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PRESENTS

WAL-MART
INTERVIEW SERIES

"How I Personally Sold 45 Million Dollars Worth Of Stickers And School Supplies To Wal-Mart and Other Major Retail Giants."

Michael Senoff's
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(Go to next page, please...)

"How I Personally Sold 45 Million Dollars Worth Of Stickers And School Supplies To Wal-Mart and Other Major Retail Giants."

Every product inventor, developer and manufacturer dreams of landing their product into retails giants like Wal-Mart and Target Stores. You have truly hit the big time when one of these stores takes on and succeeds selling your product.

But most believe this is a pipe dream only available for someone luckier then them. But not for my friend Joe. Joe has done it and you can learn how to do it too. So who Joe?

Joe has had many years of experience in the product development and marketing of consumer products to mass merchants like Wal-Mart & Target as well as with selling to independent retailers in many different distribution channels.

25 years ago he learned the inside workings of one of the the world's largest consumer products company as a product manager for Kimberly-Clark (the manufacturer of Kleenex, Huggies diapers and other familiar products). After leaving Kimberly Klark Joe found his first company to manufacture and sell children's products to retailers.

Over the last 25 years Joe has founded and grown 4 companies. Two of them sold over $45 Million of products that he invented to chains like Wal-Mart, Target and other retailers. He developed and sold 3 complete product lines consisting of hundreds of products to both Wal-Mart & Target and one year received the "Best New Vendor" award from Target's Stationery and School Supply Department.

Within the children's products company he set up a kids club promotion that got 900 stores and 900,000 kids to participate.
The promotion resulted in an additional $145 Million is sales for the participating stores in just one year.

(Go to next page, please...)

Joe also built and sold a mail order catalog company and a promotional products company. Joe also has extensive experience in other distribution channels besides retail.

You are about hear Joe's story and how he did it. It's a wild ride so hang on tight. Look out Wal-Mart, your next big product may be supplied by the person listening to this interview now. Lets go!

START"

Joe: Going from nothing to $12 million to $15 million in five years, I didn't learn a lot doing that because everything I did worked and my partner and I pretty much thought we could never fail. The going bankrupt part, I learned a lot.

Michael: This is Michael Senoff with Michael Senoff's www.hardtofindseminars.com. You know, everyone dreams of getting their product into Wal-Mart and you're going to hear the next two hours of an interview with someone who has done this and sold over $45 million worth of products to Wal-Mart, Target, and other merchandisers. His name is Joe. I call him Big Joe because Joe's done big numbers and is probably one of the most experienced people I've met on the subject and the inter-workings of mass merchandisers. In the next two hours, you're going to hear his story from failure to triumph and how he finally succeeded in nailing his product into some of the world's largest retailers.

Twenty-five years ago, Joe learned the inside workings of one of the world's largest consumer products company as a product manager for Kimberly-Clark. Kimberly-Clark is a manufacturer of Kleenex, Huggies Diapers, and other familiar US products. After leaving Kimberly-Clark, Joe founded his very first company to manufacturer and sell children's products to retailers. Over the last 25 years, Joe has founded and grown four companies, two of them sold over $45 million worth of products that he had invented and sold to chains like Wal-Mart, Target, and other retailers. Joe developed and sold three complete product lines consisting of hundreds of products to both Wal-Mart and Target and one year received the best new vendor award from Target's stationery and school supply department. Joe also built and sold a mail-order catalog company and a promotional products company. Joe also has extensive experience in other distribution channels besides retail.

You're about to hear the most complete training on the subject of getting your product into Wal-Mart and other mass merchandisers that ever exist. Get ready and let's get going.

(Go to next page, please...)

Joe: I got started as an entrepreneur 27 years ago. I went to business school. I got a job with BF Goodrich Chemical Company and I didn't have any training in chemistry, but a friend of mine had the job and he got transferred to another department. So, we spent a weekend with him coaching me on polymer chemistry and then when they interviewed me on his recommendation, I was the only one they'd ever interviewed who knew their chemistry.

Michael: How old were you?

Joe: About 23.

