

## Tape 12 – Dan Kennedy

Gary: You're going to really enjoy this next speaker. I've worked with Dan for a number of years. And he has worked with other celebrities, not quite of my stature, but Victoria Principal and people like that. And Dan produces television shows. He writes television shows. He's a consultant. We're talking about infomercial shows. And he has been the driving creative force, the man who put together some of the most famous and most profitable television infomercials of the last ten years.

There is nobody in the United States I would recommend you consider working with if you have any interest in this area other than Dan Kennedy. He is also a dynamic speaker. I'll tell you a little personal inside secret about Dan Kennedy. When he was a child he had -- this is really true, this is not a joke -- he had a terrible stuttering problem and through force of will he overcame that by public speaking, and as you will soon see he has become one of the most electrifying, most informative public speakers that I've ever had the pleasure to share a podium with. In addition to being one of the most knowledgeable people in the world in his area, would you please welcome my friend Dan Kennedy.

Dan: In addition to having been the driving force behind some of the most successful infomercials that have ever been made, I've been the driving creative force behind some of the biggest failures that have ever been put on videotape. I want you to know that maybe unlike some speakers, I will probably talk to you almost as much about the losers as we go along this afternoon as I will the winners, because in many cases we still don't know why the winners worked but we kind of think we know why the loser didn't. There's more to be learned from the failure sometimes than there is the successes.

One I'm going to do so that you have a feel for the agenda of our time together, is I'm going to give you a very quick overview of the infomercial business as it stands now and kind of how it works. Then I'm going to go through 14 factors with you, and you all do have handouts if you want to use them that will help you take some notes. If you don't want to use them that's okay too, but the 14 factors that we use to try and pre-determine the probability of the success of a project, and that particular little chunk of information will be of value to you even if you never do anything in the infomercial field, because many of those 14 factors are transferable to other direct marketing applications. Then, last, I'll show you how a project comes together, what the numbers are, how much it costs, how much you make, how much you lose, what the risks are and all of that.

I have something that was given to me as a gift recently when I spoke at Notre Dame, and I think it probably applies to this entire group and it's fun so I'd like to share it to start with. You have to pay close attention, because we're going to go through five slides.

This is an autobiography in five chapters. Chapter One is I walk down the street, there's a deep hole in the sidewalk, I fall in, I am lost, I am hopeless, it isn't my fault, it takes forever to find a way out. Chapter Two is I walk down the same street, there's a deep hole in the sidewalk but I pretend I don't see it. I fall in again. I can't believe I'm in this same place, but it isn't my fault and it still takes a long time to get out. Chapter Three, I walk down the same street, there's a deep hole in the sidewalk. I see it is there. I fall in, it's a habit, but my eyes are open, I know

where I am, it is my fault, I get out immediately. Chapter Four, I walk down the same street. There's a deep hole in the sidewalk. I walk around it. And Chapter 5, I walk down a different street.

Hopefully, maybe as a result of some information that I share with you this afternoon, maybe I can keep you from going through Chapter 1 and Chapter 2 over and over again at least. I may not be able to get you to Chapter 5. Specific to infomercials anyway.

A quick overview. Reasons to do an infomercial. It's very significant that direct income is number 4, not number 1 on the list. There was a day in the infomercial business where it was a place to go get rich quick. In fact the business literally started that way in more ways than one. A fellow by the way of Paul Simon, who was what I call a Get-Rich-Quick-in-Real Estate Seminar Giver, and I mean that with no disrespect, but that's what he does. He was doing very well with his two hour seminars and he and a fellow by the name of Ray Lindstrom, said, "I wonder what would happen if we put this on television?" So they took a video camera and they went into a room where he was doing his seminar, just like this, with an overhead projector, and they taped the thing with no lights, no production values, and no nothing. They just stood there and videotaped it, and they bought two hours on the USA Network and threw it on the USA Network. They paid back then \$5,000 I think for the two hours. And lo and behold, they sold \$30,000 worth of home study courses at 295 bucks a piece. And Ray Lindstrom said, "I think there's a business here."

