. So, what is your role with Dean Graziosi for example, I mean, does he call you up every week and say, how do we do and all of that stuff, and use only media buyer, are there other companies doing it like how do that actually work?

Abed Abusaleh: I believe Dean actually works with a couple of media buyers. I think he works with us and one other media buyer but yes, he is the guy that calls me up and says, how did we do last week, what do we need to be doing going forward, what is the next four weeks look like, what do I expect because he needs to take that information, develop basically a projection of how his shows are going to do and then stuff accordingly on the sales stuff.

Adrian Bye: Right, that's interesting. So, can you maybe tell us about some of the other clients and how you directed some of those guys?

Abed Abusaleh: In terms of specifics now?

Adrian Bye: Yes or anyone that you feel comfortable for in that order, even just a general case of how it works, it is just incidentally, maybe I'm asking direct enough questions here but this is just so new to me, I don't understand the direction, I mean, I understand media buying on the internet. In the internet we just have a campaign, we just give it off to a guy who monitors the numbers, we check in through the article and pay bills. Is it the same on TV?

Abed Abusaleh: It's similar on TV except in Direct Response television everything you do is infinitely visible to a client. They can know, they know within 24 hours of the airing how it did, how much money it made, how much money it lost, how many orders they got from it. They know within 24 hours. Most clients know within 30 minutes. They have online visibility to their call centers, the people answering the calls and then they have a media schedule obviously from us. So, they can know inside of 30 minutes how much money they made or lost. That type of relationship really defines the relationship between client and agency. Because our clients have such visibility to what they do, they're very much interactive in what we do with them. For example, they're very involved in the decisions we make, they know the day of the airing how it did and they want to know what you're going to if it worth to get more of it going forward or if it didn't work to make sure that they're not exposed for any more that media doing that way. So, it makes for a very fast phased and sometimes high stress environment. You know, you never have a chance to breathe in the fact that you have to keep up with your clients who are getting information almost instantaneously and are obviously looking at it as the lifeblood of their business. So, if an airing does poorly, their business did poorly for that span of time and some clients, you know, most clients love that fact about it that they're so involved and they can see there's so much visibility to what they do. As an agency, you have to manage that and realize that your client see and hear everything and you need to make sure that you're more informed that they are and to do that you have to really be on top of your game at all times when you're managing a TV television account.

Adrian Bye: Yes, right. So, I guy like…with any of these guys, I mean, when you say they know within 30 minutes, who does the matching of the media buying and then tracking that factor result, are you doing that or are you just doing buys and then they then do, say, how much this media buy was worth and whether to continue or not, who makes those decisions?

Abed Abusaleh: We actually do that. On a daily basis, we actually source so we find out how many orders can and where they came from and we figure out which media those orders are attributed to, we develop their overall revenue for that spot, their overall cost per call, their cost per order and we source that so that they can see and then provide it in a report for them, for example, to say that yesterday you spent $5,000 on these 5 stations and you made $15,000 and here's what stations did well, here's what station did poorly and here's what stations are on the bubble. So, they can see that on the daily basis, for the day before how they did.

