

## Tape 13-Dan Kennedy

They would say that's impossible, and yet we all know it's very, very possible, and so this whole sequence of events has lead up to the point that now people don't believe anything. In focus groups of successful shows, where we've taken shows that have succeeded and then shown them to 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 were scripted." They've suspended their disbelief enough to buy. Imagine what the non-buyers think.

So the biggest single marketing issue I believe of our decade is proof. I think that you succeed or fail today with a marketing message based on who well you prove your case. The best advice I ever heard as an uninvolved observer, I quickly say, from a famous criminal attorney -- that's an attorney -- that's not that the attorney's a criminal, you understand. That's that he defends people who are typically perceived to be. It's a very thin line. This very famous criminal attorney said, "I don't ever want to go into a courtroom without" -- and his words were -- "a preponderance of proof." Not just enough proof, a preponderance of proof, such an overwhelming quantity and diversity of proof, that no one can argue the point, and that's how we try and build a show. That's how we try and build a sales letter. That's how we try and build anything. We now sit around and say, "What's the whole list of all the things they may not believe? Where do we lose our credibility?" Then we prove every single one of those things.

Biggest mistakes. I've made every one of them numerously. The first one is making assumptions about what people will buy and won't buy and will respond to and won't respond to. Unfortunately, in our business, which is one of the reasons the risk is so high, there's not good way to test. Just because it sells well in a seminar doesn't mean it will sell well on TV. Just because it sells well in a print ad doesn't mean it will sell well on TV. Just because it sells well on Home Shopping Network doesn't mean it will sell well in an infomercial. There's no reliable way for us to test what we do other than to make the very best show we can and put it on the air.

With that said, however, there are budget decisions to be made and commitment decisions to be made that cannot be made on assumptions. For example, when Gary asked you how many of you think you have something at all, a roomful of hands went up. If you are going to mortgage your paraplegic grandmother's wheelchair in order to do your TV show because you so devoutly believe that the public is waiting for your message, may I please make a suggest to you? At least discuss it with Grandma, because the truth of the matter is we don't know. We guess. We apply all that criteria. We look at what's worked and what hasn't worked, but we don't know. Where there's a will, there's an A. How many of you have seen that show? Hugely successful show, hugely successful product. Five different attempts have been made to knock it off. Four of the five, in my opinion, better product, better show. None of them have worked. That show's a freak, and I believe no one will duplicate that show. It's not going to happen. That show's an outright freak. Juicers, five different shows, they all work. Skin care, they all work forever. Same glop. Why? I don't know. You can't operate on any assumptions. You got to understand what you're into.

Number two, too narrow a net. We consistently make this mistake because after all, how many skin care or weight loss shows can you do? We're always looking for something else, and generally that something else narrows the audience that it is appropriate for, and when you get too narrow, it doesn't work. This is mass market. This is *The National Enquirer*. This is *Parade Magazine*. This is K-Mart, JC Penny, and Neiman Marcus. That's what TV is, and if you're too narrow, if you're *Wall Street Week*, you're probably not going to work on TV today, particularly because the money is made on national cable, not if you have to buy only Key West local broadcast, only one climate, local broadcast, only

cold climate local broadcast, probably shouldn't be doing an infomercial. Unless you're doing it in a local market to fuel a local business, that's a whole other topic. But too narrow a net, and I have several shows under my belt where we have risked that, knowing that it was a risk we were incurring, and we lost. I've got another one, goes on the air in another couple of weeks, that we just finished production of. It's a time management show. We've done our best to take the concepts of personal power and hook them to a time management system and if we're right, we may have a show that's going to perform like *Personal Power*. If we're wrong and time management's too narrow a topic, the client's got himself a tax loss.

Number three. By the way, those phone calls are no fun to make. That's the least fun part of my job is the phone call saying, "I've got bad news for you. You're below breakeven, and if God Himself appeared in the show, if we re-edited it with Charlton Heston parting the waters and saying 'buy this,' you're not coming up."

Number three -- and they cry, you know When you deviate from basic human emotions, the basic human emotions that drive most direct response sales and most infomercials if you watch them are greed and sex. They are driven by people, you can't be too rich or too thin. They're driven by people who are interested in somehow being more attractive to the opposite sex and therefore, I won't elaborate, and/or getting rich or some combination thereof. If you analyze most of the shows, that's what's making them work. The gadget-gadget shows are kind of an exception but not as much of an exception as you would think. Watch some of those shows. The juice show is very much driven by a sex pitch, and if you haven't figured that out, watch the show again closely now that I've told you and watch for it. That sale is driven by sex.