Those days are gone. I mean, gone, gone, gone, gone, gone. Many of the infomercials you see on the air today are being happily aired at breakeven or barely beyond breakeven, and they are airing a lot. And that is because of their ability to deliver a customer base in a very short period of time, not because of the money being made on the frontend.

I tell people today the reasons to be in the business, if you are going to do an infomercial are in this order. Number one, you want massive exposure for your product or service or yourself in a hurry. Nothing beats TV. Johnny Carson, who just retired, as you well know, was seen during his entire career in America's living rooms only a few times more than Tony Robbins has been seen in America's living rooms in the first 18 months he was on the air. The odds are that of any 1,000 people stopped on the street, just as many of them would recognize and come up to Tony for an autograph, as would go up to Johnny Carson. In fact, it's possible Tony would win. That's the kind of power that television has. Jay Cornish, the original Juiceman. How many of you have seen the Juiceman? The original. Jay cannot walk through an airport or shopping center without somebody coming up and sharing a recipe with him, and asking for his autograph. Jay's book last year of juice recipes in the bookstores, published by a real publisher, hit the New York Times bestseller list the first week it was out. That's the exposure power of television.

One of my clients, we have a little show called *The Golden Opportunity* show and it gets leads for a business opportunity called *Gold By The Inch*. The first version of the show we produced was real cheap, the second version was just cheap. And now we're about to do a good version, but the show's been on the air continually for three years, and this is a non-celebrity, cheaply-produced, kind of rinky-dink show, and this guy can hardly go anywhere without somebody recognizing him. Sometimes they can't identify how, but they remember TV. "Didn't I see you on TV?" "Haven't I seen you on television?"

So if you want massive exposure you can't beat television. Second good reason is to build a list fast. That of course presumes you have something to do with that list when you get it. And we're going to talk about the backend business later, which is what this is all about. If you have a magazine ad that works, let's say that you've got a full-page magazine ad that sells a book about whatever. Let's say blackjack. You've got a full page magazine ad that sells a book about how to play blackjack, and that ad really works. How many times can you run that ad in a month? Five magazines, six magazines, ten magazines that are really appropriate to that?

But if you've got a TV show that works, you could run it a hundred times a day. I mean, you could run that show like there's no tomorrow, and so with your magazine ad it may take you a year to get 100,000 names, you could have 100,000 names from television in six weeks. That's what I mean when I say build a list fast. There are a number of business that have started with nothing but an infomercial, and the Victoria Jackson cosmetic company is an example. It started with an infomercial, about \$100,000 of investment, and the first year that was a hundred million dollar company, thanks to the strength of the database. When I say fast, that's what I mean by fast.

Last is build recognition fast. You build recognition for your own product and personality. You also contribute to the entire industry by accident. The number one selling appliance last year in department stores for Christmas was a juicer. It wasn't the juicers being advertised on TV, but it was juicers. By accident, the recognition factor causes all those other sales, and now retail and wholesale and our business, the infomercial business, in realization of all this are coming together and TV products also find their way into the stores, and find their way into catalogs at a much faster pace. And that becomes additional distribution, additional income.

And the last thing is the direct income you get from the show. The two things that surprise people most that you really need to know is one, the infomercial business is a very, very risky business. It looks easy. You see six or seven of these shows, you're smart people, you can obviously identify some of the commonalities, and you say, "Hey, I can go get myself three guys with cameras and some lights and a potted palm and a couple of chairs and I could make one of these too."

I am a print copywriter guy. How many in here have my book, *The Ultimate Sales Letter*? Raise your hands please. Good. I'm a print copywriting guy, and making the transition from doing print to doing television is maybe the hardest thing I've ever done in my life. These things are very, very difficult. And the proof of that is that the industry average in the last twelve months is 16 attempts to get one winner. That means 15 people get the bad news on Monday morning after the test and that bad news is, "Take your tax loss out into your backyard and bury it. Don't try to fix it, bury it."

Knock on wood, my average is a little bit better than that. And you can bring your average up markedly if you stay with real safe categories. If all you ever did was weight loss and skin care, your average would not be nearly that bad, because it is almost impossible to shoot yourself in the foot with weight loss or skin care. You may have legal problems, which is another issue we'll talk about, but it's almost impossible to make a show in that category that doesn't work. It's just a question of how well they work, but the further afield you go from that the greater the risk.