Michael: Were you a good student all through high school?

Joe: I did great in high school. I came close to flunking out of college, graduated last in my class, and then got an MBA and was second in my class, 37 A's and a B.

Michael: You are smart. If it interests you, you could do it.

Joe: Yes, it's sort of how it worked out and then at the BF Goodrich Company, I got assigned a product line as the product manager. I didn't know what business was or marketing. My background had been biology and I was an artist. I learned quickly you can't make any money as an artist especially when you're not very good, which was my case.

Michael: Did you try to make money as an artist?

Joe: Yes, for about a year. I worked in commercial art for a while and found out that this is going to get me nowhere because I'm not very good. So what I did then, I got this job and now that I've got a job I'm in charge of marketing for a group of polymers and I don't know what marketing is, I'd never had a business class. So, I said, well the company will pay for business school for me so I think I'd better go to school and find out what I'm supposed to be doing in this job. So, that's when I get into the MBA program at CASE in Cleveland. But the funny thing was the product line I got had been around for 25 years and has about the same sales level.

Michael: What did these chemical do?

Joe: They're polyacrylic chemicals. Their main application was for water treatment and cooling towers to disperse solids so that things don't clog up.

Michael: Did you have sales force under you?

(Go to next page, please...)

Joe: Yes. I had a sales force, but I wasn't the only polymer they sold, they sold other stuff of our company, as well. So not knowing anything about it, I figured what I would do is go out and talk to customers and ask them what they buy this stuff for. Why are you buying this stuff from us anyway? What is it doing for you? As I'm in business school I'm doing this, I'm going out and saying okay, I'm not a chemist, I'm not an engineer, I was the first non-engineer to get this job. Everybody else was chemical engineers. So, I went out and talked to customers and found out what do they use it for because these are big companies who have lots of scientists and I said what do you think we could do to make it work better? And they told me basically make the molecules smaller so they disperse more effectively per pound of polymer. And I said, okay that sounds cool, so I'd go back to the lab…

Michael: Did you hear that from multiple people?

Joe: From customers, yes.

Michael: Were you going and meeting them physically one-on-one or using the phone or what?

Joe: One-on-one. I kept the assignments and market and sell the stuff and I don't know what it does, so I better figure out what it does and why people buy it and then I figured well nobody better than my customers are going to know how maybe we could do it better. So, I asked them that and then I get back to labs at BF Goodrich and at BF Goodrich I didn't have a budget for research labs, but I went out and talked to the scientists out there and got some of them to do stuff on their own time to make me smaller molecules. And they made me some smaller molecules and made me some samples that I took back to my customers and they tested them in their lab and they worked better. So, I would go back up to the lab and said okay, now we need the next group of guys who commercialize a product. It's a different department then the ones who created a new molecule. They have to make it efficient in production. So, I got them to do that and then took it back out for more tests and the stuff works great. They start buying a lot of it and it ends up that they're buying tanker trucks full of this stuff we're selling for a $1.50 a pound with $1 profit, which in that company they were selling PVC and rubber and latex and things that have a 1% profit or they're losing money. And this thing is making hellacious profits.

After I got my MBA, I left, but we had gone from 25 years of at a half a million up to $3 million in sales and once I understood it was a dispersant and what it did, I said well hell, Proctor & Gamble uses dispersants in detergents, I'll go talk to them. And the product we had would not work in a washing machine, but it would work for drying clothes on a line and P & G Mexico -- that's the detergent they did down there because a lot of people in Mexico dry clothes on a line -- started buying it for detergents. And

(Go to next page, please...)

now that application could multiply the volume by ten, I suppose, but I ended up leaving before it got commercialized, so I really don't know what happened.

Michael: What would you say the lesson was in that success?

Joe: You go talk to your customers, find out what their needs are, what your product needs to do, and ask them if they know how you could make it work better. I wasn't the scientist. The problem other people had in the jobs is that they were engineers and they thought they knew everything and they were supposed to be the experts and they got nowhere. The same products sold the same volume for a couple decades. What I did different was talk to the customers.

Michael: Okay, what did you do after that?