Number four, when you deviate from direct marketing and sales fundamentals. A very common thing that happens in the infomercial business, which is fortunate for me because it is one of the ways I get a lot of consulting business and make a lot of money, is a bunch of guys who produce entertainment-type television get hired to do an infomercial. You look at their resumes and the client is just, "Hey, this guy produced 56 game shows and was one of the original writers on *Gone With the Wind* and I'm so fortunate to have him doing my infomercial," and he has never sold anything in his life. What you wind up with is a show that is just gorgeous and it doesn't sell anything. Somewhere in your production crew mix, you want a guy who has sold a vacuum cleaner, door to door, nose to nose, toes to toes, and beat somebody to a bloody pulp to get money out of them. That's what you want, and that's me. If you don't have that person in the mix, you're going to wind up with what I call a Jaguar infomercial. Looks great, don't run.

Major issues that we think about. Number one, is it going to be a direct sale or is it going to be a lead-generation show. You all obviously understand the difference. I'm not going to elaborate on that. I am going to say this: I believe that one of the greatest unexploited areas of opportunity in the infomercial business is doing more lead-generation shows. There are much more direct product sale shows than lead-generation shows because everybody likes to keep it simple and divide the money up out of the first basket. They don't like to do the accounting of tracing the money. Everybody wants to run out there, get the money, come back to the cave, divide it up, and go to the bar. A lead-generation show is more complicated than that, but I believe it is one of the greatest areas of opportunities for us in the business

Soft versus hard. A hard sale is like a get rich quick in real estate show. Buy my course tonight. You're going to buy a house for no money tomorrow. You're going to sell it for \$6 million the day after. You're rich. That's a hard position. A soft position is buy my course tonight and you're going to be a happier,

better person. See, that's a little tougher to justify that expense and get your teeth into. The further you move your promise to hard, the more likely you are to having a success. The further toward soft you are, the more trouble you're in. Very much applies to your testimonials, too. If you look at the *Mental Bank Breakthrough* show, the only problem we had with that show is the testimonials. That show would've been another *Personal Power*, were it not for the testimonials, and the testimonials are all warm, fuzzy, vague testimonials. They all feel better. We're happier. Life is better. I have peace of mind. I'm watching them as we're taping them and I'm saying, "We're in deep doo-doo here with these testimonials," because I don't hear anybody standing up saying, "My husband ignored me for the most part and now I listen to this and now he's jumping me in the kitchen." I don't hear anybody saying, "I'm rich" and I think we're in trouble. Soft/hard is very important.

The celebrity versus non-celebrity issue. There are shows that are done without a famous hosts. Ronco's food dehydrator show is a perfect example. There's no famous person hosting that show. They can work. They are more difficult to make work. They're more difficult to make work and the celebrity generally is a cheap advantage. Celebrities, and I'm sure some other people, including Don, are probably going to talk to you about this because Don Camp is one of the sources for famous people to endorse your products and services. I use a whole cadre of sources. They generally cost less than you think, not necessarily the one you want, but one that will work that will do the job can be had for a lot less than you think. And they are generally money well spent, particularly with infomercials for two reasons. One they help you stop the clicker. Oh, there's somebody I recognize. I wonder what this is all about, and now you've got 30 seconds to try and interest them in the show. They stop the person who's clicking up and down the dial, and that's very important. If you paid them for nothing but that, they would be worth their money. Secondly in many cases, they add credibility, which is our biggest marketing issue, to the promise and to the show.

Now there's a difference between a spokesperson and a host, and you should know that. Technically, when you hire a host, that host is not being paid and is not going to take your script and say, "This glop is the greatest thing. My wife and I use this glop. We put it on our dog. If it wasn't for this glop, we'd all be dead." He's not going to say that, because he's not being paid to be an endorser or a spokesperson. He's being paid to be a host. He's going to say, "Tell me how the glop worked for you," and then he's going to say, "That's great." That's what a host is. You don't want to pay them to be spokespersons and endorsers because now you're going to write big checks and worse, you've got to disclaim all that. What you want to do is massage them into doing it once you've got them. That's what you want to do, and that's a little secret, and it's very simple to do.