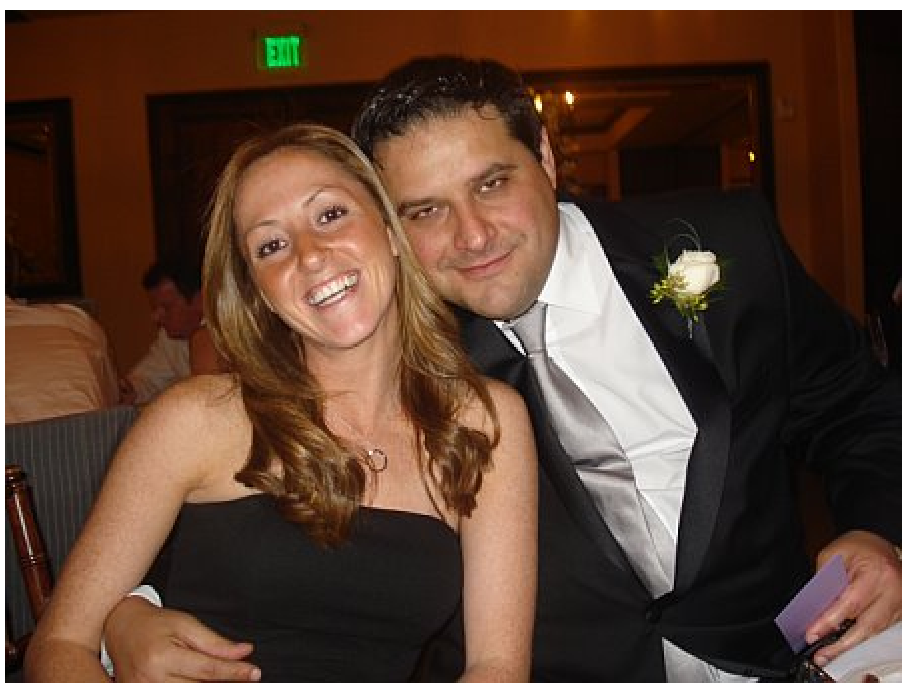
Adrian Bye: So, why do they even need to talk to you regularly, can they just check in like once a week or once a month and that's about it?

Abed Abusaleh: Technically, they could but most people are very active in the businesses that they run, I mean, you're dealing with a lot of entrepreneurs. If you know about entrepreneurs, they're not hands off type of people. They're very hands on type of people. They want to know every detail of their business. You know, no matter how big that business is you'd be surprised that because TV is driving such a huge portion of the revenue, they're actively involve, they will call me on my cellphone at home and say, "You know, I just saw this spot go off, it didn't work, how come it didn't work?" or "I just saw this spot go off it did phenomenally, how can I get back on the station?" You know, they very rarely sleep, they're very intricately involved and honestly, those are the types of clients that we work best with because their passion and our passion usually comes up with a pretty winning formula.

Adrian Bye: Right, they're really watching things and they're kind of helping you as well and you become a scene to help figure out how to improve the media buyer goal.

Abed Abusaleh: Absolutely and in some cases, they know their number better than I do. So, for example, if they spend a thousand dollars on a spot, they buy a spot for a thousand dollars, the spot does $1,500 in revenue. We may look at that and say, okay, when you build in their cost and their cost are good, that spot probably broke even and maybe lost a little bit of money. So, that's the visibility that we have to what they are. We're looking at it and say, it's probably close. They may look at it and say, you know what, it was close, we want to keep going with that, we're not loosing money, we're not making money but we're going to work on a couple of things on the show to try to make it better, we're going to try to tweak the offer to make it more appealing, we want you to keep going with that spot even though it was just on the border. That's a very important part of expanding a campaign because a lot of media comes in right on the border. So, you have to have that discussion between client and agency and say, yes, it's on the border but I want to go forward or you know what is on the border I want to avoid it, I want to limit my risk right now. That's a very key part of a successful DR TV campaign is the client and the agency both caring a ton about what that business does. So, if I care about my client's businesses and then the more they know about my business the better, the more I know about their business the better and that means that we actually understand how each other works and we have a successful partnership. If I just said, don't worry about it, give me your money and go away, well, that's not a very comfortable feeling for them and in a lot of cases, I may miss things that they could be letting me in on that gives me a better idea of their business so I can make the proper decision when I'm working to put the media on the books.

Adrian Bye: How do you tweak it? You mentioned that there might be break even and then they're going to improve things but I mean, is it just a straight AB test that you run, do you run it on one city and another in another city or how does that actually works?



Abed Abusaleh: I don't quite understand the question you asked.

Adrian Bye: Let's say you've got a spot that's break even and the entrepreneurs called you that he wants to change some things to make it better. Okay, let's say that he comes up with 3 versions of the spot, how do you know which one is better because you cannot run it on half the TV stations in one city, do you run one version on one city and one version on another city and how is that an accurate test.