The second thing, of course, is that there's a lot less profit than most people think on the frontend. This year it's going to top a billion dollars worth of merchandise sold through the infomercial medium. A major New York ad agency, by the way, was quoted in the *New York Time* two months ago saying that they are advising their clients not to pay any attention to this thing, it's going to go away. Which tells you my opinion of ad agencies. Most of the money is made on the backend, there is increasing sophistication, increasing production rates that are an issue. Some networks, some cable station, are pickier and pickier about what they'll air and what they won't.

It's a highly regulated industry. We live with the Federal Trade Commission in our back pocket. They don't like us. The no-money-down entrepreneurial deal, "Hey, I've got a great product. Here, you guys do a show." Those things are just about a thing of the past. Famous people are being turned down on deals like that left and right today. The deal flow that comes through Guthy-Renker's office and my offices is just phenomenal. And if you saw some of the stuff they said no to and told stars with products to, "Go and come back when you have a check," you would just be flabbergasted.

I'll tell you how deals go together later, but no-money-down is a thing of the past. It's still the fastest way to get to customers. The business used to look like this. The caption on this cartoon says, "Yes, Hal, I sent for your course, listened to all the tapes, and even though I had poor credit and no cash, the very next day I went out and bought all the sex I needed with no money." In spite of that, the public acceptance is actually better than ever. In spite of that kind of sleaze ball infomercial and in spite of the media bashing, the public loves these things.

The buying public is just thrilled with them, and in any one given week last year as much of 10% of the United States population made a purchase from an infomercial. When I do my little informal surveys, like when I'm on an airplane, just about everybody has broken down and bought something from an infomercial. Many of them gadget-gadget type products. And the demographics are surprisingly good. A lot of people think that infomercial buyers are low-end blue collar. That's not true. In the case of *Personal Power* for example, well over 50% of the buyers were the top 20% of the income brackets in the country.

The company breakdown, this is an old slide, and unfortunately I didn't have time to update it. Some of this no longer exists. Media Arts is, I believe the number one big player in the industry today. And Media Arts own Quantum, Quantum went bankrupt as some of you may or may not know. I know, because it affected my royalties, and they were bought by Media Arts. American Telecast does the Richard Simmons show, which I'm sure you've seen, where they all cry together. It's an amazing thing when you can have a chubby guy selling weight loss. It's just amazing to me.

And they do the Victoria Jackson cosmetic show, which is fabulously successful. Media Arts is best known for *Amazing Discoveries*, all of those. All of the *Amazing Discoveries* shows added together do about a \$150,000,000 a year in business right now. *Personal Power* alone has done over \$80,000,000, and I'm talking about the frontend, the television sale, I'm not talking about backend now.

The original Guthy-Renker show, the first show I ever worked on in my life was *Think and Grow Rich*. And we managed to eke out \$20,000,000 with *Think and Grow Rich*, and we thought we were really doing something. These days that's small numbers for a winner. Just so that you know, in terms of my direct involvement, I can account for a hundred million dollars worth of goods sold in shows that I have had substantial control over. There's some other shows where I've just been a consultant. I don't even count that. And I do have a pretty good reputation in the business. I'm a member of Neiman National Infomercial Marketing Association, if any of you are going to the conference in October I'll be there and will be on a panel. I'm fairly well-connected and do work for just about every major player we just talked about on that slide and play shows with them.

Here very quickly is a recent score card. You'll see a list of winners, and you'll see a list of losers. For the sake of time, we're now going to talk about all the losers right now, but I'll briefly mention some of the winners. How many of you have seen the *Entrepreneurial Magazine Be Your Own Boss Show*? It's hosted by Fran Tarkington? Okay. That's an interesting show. That's had two lives. The first time it aired it ran its course in about six or seven months and it made a little money, but it certainly wasn't a blockbuster and it went on the shelf. It was dusted off about four months ago and put back on the air and it's doing very, very, very well. And you'll see it increasingly airing.