You know how you do it? You be really, really, really, really nice to them. I'm not talking about limos and champagne. Gary will tell you horror stories about his experience with celebrities. Knock on wood, and I've worked with a lot of them, I haven't had a bad one yet. Some have been better than others, but I've had good experiences with everyone that I've worked with. Most of the time, I've been around the agent. I have been dealing through the agent. We've established a personal relationship. I've had one celebrity I've worked with call the other one and tell him Kennedy's okay. You're going to have a good experience with Kennedy. When you work with somebody like Don, they trust Don and if Don says it's going to be okay, they know – but see, these people are used to really being abused.

I've watched them on infomercial sets where I've just been a consultant and they are abused. They're treated very badly. It's like I paid you your 10 grand for the day. Go stand in a corner until I call you. That's not the way to have a good relationship with somebody, and if you're just really, really nice to them, the first half-hour, they think you're trying to do something to them because you're – the second half-hour, they're kind of wondering, and by the third half-hour, they're your best buddy, and

spontaneously in every instance when I've worked with one, they've crossed the line from host to endorser, and without anybody asking them to, they start to get into the product and they start to sell the product. Of course, that's what you want. My opinion is in most cases, use a celebrity. Spend the money, get a famous person. Use them to stop the clicker.

Image versus results, we talked about that. You're going to wind up with a show that doesn't look very good. The fifth big issue that we deal with is legal. There are some very successful shows. There's a company in this business whose philosophy toward legal issues is: set your economics up in such a way that you can reserve 7% for the attorneys and the fines and run the show. My preference is to sleep at night with both eyes closed. It's for this reason that I don't have a lot of life insurance. It's for this reason after that *Basic Instinct* movie we dulled all the knives in our house. And it's for this reason -- that's good, now there's a guy back there you got to explain that to him, see that bald-headed guy back there -- it's for this reason that I don't do those kind of shows. There's been a lot of money made that way. I don't like having the FDA and the FTC and the postal inspectors and the attorney generals, all those guys, in my offices. Some of those companies with that philosophy made a lot of money for a while but they're not in business anymore because eventually even the 7% - the attorneys get all the money.

Legal issues are important and more and more, there's an association called the National Infomercial Marketing Association and amongst other things, its job for us who are in the business is to deal with the Federal Trade Commission. And the Association has a pretty good relationship with the Federal Trade Commission. They've done a pretty good job and together, they have come up with policing standards. The idea is if the industry polices itself, government won't have to. When I do a show, I conform not only to the legal standards, but I make sure - I may not certify the show with NIMA, but I'll make sure that we conform to NIMA standards and I will want to be this side of the line of where we can push the envelope. That means, for example, that all the testimonials are real. That means that the testimonials are telling their true and real experiences and are not reading from a teleprompter. That means that they're not paid. That means that they're not given exorbitant gifts. They're really there because they fell in love with what it is that you do, and they're there voluntarily to contribute their experiences. Some product areas are more sensitive than others in terms of claims.

There's a show that I worked on, very successful show right out of the gate, a how to get rich on mail order show that was a knock-off of Gary Cochran's show, which is off the air because - well - because of these issues. We did a knock-off show with a fellow whose name I won't mention. His initials are SP, and we did this show, and this show out of the gate pulled like threes and fours and fives in terms of ratios, which I'll explain to you later, but take my word for it. That's like a 90 share in terms of ratings if you compare it to that, and so we had a big winner. I had a buck and a half a unit on the back end and after the first weekend. I said, "In another year, Kennedy ain't working," which is why God never lets me have one of those. Because I'd quit. I'd do the Ted deal in a hot second. Ted said, "Hey, I got all the money I need, and that's it." Now to get Ted to work, you need dynamite. Gary's deal is, "I got all the money I need for the next two weeks so I won't work." It's just a different deal.

Anyway, so this show comes out of the gate and this show is a blockbuster. Unfortunately, it turns out the producer didn't do their due diligence on the testimonials and when the testimonials are checked and asked to sign the affidavits they should've signed in the first place, the testimonials are all rigged. The testimonials are all friends, relatives, neighbors, and buddies, and they have lied through their teeth. That show, and the \$100,000 that it took to produce it, sits on a shelf somewhere and will never see the light of day. We do honest shows, and if you don't want to do honest shows, you should go someplace else.