Joe: After they wouldn't give me more money, I mean I figured I made them a couple of million dollars every year they ought to give me a nice raise and they wouldn't because it didn't fit their policy, I ended up going to Kimberly-Clark as a product manager. They gave me industrial products there. I wasn't in the consumer division and I got on the wrong side of them. Kimberly-Clark is like Proctor & Gamble. They have a bunch of procedures for how you do stuff. They do know consumer marketing, they sell billions of dollars of products and they say you will do it this way. I was given a non-fabric to find applications for and I didn't like the process they went through. This is the entrepreneur in me coming out then.

Michael: Right, you had a little flexibility with the other company. This one wanted to tell you what do, exactly how to do it -- more strict.

Joe: Yes. BF Goodrich didn't know what marketing was, so I could do pretty much what I wanted. Kimberly-Clark thinks they know, and they do, they're a very successful company, but the process to introduce a new product would take almost three years and was given two dozen possible applications, one of them was tablecloths that you could make a tablecloth out of this stuff and you could wash it.

Michael: What was it, a non-woven fabric?

Joe: Spun bonded polypropylene. It feels like fabric, but it's plastic and you can wash it 50 times.

Michael: Do we see that stuff on the market today?

Joe: No. I'll tell you why. First off, I wasn't allowed to sell consumer products. I'm in the industrial division and there's some politics going on between the VP consumer and the

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VP of industrial and they hate each other. So, I'm not allowed to take my product into anything related to consumers. So, I said well I have a consumer application here, so what I'm going to do is go find another company. So, I find a paper company that has all the right machinery to convert package and print tablecloths and I go talk to them and I say, hey I'm not allowed to sell this to the grocery stores or anything, but you could and they're doing it now, but they're a tiny company. So, I basically used my ad agency budget, which was huge and designed the packaging and basically did everything for them, but they had to manufacture it. I had to sell them to meet the policy.

So, what we did is we created the product. Our lab tests showed that we could wash this thing and dry it in a dryer, just as long as you did it without the heat. So, it passed those kinds of tests. I said I'm going to find out if this thing will sell and the easiest way to find out is to put it in packages and put it in a grocery store. And now these guys I was working with would have a hard time getting that done, but as Kimberly-Clark, I can just hop on a plane. I went down to Jewel Foods in Chicago and talked to them and said I'd like to just do a test and put these floor displays in all your stores and they said fine.

Michael: And you ad budget from Kimberly-Clark handled all this?

Joe: Believe it or not Kimberly-Clark gave me $1 million a year to spend for marketing. So, I used it with my ad agency to develop the packaging. I didn't pay Jewel Foods anything. I created what I needed to do to get the product ready so it would be professional and everything to go in the stores. So, we put it in the stores, it's in like 50 stores, and the stuff sells because we're selling a reasonably large tablecloth for $2.99 retail that you can rewash. That sounds good.

What we find out is really interesting, although people will buy it, when they take it home and wash it, the washing works fine, but the drying is a problem because if there is any heat in the dryer, it melts this stuff and it turns into a ball of plastic and ruins the dryer. The lab people, being engineers, they do their thing and they control it to the nth degree, but in a real world homes it doesn't work like that. About 5% of the people had their dryers ruined, so we find that out, of course, and we have to replace the dryers. The product then is dead, it does not work because guess what guys, in the real world you can't wash this stuff because here's what happened and we don't really want to make 50-cents on a tablecloth and have to replace a dryer.

Michael: In a big company like that and missed the testing, real consumer testing, they were just testing in the lab.

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(Go to next page, please...)

Joe: Well, lab people control it to the nth degree. You know how they are. Their dryers in the lab are plus or minus one degree. They're perfect. But in the real world it doesn't work like that. They got pissed at me, of course and I ended up leaving Kimberly-Clark. But what I thought was cool is that I found out that this application isn't going to work and I found it out in less than a year for not very much money. I didn't spend through my million dollars at all. I spent maybe $50,000 of it and then we had to replace a few dryers. But we found out that it would sell, but we had a technical problem and the thing died. And I thought that was cool because if I had gone through there focus groups process and all of that, I would have spent a couple of hundred thousand dollars before I was ready to put it in the store. And I found out through a third of the money and the third of the time and they didn't like that because I didn't use their process. So, at this point I said I'm out of there. Basically they told me I had to leave.

