

Tape 11 – Eric Weinstein

Gary: It is my opinion that the heroes of the direct marketing industry for the last fifteen years are not the copywriters. Certainly not the art directors. Certainly not the product developers. They are the people who work in the list business. And the reason for that is that the people in the list business have developed so much expertise, and I think they've had to because I believe that the level of competence of copywriters has descended and descended and descended. I think the level of competence in copywriters peaked somewhere in the 1920s, with guys like Claude Hopkins and Robert Collier and so forth.

I agree with John. I think there's only a handful of people left that I would say are absolutely first-class. And due to this incompetence, this is a theory of mine, the list experts have had to be able to become better and better at pin-pointing and defining markets so that they were able to identify the hungriest fish so ravenous that they would take the most scuzzily presented ugly bait that these incompetent copywriters would come up with.

I've worked with a lot of list brokers over the years and the next guest is the best one I've ever worked with. He is not, however, a man of total integrity and honesty. He is the man who introduced me to the Borgnines, and I said, "Eric, I hear they're a little hard to work with." And he said, "Oh, no, that's rumor. They're dreams." Sometime we will tell you all about that, but that's how our relationship started. It gives me great pleasure to introduce you to the man I consider the best mailing list expert on the planet. Eric Weinstein, please give him a big hand here.

Eric: Thank you for that great introduction. Now that you all trust me, I'll tell you that Gary Halbert is a real pleasure to work with. Hi, my name is Eric Weinstein, I have a company called Listworks, and we're mailing list brokers and managers. I'm going to take up some of your time this morning talking about mailing lists. What we use them for, what they are, what you can do with them, and why they can make money for you. I guess the best place to start is with the absolute basics of the business.

Let me ask a question first. How many people are mailing now? How many people are using mailing lists? I guess I'm going to bore the crap out of your guys for the next 15 minutes trying to get everyone else up to your speed, but if you bear with me, maybe we can get into some stuff that'll be of interest to you. Let's look at the basics of a list and why we use them. Well, we say that mailing lists are the ultimate form of rifle versus shotgun marketing. I know Ted yesterday talked about magazine advertising. Has anyone spoken about newspapers yet? No? Alright, well the analogy I like to draw is when someone runs an ad in a newspaper, if that newspaper ad is successful, think how eminently successful it would be if you take that same ad and instead of running it to a hundred percent of the newspaper, or a hundred percent of their circulation, you managed to find the 5% or 10% that are really interested in your product.

That could be extremely successful. What is a list? A list is a compilation of people's names and addresses who are on it for a common reason. There are really two types of lists that we work with. There are two basic types of lists. One is what we call a "Compiled List." We're not going to spend a whole lot of time on that, because that's not the real interest here. A compiled list is a list of people who are on it out of public records, or for commonality of some particular interest.

A lot of it comes from driver's license records. Yellow pages. If you're dealing in business-to-business and you want to reach small businesses, we look at names that are compiled out of Yellow Pages lists, voter records, mortgages. Things of that nature.

The other type of list, and the one that we do about 95% of our work with, is a list that we call a "Response List." Or a list of people, who are on it because they raised their hand, sent in money, made an 800 number called, gave a credit card and bought something through the mail. Those are the lists we want to look at.

There are different formats that these lists come in. The typical one for a beginner is what we call a "Pressure Sensitive Label," which is nothing more complicated than a peel and stick. The next step you go to when you go into massive mailings is what we call a "Cheshire Label," which is machine-fixable onto an envelope. You cannot work with those without something that we call a letter shop, and we'll talk about those.

The third format, and the one that's most common, is magnetic tape. Magnetic tape gives you a lot of flexibility with a list to mix and match and what we call merge purge the list. And it gives you different variances on how you can address the mail. Carl Hunter was up here earlier. Carl goes through massive amounts of mag tapes, putting names and addresses on envelopes that look just like they were typed from someone's home typewriter.

Let's talk about how you find a mailing list. And I think this one you'll want to write down. There's a book that you can usually find in a library, you can subscribe to, called the *Standard Rate and Data Service* book. It's abbreviated SRDS. I'll repeat that. It's *Standard Rate and Data Service*. And the book is called *Direct Mail List and Data*. This book is the list of lists. In it are about 15,000-16,000 different mailing lists. Lists of everything from people who are left-handed nuclear physicists, to people buying sex toys to people buying baldness cures. Anything you want is going to be represented in that book.