How many of you have seen *Therapy Plus*? A little gadget, you rub here, pain goes away? Well into the tens of tens of millions of dollars last year. The show aired for almost two years, now finally it has a regulatory problem due to some of the medical claims made in the show, which I fully expected a year and a half ago. And the show's being reedited to make changes in that, but a very successful show.

How many of you have seen the Acne-statin show with the little Nazi woman who looks like Dr. Ruth, with the cure of acne? Gloria Loring? Yeah. Extremely successful show. Victoria Principal skin care of course. The fishing show is an interesting story if I have time I'll tell you about that. The *Gold By The Inch* show is the single most successful lead generation show. A show that doesn't make a direct sale, but instead gets leads which are then followed up by direct mail. Single most successful show of that type ever to be an infomercial.

That's a business opportunity show, by the way. And there is room for that, by the way. We could be doing more of these, this is just a great business opportunity cartoon: "If I had someone like you Cheryl Ann, I'd get into the rug and upholstery steam cleaning business like it says on this matchbook cover and really be somebody." I just really like that cartoon.

Okay. You guys are going to be a tough group. You bowl overhand, right? Okay. Okay. Here's the fourteen factors that we use to the best of our ability to try and predetermine whether or not a project has a probability of winning. Basically what we do is we look for each one of these fourteen things and we give them a 1 to 10 rating. If we've got a lot of 7s, 8s and 9s and 10s, then it's worth doing. If we got a lot of 2s, 3s and 4s, it's not worth doing.

The very first thing we look for is a strong clear promise. In this television show you have two things that are problems. You have the opening of the show, here in 30 to 45 seconds certainly no more than a minute, your host should come out and tell people what's going to happen in the

next 27 minutes, and that had better be a very compelling promise. We have to remember all through everything I tell you, that unlike in a seminar room, or unlike with a direct mail piece, or unlike just about any other media on earth, in this media we are facing a roomful of people with clickers in their hands. And they have 136 choices that they can go to a moment's notice. They're sitting there with picture in picture window television sets so they can reduce one to a small window and watch the other one on a big window. They're in control.

Statistically, interestingly, men click twice as much as women. I have a theory about that. My theory is that is the last thing in the household we have control over, and by God, we're going to use it. I'll click out of a show I like just to show that I can, that's how far I've dropped to. But men do click twice as much as women. And women are thus twice as likely to click in at any one given program and then stay to the end. Men are more prone to click in and out. And so if we catch them at the beginning of the show, we have 30, 45 seconds maybe for that promise to be stated in a way that makes that person want to continue to watch the show. You might think of it as a headliner and a subhead brought to life. And if it can somehow be pictorially dramatized at the same time, so much the better.

The second thing about this clear promise issue is that when it comes time to actually do the commercial within the show, and say, "Call us on the 800 number and here's now what you get," that offer too has to be pretty clear and pretty simple. 2:00 in the morning after they've had three beers is not a time to be subtle. And it's not a time to ask them to really do a lot for thinking. In the case of the Entrepreneur show we fixed the commercial five times before we got that thing to work, because the offer was too confusing. They just didn't get it. They didn't understand.

Originally, it was a two step offer. You got the tapes and some stuff sent to you now, along with that you got a catalog of all of Entrepreneur manuals, and you got a certificate for a free manual. The premise being, of course, that you don't know what kind of business you wanted to go into until you did the first part of the course, and then you would redeem your coupon to get the manual specific to the oil change busies or the haircutting – fine premise, it just didn't work. By the time you explained it the guy had dozed off or clicked away. So the offer had to be real simple.

One of the things that make the *Gold By The Inch* show work is that everybody gets it in 30 seconds. And if you've seen that show you know it's selling a business opportunity where you get these spools of gold and you can make bracelets for people to the exact length and so the deal is, "I take this pile of stuff, and I put in my car, and I go to the swap meet, and people come up and give me money." They get it in 30 seconds. And that's one of the reasons the show works so well. And so you want a very clear promise, and the farther you deviate the worse off you are. Easy to understand offer. You give us this money, you get this, you get this, you get this, you get this.