And I said all right, I'm going to get a job at Rent A Company, my uncle was a headhunter for big companies and he talked to the president of IBM, top-level management for Fortune 500 companies and he said what's your experience? You don't have qualification to run a business and me being the ass said well, I'm not going to let that stand in the way, I'm going to do it anyway. So, I sent out 5,000 resumes, something like that to companies all over the country and I got two offers to run the business. And I take the one in Iowa, it's a Frisbee company, it makes advertising specialties where you print advertising on things. It's a small company doing a couple million a year if that and I take that one because the guy is in default on his SBA loan and they're getting ready to shut him down. And I said no, I've got an MBA, I know a lot about this stuff, that sounds like fun and it will be challenge. So, I go out to Iowa. I end up going early because the guy who owns the company is a pilot and he flies a private plane. Well, he ran his plane out of gas and it crashed in the same fields that Buddy Holly died in. He just ended up in the hospital. He didn't die. And he claims he checked the gas, but I'm sorry, if I'm going to fly in an airplane, they don't coast to the side of road like a car and he ran it out of gas and crashed. So, I had to come up here a little sooner than I had planned. And because of my background on my resume, I had worked for some really big companies and I got an MBA, top of my class kind of thing, I got the SBA to give us six more months and basically rescued that and then went about helping him make the company do better. And I actually did help. I had a disagreement with guy who owned it because our deal was he was going to sell. That's the kind of personality he was. He was going to do sales, I was going to handle the marketing and the manufacturing and he had good people and they're running the injection molding machines and all.

Michael: Was this guy actually manufacturing the Frisbees?

Joe: Yes. We had six injection molding machines that turned little plastic pellets into

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Frisbees and other plastic products and we had good people running the machines and a plant manager who knew what he was doing, so I could manage that fine because the people had their act together.

Michael: And this guy built and owned all the molds?

Joe: Yes. And then he spent about a week of selling on the road all year, the rest of the time in the office hassling me. So, anyway, I helped the company a lot and after a year we decided to part ways. I had met another guy in Mason City, Iowa relative to the Frisbees doing screen-printing. I was having him doing stuff for us. Talk about a small company, it's him and his wife and then one employee who runs the screen press and they're making a few souvenir decals. They're made on this prismatic stuff and they get stuck on the back of campers and things.

Michael: Made out of a prismatic vinyl material?

Joe: Yes, prismatic vinyl. It is metallized and then it has a pattern in it. What they started calling it is holographic, but it isn't truly holographic. It's a defraction grading pattern put in the metallized film, which has a pattern in it and when light hits it, it turns it into rainbows.

Michael: He wasn't manufacturing it was he?

Joe: Not the raw material, no.

Michael: He was buying the raw material from a source and he was using it for decals for tourist stops and stuff?

Joe: Right, the main places he was selling was truck stops. And not very much sales, maybe $150,000 a year, gross revenue. So, I come in and we decide we're going to start a company. I had also at this point started a company making little wooden magnets that I was selling in the promotional products industry. Just out of the home, my wife and I were doing it as part time thing and I was selling maybe $50,000 a year of that and that's how I met this guy. One of the things I had him doing for me was making them. So, we got together and we decided that we would start a new company and I would go out and sell and find markets for this stuff. So, that's what I did, I went out into the promotional products industry, into the souvenir business and I started getting us distributors and people like that and we started selling more of it because his thing was making it.

Michael: When it was your job to sell this, what was your strategy to sell a lot of this? You mentioned distributors. Would you rather go to a distributor to handle volume or

(Go to next page, please...)

going to the smaller specialty ad companies?