The big issues are these: first of all, you have to understand the regulatory people believe that the format itself is inherently deceptive. There's an article in my handout about all that. They really believe that the American public is so stupid that they can't tell these things apart from CBS evening news. Like twice during the news, an 800-number comes up on the screen and Dan Rather says, "Call up and get this hair blower." They devoutly believe this, and because they believe it, they believe the format itself is inherently deceptive. If the television industry was not totally dependent on the revenue from the infomercial business, believe me, this thing would be outlawed.

The only reason we exist is because the independent television stations and the cable systems can't live without us. And so the Federal government grits its teeth and permits us to exist, but they don't like it. So we're starting from a position that they don't like it. So you don't want to push them too far. There's been several infomercials done with the news set look. Have you seen any of those? I won't do them, because you're not going to be on the air very long. They're going to find something wrong with that show, and they're going to be in your office, because they detect that format. So we watch those kinds of things.

Backend business. Is Terry in the room? When did I start? Oh my God. Backend business. This is very important, this is where all the money is made. Terry, do you know what time I started?

Backend. This is where all the money's made. This is the reason to be in the infomercial business. So the answer to the question, "What do you do with a customer when you get them?" First of all, there's often more money made on a telephone up-sell than there is on the initial sale. What's a telephone up-sell? A telephone up-sell is you call up to buy, whatever product it is. You call up to buy the magic paint glider, and they take your order for the magic paint gliders, and then after they get all the information, then they read off of a computer screen. And keep in mind, you're dealing with people who worked at McDonald's yesterday, so they've got to read simple paragraphs. They read off the computer screen, "Thank you for buying the Amazing Paint Glider. It just so happens that Doofus Doofus, the guy who demonstrated the Amazing Paint Glider, has a video that wasn't talked about on the show about the 67 different ways to save money on remodeling your house. That video normally sells for \$49.95. If we add it to your order today, you can have it for \$19.95. May I add it to your order today?" And 30-40% of the people will say yes, if it's the right offer asked the right way.

And when 30-40% of the people say yes to the telephone up-sell, there's no marketing cost to make that sell. And so there can be more money made on the 30% who say yes to the phone up-sell than the 100% who say yes to the thing in the first place. And that's why that's very important. It's not an "Oh, by the way, let's think up something at the last minute for the phone up-sell." It's as important strategically as is the product. Package inserts. Everybody know what package inserts are? The stuff you shove in a box? Don't send out a box without package inserts. Two ways to make money with package inserts in the infomercial business. One is package inserts that sell some more of your own stuff. Two is deals with other people to put their package inserts in your box.

So I got out now and I admit, you know, I say, you know, I noticed that one of the products that I've worked with on the counter and so I looked in your drawer and said you've got a ton of this stuff, and here's what she says to me, "It comes every month."

Power talk. The last numbers that I heard, and these numbers could be off, but the last numbers that I heard, consider them close to true. 40,000 people every month right now get their credit card charged. How would you like to start the month, going downstairs and saying, "Mary, charge these 40,000 cards. I'll be out at the pool." Nice way to start the month.

Audience: 40,000 cards or \$40,000?

Dan: 40,000 customers. You may run the numbers now. This guys up here with a computer. He's missed half of what I said, but the numbers he's getting.

Four, follow up direct mail. This is a highly-responsive list. What did Kyle Hunter say to you this morning? He said we got to get it delivered. Can't help you with that, that's a whole other topic. The second thing we gotta do is what? Get it opened. If they have a relationship with Victoria Principal, if they have a relationship with Fran Tarkington, and a letter arrives in the mail from Fran Tarkington, with Fran Tarkington's picture on it, do they open it? You bet they open it.

I've just told you two things. I've told you how to use your celebrity for greater vale, and I've told you an important thing about this business. This list forms a relationship with the author of the product. If they get a letter in the mail from Tony Robbins, with Tony's picture on it, do they open it? Sure. Do they read it? Sure. See, we've solved the problem. We make direct mail productive because of the television. So that list will work, when it's tied to the original sale, and it will work very, very well. So follow up direct mail is very, very important. They're going to be, Gary uses the term "in heat." They're going to be in heat for maybe 3, 4, 5, 6 months about whatever they bought from you. If it's a business opportunity they're in heat about going into business for the next six months and then they're not in heat anymore. If it's losing weight, they're in heat, then they're not in heat, then they're in heat, but there's a time frame. And during that time frame, whatever they bought from you, you could sell them a ton of other stuff related to what they bought for you, so you should direct mail the bejesus out of them, once you got their name.