Third, an exclusive product. This rule is changing, particular in the area of the gadgets and gizmos. But the conventional thinking in the business has always been you want to sell on television something that not only can't they get anywhere else, but that there's no price comparison for anywhere else. You don't want them to be able to roll down to Sears and find 56 of these things on the shelf and say, "Oh."

That is changing a little bit as people are violating it and proving that it does not necessarily make any difference. How many have seen the Ronco food dehydrator show? Yeah. The guy's on – he's becoming annoying I think. It wouldn't be near as annoying if that were my show, but it's very annoying to me. And of course you can buy food dehydrators anywhere. They're in catalogs. They're in stores. They're everywhere and it hasn't seemed to make a whole heck of a lot of difference. But conventional wisdom has said an exclusive product, and I would say given my druthers I would rather have an exclusive product, but that's one we might be willing to suspend.

Number four is exceptional value or perceived value, which is the same, to the customer. They have got to perceive that they are getting a lot for a little in order to move them to the phone. And that's very, very important. There's different ways to do it, and we'll talk about that.

Fifth is physical demonstration. Physical demonstrations helps a lot. That's why information type shows are harder to do than gidget-gadget shows. *Amazing Discoveries* shows are relatively easy to do, the Juiceman show, that's why there were five knockoffs for that show and they all worked. That's really a pretty easy thing to figure out how to do: "We get 6,000 pounds of different vegetables and fruits and we stand up here and shove them in this machine." It's a great show to watch. I bought from the show. I know better and I sat there and said, "This is a great story!" Because you're into the demonstration.

How many have seen Fingerhut's show with the American Gladiators, for the exercise device? Have you seen that? Great show. It's one long physical demonstration. What gets harder and harder to make work is the interview format show, which for most information products is exactly what you have to start with, and so that format is tougher and tougher to make work. It worked for *Personal Power*, I doesn't work for some other things, and we look for ways to add drama to that show.

If you've seen the *Mental Bank Breakthrough* show with Florence Henderson, one of the first shows that I did, that show has a little sequence in it with a live baby. What we call the stunt baby. And if you remember Saturday Night Live and the stunt baby – yeah. We were looking for a way to jazz up the interview about this self-help product, and Florence does a whole thing about that we're only born with two fears, because it's a product about overcoming fears, and we are only born with two fears, one is of loud noises and the other one is of being dropped. I wanted to drop the kid, but I lost that argument.

Actually, here's my original concept. My original concept was – the baby has no fear of snakes, because, in case you didn't know that, the baby doesn't have a frame of reference. So I said, "Let's get a pile of snakes, and we lay the kid down in the snakes. This is drama!" All of this I came up with when I was only the writer on the show, and someone else had to be the producer and deal with this mess. Then after I sell everybody on using the baby, I become the producer. But the whole thing with her and the baby and the baby moving around and talking, it makes her monologue more viewable. And so physical demonstration, however you get at it, can be a big help. Guthy-Renker is producing a new show right now for a kind of lipstick, and one feature of this lipstick is that it is waterproof, hurricane-proof, earthquake-proof. The women will die, be buried, they'll be nothing left, when you open the coffin twenty years from now but the skeleton, and the lips, still perfect.

How do you dramatize this? What is probably going to happen – the show's not made yet, so you never know – but some lovely young ladies are going to come up out of the audience, and be putting on yellow slickers and rain hats and hosed down, so that everything else runs and looks like hell, but the lips will look great. And of course, that will be fun to watch, won't it?

Six is a charismatic spokesperson. *Personal Power* works for a number of reasons, but certainly one of the reasons it works is Tony Robbins. And there are an awful lot of people in my speaking business who are very jealous of Tony and say, "I'm better than Tony, and I should be making all that money." But the truth of the matter is, they're not. They may have better content, but they don't have the charisma, and the more of this I do, the more I become convinced of how important this is. I have in my portfolio six or seven shows that are all excellent shows. The testimonials are good. The promise is right. The product's right. The offer's right. The set looks great. The host did a good job, and where the show falls apart is the spokesperson for the product. The spokesperson as dull. He was not excited. He was not fluid. He was not versed in the product.

