

## Tape 6 – Bill Myers

So that's the market we want. What do those people want? Let's develop a product in this room. What do those people want? They want the magic bean. They think they want to make money, they don't want to make money. As a matter of fact, this room is a good example. There are a lot of people here who we call seminar junkies. There are people who attend every seminar out there for the warm feeling it gives them to have the knowledge to do stuff, but they're never going to do anything.

Most people in the income-opportunity business in the market are the same way. They want the secure knowledge that if they ever had to do this, they could. As long as they are comfortable and as long they have a color TV to watch at home they're really never going to do it. But if the bottom ever fell out, they'd know how to do it.

And unfortunately, that's their realities. That's why it's so easy for us to succeed, because nobody else is doing it. It's so obvious, so easy to do, but no one else is doing it, and that's why you'll see out of a room of 300 people there is one person sitting back who really doesn't care if you make a sale or not because – it was like, Karen called me – I flew down early because she was – how can I phrase this. She was enjoying the presence of her parents who have spent a month with us. And I was forced to come down a day early. And Karen called me that evening and said we had a \$10,000 day. That's great, I'm not even there and we're making \$10,000 a day. That's nice. That's the kind of business you want to be in. It doesn't take too many \$10,000 days to make \$30,000 a month. And that's the level you want to seek.

Developing the product idea. What do people want? I'm going to show you what people want.

You see this? You know what this is, you've all seen these things. *The Yacht Trader Magazine?*

You know they sell thousands and thousands and thousands of copies of this. Most people buying this magazine want to buy a yacht. The majority of people who buy this magazine, which, by the way, are sold at Circle Ks so that should give you an idea, are never going to buy a yacht. They're probably never going to be able to pay off their car. They're not going to be able to pay their alimony, child support, or anything else. What they're doing is getting closer to their dreams.

That's why *Porsche* magazine, you can go to any magazine rack in the country and they have a *Porsche* magazine. One out of a thousand people who buy those *Porsche* magazines actually have a Porsche. The other 999 people want one and know they'll never have one, but they get pleasure out of looking at the magazine.

How many people subscribe to *Islands* magazine? It's pretty nice to look at. How many people who subscribe to *Islands* magazine or *Island Living*, either one of them – and we all dream about living on an island, but how many really think you will? That's good to think you will. But what they're selling is the dream. So what this book is selling is the dream. That's what everything – that's what Lexus is selling, the dream. That's what Mercedes sells -- the dream. What is it that you should be selling? The dream.

Anything that gets a person closer to their dreams is what you should be selling. Not anything that gets them closer to their needs, but whatever gets them closer to their dreams. Karen and I, we recently bought bicycles. And before we bought bicycles we bought every single bicycle magazine on the market and we called around and we looked and looked and looked because it was very pleasurable to do that because it was getting closer to our dreams. And then we bought our bicycles.

And then we decided we wanted exercise equipment. Can you imagine people spending \$4,000 to work out? We're paying \$2,000 for a walking machine when all you got to do is go out the door and walk. But that's what people want, and that's why if you go down to any bookstore you'll see lots of magazines on muscles. Because what do people dream about? Muscles and being healthy.

They're probably not going to ever become healthy or get muscles, but they're going to buy those magazines because they get them closer to their dreams. So when we create a product in this room, we want to get something that gets people closer to their dreams.

Do you want to read this bullet here? This is on page 8 at the bottom. It says, "A pro will create a product that will let his customers get closer to their dreams." At a direct mail boot camp, Gary's already mentioned this, we had an individual there who was selling, because this was something he thought every woman needed, a pattern kit. This is patterns so that women could create lace collars for dresses so they could wear the same dress three or four days in a row and just put a different collar on it.

Now he was going to sell the pattern sets for \$3.95 apiece, and that gave him about a \$1.25 profit. Now he wasn't really selling what people were dreaming about. He wasn't selling to people who had money. He came to us and said, "How can I sell this thing?" And what we did on the second day of the seminar is we had everybody stand up and tell us about their product, and there were people in that room who were close to tears.

One of those persons is here in this room and that's good, because they learned that the best thing that somebody can tell you is don't do it because you are going to go broke. There are a lot

of times when you go to the bank and the banker says, “No, I’m not going to give you the loan.” It’s the best thing he could ever do for you, is not give you the money.

Talking about money, one of the worst things that can happen to you in this business is to have too much money. Is Ted Nicholas in this room? Hey Ted, how much money did you lose on that automobile book?

Ted: Over \$300.000.

And you did it because you had plenty of money and it was something you wanted to do.