Abed Abusaleh: We don't do that. What we do is that we do it over a 2 weeks…in a lot of cases what we'll do, there are several different ways to test a show, in some cases we're going to test it in one week. In other words, we want to keep all the variables the same in media time. What we may do is that run, let's say the Cassiopeia in Los Angeles, we may run a spot on Saturday and a spot on Sunday. The spot on Saturday will run version A, the spot on Sunday will run version B. Then we'll test on WNYW in New York and the spot on Saturday or on version B, the spot on Sunday will run version A. We can do that throughout the country because most these stations have multidays of paid programming. So, we can sometimes combine a Saturday to a Sunday or Tuesday to a Thursday and if you vary that and alternate it enough over the course of different stations, you'll actually get a fairly accurate read on which offers stronger. The other option you have is to run one week of media, let's just say $10,000 in one week and then the following week, one week on version A and then the following week run a mired schedule with version B. Then at the end of two weeks evaluate which one did better and then make a decision which version you're going to go forward with.

Adrian Bye: Very interesting. I mean, that's just kind of reliable in the way you're explaining it.

Abed Abusaleh: Yes and that will give you an accurate test.

Adrian Bye: Yes, right. I mean, we do a lot less analytical testing online. I think it's probably little bit easy for us to do it online because we can track a lot more well. Your tracking probably is good. We actually have trouble tracking sales accurately sometimes but the way you're describing that we can do some of that quick tests in our lead gen.

Abed Abusaleh: Trackability on TV has seemingly been more accurate than trackability online.

Adrian Bye: Yes, I have to agree with that. At a legal environment, some guys push the edge with stuff they run on the internet, you know, they just put something up and have to take off and then run into SEC issues later on, what do you look at in terms of compliance issue before you take something on TV?

Abed Abusaleh: You know, it's an interesting line and what actually for a while, there was no regulation of that and it was a problem in the industry and I think you saw a lot of things go very much unchecked and basically made an unfair environment for those shows that were doing it the right way. The ERA which is the Electronic Retailing Association which is the body that basically governs the industry, actually developed the ERA self regulation board and in that case, shows are submitted to the ERA for the self regulation board for basically approval and they work basically closely with the government, they have I think their liaison with the FTC (Federal Trade Commission) in any shows that are deemed to be questionable usually are submitted to the self regulation board and then either changes or the show is either asked to be pulled off of air or changes or substantiation is asked for on the shows that are running and I think that that self regulation board has actually made a huge difference in the way that the industry is run because there were a lot of shows that were really crossing lines with claims, they were putting a black eye on the face of the industry.

Adrian Bye: Let's say I want to run a show and I've made it probably non compliant, there's none of the claims can be justified, if I come to you and want to run that, are you going to run it?

Abed Abusaleh: No, I won't actually. If you have no claims and no substantiation for the stuff that you're running on air, it's really a terminal relationship at best and that's something that we'll probably walk away from. I mean, for example, if you're going to put a diet pill on the air that says, "Yes, loose a thousand pounds in an hour with this pill." We'll probably walk away from that you know, to be honest. Unless, you have some claims or some double blind studies or somebody you can show me that yes, this is a true product and a real thing, we're not in the business of making the industry look worse, we really are trying to run things that make the industry look better. I really do believe that a rising tide helps all ships.

Adrian Bye: Okay, soif I come to you with loose a thousand pounds in one hour diet pill and start on presenting that to you, how does that conversation go, you're going to say, "Well, Adrian, can you show us some documentation of the claim?"

Abed Abusaleh: Yes.

Adrian Bye: "Can you show us some double blind results? " Is that the sort of stuff you're looking for?