If you're at all serious about using direct mail, get familiar with it. Either subscribe to it – it costs a couple of hundred dollars a year. And they're located I think in Glencoe, Illinois. Or you just go to the library. Any good library or a school library, a main branch with a reference section will have the book. My suggestion to you is even if you have nothing specific in mind is go and browse through it. It's classified into different interest areas. It gives you the information you'll need on a list size, prices, different peculiarities.

Let me just segue for a second. I want to make one point because sometimes there seems to be some confusion on this. We rent mailing lists. When you go in and get a list, you rent it for a one-time usage. Okay? These aren't names that you're getting outright. Typically, when you deal with any list broker, whether it's my company or another one, you'll be asked to sign an agreement that states that.

The other way that you get list information is from a list broker. And we all work with the same device for providing that information. That's called the List Data Card. And on the data card is the essential information you'll need to get that list. What is the list name? Usually the list name is readily identifiable from the promotion that generated it. Everybody familiar with Microdiet? The half-hour program on TV? Or Thighmaster? Let's see a show of hands for Thighmaster.

Those of you who aren't familiar with Thighmaster don't have television sets. We represented the Thighmaster list and we call it, so everyone can figure it out, "The Thighmaster List." So the data card will have that information. It will tell you how many names are on that list. I think Thighmaster now is a 1,200,000. How many new names they generate every month. The price of their list. And what we can do with that list.

And when we say what we can do, we talk about the different selections on a list. And I think you'll want to write some of these down.

What we can select on a list on a very basic level is sex. Whether the people on the list have any sex. We can give you male or female, because some offers are oriented towards specific sexes. We can give you geographic selects. You can go into specific states or zip codes. And the other information that may be valuable to you is how they bought. Whether or not someone used a credit card. Whether they provided their phone number. How they were generated. In other words, was the name generated from a TV ad or a magazine ad? Maybe other selections costs on this data card. I'll get into these descriptions a lot more, I'm just trying to lay out what you'll find on a data card and so you know what you're looking at when you see one.

You read the description of the list. Delivery information. How long it takes to get it. How you can get it. And restrictions on the list, whether or not they'll release it to competitive offers. They'll give you minimum test size. Typically on a mailing list, in fact virtually a hundred percent of the time the minimum test size is 5,000 names or 10,000 names.

Okay, let's talk about these selections a little bit. If you have a high-ticket offer, if you've got a relatively expensive item, one of the ways that you can call out to people who've got more money is to select credit card buyers. It's an option you may want to consider with a list. Now, for some people with sweepstakes offers, or low-end offers, or what we can euphemistically refer to as a mooch-oriented offer, you got non-credit card buyers. We do a lot of sweepstakes work, and we typically find on a list, say a TV-generated list, that the people who have paid for their product COD are more responsive to a low-end sweepstakes than someone with a credit card.

Another piece of information you'll get on this data card is what the average unit for sale is. In other words, what somebody spent on their product. And that's something that's going to be important to you. If you go out there with a \$100 product you don't want to find a list of \$12.95 buyers. Conversely, if you have a low-end product you don't want people who have bought from Sharper Image with an average unit of sale of \$300.

Another one of the terminologies you're going to find on this data card is a line called "Hotline names." That one write down. Hotline in the list business refers to the amount of time that's elapsed between the time that name was acquired and the time it is available to you. A hotline buyer is someone who has bought within the last 30 days or 60 days or 90 days. I want to relate to something Gary said earlier, where we're looking for the hungriest fish and I'll borrow one of Gary's analogies – it's good to get a buyer when they're still in heat. Someone who has bought within the last week or month is very likely to still buy again. That's not an opinion, it's an observation that has been made in the business. A hotline name is eminently more valuable than one that's been acquired a year ago.

Another thing you'll find on these data cards is a selection for multi-buyers. Or multiple buyers. What someone is demonstrating when they're a multi-buyer is that they like buying through the mail. Okay? Again, if that's something that's available to you, that's something that you're going to want to take so that we want to find someone who is almost psychologically addicted to buying through the mail. Someone who likes filling out coupons and sticking checks in envelopes.

Another terminology you're going to run across is what we call a "Respondent" or an "Entrant." This is a word for an inquiry. Someone who hasn't sent any money, but someone who said, "Please send me more information." One of the things that you've got to keep in mind is that there's a mountain of a difference between someone who is comfortable saying, "Send me more of your information," and someone who is willing to send even one dollar in an envelope to you.