Joe: Well, the specialty business is separate than souvenirs. The souvenirs, you're selling a product that you make to whoever will buy it. Ad specialties is to custom imprint with the company's name and phone number on it. So, for the souvenir business, a typical truck stop would buy $72 worth. So, you can't justify a personal sales call for that. So, what I did is I went and said, okay who sells truck stops and there are three of four distributors who sell truck stops. So, I went to see them, got our product in their product line, and they call on all the truck stops in the country. So, though I'm selling it for less margin, I've got distribution then for truck stops. Then I did the same thing for souvenirs. I found the souvenir distributors who have sales people running all over the place selling postcards and everything else.

Michael: The distributor handles multiple products, sometimes hundreds and even thousands.

Joe: Hundreds of thousands, yes.

Michael: How do you get a distributor to focus on your product and do you have any strategy to get them to pay attention or push your product more over other products?

Joe: Yes. There's a definite strategy because if you just give something to them to sell and don't do anything, they will never sell any because they're really not sales people, they're more order takers and they'll ask their customers what they want and they'll just fill their order. So, what you have to do is you have to prove to them the stuff sells. And we had numbers and sell-through information from the few customers we already had and we could say this stuff sells out in a weekend sometimes if the truck stop has good traffic. So, we would tell them that and say go ahead and place them yourself and see. We'll even give them to you free for you to place ten displays and you can see what happens. And as soon as the distributor and the distributor sales people see that the stuff sells well and the makes their customer money, then they're not afraid to recommend it, but they don't want to recommend something that may not work, so they're in an order taking mode that the customer makes the decision. It's not their fault if it doesn't work. If they recommend, they don't want to hurt their relationship, so they don't want to recommend unless they know it will work and if you get them enough samples to do tests with, then of course we have to know what sells first. If our product sucked then it would be no good. So, we knew it would sell.

So, we branched out into other kinds of products for truck stops. We ended up making the little decals to go onto key chains, we had made bumper stinkers and pennants and all kinds of other things, but the artwork is a real pain. He had seven or eight colors in screen-printing to make a decal that's going to sell for $1 retail and then you're going to

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sell $72.00 of them. So, that's how we started and in the specialty end of it, I said this same material would be good for promotional things and a guy went out and talked to in advance like Albuquerque had their balloon festival and we sold them like $10,000 worth of these stickers for the balloon festival, which was like selling a lot of truck stops. But the basic problem I saw with all the stuff is give a tremendous amount art work you have to do for each $1 in sales. So, this company is where I got into the sticker business, the smiley faces and unicorns back in the 1980's. There were about 200 companies in the business already when I finally noticed. I'm not exactly quick on the uptake there, but his stickers are everywhere at this point.

Michael: Where did you first notice that there was a market for kids' stickers?

Joe: Probably because my kids were getting them. Yea, I had two little kids at the time.

Michael: So, you realized screen-printing is a pain in the ass, you're limited by time and labor is just too much and you wanted something that you could really leverage yourself.

Joe: Yes, the screen-printing is okay; the processes are all right, it's the artwork. It's having to make eight screens, do eight pieces of art to print a decal that you're going to sell 500 of. So, I say all right, I can see all these stickers out here from hundreds of companies and they're on paper. And I say our little decal thing has been selling in souvenirs because it's sparkly and it looks shiny and it's attractive and it's better than the ones that are like bumper stickers on white vinyl. So, stickers are paper because they don't need to survive outside. So, I said maybe this stuff would work on a sticker and maybe kids would like it. So, I said I'm going to find out. At this point we've got an artist. My wife and I come up with ideas for designs and have the artist draw it. We make a dozen different packages of stickers and okay, we need to put these in the store and see if anybody will buy them. So, that's what we do, we get them into Hallmark stores, that's where stickers are sold, in gift shops and it turns out that they sell, and in fact, they sell very well.

Michael: How many stores did you test?

Joe: I think I sold about four or five stores.

Michael: Did you put them in on consignment?

Joe: Yes.

Michael: So, you wanted to test in the store, that's been consistent in a lot of things that you do. You want to get the product in the store to see if the public will buy it.

(Go to next page, please...)

Joe: We're going to know if someone will give you money until they give you money.