Ted: Unintelligible [06:21]

[Laughter]

Now had Ted been back in his early years when every dollar was important, there’s no way he would have done that. So if you have too much money what you’re going to do is that you’re going to throw money at solving your problems rather than spending time doing it right. That’s what the Federal government does. They say these guys are poor so let’s spend a billion dollars researching why they’re poor. They’re poor because they don’t have money and here’s your billion dollars. But that doesn’t solve the problem. If you have too much money in this room, your chances of failure are a lot higher than somebody who is desperate.

When I got into this business I was working for somebody for a living and friend of mine, a guy that I just barely knew, but didn’t have a job, I thought this guy was a bum. He said, “Bill, I’ll tell you what, you quit your job tomorrow and if you don’t make at least twice this month what you did last month working for somebody else, I’ll pay you what you made last month.” And I

thought that was great. So the first day I sat at home and watched TV all day. The second day I sat home and watched TV about half the day. The third day I thought you know, I don't have anything to do.

So I went down to the library, just started reading and kind of got excited. I said you know what I need? I need a satellite TV system, because I don't have enough channels and I got all this time to watch. So I investigated the market and I took my last few bucks and bought a satellite TV system. And I said man, this is great. I got a 130 channels. Putting these things in is nothing. So I told my friend about it and he said tell you what, I'll give you \$600 to put one in for me. And I said okay.

By the end of the month I had a satellite TV business and we were doing \$10,000 a month profit. That's in less than thirty days. And you know why I was doing it? Because I didn't have anything else to do and I didn't have anything to lose. I didn't have anything else to do and I had no money. It's a lot easier to make money when you have no money. It's true. It's true.

One of the sayings that they have in New Zealand is, "You know how to make an Australian a millionaire?" Give him two million dollars and put him in business. It's true, there are a lot of people in here that if you started in business tomorrow with \$100,000, I guaranteed you'd be broke in a month. Because you'd be buying full-page ads in the wrong magazines, because you had plenty of money to spend. You really wouldn't care because you'd say, "I always got this little buffer behind me, I always got this little buffer behind me."

Karen and I and Gary know people who are in business who get used to incomes of \$500,000 a month. And they always spend \$400,000 a month. But if two months they don't make that \$500,000 a month, they're \$800,000 in the hole. And that's how quick it can happen. So you

don't want to think of money as something that you invest in business. What I was saying earlier about Harvey's Casino? Don't keep putting it back in. Take some out. Don't keep putting all your money, all your efforts, all your energies, everything back in. Take some out.

We have a satellite show that we run on TV on Sunday afternoons because we found that's when customers want to buy. And on average our show was netting \$1500 an hour. We quit doing it. Because we don't want to work on Sundays. We've got to have some time off. We don't work on Saturdays. Our rule in our business is we work real hard all week, everybody does, weekends are yours. You don't work Saturday, you don't work Sunday, it's never that important to give up your lifestyle.

Karen and I spend seven days a week together 24 hour a day. We work together and live together. Just recently we bought a second car so we don't have to drive together. So even though it's a mile and a half to work, we do get 3-4 minutes a day alone. But it is real nice to have that type of opportunity. And it would be real tempting for us to work all the time since we're together all the time. But you can't do that, and you've got to keep coming up with new goals. You've got to have things that are so outlandish that people say, "You can't do it." Like buying a house in New Zealand. How many people have ever considered buying a house in a foreign country? That's good. It's nice to have a goal like that. How many people thought you could really do it?

To us researching this is probably going to be more fun than buying it. For me, my Mercedes, researching all the Mercedes and looking at all the cars and going out and checking all the colors was a whole lot more fun than buying it. Once I had it, Karen and I have already looked at other cars, "What can you get next?" That's the problem with reaching your goals. Then you say then

what. To us income is not a goal, lifestyle is. You should write that down. Income should never be a goal. Lifestyle. An individual in this room came to me and he said, Show me how to make money.” And I said, “What do you want to make more money for?” And he said, “So I could spend more time with my children and get more involved in my church,” and do these things.

And I said, “Look, do that now.” Forget the money. Don’t use money as an excuse not to do what you really want to do. Do that now, so that if you fail in business, you’re still doing what you want to do. Set your lifestyle so that even if you fail in business, your lifestyle is still what you want it to be. That’s what you should do.

So we have to come up with a product. I just so happen to have brought a product that we’re creating for this particular market. And the product includes a book, this is the *Unfair Advantage Letter* book of 200 letters. It’s every letter that I’ve written to anybody regarding business. It’s every direct mail piece, it’s everything we’ve done. There are five letters here to Gary Halbert and four letters here to Jerry Buchanan and all kinds of other different stuff. By itself it’s an interesting product, we sell it for \$99. However, since we’re trying to create something here that we can make some money on, my suggested price is \$395 for this whole box, because I want to make \$300, right?