Another one of the terminologies you're going to run across on this data card is "SCF." S as in Sam, C as in Charles, F as in Frank. Which says is a fellow who works for the post office here, right? I've been told that SCF stands for Zip Section Center? Is that correct?

Audience: Inaudible

Eric: Sexy mail? It is the first three digits of the zip code. Another thing you'll touch on in this data card is what we call as "Net Name Agreement." And the net name is something we'll get to a little later on.

Okay, I'd like to talk about who you are going to deal with direct mail. I think it's important that you understand who all the players are and how it's going to be important to you. Like I said earlier, my company is a list brokerage company. And a list broker works the same way that a real estate broker works, you go to a real estate broker and say, "Please find me a house." Someone with a direct mail offer will come to us and say, "Can you find us the right mailing list?" We don't own the list, we don't take title to the list. Very often we don't even see them, they're shipped directly to someone else. A list broker essentially works for the mailer. We don't get a check from you for services or consulting or anything like that. We're commissioned by the list owner. Every time you buy that list we get a discount that you normally couldn't get.

There's a list manager, and those are the people we turn to to get the mailing list. Those are the people who represent the list in the best possible light. And their job is to extract as much money from the mailer as they can for the list and our job as a broker is to minimize your expenses on that list, so we're always at odds. Ultimately, we all deal with the list owners and this is the person who owns the file. How many people here have mailing lists? Or have lists? Have a retail business with a generated list of customers? You own these lists. You have the right to say what lives and dies on them, who can mail to them, how much they have to pay for them, things like that.

As a mailer or as a brokerage, part of our job is to develop a good relationship between a list mailer and a list owner. The other people that became real important to you are the letter shop and computer service bureau. They normally don't spend enough time talking about these kinds of people, because they're real valuable. These are the people once you spend your hard-earned money on renting this mailing list, getting the material printed, coming up with the money for

postage. The people who actually put this mail in the mail for you are the people at a letter shop. They're responsible for fixing or getting the name onto an envelope. Making sure everything is sorted in some sequence because that's how the post office wants it. And physically delivering it to the post office. It's someone who if I were considering going into direct mail, I would develop a very, very close relationship with them. I would move in. You can find them in the Yellow Pages. You can find them from other referrals. You could find them from list brokers. Advertising agencies. I can't stress enough and I think if Gary were here he would tell you the same thing, that you literally move in with these people. You go with them to deliver the mail. To the post office. You make nice to them. You don't beat them up.

The next person is the computer service bureau. If you're getting mag tapes, these are the people that are going to take these names, sort the addresses, and do what we call a "merge purge" upon the lists. I'll take a few minutes to talk about merge purges. If you're going into the mail and you're mailing say ten similar lists because the best lists that are working for you, or that will work for you, are the lists of quasi-competitive products. If you're selling a diet pill, the best list out there is another diet pill list.

What will happen is that a number of these lists will have duplicated names between them. And you don't want to mail those names twice, you don't want to go through the expense, you don't want to insult the consumer. So we take all the mailing lists, bring them to a computer service bureau, and they do this magical function called a merge purge, upon which they identify the duplicate names. They put them on a separate file because surely those names are better for you. And they get everything organized together for the letter shop. There are a number of things that happen in a merge purge. The basic one I think everyone is going to be concerned about is how it affects your economics as a mailer. And here's the way it'll work. If you're renting a list it's \$50 a thousand, and you merge purge this list and find that half that list is duplicated. The names now cost you \$100 a thousand. So everyone see the illustration there? Okay, if you've got an offer out there that's marginal, or if you're eking out a hundred dollars a thousand profit, which is pretty acceptable, you've just cut your profit in half. So one of the functions that we perform is – I had mentioned net names earlier, is we negotiate on your behalf this counts for duplicated names.

I want to talk about some of the mechanics about that. Some of the mechanics of direct mail, and I think Gene might have covered some of this earlier. Has he talked about Endicia and bulk rate versus first class? Has that been covered? He may know a lot more about that than I do. Let's get into something interesting for you, let's get into how do you pick a mailing list? What makes a mailing list interesting to you?