A client will say to me, "How often should I mail." I say, "How much do you have to sell?" If you've got a hundred products you should mail them a hundred letters one day apart for a hundred days. We should chase these people because they'll be more productive than you will. The list will outperform what you're willing to do with it. That's how good the list is.

Fifth – by the way, it's not necessarily a good list to rent. A lot of money is made by renting TV-buyer lists, but they are not necessarily good lists for you to rent, because the relationship's missing. And the relationship is very important.

Fifth is list income. We won't talk about the list business, but it's a big source of income in this business. The final thing about all that I would say to you is this, total customer value is much more important than anything else you build in your business. And if you treat the customer right to start with, you deliver them a good product that's more than they expected, you build a relationship with them, you're nice to them, they like you, they'll buy a lot of stuff. And the total customer value can be 10, 20, 30, even a hundred times their initial sell, if this is done right. And total customer value is where you make all your money, because the cost of making the sale decreases with each repeat sale to the same person. It takes less effort.

Okay, how do deals come together? Some or all of these people are involved in every deal. Some or all, every deal is different. There's an author or inventor or the person who wrote the book, did the tapes, gave a seminar, invented the widget, imported the paintbrush from Guam, whatever it is. There's that guy. Today, he is either an investor in his own project in nine out of ten instances or he's got investors. He's writing a check. Two, then there's the manufacturer, whoever is going to duplicate the tapes, put the stuff in a box, whatever. There's the fulfillment operation, there's the scriptwriter, and if you don't have a good direct marketing person anywhere, have a good direct marketing person there. The producers can figure out – even a print guy, they can take his print pitch and figure out how to turn it

into TV, but if you don't have a good pitch to start with, you're doomed. SO don't get somebody who has been writing *Days of Our Lives* for the last thirty years. They're a wonderful writer, but not for this.

There's an executive producer and a production company. There's often a direct marketing consultant. There's a media buy financier, somebody who puts up all the money. And there's a media buyer or buyers. Very quickly, so that you know, and then I'll show you some numbers. Some projects, this is included Guthy-Renker projects, I'm a consultant only. I get paid a fee and a royalty, and I stand around and give advice and look brilliant. And most of what I do is say, "Hey, you guys you forgot to sell something." And occasionally I'll do something like, "I don't think that ashtray looks very good." But mostly I stand around and say, "Hey, where the pitch?" We just talked for eight minutes here with no pitch.

Understand this about a half-hour show: it's actually 27 1/2 minutes, not half an hour. And in that 27 1/2 minutes there's some things that you can't do anything about. There's got to be a couple of commercials. So you take the time for that and take them out. There's the host's opening monologue or however you open the show. There's the disclaimers. And so you're probably down to 25 minutes of usable time. Very few people watch that show from start to finish. You don't have a 25 minute pitch. That's not what you've got. You've got a 3-4 minute pitch, seven times. Or six times. And so your people have to speak in sound bites, like politicians. That's what they have to be able to do. And so I stand around and say, "We just went eight minutes and we didn't make a complete sale and that's no good."

Sometimes I do product development, where I'm actually involved. In the case of the Entrepreneur *Be Your Own Boss* product, for example, that product is coauthored by me, Tony and Fran. My name is actually on it. In the case of some other products it's ghost-written, my name's not on it, but a lot of information products out there one way or another whether my name is on it or not, I wrote it. Sometimes I just do script development. Sometimes I'm co-producer, each deal's different. More and more and more today, the only deals I'm interested in are the ones where I control the whole boat from the time it leaves the dock until the time it comes in the dock. As an executive producer I write the show, I produce the show, I hire the crew, I help with the product, I control the whole deal.

Here are some numbers. These are not carved in stone. There's something wrong with every one of them, but they are more true than they are false. The average production budget right now in the industry, it's the one in parentheses, it's between \$150,000-\$200,000 to put a show in the can. We're putting perfectly respectable shows in the can and testing them for less money, and I'll talk to you about that in a second. But that's probably the average. The average media-time costs – the first thing you ought to understand about media time, a guy asks me yesterday, he said, "How much each month are we going to have to spend to air this show?" That doesn't matter. Who cares. That's not the point. The point is, "How much do we get back?" That's the point. We live in ratios. And we're looking for ratios of 1.5, 1.6, 1.7, 1.8, 2.0. That means a 1.5 ratio is for every dollar you spend, you get a buck and a half back.