I’m starting out first with a premise. This is how much money I want to make, how much product do I have to put in it to make the \$395? By the way, these are not for sale, you cannot buy this stuff, so this is just an exercise. The *Unfair Advantage Letter* book by itself is okay. Let’s include some videotapes. How about the *Direct Marketing in a Discretionary Economy* tape. How many people have seen this tape? How many people thought it was pretty good tape? But by itself, a book and a tape is not much, right? That’s not \$395.

So what you have to do is you add other stuff. Here is a 9 tape series, *An Insider's Guide to Direct Mail Profits*. Okay, now you're adding some meat to a product. People perceive a lot of value in videotapes. And you've got to have stuff like – we include the ball cap. You know why we include a ball cap? We don't include these in our ads that we sell ball caps. So when they open the box the first thing they see is a big box. Very important. Drew made a mistake by shipping this product in a small box, because it looks like a small product.

We ship everything in a large box and we make sure the box is full of product. We include a cover letter and then a hat, and we want you to have the hat as a gift. Most people put the hat on while they watch the tapes. It makes them feel good. Things like this is what you want to do, is you make a customer very happy they've got the product from you.

So there's nine tapes there. Then we decided to make the tapes even better, to include a workbook. *The Insider's Guide to Direct Mail Profits: A Step-by-step Plan*. A workbook that you work while you've got the hat on watching the tapes. And that by itself would probably be a \$395 product. And that is a good product idea. But in today's market you've got to have more than a good product idea. You've got to have premiums. Write down, “premiums.”

Premiums is added value. Premiums is added value. This has value right? Everybody says this has got some value. The reason it has value is one, you can't get it at Kmart or Wal-Mart. Can't get it from anywhere else. You know if you get a direct mail piece on this or see an ad for this you're probably not going to be able to buy this anywhere locally so I have no competition.

You're not going to be able to get it on TV. This is probably the only opportunity you're going have to get it. Plus I've identified the people who are interested in this type of stuff. So I've got a direct mail piece. By itself it's interesting, but what can you do to add tremendous value? You

add a premium. Premiums are like the hats or tapes or other audio cassettes. What I've got here is what I consider to be the ultimate premium. If you were buying a product on how to get in the direct mail business and tapes on how to get into the direct mail business and a workbook on how to get in the direct mail business, you'd have just about everything you needed right? What would you need?

What I have here is what I consider the ultimate premium. And what it is is a certificate of resale, reprinting and duplication rights. What this premium gives the buyer of this package is the rights to use the full page ad that's on the back of the letter book that's also in your notebook. The rights to reprint the book and the rights to resell it for \$100. So the individual who buys the whole package gets a certificate that gives them the reprinting and duplication rights. The package is \$395. If they place this ad and sell four books – I mean, if they place the ad how many books do they have to sell to break even? So something like that is the ultimate premium. You give them a certificate. How much does the paper cost me? But without this, this is a so-so product, isn't it? With it, is it a killer product?

Audience Member: Dynamite

It's a killer product.

[Applause]

So that's what you do. Now, but this is not for sale. Don't get the idea – I am selling this, but I'm not going to sell it to anybody in this room, because I am going to run it with ads. You see this ad here? The ad in your binder for the *Unfair Advantage Letter* book? If you'll look in your binder you'll also find something called the *Oxbridge Directory of Newsletters*. It's a sheet of paper, it

looks like this, *Oxbridge Directory of Newsletters*. And the United States has over 40,000 monthly publications, some are magazines, some are newsletters, some are very, very small. *Oxbridge* is a good place to find newsletters.

On this particular page, these are all business, advertising and marketing related. Most of them have circulation of between 2,000-6,000 people. A lot of them sell advertising. Do you know what a full page ad in *Income Opportunities* magazine costs? Ted, what does a full page ad in *Income Opportunities* cost? A black and white ad, if you're a real good negotiator like Ted, you can get it for about \$9,000. They're going to start at \$17,000 and if you can talk them down you might be able to get it for \$9,000.

Personally, I'm not going to invest \$9,000 to test anything, even if I know it works. But what I will do is get the *Oxbridge Directory of Newsletters*, find me a newsletter that reaches 6,000 people that I know specifically pay to find out information about marketing and buy a full-page ad. Do you know how much a full-page ad typically runs in a publication that goes to 6,000 people? Between \$600-1000. Sometimes you can get them cheaper than that.

You see this publication. What do you think a full page costs in here? \$300. And you know what they're dreaming about, don't you? They're dreaming about owning a boat and living on the high seas. Probably going to leave their wife at home, aren't they? Now if these people had money, it would be easy to come up with the right product for them. You write a full page ad, How To Own Your Own Boat, No Money Down And Live The Life You've Always Wanted. A full page ad costs you \$300, sell the program for \$69, how many do you have to sell to break even? The circulation on this is probably 35,000-40,000. So you sell three and you break even.