The first thing you want to look for in a mailing list interest is the category where their name is in. You want someone who bought a product similar to yours. If you're out there like Phil is with an astrology offer, you want people who bought astrology deals, or people who have bought psychic deals. If you've got a diet pill, you want diet pill buyers or at least exercise buyers. Catalog buyers, whether they're – and within the divisions of catalog, whether it's clothing or jewelry, accessories. Whether it's male or female origin. All of that, by the way, you'll be able to find in an SRDS book. It's organized into those categories.

So what makes this name valuable? The next thing you want to look for once you find your category is how the name was generated. How did that person acquire the name? And there are

basically three ways that that's done. One is on TV, which we spoke about earlier. Someone ran a two minute broadcast spot, or a thirty minute infomercial, and the person responds to that by calling up an 800 number or ordering it. 90% of the time when a name is broadcast-generated, it is acquired over the telephone. It's an interesting phenomenon with TV-generated names and that is they have absolutely no longevity at all. A TV-generated name is very good as a hotline name, but once it's six months old it's worthless. While there is no hard rule, what we suspect is that a TV-generated buyer is probably the most impulsive of all mail order buyers. Someone sitting around watching TV at three in the morning when they're very susceptible to a sales pitch, they hear this hard-hitting commercial on TV. They're barely cognizant enough to dial the phone. And they give their credit card number. Also what happens with a TV-generated name, it's easier for a respondent to respond. They don't have to really pay attention to the offer. They don't have to find an envelope, fill out a coupon, it's all done verbally.

The next way that you'll find a name generated is from media advertising, magazines, newspapers or display advertising. This buyer is a little bit better for you as a direct mailer, and the reason is that we know that they're literate. You ever hear the expression, "No one's ever gone broke underestimating the intelligence of the American public?" We know these people will read, and essentially that's very important to you because if you're mailing your offer they've got to read it to respond to it.

The next way that a name is generated is direct mail. And that is always going to be most valuable name to you. That is one of the mail criteria you are going to use in selecting a mailing list. How did they come by that name? Because we know there's a certain immediacy with that, that that's a person who goes to their mailbox and doesn't throw out what they call the junk mail. They look through it greedily and eagerly to find out what they can buy today.

A name that's direct mail generated is by nature a multi-buyer, because for the persons who have mailed that name to get it, they had to get it off of someone else's list. That's important to remember. One of the things you want in a mailing list is a direct-mail generated buyer. One of the great industry pundits in the list business, a woman by the name of Rose Harper, came up with a formula for picking the right mailing list. I don't think it's all-inclusive, but I think it's a good place to start, and it's called the R F M formula. And it stands for Recency, Frequency and Monetary. Everybody get that? I'll repeat it: recency, frequency and monetary. As I said earlier, the best buyer is a recent buyer. Is someone who still has that buying urge, the motivation that made them buy in the first place may not yet have been satisfied.

The F stands for Frequency. How many times did that person purchase? Someone who has bought a diet pill, and I'll use diets as an example quite a bit, we do an awful lot of work with them. Someone who has bought a diet pill four times from four different companies is never going to lose weight buying a diet pill. They're a great buyer. They're going to buy the pill, take it for ten days, get frustrated and look for another one. The more often someone has bought in the past, the more often they're going to buy in the future.

The M is the monetary part. Again, we mentioned that you want to find someone who is identifiable in the price range that you're looking to sell. And there's a two-edged sword there. Some prices are too high, people can't afford the items. Some items are too cheap, they can't possibly be worth what you're saying that they are. I think probably the writers will talk about

testing. That's one of the things that we constantly do in the business, is we always test price. And sometimes we find certain items sold better at \$19.95 than \$12.95. Certain items sell better at \$69.95 than they do at \$49. There's a certain value, or perceived values attached to the price you're going to charge.

Going a little bit beyond the RFM formula. And I think one of the things that's made us successful in the business is looking at what motivated the buyer to get on the list in the first place. And that's something you'll want to write down. That's a question that you're going to always want to ask. Why did this guy or girl buy? What made him do it? We do a lot of work with jewelry companies, low-end jewelry offers that offer sweepstakes. You can win up to \$20,000 and while you're doing that send us \$14.95 for this phony diamond tennis bracelet.

Why did someone get on a list? Are they truly interested in the jewelry? Are they interested in the \$20,000? How many people respond to Ed McMahon's offer from American Family Publishers? One person in this whole room? Then you're all a bunch of liars.

Audience: I used to but quit.

Eric: Used to but quit.