Abed Abusaleh: Absolutely. Do you have any substantiates from the claims that you're making, do you have testimony or releases for the claims of things the people are saying in the show, you know where did you come up with the information from, if it's someone that just looks completely over the top, it's not something we really want to get involved with because the likelihood is that even if the show goes on air and test well, it's going to be short lived before somebody raises their hand and say this is completely false and then you have to bring it all down. We're looking for long term relationships with our clients. So, if you don't have any substantiation or any validation for the stuff you're saying on TV, the conversation will go very simply, "Look, I really wish you the best of luck with the show. At this time, the agency is really not ready to engage in this because there's no substantiation for what you're saying on television and I just think it opens up a lot of wrong doors for us."

Adrian Bye: Do you ever ask a company to like an opinion letter to see if he's earning?

Abed Abusaleh: No. We don't ask for that. The self regulation board will. They'll get an opinion letter. They actually handle most of that stuff once it's on air if there are things that people may raise hand. There maybe things that we don't realize out of the gate that are issues that somebody else will find with the show and then say, hey, wait a minute, this looks wrong to me.

Adrian Bye: So, when go do actual media buying like, how do you buy media, I mean, you call up a station, you're going to buy media like, how do CPM's work, do you not pay more than a dollar CPM, are there markets where you'd be willing to pay a hundred dollars CPMs just because it's such a tight match, I mean, where is that range go?

Abed Abusaleh: The cost per thousand model is really more of a general rate television advertising. I want to get this CPM, I want a $7 CPM or I need this many TRPs or GRPs, that's really more of a general rate advertising model because in that case when you're looking at branding, you're looking an eyeballs. I want brand my product, I want to hit as many people as possible and make as many impressions as possible.

Adrian Bye: I mean in the internet we talk about CPM and we always back towards into CPA and so my understanding, if you work like in an internet media buy, you're going out on buying on a CPM basis and then backing it that with a CPA. Is that not what you're doing when you buy on TV?

Abed Abusaleh: We don't buy it all on CPM, nothing. We don't do at all in CPM. It is supply and demand. Well, we basically work of as a database and we have a little less, believe it's over $2 billion or $3 billion in media history in our system. We have a tracking system that we use. On that and in every station we've ever run, every rate we've ever paid and how the shows have perform. Over the past 17 years, what we've developed from that is a target rate by station and where things probably work, where the majority of your products have the best chance of success.

So, what we do when we're negotiating with stations is really try to get the media at a rate that makes sense for the products that we have and for how that spot performs. Time periods have a value and infomercials are not rated. So, there's no way for them to know how many are or aren't watching.

So, the only thing you can default to is response. You know, this time period traditionally has this much response for this type of product, it normally responds to this type of dollar figure at this type of product.

So, that's how we get a rate understanding of whether this spot worth $300, $500, $1,000, that's how the entire industry negotiates time. They don't negotiate on eyeballs, they negotiate on historical response which is why a brand new agency that's coming into the market is that at its distinct disadvantage because they don't have that history.

So, in a lot of cases, they don't know if a ime period is fairly valued, under valued or over valued.

Adrian Bye: So you go to a station and say a thousand dollars, I mean, the station is trying to sell that spot for either $1,500 or $500 and you can negotiate based on your history and how that particular slot has traditionally perform, is that accurate?

Abed Abusaleh: It is but in a lot of cases, you bring up a very good question to be honest, if the station wants to get $1,500 for a time period and we're offering a thousand dollars, why would they sell it to us and not sell it to somebody else, in other words, why don't we get priced at the market more often than not. What you have to realize is that the demand in this industry fluctuates so much one week to the next based on response and show strength that it's a very unstable environment from a station side in a lot of cases that sometimes you'll be getting $1,500 offer, another week you maybe getting $500. The advantage that we have is our size. Stations inherently would like to be with people that are stable and have a multitude of shows because if they sell to an agency that has just one show, when that show stops working, that agency has no choice but to cancel the media and say, oh take it back, go sell it again. Well, stations don't like reselling the same inventory 2 or 3 times, why would you want to do three times the work to get paid the same amount? So, what they try to do is work in most parts with agencies like us, that sort we are the biggest long-form advertiser in the country by far. I mean, we probably do 50-60% more on a weekly basis on long-form media than our closest competitors do.