Michael: And you want to get in the store just for test, you're not going to try and sell to the stores, so consignment is always a good way. You probably put it there for free if they'd let you.

Joe: Exactly. So, we got enough of those going that the stores would then reorder because they were doing well, which we were then now into a regular we sell you kind of relationship and we've probably got 50 to 60 stores. I say, okay now how do I sell gift stores? There are a lot of Hallmark stores and I found out that there's a think called a gift-wrap, which is a manufactures rep that makes calls on gift and stationary stores. So, I get a gift rep who goes out and sells this stuff for me, and the gift reps are like the card shop distributors -- they take orders, they don't sell -- but using the same technique, we got a couple hundred stores buying the stuff and it was selling.

Michael: What do you have to pay a rep?

Joe: Twenty percent commission.

Michael: Is that a standard in a gift store industry?

Joe: Yes. Twenty percent and then they'd have a territory and they get 20% on the territory even if an order comes in that doesn't have anything to do with them, they still get paid because it's their territory. So, what I did at this point is I need to find somebody who knows about how this stuff works and who the gift reps are I should get because there's a million of them. How do I know who is any good? So, at this point I found a guy in Ohio who was representing us and he was our best guy. He was selling more there than anywhere else. From our $100,000 year we started at, we're about a half a million a year now selling stickers.

Michael: Do you have reps already?

Joe: Yes. I had about a half a dozen reps and reps are organizations. A rep organization is a bunch of sales people and it's like Northern California is a territory, Southern California is a territory, Washington, Oregon is a territory, all the New England states are one territory. I have a few reps, we're getting going. And the guy in Ohio is just kicking butt. One of the reasons is he owns five Hallmark stores, but he also is a rep for Ohio. So, he is a rep who has more on the ball than your average rep because he owns stores. I made a deal with him, I said, tell you what you know this business, you've been in it 30 years, you be my VP of sales for the sticker industry and you sign up the reps. You know all these guys all over the country. You know who is good and who isn't.

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And he, in about a week, signed up the entire country distribution just by calling up his buddies.

Michael: For your stickers?

Joe: For our stickers.

Michael: Okay, what was your deal? What were you going to pay him?

Joe: I paid him a 5% override on all sales.

Michael: On all of the gross?

Joe: It took him about a week and we had 300 reps, that was about 20 organizations. Like the New England one has 15 or 20 people selling, but that's one reps firm, but 20 people. So, we had almost 300 people selling for us.

Michael: And he jumped on it because he knew in his stores these things were selling.

Joe: Yes.

Michael: So he could behind it.

Joe: We had made a whole bunch more products. I had enough product now to fill a four-foot section -- hundreds of designs.

Michael: Were you making them on rolls?

Joe: We're making them on rolls and their prismatic of all different sizes and they would sell anywhere from a 10-cents to 50-cents depending on the size of the sticker. We had displays that would hold the rolls that we would provide with them. We designed metal fixturing that bolted into Hallmark's fixturing. It looked like it was made by Hallmark and it was two foot/four foot sections. It would bolt right into Hallmark's, so it was really cool.

Michael: Who was handling all the manufacturing?

Joe: My partner Brian was handling manufacturing and Errol was selling. I got Errol excited enough about the thing. I said well, I'm going to give you piece of this company if you'll move to Mason City, Iowa and do this full-time. So, I got him to do that and that was my best sales job I ever did, getting somebody to move to Mason City, Iowa and he is the VP of sales for the business now. And we're selling a million dollars a year of stickers to gift shops.

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Michael: How many gift shops were you in?

Joe: At this point maybe about a thousand.

Michael: What did you company look like at time?

Joe: Oh maybe 20 to 30 people.

Michael: Twenty or 30 people? Were you at leverage? Were you borrowing money?

Joe: Yes, I went to the bank and did a business plan. And isn't it amazing, I do my typical 50 to 60 page business plan like you do in business schools, a case study, and it looked really good. And they asked me lots of questions and I got past that base financing, you know, receivables, inventory. And of all the questions they asked me they ever asked me how I was going to get these sales because I was saying we're going to do a million this year, we're going to do three million next year, and five million a year after that. And of all the questions they had, they never asked me how I expected to grow at 300% year. They never asked that. I did it anyway, but I thought it was pretty interesting. Bankers being bankers, they want to know about this ratio or that ratio, but the assumptions behind them they never asked.