Audience: They'll never send you ten million.

Eric: They'll never send you ten million. Thank you for making that example. The question you've got to ask yourself when you look at someone who responded to American Family Publishers is is someone really interested in the magazines? Are they interested in the ten million dollars? So that's something you're always going to want to keep in mind. Usually the best way to figure that out is to ask for the sample mailing piece or the sample ad that generated that name. As a potential list renter, someone who is going to spend their hard-earned money getting that list, that's something you're entitled to get.

Very simply, you ask for a sample mailing piece. And what you do with that, look through it. Let me go back to the diet example. It's very easy to say diet lists and think of it as an homogenous group of buyers, but it's not. We stratify into different levels. The people who buy diet pills we find are solely interested in the vanity aspect of it. People who buy diet books are interested in vanity, but they're willing to do little bit more work, they'll actually sit down and read it as opposed to just taking a couple of pills with a glass of water.

And then the exercise device buyers. Essentially all of these people are buying the same object, but the motivation is different. We find exercise buyers are more concerned with health than vanity. And this is something you're going to want to pay attention to. And you do that with other lists as well. Do people buy car accessories because they're interested in their cars or because the guy's going to make them feel like a stud? People buy Corvettes that do 150 miles an hour in a country with a speed limit of 65.

You want to look at the motivations. What are typically the motivation for people buying? I think there's basically three. One is greed. Out of all the people out here, how many people are going to sell at How to Make Money product? Why are you going to sell that product? To make money selling it. People are motivated by very gut level appeals. One is greed, which is the

sweepstakes appeal. Ego, people are motivated by fear. Again, the way to figure that out is to see what they bought and why they bought it. More important than what they bought, is why they bought it. If you can understand what motivated someone to get on the list to begin with, you can understand how to motivate them to buy it from you.

Another criteria we look at on mailing lists is list size. It's a simpler matter of numbers. As I said before, the minimum test on a mailing list is 5,000 names. So we go out as a mailing list broker, and we find you this terrific list, you mail your 5,000 names, you make a fortune, you begin to go out to the car dealers looking at new houses, everything like that, and come back and say, "I want to roll out and get the rest of the list." And we say, "Okay, you mailed five, there's a total of six, that means there's 1,000 names you can mail." That also is a good tool for market research, if you haven't yet decided on what you're going to do, browsing through the SRDS, looking at the amount of lists in a given area and the size of those lists will tell you where the markets are. You want to look at the size of a list. Is the list 100,000 names or is it generating 50,000 new names a month?

The other thing you want to look at with a list is continuity. Is that list going to be the same all the time? And they're not. Different company have different advertising campaign at different times of the year. And I'll draw an example. Anybody here subscribe to a publication called *Contest Newsletter*? One? Two? Again there's bunch of liars here. About ten million people have subscriptions to that, the odds are there's got to be more here than that. *Contest Newsletter* was a workhorse list in the industry. When I say a workhorse, virtually everything that we rented that list for it worked on. Very profitable for the owners of *Contest Newsletter*, a very good list for everybody that's mailing and the people who make money peddling mailing lists like myself.

Typically *Contest Newsletter* generated about a hundred thousand buyers or a hundred thousand subscribers a month. So we would go into this list every month, month, in, month out and make money. All of a sudden one year in January the list jumps from a hundred thousand to 500,000 names. It's got to raise an eyebrow. What happened that's different? We managed to pull a lot of people back out of the list just out of caution's sake and a lot of people went into it, and all the people who went into it got killed in the mailing. And the reason they got killed in the mailing is that instead of direct mail generating their own subscribers at \$6 a pop, they ran in American Family Publishers, and everybody got free six month subscriptions.

Nobody was fooling around, nobody was lying or cheating, but that's something that you're going to want to pay attention to, because you can't catch that all of them, is why is that list changing? We handle a list called the Microdiet. Everybody familiar with Microdiet? Kathy Lee Crosby on TV? Microdiet always had a half hour infomercial from which they generated a buyer, and then last August, unbeknownst to us, they concentrated that to a two minute spot where they generated an inquiry. Again, the numbers went way, way up because it was cheaper for them to generate the inquiries than it was the buyers. And people continued to use the list and a lot of people lost a lot of money. So you want to look at the continuity of the list. Is that list the same this month as it was last month?

A couple of the terms that you're going to be exposed to, I guess marketing in general, especially in mailings lists, is psychographics and demographics.