But we don't want to sell to this market because they don't have money. Don't pay a lot of money for ads until you know what you're doing. I went to Ted's seminar and learned a lot. A lot of what to do and a lot of what not to do. Ted does a seminar on direct space ads. I learned there how much I did not know about space ads and why I do concentrate on low-dollar space ads. But the point is that if you're going to run an ad like this, you want to run it somewhere where it's very, very inexpensive and where your chances to break even are extremely high.

In our case, the products that Karen and I sell, if we can't break even with three sales, we don't want it. And why is that? Because we want to shoot the planes on the ground. If we can't break even on three sales, we're not going to do it. We've got it figured it out to the penny, it costs us \$386 to do a thousand mailing piece. If I mail a letter to a thousand people and can't make three sales and those three sales can't make me break even I don't want to be in business.

You want to do something that's got a low break even. Let's get back on our chart here so I can show you how to make your \$30,000 next month. Okay. Step 6, pricing the product to reflect a perceived value. The very first time I met Gary Halbert, within the first ten minutes that I spoke to him he said, "Bill, the biggest mistake you're making is your product is priced too low. I had my newsletter priced at \$19.95 and had a thousand subscribers." And I felt that Gary didn't know what he was talking about. Because here I was making \$20,000 a year. As many of your know, the newsletter is now priced at \$185 a year. That's what it was when I sold it to Dan Reynolds back here, and we had a thousand subscribers. So, instead of making \$19,995 a year from subscriptions, we're making \$185,000 a year from subscriptions by doing nothing but pricing it to perceived value.

What we discovered is that at \$19.95 it's really hard to attract anybody's attention. But at \$185, people say, "Why in the hell is this guy charging \$185 for this, what can it be worth?" And then every time they got an issue they would read every single word. That's the only way any newsletter or magazine is going to be any value to you is for you to read every single word. But because I'm giving this away to you free today, how many of you are going to read it? Many of you will, but if I charged you \$500 and only gave you an hour to read this, how many of you would read it? You would read it word for word and probably make copies of it and write down everything you could. Because if you pay for something then you're going to use it.

How many of you have products that you paid less than \$20 for on TV that you got it, used it once, and threw it in your closet.

Audience member: [Unintelligible 0:21:18]

[Laughter]

When Karen and I brought our exercise machine we were thinking, well, we can buy a nice one for \$600, but we're not going to use it. But if we spend \$4,000 for it we'll use it every single day. And that's exactly what we do. That's perceived value. You say, "If I spend enough money on it I'm going to use it. If I spend \$7,000 to come to a Gary Halbert seminar, I'm going to learn something there and you can bet when I get home I'm going to force myself to do something."

But if this seminar were free, like it is now, a lot of you are going to go home and say, "Man, I had a good time in Key West. I went to a lot of bars. We listened to some people." And then go home, big deal, it didn't cost you much. And that's the point of it. There are people in this industry who charge \$18,000 and \$45,000 for seminars. Because they know they'll have more

successful people come out of those seminars because those people will force themselves to do something.

It's the same way when you're selling products. If I offered this package right here for \$59, I probably couldn't give it away. It's true. It's like if you needed a heart operation, and went to a surgeon and the guy said, "You know, we got a special on heart operations this week. \$295. Complete refund if it doesn't work out." You go to a second guy, and he says, "It's going to be \$50,000." Which guy are you going to choose? It's the same way with products. There are people who really hurt their reputation and image by selling cheap products. If you get in the habit of being the person who is selling the \$30 videotape, that's what you're going to be stuck with. It's a reputation that you're going to have a hard time getting away from.

It's like me with the guerilla video. I had to make the decision to break away from guerilla video, because I don't want to be known as a low-budget guy doing low-budget gorilla video production. Yeah, we do low-budget guerilla video productions. And yeah, we do low-budget testing. We're low-budget kind of people. But I don't want to be known as that because we sell high quality product and we get tremendous numbers of testimonial letters, because we do things like include the ultimate premium.

I priced this at \$395, what do you think this thing should be worth? I priced it low because I always do things not very [? 23:27]. Gary Halbert would probably price this at \$4400 or something like that. But the idea is that you've got to price it a lot higher than you think. But you've got to price things right. Let's read the big bullet on page 10 again. "Setting your price too low will almost always cost you more than setting your product price too high." I'm going to

show you how that works in a couple of more pages on charts, but before I do, I want to give everybody in the back who wants to leave an opportunity to leave.

Everybody stand up for a minute please Yawn, stretch. Anybody who wants to duck out, go ahead.

Everybody get on page 11, I want to get this over with. Like I said, I was pretty lazy. Page 11, making sure your cost to price ratio is favorable. I've had discussions with people in here who tell me they make 20% or 80% or \$20 or \$40, which is all nice and good. We try to make 300 times cost on about everything we sell. And the reason is, if you'll turn to page 12, you'll see three charts. The top left chart says effect of different profit margins on breakeven point. For those of you who don't know, breakeven point is the point where you recover your investment.