We did a PMS cure show. Hey, I thought this was great! Because we're always looking for weight loss or skin care, how do you do that without doing it again, because it always works. And so I thought PMS, same buyers, right? They're buying skin care, they're buying weight loss, they've all got PMS. Perfect. So we'll go get them, right? And they're all griping about it, right? So this is it. So this lady doctor had a nutritional system, how to eat, what to eat, what not to eat and what vitamins to take and so forth. She had great testimonials. We shot testimonials. They cried. They were emotional. It was wonderful. I only had one of them who – we were shooting the testimonials and all three camera crew people were male, and I was doing the interviewing, and I was male, and we had one militant feminist to the group, who interrupted the testimonial taping and said, "Don't you think it's a little strange that there's all men working on this?" I said, "The camera guys are gay, that ought to count for something." See, that's nice, I thought that was funny and she didn't laugh at all.

Anyway, this whole show came together very well, and I thought this show was going to be a hit. Unfortunately, it was the doctor, the day of the taping, turned into a piece of plywood and she sat there stiff. She didn't move her head, she didn't move her body, she'd didn't move nothing. And nothing we could do would loosen her up and consequently it doesn't make for great TV. So charismatic spokesperson.

Seven, excellent, real people testimonials. Eight is excellent famous people testimonials. Obviously, the difference – real people testimonials are John and Mary Schwartz, who look like they came from Columbus, Ohio. Go to a Kmart on Sunday, look around the parking lot – those are real people. If you live in LA or New York, you don't see any real people. And if you live down here you sure as hell don't see any real people. So you got to go like to Milwaukee or someplace. Indianapolis. That's where the real people live and so you can get an idea of what you're looking for. And those are real people who come forward and the testimonial format that you're looking for is before and after. You've all heard the old Richard Pryor joke, I was a poor black kid born on the ride side of the tracks, now I'm a rich white guy. That's the drama you're looking for in a before and after. That's true, it's a Richard Pryor joke.

You're looking for that kind of before and after drama expressed verbally. I was fat, now I'm thin. I was fat, nobody loved me. I stayed in the house, now I'm thin. I was broke, now I'm rich, and you want your real people to say those kinds of things.

Famous people are US Senators, athletes, celebrities and again, if you look at *Personal Power*, you'll see a good example of famous people testimonials who came forward and say, "This thing worked for me." Or second best is a famous person testimonial that won't say this thing worked for me, but will say, "This is the greatest thing since sliced bread." If you look at the Entrepreneurial *Be Your Own Boss* show we have Charlie Givens who is not saying this course worked for me, what he's saying is everybody ought to be in business for themselves, I teach that to all my followers. He doesn't use that word, but I teach that to everybody and if they're going to be in business for themselves they should have this product because this product is great.

Nine, the show should be fun to watch. Again, tougher and tougher to do with information type products, easier to do with gadgets and gadgets. Still, by the way, the profit's in information type products, which is why we keep trying to do that. But the show should be fun to watch. This is television. And when people tune in they kind of expect to be entertained. So you've got to not only inform them, you've got to entertain them.

When I started speaking in 1978, I couldn't tell a joke. Well, I could, but didn't get a laugh. And I said to some people in the speaking business, I said, "Do you have to be funny to do this?" And the best advice I got, a very successful speaker said, "Only if you want to get paid." And so I got busy getting funny. The same thing's true in this business You have to be entertaining only if you want them to watch the show.

Ten, a strong guarantee. First of all, you've got to guarantee anyway. You want to get NIIMA certification. You'll have regulatory problems and you won't get the show aired a lot of places if you don't guarantee. So you're going to guarantee or you're not going to be on the air. So as long as you're going to guarantee anyway, you might as well use it as a plus rather than a minus. My second opinion about all that is if you're selling something that you can't put a very, very, very strong guarantee on, go find something else to sell. Because what you're selling really should be so good that the vast majority of people are going to be thrilled when they get it.