Let's talk about demographics first because they're simple. Demographics simply is a number of ways of looking at defined persons or groups of people. Certain commonalities. Income level, neighborhoods they live in. Types of work. Home size.

Looking at psychographics, it's a little bit deeper. Psychographics tries to give you some buying habits. Trying to find some of why they are here. This information is something you'll be exposed to quite a bit, and a lot of people try to make a very big deal about it, and I maintain that there is nothing in that you can learn about someone that's going to tell you more than looking at what they bought. To look at the demographics a little bit, someone you'll find them applicable. I've got a story. Reverend Ike, I keep asking if people are familiar. Everybody hear of Reverend Ike, the black fundraiser? We used to do all of Reverend Ike's mailing list work. And the first time I went up there I guess was about 1980. Interestingly enough, Reverend Ike's organization is all white. All Harvard MBAs. I went up to take a look at what Reverend Ike was doing, and we took an analysis of their house file. The people who had already donated to Reverend Ike. And what happened was that Reverend Ike's mailing list was representative of all the lists, they're about 85% white. Yet we find that 100% of the Reverend Ike donors were black.

So for every name he mailed, or every five names he mailed, four of them were going right in the garbage. So what we managed to do in the Reverend Ike file is come up with a set of zip selects. To go into specific zip code areas, where we eliminated the whites from the list he was mailing to. And all of a sudden a list that was losing money in the past is now extremely profitable for Reverend Ike. So that's something you do want to pay attention to. You may have offers that are specific to certain groups.

We call that profiling a list. This gets a little more complicated. I'll see if I can explain it. I'm sure, Bill O'Connell, if I get it wrong, you'll let me know? Thanks.

Okay one of the jobs that we're charged with is trying to cull out the most responsible, profitable names that you're going to use. And there are a couple of tools that we use to do that, one is called the list profile. And here's how it works. If we take a particular code, say what's the zip code we're in? 33? 33040, and we find that we've mailed a particular mailing to 400 households in this zip code and out of the 400, one household respond. And we take the next zip code 33041, up the road a little bit, and mathematically quantify it to also equal 400 households, and find that we mailed the same 400 and got 40 people to respond, we can draw a reasonable assumption that that's a better zip code to mail. Does everybody follow that? I'm not sure I explained it right, so if you're following you guys are doing a great job.

It's profiling, it's a technique that we use that sounds like a lot more sophisticated than it actually is, to try and skim the cream off a mailing list. One of the other things we do is we data match files. In other words, we go into a buyer list, compare it to the Donnelly List. Donnelly are the people who publish the phone books. We take all the census data and look at that same demographic criteria against the list of known buyers. So not only do we get people who bought diet pills, but we can get people who bought diet pills if they live in 7-bedroom homes and are nuclear physicists identified as pet owners. Anybody got a pet product? Everyone always has a pet product at one of these. Nothing for a dog or a cat? Okay. We go into a lot of different mail order lists look for buyers and then pull from demographic criteria and find that's very successful.

I want to spend a little while talking about the mailing list that you guys will develop and that you guys will own. Some of the important things. If you have a retail business now and you're not keeping the names and addresses of your customers, you're doing a terrible job. You're letting most of the money of that business walk right out the door. Some of the information you want to grab when you grab a customer's name, is whether or not they used their credit card. When they bought is very important. How much they spent. What they bought. The sophisticated name of this is called "databasing" your customers. You do just like Reader's Digest, database your customer file. Every bit of information you can ever acquire is useful. I can't stress that enough. And generally if you have a house list or you have a customer file, that list is going to be the most precious list you are going to use. Long before you come to someone like myself and say, "I want outside mailing list. I want someone else's mailing list," the list you will be making a lot of money with is your own. A house list. Your own customers. It's called a house list.

Audience: what as the phrase you sued for trying to find that information?

Eric: Databasing.

Audience: Inaudible

Eric: Pardon me?

Audience: Inaudible.

Eric: Yes. The question is, is it something you can sell to us and the answer is, we're always interested in a good list of customers.

Audience: Inaudible.

Eric: Excuse me.

Audience: Inaudible.