If that ratio is true then the answer to how much do you spend a month? You spend as much as you can. That's how much you spend a month. And that's why sometimes you syndicate your show to someone else, what we call a media-time financier, someone like a Guthy-Renker or a Media Arts that will take an independently produced show and spend millions a month airing it when you might not have the millions a month to spend it. However, the average media time costs, the average successful shows being bought or arranged are around \$3,000,000 a month.

Average product costs. The industry norm says you need 5:1. I say you need 7 or 8. I look for 7 or 8. Anything less than 7 or 8, I'm nervous. But the industry norm is 5:1. What is considered a successful show? In the industry you're considered a successful show if you do between 20 and 70 million dollars in gross during the lifetime of the show. You can make money with a show that does a lot less than that, but that's what's considered a success in the industry.

Average return on investment is 15%. The average return to the key person, the guy who wrote the book, did the seminar, invented the widget, is 3-5%. That's on the frontend, now. You understand we're only talking frontend economics. We're talking about what's being sold on the show. I'm not talking about the backend, his return on investment on his backend is infinitely greater.

Here's what a show budget looks like. This is a simplified show budget. I could do 8 pages, but they wanted me out of there ten minutes ago anyway. The executive producer, the producers, the writers, that whole group of people or one person who does all that, or two people, however that gets done, you're going to spend at least \$10,000-\$15,000, plus you're going to pay them royalties. But you're going to spend \$10,000-\$15,000.

If someone's writing a show for you for like a thousand bucks, run. I'm not trying to jack up your expectations, I'm telling you the truth. Run. Because if they were any good they could just sit at the LA airport and collect a thousand dollars every ten minutes. They're no good, or they'd be getting ten to twenty grand to do a show. You just can't cut this corner. Set design, construction, getting ready to do a one-day studio shoot without an audience, because an audience adds a lot of money to the budget, because it adds shoot days, because you're at the bathroom, then he's in the bathroom, and we've got to stop for you to go to the bathroom, and wait for you to come back. The audience can't look different, it's got to look the same. So if you've got an audience with 300 people in it, what are the odds that right now one of them has to go to the john? A one day shoot becomes a four day shoot just because of bathrooms. They won't stay put.

And as the day goes on, Mary's got to call her husband and tell him she's going to be late and on and on. The third day of the shoot Susie didn't come, so we've got an empty chair, we've got to find somebody who looks like Susie. On and on and on and on. So this is without an audience. Not to say you shouldn't do audiences, I'm just explaining the budget to you. Without an audience you can do that shoot for \$15,000-\$20,000. You can do all your post-production, most of which is editing, and editing is where the show lives or dies. For another \$15,000-\$20,000 you can get a good celebrity host. Not Charelton Heston. What people ask for in hosts just kills me. I had a guy the other day, he's got a \$30,000 budget. He wants to do a show for \$30,000, he wants Alan Alda. Then he says, I swear to God, "Are my wife and I going to be able to spend a little time with Alan to really get him turned on about our product?" I said, "Like what?" He said, "Oh, you know, an extra day or two?" I said, "You pay these guy by the day, don't you understand? Ten becomes 20, 20 becomes thirty.

You can get a good celebrity host. Who could you get? You can get Gil Gerard, who we've used once thanks to Don and we'll use again, if we can get him. I just shot a show with Jack Bannon, and Jack Bannon used to be the tall, skinny reporter guy on the Lou Grant Show. The Lou Grant Show is in syndication. You can get game show guys. You can get soap opera guys. You can get ex-jocks. You can get actors and actresses who are at the *Murder She Wrote* stage of their career, where they're doing guest shots a lot but they don't have their own deal. That's what you can get for \$10,000-\$25,000.

For \$25,000 you can get some pretty good people. We shot a show with Rob Weller, who used to host *Entertainment Tonight* and *The Home Show*. He's phenomenal, and 7 out of 10 people recognize his

face when you click up and down in a test. \$25,000 and he was worth every single penny. And then you've got some miscellaneous money, you know, feed the crew and beer money and pizza money and all that stuff, and you're going to spend somewhere between \$55,000 and \$90,000. I'm putting very respectable shows in the can, and getting good, solid tests for them, for \$70,000. And I will happily talk to somebody about that kind of a budget. If you want to talk to me about a \$25,000 budget, don't talk to me. Our lives are too short.