Somebody came up on one of the breaks this morning and said a very nice thing to me. He said, "I buy a lot of stuff from your company, and every time I buy something I get more than I expected." That's a real key to this, is that the customer gets more than they expect, and that'll make your guarantees work. So what's a strong guarantee? And guarantees stated in strong ways. In the Victoria Principal skin care show, it's the bottom of the jar guarantee. Use all the glop, pardon the expression. In the Pearl Cream commercials, Nancy Kwan says if your friends don't accuse you of having had a face lift, return this stuff for a full refund

We know that people aren't going to come up and say, "Looks like you had a facelift." But it's another way of saying in a dramatic way, you're going to be thrilled with this product or you're going to get your money back. So a strong guarantee is very important.

Eleven, premiums can drive the sell. In the case of *Think and Grow Rich*, the very first thing I ever did in the infomercial business, was with the second version of *Think and Grow Rich*, and

the first version had run its course. It has sold some ten or twelve million dollars worth of merchandise. I don't know the exact number, and so I'm giving you a guesstimate and the show was declining in performance and the owners of the show said, "Can you figure out something we can do without reshooting the show from scratch? Something cheap and easy, that will make this show have a another life and continue to sell merchandise for a period of time?" And I said, "Or course." Because that's the answer we give everyone to everything, isn't it? And what we did is we changed the premium. We didn't change anything else. We changed the premium in the offer. And we added a series of reports that were very specific in nature. *Think and Grow Rich* is rather an esoteric product that's hard to put your fingers on what it's all about. And so we added some *Think and Grow Rich* research reports that were very specific in nature.

I don't remember now, 8, 9, 10 reports whatever, but paper, not a big expense there. And then I argued for raising the price. The product had been sold at \$89.95 for most of the life of the first show. And I said, "Gee, we're adding all this wonderful stuff, and the more I write about it the better it sounds. So I think we should charge more for the product." It took me awhile but I got them to test it at \$149.95 and we sold another ten million dollars plus worth of the product with the second version of that show. Raising the price from \$89 to \$149 and adding a cost of about a buck.

That's when people start to say, "Kennedy's a genius! Let's get him on our next project." It's blind luck you understand, but the principle now comes out of the lucky experience, and the principle is that often the premium can drive the sale. And the premium is at least as important in terms of what it's called, how it's titled, what's said about it, how it's demonstrated. The premium is as important as is the primary product. Sometimes you can even prop up a weak product as I did to give life to a dead show with the premium.

Twelve, interesting B Roll, means that they're not just sitting there n the stupid. B Roll is like in the Entrepreneur show, where we interview the people who started businesses with the manual. We actually go to their places of business and so when Patty's talking about starting her muffin shop you see the muffin store and you see people buying muffins and eating muffins. It's something, again, going on. Tony's show, of course, is full of it. The helicopter and all of that, that's what interesting B Roll is all about.

Production values. Let me talk to you about that for a second. You all probably, in the course of this weekend that you are here, will hear about video production from a number of different people. And let me first of all say that I am not a technical person. If I was offered \$100,000 to go run that camera for the next ten minutes, I'd have to turn it town. Number one, I don't know how to do it, and number two, me and electronic gear – this is the only thing that I can touch and not have it break. And that's why I like overhead projectors, but anything else, if I touch the camera he's down for the rest of the week.

So I say to start with that I cannot answer technical questions, but I can tell you this, that there is no one level of production quality that is good for all things. And different levels of production qualities are appropriate for different things. In our business today, we also have forced production values. The *Gold By The Inch* show, which has six times the size of that 15-year old company since it's been running, and has made him a great deal of money, the first version of that show we shot four years ago for \$8,000. My fee was more than the budget. We shot the

entire show for \$8,000. I want you to know you don't do a TV show for \$8,000, so don't get excited. We shot this show in a facility in Phoenix, Arizona in July, where you have to turn the air conditioning off while you tape, because of the noise.

The lights consisted of lights hung with coat hangers from the rafters. It's not a sound stage. Three cameras, but you might as well have had one, because they messed up some of the angles all day long. Everything about this show – the floor that we laid down for the set was a piece of paneling that you put up on your wall. And it wasn't fastened down, so one of the guests in the show, one of the people being interviewed, is nervously tapping his foot, and you hear this thump-thump-thump-thump-thump-thump-thump throughout the interview.