So, that's a very good argument to make with the stations and the biggest part about that is we that year round. We're not heavy in the first quarter and light in the second quarter and third quarter which are traditionally soft, we're heavy year round. So, a station looks at us in the long term partner and says, okay, I maybe selling it for $200 less on this spot but I have a more consistent client that will go through the next 6 to 9 months with me, I won't have to take the huge rate drop when you know, by building a relationship with them, I can work out a rate that makes sense as we go through the more challenging times in a year and I have a stable partner that I know is going to pay me on time, that's going to be there all the time, that has many shows or if one show fades they can put in another one, those are the types of things that stations look for; they look for consistency and stability and an agency like us offers that in a lot of cases, that size and stability really affords a nice price discount when we're buying an inventory.

Adrian Bye: The bottom line is actually spot. Are they auction-spot relationships? I mean, is there a bidding system, is there like a version of eBay where the slot is actually put out there like how does that actually work?

Abed Abusaleh: About 10% of the spots are sold via auction just like your describing. Highest bidder gets the spot. I would say probably maybe 5-10% of all spots are sold as auction. Relationship plays almost no part into that relationship. I very much like to avoid those stations because frankly, their inventories usually are overpriced. The other 90% of the industry is not sold at auction. It's sold on a package basis or an incumbency basis which means that agency A had this spots and they have the first right of refusal as they go on to the second core on those spots depending on the negotiation and where we come on that. Basically, blocks of time are allotted to agencies on most of these stations and those agencies as long as they keep them for the quarter usually have the first right of refusal as you go on to the following quarter.

Adrian Bye: Is the industry going to go that way, for an auction format, I mean, that's what we're used to dealing with online and it's brutal and as soon as someone else can pay more then you're done, is that likely to happen on TV?

Abed Abusaleh: I would hope not because the reason I don't think will happen is that on those 10% of the stations that are doing it that way, the demand for those stations has falling significantly because they're almost impossible to make money on because their priced over market value at this point. Now as long as there are people willing to pay the rates, yes, that will happen. If the whole industry goes into an auction process, I think it would be very bad for the business, very bad for us as an agency and most importantly really for our clients.

Adrian Bye: Well, for people that can make it work; it will work fine for, maybe that also indicates that there is a growing demand for an auction type format on TV.

Abed Abusaleh: You know, when the stations that have gone to auction have done that, there has been very much, I've actually started to hear them coming back now and saying that they get a lot of demand in Q1 and Q4 and they're desperate to sell the time in Q2 and Q3. At that point, the auction process are bids I know are extremely low and they do clear in Q2 and Q3, but it's an interesting question, it's an interesting development that we're watching closely because frankly, I would think that it would not be in the industry's best interest to go to an auction process because I really think that the majority of clients will get priced out of the market.

Adrian Bye: How do you compare with Mercury Media, do you do the same event?

Abed Abusaleh: We do the same as Mercury. Mercury is a little different. Mercury Media is probably about…I don't know what their billing numbers are but the latest estimates I have are probably half our size as far as long-form goes, maybe 60% of our size. They're an outstanding agency, they've been around forever, I mean, they're one of the industry leaders for years in the space. I have a lot respect for that agency. But from my latest understanding I don't believe that their size is the same size that we are.

Adrian Bye: Where I know them from is I've seen them on some infomercials, that they've been doing the buying I guess for Guthy-Renker.

Abed Abusaleh: They are one of the agencies that buys for Guthy Renker, yes.

Adrian Bye: Do you buy Guthy-Renker as well?

Abed Abusaleh: We do a little bit of media buying for Guthy Renker, I know Guthy I think, uses 3 or 4 different agencies. They have different projects, some long-form, some short-form. I know they use different agencies. I don't know how many they use but I know, we do a very small portion of their buying but Mercury is one of their major buyers, yes.

Adrian Bye: What's the industry perspective of Guthy-Renker, are they the 800-pound gorilla in terms of an advertisers that think really well or are there others that are better than them?