It's like when play the slot machine or the poker machine and you get a pair. You put in a quarter, you get a pair, it means you break even. You get your quarter back, which means you got to win to break even, which I don't think is fair. I think if you win you ought to get something extra. But break even is when you get your money back. If you are selling a product that has a \$5 margin, and you do a 5,000 piece mailing or spend \$2600 to promote it, you have to sell 535 units to break even. 535 units to break even.

You can see on the chart if you sell something that has a \$20 profit margin, you have to sell 133 to break even. If you have a \$40 profit margin, you have to sell 66 to break even. Over here on the side, if you have a \$300 profit margin you only have to sell eight to break even. What do you think is easier? Getting 535 sales from people who don't have money, or getting eight sales from people who do have money? The eight sales is easier, I can guarantee you that.

This is the second chart next to it, you'll see a percentage. This is the same thing in percentage. This is response rate. If you're selling a product that has a \$5 margin, you've got to expect a 10% response rate, which is unheard of in this industry, to break even. That's not to make a profit but to break even. If you're selling something with a \$40 profit margin, you've got to have a 1.33 response rate, which is about average in this market. How many people are selling something that has a \$40 profit margin? The best you can hope is to break even.

If you have a \$150 profit margin, then you only need a .35% response rate. That's less than 1% of the people you mail a letter to respond. If you're selling something that has a \$300 profit margin, and remember that's our optimum goal right in this room, then you only need a .178%, which means you need less than 10 people in a thousand. Actually. Less than two people in a thousand to raise their hand and say, "I want your product."

Now let's look at the profit margins. That's where it gets real interesting. You'll notice that the two times, the first two times, have a profit margin of 5% or \$20 -- \$5 or \$20, you're going to lose money if you get a 2% response rate. 2% is considered great. Actually, *Direct Marketing Magazine* says 1.7% is the industry average, and that's for people who spend millions to develop these slick promotions. If you get a 2% and you're selling something for less than \$20, you're going to lose money.

You cannot afford to sell something that you only make \$20 on. You can't afford it. You can't afford that kind of success, because you're going to lose money. On \$40 you will make a little bit of money. Let's look down here at the end. \$300 margin. You get a 2% response rate and what are you sitting on? \$27,000. Now I want you to think of something. Look at the first figure, you lose \$2,000 the final figure you make \$27,000. It costs the same to mail the letters or to run the

ads regardless of what the product price is. It costs the same to mail a letter selling something that you make \$20 as it does to mail a letter for something you make \$300 on. So what do you want to do? If you're going to mail the letters anyway, if you're going to spend the time in your life to do this thing what do you want to do? You want to sell the project that is going to give you the highest margin.

All this has to do with value. You don't want to rip anybody off. You've got to deliver tremendous value, otherwise you're not going to be in business. If you build a mailing list of people, do you want a mailing list of people who have spent \$20 with you? Or do you want a mailing list of people who have spent \$300 with you? Which list is more value to you in the long run? Clearly the people who have got \$300. What's going to keep you in business longer? And you know you have an obligation to your customer to stay in business if you're delivering a product to them that they desperately want and you're the only one out there doing that, then you have a tremendous obligation to keep doing that. And how can you do that? Stay in business. And that's the only way to stay in business. Make a suitable profit. And if you're delivering a real narrow market product, like this one, where we make \$300, we don't need many sales, do we? A hundred sales a month will make us \$30,000.

Those 100 people are basically paying us to do the research, put everything together and deliver it to their doorstep. And to them it's worth it.

Now we're going to go to Step 8. The project profit potential. This is a spreadsheet we use on everything. How many people have a copy of the spreadsheet they got from us? It's on computer diskette. Anybody else in this room who wants a copy call our office we'll ship it to you, it's an IBM format diskette. This is on page 13. And this spreadsheet shows you in black and white if

you're going to lose money or not on a project. Before you take on anything, put it on the spreadsheet. Karen and I had a major project last year. And it sure sounded good, it sure looked good. We put it on the spreadsheet and we discovered that the more successful we were with this project, the more money we would lose. And the only way to know that is to put it on a spreadsheet.

Audience: What was that?

Well, it was kind of like one of those Jethro Bodean deals. You know, where you lose \$20 but the more volume you have you lose more money. It was a situation where we underestimated a figure by \$400, so we were thinking we were going to have this profit, and as the sales increased the losses increased. As the spreadsheet shows, there's development costs and in most cases you develop the product yourself, they'll be no development costs other than labor. But there are ways to pick up production, we just put that in for this number. Variable costs of the names for a thousand. Postage is – we mail first class because Gary Halbert says bulk rate is the dumpster rate. Is the dumpster rate.