Eric: I have no idea. I couldn't begin to answer that question. There are a couple of other things you can do with demographic information, and I don't know if Gary told you the story about Health and Nutrition Labs. Collectively, Gary, Kyle Hunter and myself did a pretty big job selling diets a few years ago using a tear sheet mailing. Has everyone seen the tear sheet so far this morning? I can't take any credit for anything with that, the fellow who originated it is here, a guy by the name of John Pugsley. And over the years a number of us have stolen it from John. But one of the things we wanted to do with this promotion, by virtue of its strength, literally we can do nothing wrong with it, is go into the driver's license list and make that work. And I'll tell you how we did it. I sent a couple of people out with tape measures to measure people's bodies to get height and weight. And see who was overweight, who was hopelessly overweight, who was marginally overweight. We went to all the states that recorded that data on driver's licenses and we came up with different levels of people in the fatness scale, got those names from those licenses, and in one mailing we managed to mail 13 million names. So you ever know what kind of information is going to be valuable to you.

Excuse me, I'm out of order here. Another one of the variables on a list that you're going to be concerned with is your position on a mailing list. Where are you in the pecking order of that mailing list? Are you the first person to mail it? The second person to mail it? The third? And so on. One of the things you're going to be cognizant of, and this is heading up to it, is competition in direct mail. Maybe that's one of the reasons why direct mail and mailing lists are so imminently profitable for a lot of people. Because unlike an ad, when you have somebody's attention on your mailing piece you're not competing with anyone else. You're not competing with an editorial story, with today's news column, with someone else's ad. So one of the things you want to be concerned with, when you ask about a mailing and say, "Gee, I have this luck offer and I want to make this list, who is mailing it ahead of me, who is mailing it behind me? When are they mailing it."

And again, I think that goes with motivation. Something with an offer like a luck type offer where it's more impulsive is a list that dies out. And to go back to the diet list that we discussed a little bit earlier, that particular motivation stays there for people to buy. They work forever. That about sums it up for mailing lists. I tried to give you all the mechanical aspects of it, what to look for, what kind of criteria to use, how to find the lists. Anybody have any questions? I guess everybody looks a little hungry here.

Audience: Your phone number

Eric: My phone number. Is that the question?

A: Yes.

Eric: My office phone number is 305-481-9400. Sir.

A: I called your office to get a list and the person I spoke to would not sell to me for less than [inaudible].

Eric: That's correct. The question is that he called up my office to rent a mailing list and the person he spoke to would not take any order of less than 25,000 names. And I'll tell you why that's the case. The given minimum on any one list as I mentioned earlier is 5,000 names. In order to give any new offer a fair test, you've got to try a minimum of five different mailing lists. And the reason for that is real simple, because the best list broker in the world can pick a bad list. The worst list broker in the world couldn't pick fifty bad lists, and you don't want to put all your eggs in one basket. If you do mail one list and it fails we don't know why. Is it a bad list? It's possible. Was it a bad promotion? That's equally as possible. There's no way of telling.

Audience: Inaudible

Eric: I don't know where the number 5,000 came from for a minimum on a mailing list. I know that it's been around longer than I've been in the industry. Whether or not that number is statistically valid, I don't know. What you could do if you wanted to go about it say in relatively inexpensive fashion is take the 5,000 names, take every fifth name off the list. So you have a representative sample of that list, and you're down to 1,000 names, and mail those. But you have to mail a number of lists to give any offer a fair test. We don't sell just 25,000 names out of greed. Other questions?

Audience: Inaudible

Eric: Nth name selection. You want to describe it. When we pull a sample on a list, we go for what they call a Nth name, Nth stands for number. What we're trying to do is pull a representative sample of that mailing list. If you're looking at a say a hundred thousand names the Nth in this particular case to give you 5,000 names would be every 20th name. If the list is 50,000 it would be every tenth name. What you're trying to do it, and the lists are organized in zip sequence by the way, that's how a list comes. The first zip code is going to be somewhere up in Massachusetts or Maine, the last one is going to be in Alaska. And what you're trying to do is draw a representative sample from across the country. Thank you, that was a good question.

Audience: I haven't rented from you, but I've rented a list, but you've mentioned the restrictions and you said the geographics and how they bought, credit cards generated. In order for us to build value in the list that we're keeping from our customers, each one of those categories must be noted, should they not?

Eric: Yes. But that's information that you're going to record anyway. In other words, when you get somebody's name and address, you're going to automatically pick up any of that geographic information. The stuff you want to be cognizant about adding really is things like presence of a credit card, or use of a credit card. If it's someone who is buying clothing, their size. Particularly product preference. How they came to you, whether it was a walk-in customer or was it someone generated from a magazine ad? If you're running ads, which particular publication they came out of. Sir?