Abed Abusaleh: They've been the gold standard for many years in the industry. I mean, they've had I think, more top 25 shows than any other marketer, they are the 800-pound gorilla. I mean, they've really found a formula that's been successful for their business that I think you know, the company has done extremely well and they've really been an outstanding marketer. I think they are the 800-pound gorilla that everybody in the industry would love to work with.

Adrian Bye: I mean it's amazing, it's just like 2 guys that run and own the company and they're doing a billion dollars a year in revenue.

Abed Abusaleh: I think it's Bill Guthy and Greg Renker, I believe that's the two names of the guys there. They are obviously innovators. I mean, they're probably two of the most respected people in the industry. They've also surrounded themselves with a brilliant marketing team and product development team and sales team. I think they've put a lot of pieces in place that have really enabled them to have the kind of success that they've had which has been tremendous.

Adrian Bye: Is there anything that we haven't talked about that you like to talk about?

Abed Abusaleh: No. I'm hoping I've given you a little perspective on what DR TV is like. But I don't know, you may have some questions still or some gaps that I can fill in for you.

Adrian Bye: I guess the one thing maybe would be interesting to know is what are the kinds of things that you tend to see that work best on TV at that moment, you know, business opportunity, automotives, finance, what are the areas that you're most excited about and you see the biggest growth for a television?

Abed Abusaleh: I think housewares and hardwares have had a major comeback in 2008. You know, things in the house; the vacuum cleaner, I mean, you've seen a lot of those, a lot products for your loan like the hedge trimmer, work benches, the drill sets, you know, this industry has been dominated so long by business opportunity and fitness and you're starting to see a diversification in the space and I think that's good for the industry. You know, computer electronics, those kinds of things are starting to emerge again and I think that's good for the business because we were so fitness and business opportunity heavy, I mean to the point that it was, I mean, it was almost like 60% of what the media billings were with either business opportunity or fitness. I just think we were too heavily relied on that. I think those categories got saturated. It's good to see the consumer goods in the housewares, the hardwares and the electronics come back because I think there's a lot of demand for those products right now and I actually think that that will be part of the growth of the industry over the next two years which I think is good for everybody. I think it's good to diversify.

Adrian Bye: Do those come back because of consumer demand or is it because the entrepreneurs have figured out new things to sell?

Abed Abusaleh: You know, in more cases than that I think its come back because business opportunity shows, most of them especially the seminars like "come to this hotel and learn how to trade stock, learn how to trade real estate", that industry at one point was over probably a $150 – 200 million a year in television spending on long-form alone. In just the seminar business was $200 million a year in its height of spending. They were paying inflated rates in some cases for that time but they had such a huge appetite for media buys that it almost artificially inflated the rates and it pretty much priced out the direct to consumer products that we were doing. You know, it was almost like the consumer goods and the electronics and the hardwares and housewares, they can't compete with the rates that a seminar can spend because they're only going to be in the market for 10 days. So, they have to have this much media, they have to do this etc. That industry has probably decreased and has probably downsized by about 80% over the last year and a half. I mean, especially with what's been going on. The mortgage space, when you see the real estate shows pretty much almost go away; with the stock market being kind of turbulent over the last 12 months, you've seen those stocks, you know the option shows, the forex show, I mean, you've seen them all go away, with the exception of 2 or 3 that are still remaining and those 2 or 3 I think are the most sensible ones out there and they're not paying inflated rates for time. The industry has almost come back to a more fair playing field for the rest of the people that are trying to purchase time there.

Adrian Bye: Yes, right. Very good, we've actually seen that same thing done in the internet. There's been various changes with new forms of fulfilling things online that come out, I mean, just wash away all other categories, when it works it's pretty interesting to watch. It's interesting it happens on TV too.

Abed Abusaleh: Yes.

Adrian Bye: I'm done. I haven't got any more questions so if you don't have anything else then we should wrap up.

Abed Abusaleh: Oh, you got it.

Adrian Bye: Alright, thank you very much for your time.

Abed Abusaleh: Thank you.