When you buy a mailing list, unless the list is from a current subscriber base to a magazine that they paid for a subscription for, 30-50% of the names are invalid. You won't know that unless you mail first class.

We recently purchased a direct mail list of 5,180 names of people have bought collectible items within the last 90 days and paid more than \$500 for those items. In our office we invested in a 9-track tape drive and we ordered those names, as we order all names, on IBM computer tape, these magnetic reels of tape. We have a program that goes through any database and analyzes the names and addresses on the database. It tells how many are in a certain zip code. How many

have the same street address. Basically, how many in every state, how many in the major metropolitan areas.

Of this list, 5,120 names, 4,900 were all in Dallas. All on the same street in Dallas. Now had we mailed to this list, it was a prison. A prison, and a cemetery and a nursing home in a row in Dallas. This list as in the SRDS book said NOA A process. Which means they had just gone through and processed and validated all the addresses. The addresses were correct, there just wasn't anybody there. Living, anyway. Had we mailed to that list blindly, without doing this first, it would have been doing a 5,000 mailing to actually 190 people. And our response would have never been what we wanted it to be.

We were shocked and when we brought it to the list broker's attention they were shocked.

Audience: What did the list have in demographics that would get something with your knowledge to have picked it out and ordered it?

It was an investment jewelry buyers list. A list of people who have attended an investment jewelry seminar within the last ninety days and who had paid up to \$300 for a piece of jewelry. It was an optimum list for what we wanted.

[Audience discussion, unintelligible]

And then the guy skipped out of the country. And he sold this to several list brokers. And we bought the list. Had we not run it through our computer, we would have done a 5,000 piece mailing, a 5,120 piece mailing, which would have cost us about \$2600 and we would have gotten no response. We would have dumped the project. Right? We would have said something's wrong with the letter, something is wrong with our product this thing doesn't work, we'll just drop it.

Audience: unintelligible.

That is a good question, how do you protect yourself? There's only one way that we know to protect yourself unless you have the tape drive – a tape drive costs \$1200. Unless you have the tape drive. What you do is you deal with extremely reliable list brokers. And just like Duke Cunningham, you go for the ones that you know are going to be high probability success list, and those people who are subscribers to current issues of magazines. People who subscribe to the Gary Halbert letter. You think many people who pay him \$200 a year let their change of address not keep current?

And that's what you have to do on lists. You want to make sure you have as a change of address – that people have current addresses. That's why we don't mail bulk rate. You mail first class. If it's a change of address the letter comes back to you saying the address has been changed. If you mail bulk rate, you don't know. The post office dumps 25% in the backyard. 25-30% are undeliverable. 25-30% reach people who have changed addresses and they just leave it there because they leave it there.

Bulk rate is truly the dumpster rate, and 19 cents is what it costs you bulk rate. First class its 29 cents. If half of bulk rate never gets delivered, bulk rate really costs you 38 cents, so you might as well pay first class. We mail everything first class.

Talking about mailing, while I'm here on the subject. Do you know what these are? We direct address all our envelopes. Anything over \$300 we hand address, but everything else we type directly onto the envelope through our computer and because we do have multiple fonts we can make it look like it was typed. You have heard and hear the best way to get an envelope opened

is to make it look like it comes from somebody personal. So we put a first class stamp on it. There's nothing else on the envelope, then we put the individual's name, right there.

These envelopes are very inexpensive. They cost you \$35 per a thousand.

[business, unintelligible]

A lot of people have them. We found a company was selling them to us for \$70. We bought 5,000. They sent us a check. We bought them from them for \$70 apiece, we bought 5,000. We should have got a bill for \$350. They sent us a check for \$165 because the secretary sent the check from the company they bought them for to us, and sent their company the bill. So we called them up and said you sent us a check, we're going to send the check back. We made a photocopy of the invoice and we called their supplier directly and bought it directly from them.

These cost \$35 per thousand. We're not in the business, we don't sell paper, you can buy paper. These are run through any wide-carriage dot matrix printer. It keeps you complete control over how things look out of your office. If you're doing a 50,000 mailing or a 10,000 mailing, don't do this. Get somebody else to do it for you. On the other hand if you're selling an item that makes you \$3000-\$4000 per sale and you're only going to mail 2,000 pieces, control everything yourself.

If every single sale is worth \$4,000 or \$3,000 or \$2,000 or a thousand dollars, control everything yourself. That way you'll know it'll get done. You can get them with your return address or without, either way you want, there's no cost. They include that in part of the cost.

[Audience discussion, too low to transcribe]

You have to be careful, there are a couple of companies selling these that are real thin, lightweight. As he says, number 9s are not number 10s. We had to buy these, these are actually – this will not fit in a standard narrow-cage dot matrix. You've got to have a wide carriage because of the width. And the number 9s that you're talking about will fit in a dot matrix. So don't get the number 9s.