Michael: No, they would just want to know that they could take your assets and sell them and get their money back.

Joe: Right.

Michael: Now, the asset based financing, how much would they lend you based on the value of the assets?

Joe: I got 80% on receivables, 50% of inventory, and we lease the equipment.

Michael: You would get 80% of accounts receivables, 50% of inventory?

Joe: Yes.

Michael: How did that lease thing work?

Joe: My partner did that. He just went to leasing companies. We didn't have to put any money down.

Michael: Fifty percent on inventory is a pretty good loan.

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Joe: Well, the 80% on receivables is a great thing because take the sticker that is selling in the store for $1, we could make for a dime. At a $1 receivable, we could borrow 80-cents on that. So, with a cost of a 10-cents, we're in hog heaven here with the cash flow.

So, what happens next is now we see the stuff that is selling in gift stores, I want to be in big chains now. And we are in Northern Iowa, so I can hop in my car and drive to Target, which is in Minneapolis, and I figured we're now making stickers in packages, not just rolls because in a mass market you have to have a UPC code and shrink wrap packages, so we get all that done and then we started out selling them in the Hallmark stores. But then went to Target and I was figuring I'm going to sell Target at 75-cents each and they're going to retail at $1.50.

Michael: Now, was this the first time that you ever called on a large company like this?

Joe: Yes. I had never made a sales call on a retail chain in my life.

Michael: Were you nervous?

Jo: Yes.

Michael: How did you set the appointment up?

Joe: I just called them and asked who buys stickers there and if I could come and see him and this is in the 80's and these chains weren't as picky about that. They would give me an appointment. I told them the product line we had was selling great in gift stores and I thought that it might do well in their stores too because they were also carrying stickers. So, I had a rationale behind it.

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Joe: I think we're going to sell them to them at 75-cents and I end up going up there and back three or four times before we get them to buy them and then they buy at 37.5-cents and that's what I thought I was going to sell them for, you know, the real world. Anyway that was okay because we could make them for 10-cents. So, we were still okay, but our first order from Target was hilarious because they made a screw up on the order. And they had said they were going to buy $5,000 worth for a test and the order came with an extra zero or $50,000 worth and this isn't an inventory item, this is what

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they call a flow through right to the store.

Michael: Do stores generally do a flow through direct to the store just to test products out?

Joe: For testing, yes.

Michael: So, they had you ship directly to multiple stores.

Joe: I think we shipped to the Minneapolis warehouse and then it goes from there to the stores. But it's called a flow through, warehouse ____ and what happens then the buyer figured this out and called to cancel.

Michael: You've got the P.O. and it was for $50,000.

Joe: Right, we have the piece of paper that says $50,000 and the appropriate amount of stickers and the buyer figures out they made a mistake, he calls to cancel. I tell him sorry, it's already shipped, which it hadn't, but we got it out right away. And the net effect of this, now since it wasn't an inventory item, now the stores have ten times what they had planned on them having so it's going to take more space so they have to shuffle things around at store level to make place for all this stuff.

Michael: Did they do all the display or did any reps go in and help set that up?

Joe: No, they did it. Later on, we did planograms for them, helping their planogram area, but that was later. At the beginning, I didn't know what a planogram was.

Michael: What is a planogram for anyone who doesn't know?

Joe: Target or Wal-Mart or anybody, every inch of that store is planned and in the case of Target at the time had three sizes of stores; A, B and C. And in an A store the stickers had four feet and this peg has this one on it and this peg has that. It basically is a blueprint for what goes where. You may walk in a store and think that this is sort of like random products everywhere, but everything is blueprinted out as to where it goes, every single hook. And bigger stores have more hooks than littler stores and more space. So, what we end up doing, though, is they end up having to shuffle things around because they ended up with product than they have room for and at the store level it can't fit in the warehouse. What happened then our products sold out right away and we wouldn't have found this out as quickly because we ended up with three or four times the space we should've had, it made more of an impact than people walking by. They had kids who bought the stickers and Target reordered. And that was the start of the big deal because our product sold so well, they put it in the newspaper at 2 for $1 on

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sale and used it as a traffic builder for the store and after it wasn't but a few months that we were in every one of the Target stores.