This thing is really rinky-dinky. You look at it and it's embarrassing. That particular version of that show ran for 13 or 14 months and made several million dollars. In fact, when we reshot it to improve the production values, we shot exactly the same show. Because I was afraid to change anything. One of the guys interviewed had white socks on. I said, "The guy's got to come with white socks." Seriously, if you watch the two shows side by side, nothing is different, except the set and the lights and plant's better and the production values. But the people say exactly the same things. The sweat appears on them. We left everything else the same, because I didn't know what was working.

The only reason we reshot the show is because places like the Family Channel and USA and Nashville Network would not run the show. Not because of content objections, but because it looked so crappy. They said, "We can't put this on the air." So we reshot the show with a \$35,000 budget, which is still ridiculous, although no celebrity host. So that helps. We reshot the show for 35,000 bucks and that show has now had its life and has been able to air everywhere but two places: Lifetime won't air it, still because of the production value the second time around. And there's another cable network, I forget which, that won't air this show because of the production value. So now we're getting ready, in December we'll shoot that show a third time. This time with \$80,000-\$90,000. A real quality production and a celebrity host. And the show will go on and make millions and millions of dollars more.

So if somebody says to you, and they will. If you read *DM News* there's companies that advertise, "We can do an infomercial for \$4995" or "We can do an infomercial of \$6995." Let me warn you, and is Don Camp here? Don can also tell you of an experience with a half-hour show that should work, that is in the can, that can't work purely because of the production values. There are certain levels that have to be – and they vary by product. Production values have to be much better for a cosmetic, for a glamour product than they have to be for a business opportunity. That makes sense if you stop to think about it, right?

Fourteen. Biggest issue of all, believability. Again, if you watch the *Gold By The Inch* show, one of the reasons it works is because everybody believes the testimonials are real. They are real schleppey, Kmart people. They sit there, the one couple, while he's talking, she is dozing off. Her eyes are closing. They stutter, they stammer, they wring their hands, they tap their feet, and when we reshot the show I wouldn't let them change any of it. A guy came running in from the crew, he said, "That one guy, he just bursts out in sweat when he starts talking. We gotta put more makeup on him." I said, "Leave him alone." Because people look at that and they do not question the legitimacy of those people. And I deliberately leave mistakes in shows for that very reason.

The biggest single marketing issue that applies to infomercials and everything else and so if you're not at all interested in infomercials, the time that we have together, if you walk out of here with this thoroughly imbedded in your brain, you will have benefitted from being here. Because of my relationship with Guthy-Ranker, I am privy to a lot of focus group research. They spend a ton of money focus group researching shows before, during and after production and airing.

I am not a big believer in focus groups for several reasons. First of all, people lie, They say what they think makes them look good, not what is true. There's a famous survey that was done some years ago by Anhauser Busch and 70% of their customers preferred their premium beers but 70% of their sales are Bud. Somebody's lying somewhere. So they lie. The second thing is people don't know why they buy. They buy here and they justify it here, so now when they try and explain it to you and enunciate what went on they can't.

So a lot of focus group research is really skewed for all those reasons. But every once in awhile there is something that is so repetitive and so constant throughout that you gotta say, "This is real." And that constant in the last two years has been that the public doesn't believe anything . They start from a position of, "You're lying to me." I don't remember the university, but one big analysis of all this has been done, and they trace it to beginning with Watergate. That that was the beginning of the great age of consumer skepticism, when for the first time we really all faced the fact that our President would look us right in the eye and lie through his teeth to us. And since then we haven't trusted a President. Then we had it with our religious figures. And then we had it with Fortune 500 companies, like airlines going broke. Fifteen years ago if you told everybody that airlines were going to go broke, and people would be standing in airports with tickets that were no good anymore because the planes wouldn't go off the ground and nobody else would honor the tickets, they would look at you and laugh. They would say, "That's impossible." And yet we all know it's very, very possible.

This whole sequence of events has led up to the point that most people don't believe anything. And in focus groups of successful shows, where we've taken shows that have succeeded and then shown them, even the buyers say, "I don't believe those testimonials. I don't believe that's his castle. I don't believe that's his airplane. I think those people were paid to say that. I think those people are scripted." They've suspend their belief enough to buy, imagine what the non-buyers think. So the biggest single marketing issue....

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