Typical entrepreneurial deal these days works like this. You, the person who raised your hand and were all excited and think you have something that will work on TV. You pay to produce the show and to test the show. Now we have a winner, maybe, here's what could happen. What happens from your test is your show could come in at below breakeven. That's called a tax write-off. Everybody in our business has made this mistake. We've thrown money at one to bring it up from below break even. Nothing will bring it up. I got a show where Nancy Reagan appeared in the show before every commercial during her heyday, an anti-drug product and said, "Parents, buy this product." Below breakeven, that didn't help it.

When they're below breakeven, you bury them. If you got a breakeven to a 1.6, you can put it in the repair show and tinker with it and fix it, and more often than not, you're going to make that show work. So from your test, you may know you have a dead bang loser, you may know you're going to the repair shop. At 1.7 or above, you've got a lot of options. And those options are you can take that show through me to a Guthy-Renker or to anyone of the major players and you can cut a deal on a percentage basis for that show to be aired. And amongst other things, you just got a big bank, because the better the show works, the more money they'll throw at it.

You can take that show to some smaller players that you might not even find, but that are out there, who will spend \$20,000, \$30,000 a month to air even a marginal show and share the profits with you. You can buy your own time through media buyers and bootstrap your way up. The *Therapy Plus* show, which did tens and tens and tens of millions of dollars worth of business last year, they started with a \$20,000 media budget, bought \$20,000 worth of time, got the money, bought \$30,000 worth of time, got the money, bought \$40,000 and they bootstrapped their way up and they bought all their own media and controlled all their own show.

When you've got a winner, you don't have a problem. That's the bottom line of all this. If you got a winner, getting the show aired is not your problem. When you got a loser, it don't matter. However, in terms of producing a show, this is relevant. It's relevant to everything. "My God, 6.4%, it's got to be the best test we ever had, right Seymour?" "Yes it is, sir. It's a shame we only have \$29.90 left for a rollout." If you do have to refine the show, and retest and fix the show and retest, you do need a little bit of money.

Second to the last thing I need to tell you, because profits are tight, particular on the frontend, we look for strategies to improve the profitably of what it is that we do. One big issue is minimizing returns. Every product that comes back does what? It reverses a sale, plus it incurs a new expense. Bad news, twice. We lose the sale, plus we've got the expense of having it shipped back, dismantling it, fixing it, cleaning it up, putting it in a new box. One guy who went broke in this business many years ago, again I won't mention his name, but you may remember him, a real tall, scrawny, skinny guy who did a get rich quick in real estate show. And I believe has the largest consumer fraud against him in the State of Iowa in the history of consumer fraud judgments. Their returns were so high, so fast and so furious that in the last months of his existence they had one warehouse full of unopened returns while they were shipping new product out the other door.

That's not good is the bottom line of all that. The average in the industry is 5%-7% you can get your returns all the way down to 2%-3%, and there's several things we do to do that, I'll talk to you about them in a second. Two is you can lower your product or your premium costs by getting somebody to give you something for nothing. Like a magazine subscription. So the magazine gets subscribers, and you get something new to give away. We had a show at one point where we had an insurance company backing the show and they were paying \$7.80 for every buyer name, right out of the gate the day they hit. We don't have to make money on the product, all we got to do with the product is break even, and everybody's going to get rich on the \$7.80. Subsidized product.

Three is product itself that sets up a secondary or a repeat sale. Something inherent in the product itself causes them to have to buy something else and something else and something else. How do you reduce returns? Here's the four big ways. First is, of course, you give them a quality product to start with. So when they open up the box, they're excited. Second is a follow-up gift. This is something that's built into the product, where after they listen to the three tapes and they fill out a survey form or whatever, they get to send it in and they get the follow-up gift. They're now involved in keeping the product in order to get the gift.

Three is the magic box, the magic box is a box that falls apart when you open it. This is extremely important because this really does discourage returns.

Audience: Laughter

Dan: how many of you belong to a book club? If you belong to a book club or Columbia Record Club, or whatever, you get the box and it's got what? A big tear strip all the way around it, right? And you tear the tear strip and the box comes apart in four parts. If you want to ship that stuff back in that box, you better have a bunch of tape.

Audience: I always open it so I can repack it.

Dan: We got to do something about you. You I didn't need to hear from at this particular moment. Sometimes you don't need to tell all you know. Don't use too good of a package, because the package invites return. So the box reduces, and post-sale reassurance. In the back of the *The Ultimate Sales Letter* book, there's an example of a letter that I wrote for Guthy-Renker that goes out from Fran Tarkington to the *Think and Grow Rich* buyer x number of days after they bought the product and it arrives to them from Fran, who hosted the show. It's what we call a stick letter. It's designed to make the sale stick. You can read the letter, it speaks for itself. It's a basic persistent pitch.