Audience: You talked about our house list. How can we make this house list valuable to a list broker.

Eric: Basically every list has some value to someone. Depending on the nature of list, some lists have more value than others. If it's of size, any list manager would sit down and give you what could be a reasonable projection of what can be made. You can talk to me. In the SRDS book, by the way, that I described earlier, are listed all of the list managers and all of the list brokers in the country and their different areas of specialties, things like that. Just give them a call. We all work for the same reason – greed. We'd be very anxious to talk to you about it. Yes sir.

Audience: Inaudible.

[Laughter]

Eric: I took one of the diet pills I've been promoting. Yes?

Audience: You mentioned that you can only mail the list once as far as purchase. When you have responses from a certain percent of that group, can you mail them a second time?

Eric: Good question. The question is you can only mail an outside list once and what if these people respond to you, can you mail them a second time. If someone has responded to you, you then own the name. You can mail it a second time, a third, a fourth, you can use and use that name as you see fit.

Let me touch on that for a sec, virtually every list you rent will be decoyed. There will be names and addresses in that list that go back to the list owner. Decoys, seeds, there are a number of different terminologies for the same thing. When you go to rent the list there are a number of things you agree to. One is not to keep any of that information. You will mail the list once and not keep a copy of it. Two is you agree to mail it on a specific date, because no one wants to go into the mail against their competition. The list manager will schedule a mail date. And three is you also agree to mail the piece that you submitted to the list owner. To get that list we have to provide to the person who owns it an exact copy of what you're going to mail. And the list owner has the right to say, "Yes, I'd like them to mail my list." "No, I think the offer is fraudulent or it's too competitive." But one of the implicit or written agreements that you'll make when you go to rent a list is exactly what you're going to be mailing to it. Yes.

Audience: Inaudible.

Eric: I got a question. Are you going to read us a good story this afternoon for lunch?

Audience: If you have three stages to your mailing can you make a deal where you can get a reduced price?

Eric: Okay, the situation, if you're going to re-use the same names a number of times can a deal be made? The answer is yes. Especially in the business area, if people have business-to-business products out there, the list information on the data card will usually contain pieces of information like the price for a one-time usage, the price for a second mail, and the price for say an unlimited amount of mailings per year. In the event that information isn't present or provided, you ask the question. Again, that's part of our job as a broker to go out and negotiate the best possible deal we can for multiple usage. Yeah, question?

Audience: Inaudible

Eric: Most lists have a minimum of 5,000 names and that question came up a little bit earlier, what will we deal with as a minimum on say a new client or a new offer? Five lists. So you're looking roughly at 25,000 names.

Audience: Inaudible

Eric: I have a hard time doing that. The question is will I recommend a broker who will do small lists. It's pretty much *caveat emptor*. The reality is that we all work on numbers. And it's very hard to get somebody who has got say minimal profit margins and small numbers to give you a lot of attention. So the answer is no I can't. I wish I could, I really do, there just isn't anyone.

Audience: Inaudible

Eric: I just want to repeat that for anyone who didn't hear it. Bill makes a very valid point. The 5,000 came up as opposed to 1,000 names on a list. I'll disagree with that, but it's certainly a valid point, that anything less does not give you a statistically valid indication of what the rest of the county is going to do. My personal feeling is that even mailing a thousand names will give you a smell as whether or not there's any blood out there to be gotten. The 5,000 I think realistically was something that was cooked up by people in my business to make sure that we

make at least a couple of bucks on a minimum order. Okay. Gary's throwing me off the stage now.

Gary: Hold on a second. There's something else that you should know. A lot of copywriters have told you that they charge a certain fee plus a percentage and believe it or not the people who are really good are concerned about the percentage. If I only made my up-front fee, which is high, I wouldn't get any copywriting jobs because would constantly just mail to my own list, because I always make more than \$15,000 when I mail to my own subscribers and my other buyers and so forth. In the case of a list broker like Eric, he loses money when you order 25,000 names from him because of his administrative expenses. He only profits if he is skillful enough to pick names that work for your piece so you should be aware of that. And I think he's given you some great information today, and I couldn't recommend anyone more highly, and I'd like you all to give him a big hand for being here. Thank you very much, Eric.