Let's look at our spreadsheet again. You see the variable cost. We figure names, postage, printing, envelopes, labor. Labor is where we hire people to come in and sort them and bag them and wrap them and put them in the bags. Cost to mail a thousand letters is \$528. It doesn't happen if you're mailing a thousand letters for a product that sells \$20 or a thousand letters for a product that you're selling for \$10,000 the cost is going to be the same. That's an 8-page letter in an envelope with a – just like the gold test letter.

Fulfillment costs. Okay, this is on this particular product here. The product is \$26, what it costs me to put all those pieces together. Packaging costs \$1.23 for the box, the tape, the labels. Shipping costs \$5 because we ship everything second day UPS. We let the customer pay for next day but we ship everything second day or Quick. Order-taking costs, you have to figure that in. You're paying people to answer the phone. If they're in-house people or if you're using Mountain West or whomever you're paying people, so you got to figure that in.

Cost of premiums. I put \$1.20 because that's because the hat cost me \$1.20. Bank card fee at 5%. A lot of people don't include that bank card fee, but if you sell a product that is very expensive, that bank card fee can add up real quick, so we put the bank card fee in. We figure in a hypothetical return rate and then other fulfillment costs on this particular product cost me \$64 to

take the order, process the card, ship the product back to the customer, so my net on the thing is \$330. Again, that gets me close.

Performance analysis, cost per piece to mail is 52 cents. If we mail 5,000 pieces we need to make 11 sales to break even. Remember, this is a highly-targeted market with a product that has the ultimate premium. 11 sales to break even. Sales needed to recover development costs is 1194. I had figured my development costs for 3950. Sales needed to break even, 8 sales. Profit on a 2% response, \$30,000. Profits on a 5% response, \$80,000. Karen and I have this really bad problem. We develop products like this, we do a test of 5,000. We normally get an 8-12% response. We make \$130-140,000 and then we say, "That was fun, what are we going to do next?" And then we put the product away and never do it again.

But we learned doing our own direct mail boot camp that that was a mistake. Probably what we should have done was do more mailings. So now we mail approximately 45,000 letters a month, that's our catalog that's in your brochure. We mail 45,000 of those. For every dollar we invest in it we make between \$18-\$27 back depending on the time of the month and who we mail it to. Those catalogs, by the way, cost four cents to print, and we own all the products.

So we know we've got the right product. We know we've got a pretty good price. Actually, we could probably raise the price to \$695 and it would not hurt sales at all because the ultimate premium still makes the things worth \$695. If we were to raise the price to \$695, a 2% response rate would give us a \$60,000 profit.

Audience: How about testing it?

Bill: This is the test. This would be the test.

Audience: Okay, I mean the \$695 test.

Bill: Oh yeah.

Audience: You've got to test.

Bill: Right, right. You're exactly right. We put this product together while Karen's parents were in town and I was looking for an excuse to be out of the house. We've been working on products like this for awhile, I was trying to put something together for the seminar to show you how easy it is to pull together a product. What you don't want to do, and what everybody in this room that I've talked to so far is doing, is they come to me and they say, "I've got this tape, how do I sell it?" You don't. You package it up and make a product out of it. A package of products so there's a tremendous value so everyone wants it. You don't just sell a tape or a book. You're trying to sell an experience or something to fulfill people's dreams and you're not going to be able to do it with just a tape. But you can do it if you put together the right stuff.

And again, the premium is real important. That's why we work real hard on trying to come up with the ultimate premium. Okay, actual product development. Actual product development is kind of like the work behind this stuff. If you've gotten to step 9, which means you've got a pretty good idea of the product you want, you've got a pretty good idea of the market you want. You've got a pretty good idea of the price you want. What you don't do in Step 9 is you don't got out and buy a roomful of video equipment and a word processor. You do what you already know how to do. Which means, if you know how to write then you write. If you know how to produce videos then you produce video

But if you don't know how to do any of that, you contact somebody like Ron Beeman who produces a one hour tape, Hollywood style, for a couple of thousand dollars. Or you contact a writer who has already written a book like this and say, "Look, I want to buy the reprint rights." But don't waste your life putting projects off because you don't have the product. You can get the product developed. You can either buy the rights to the product or you can get the product developed. How many in this room would want to have to put all this stuff together themselves? It would take most people a couple of years to put all this stuff together, because first of all, you're going to have to learn the technology of video tape and then you have to get somebody to speak for you and then you have to put everything together, get the books written, get the ads, come up with the data. It's cheaper in most cases just to buy it from somebody lease. It's more fun to do your productions yourself, but life is short and a lot of times we don't have the time to do products ourselves.