I got two more things I got to do and then I'm out of here. If you will look at your handout very quickly please. Some of you may think that I've made some sense up here, and may want to hear some more of what I have to say. If you'll turn to the page that has the coupon on it, very quickly let me explain to you what you can do. That coupon offers you, first of all, a big thick book that looks like this. If you like weight and you like bulk, this is it. Some of you in the room have this book, by the way. This book, what I did, and in the print that advertises this book I describe it exactly this way. This book is what I call Dan's filing cabinet dump. This is if I let you come to my office and bring a Xerox machine into my office, and spend six hours going through my filing cabinets that's what this book is. And I literally took my filing cabinets, dumped them out on the floor, went through them, and said, "Oh, people might like this." And I put it all in a book and I wrote copy around it that explains why that's good.

This book covers every possible way there is to sell information. If you've got information products, you ought to have this book. That's the first thing on the list on the coupon. The second thing on the

list is we do some intensive direct marketing seminars, three day seminars, limited to 12 people. We have some outstanding guest speakers. Gary has been a guest speaker for us. John Carlton's coming up, and also some people that you never see in the Halbert circle, who are wonderful guest speakers as well.

We've got 24 tapes from the last couple of conferences. They would normally sell for over \$300, they're here for you in this offer at \$89, and it's a way to come eavesdrop on those conferences. Those conferences cost \$2,995 per person to attend. You are basically eavesdropping on the first day and a half of each of the conferences where the speakers stand up and give their presentations.

Three, if you're specifically interested in infomercials, we have a whole kit, including a videotape, which shows you pieces of shows that we've done and a whole pile of information about the infomercial business and that's available to you and last is a set of twelve cassettes that are most of my marketing seminars condensed onto audio cassette. And if you want to buy the whole mess and not differentiate, it's \$195 here at the seminar, and everything's guaranteed. If you get something you don't like, you can return it, we'll give you your money back anytime within 90 days. Please fill out of the forms while you're heard today and turn them into either Terry or I.

Also, even though we've deeply discounted, 5% of the purchases will go to hurricane relief. Last thing and then I'm done. The future of the business is this: the economics get tougher and tougher and tougher. When you have a winner these days, it is every bit as valuable as it ever was, and in some cases more valuable because the customers are better sold, the quality of the product is better, the total customer value is better, but it's harder and harder to get a winner because media costs are going up. And so as our risk in the business goes up, our payoff in the business goes up also.

There are major corporate players finally realizing that this thing might be real. GM has had remarkable success with the infomercial they did for their Saturn car. The main reason that they're not airing it more is because they've haven't got any cars. They finally figured out how to sell a car and now they've got no cars. You talk about a messed-up company, those guys are it. But major corporations, Time-Life is a big player in the infomercial business. Fingerhut, the largest user of direct mail in America has cut their use of bulk mail, third class mail, which is all they mail, but 20% over the last two years, and the major media that they are using to replace it is television and more and more.

Saatchi and Saatchi, one of the largest ad agencies has just formed a partnership with an infomercial company to produce infomercials, although idiotically, the guy said that he was thinking of getting Francis Ford Coppola to produce his first infomercial. This is what happens when ad agencies get involved. I said the guy can't even make a movie and we're going to put him in charge of an infomercial. But major corporation players are coming. What does that mean? That means that the entrepreneurial window is closing. Over the next five years the major corporation players will shoot up the value of time, because they won't use the same direct response economics you and I have to live by, and gradually we won't be able to play the game anymore the way we play the game today. So the clock is ticking.

Third, is the ulterior motive partner. Like the insurance company that wants the names, the ulterior motive partner is the future of the business. One or two or three players involved and all with different motives, all with different uses for those names. *Entrepreneurial Magazine* has a reason to play. Guthy-Renker has a reason to play. I have a backend access to that list, I have a reason to play. There's lots of ulterior motives behind that show. That's the future of the business. You've been a nice group, I've had fun, I hope you've had fun. I'm going to be around all the way through Monday morning. I will give

free half-hours to anybody who wants to meet with me, first come first serve basis and sit with you, whatever you want to and talk about, anything you want to.

Gary: I'd like for you to give him a really big hand. Thank you very much.