Okay, like I said getting into product development. How many people in this room have books or tapes they've written or products that they've got that they don't know how to market? Is anybody looking for – now, keep your hands up everybody – how many people who have got their hands up would sell me the reprint or duplication rights of those products for a good, upfront cash amount? There's still a few hands up. Jerry Buchanan's hand's up, he's written 70 books. I'd like to buy his whole library of books. And then if I had his library of books, do you think I could put together a pretty good product with the ultimate premium? So right there I just found 25 people who will sell me products and that's a lot easier than writing and developing them ourselves. So if you don't know how to do it just buy them from somebody else.

There's a book out called *Special Interest Videos*. Gary Halbert's got my last two copies, he lost his first one or gave it away, and I sent him my second one. It's lists over 8,000 video tapes that

you can buy the rights for. There are a lot of books out there laying around that you can buy the rights for.

Audience: Unintelligible.

*The Hot Stuff Newsletter* that Gary publishes is an excellent example. Every issue that comes out there are people who have the rights or products that they want somebody to market or package up for them. *Hot Stuff*, it's one of Gary's latest.

But if you decide that you're going to develop your own product, then you need to look at Step 10. This is basically a low ball figure, what's it's going to cost you in real dollars to develop a product similar to this. This assumes you didn't know the word product development. And that means actually somebody getting – writing the book , writing the magazine articles, writing reports, producing the videos. Whatever. You can figure hard costs will be a minimum of \$7,500 to develop a decent product. Decent is the key word there.

Copywriting fee. Copywriting is kind of like doctors. If someone wants to do a heart surgery and charges you \$395, you kind of wonder. The same way with copywriters. The guys you want are the guys you can't get. And that makes them in even more demand. You want somebody who is going to make money for you, because the ad is the contact between you and the customer. And in here I put \$3500. That's a low ball figure for a copywriter, although you can get copywriting done for \$3500. And that's for an 8-page letter. But that is a low-ball figure, and I wouldn't even want to suggest prices for anything, what they would charge you to write copywriting on.

Creative management. That's probably your time. Somebody's got to spend the time to make sure that the guys get all the pieces together and the post office works and that the people in your office will do the things right, and that the printers work.

Research. Research is the time you spend developing and putting all the packages together. The price of the SRDS book and all the other pieces.

Other, I like to think of other as phone calls and lunches and movies and TV and anything else that you can put together for product development. You have to do a lot of research. Karen and I spend a lot of time in jewelry stores watching people. And we spend the time in places like Lake Tahoe watching people. And we spend time in Branson watching people. That's research. That's where our market is. I'm not going to go down to Wal-Mart and research those people, because most of them are not my customers.

I'm not going to go to Circle K and watch how some guy buys a pack of cigarettes, because he is not my customer. But I will go here and watch what you guys do in your spare time. And I'll look and see what you spend money on, see what you're interested in, because this is research. So you have to include all of that.

Audience: [something about fake tattoos]

Yeah, we'd look at the different fake tattoos. Anyway, once you get the copywriting done, then you do all the rest and I put that together. It's rolling out the first test. We normally do a 5,000 piece test. The test will do one of two things. You'll either get no response or you'll make money. And what happens a lot of time you'll be so happy, so excited, so giddy that you made money you'll look for another product and forget that there's more to just testing. That's what

we used to do. It was great, is Gary North in here right now? I think Gary's not here this morning. We sold several hundred copies of our Guerilla Video Boot camp, we did a mailing of 3-4,000. Sold several hundred copies. Made \$210,000. And we stopped. And then Gary asked or we offered the exclusive rights to market that to him. He did a mailing of 26,000 and made thirty times his money back in two months, that's simply because we got tired of doing it. And he acquired the rights – I mean, we're talking about buying products? He bought a finished product from us with a direct mail piece and just mailed it.

We could have done the same thing. As a matter of fact, we have bought his list since to mail things to him. But there are a lot of people like us in the industry. Gary is the same way, if you were to look at Gary you would see lots of products that he's developed that are very marketable that are sitting on the shelves. Jerry Buchanan is a prime example, Jerry's written books that he's forgotten the title of. Very marketable books. If you walk into – almost anybody in here who has ever marketed a product, you'll find products that they've put together that are now sitting on their shelf. And all it takes is somebody to say, "You know, I can package that up a little bit different and I know people how want to buy it and I'll market it for them."

Okay, after you roll out the first test, you evaluate your results, you're either real, real happy or you're real, real sad because you didn't get results, but if you did the testing like us you're only going to be out \$2600 at the most. If the results were great, don't change anything, don't change anything, don't change anything. We had a guy who bought the direct mail rights to a project from us.

[Audience disruption]

Gary: I don't mean – it's just that I'm more current on it than you are.

[END OF VIDEO]