Michael: Wow! How many Targets were there at that time?

Joe: Oh a couple of hundred I think.

Michael: So, in a mass merchandiser like Target finds something that works and works really well, you can expect that they're going to roll out to all their stores.

Joe: Yes.

Michael: Now back then, maybe today it's different, but did they screen you whether you had the ability to produce or the capacity to supply all their stores? Was that a big concern with Target back then?

Joe: Yes and I have a strategy for that that I had to use for Wal-Mart, too.

Michael: How did they question you about your capacity for production?

Joe: They wanted to know that you have the financial capability to deliver the product because the absolute worse thing for a retail store is to have empty space. Even something that sells slowly is better then nothing there. They give you a big order and allocate the space in all the stores for it and you can't financially deliver it and there is no product, they have empty space and that's the worse thing that can happen. So, they want to see your financial statements. They want to see all that kind of thing. Nowadays it's much, much worse. But back then, they had a million forms you fill out and what I did is that I filled out everything except the financial statements and then the buyers say well, we didn't see the financial statement and I would say oh, I'll get it to you right away, don't worry about and I'd never send it because if I did, we wouldn't get an order. And it slipped through the cracks. The same thing happened at Wal-Mart. When I first got into Wal-Mart, I sent them all the paperwork except the financial statement because if they saw that there's no way.

Michael: That's hilarious, that's great.

Joe: It slipped through the cracks both times. I gave them everything else and bottom line is the products had sold well and we had been able to ship everything quickly so far. The buyer is sort of covering his butt there, didn't do it, but the product was selling and the buyer is incentivized and his job depends on getting the most profit per foot that he can and when we have something that's giving him more profit per foot than the others, he's inclined to let it slide.

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Michael: So, they were asking for financials after your test went through, not before they tried your product, correct?

Joe: That's right. We were probably in 30 stores before they asked for that. It wasn't upfront. Wal-Mart was upfront. Target was not.

Michael: Describe what it was like once you saw success in Target and then that order came in for all of their stores. Do you remember that day?

Joe: Yes. It's called scramble. We made product and put it in inventory and shipped that inventory, but when we get a big order like that, I don't know, it was a $100,000 or something, that was more that we had in inventory so we had to have our people come in over the weekend and rush it out. We wanted to make sure we made every ship date and what happens once you're approved and they order, they want you to ship that within a week.

Michael: A week?

Joe: Yes, so we had five days to get that out. So we got it out. We're a small entrepreneurial company. We've opened up a second shift and we run all weekend and we get it done.

Michael: How long did you have to wait for your money?

Joe: Terms are net 30; we got paid in like 45 days. So, it was never a problem with Target.

Michael: And they paid on time?

Joe: Yes, within a few weeks, yes. We had more problem collecting from Hallmark stores and gift stores. They were hard. If I had a rule of thumb on that, the smaller the order the harder it is to collect. A $200 order from a Hallmark store in Alabama, that thing will go to six months.

Michael: How did you handle that? Did you have in-house collection or did you farm it out?

Joe: In-house and it's a high point of our company. We had 20 people doing that because just at a high point we had 300 employees. What our rule of thumb was is we'll ship anybody the first order and we're not going to seek credit checks and all that. It's too much trouble, and the independent gift store the first order is couple of hundred

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dollars. It's not a huge amount of money and then the rule was if they hadn't paid for that one and they ordered again, we wouldn't ship the second order. So, that was our method and back then we had a big huge computer system that pretty much was supposed to do everything under the sun and work for receivables and that's about it. And that's about all we could get it to do was to tell us that these people haven't paid for the last order, so don't ship this one.

Michael: Tell me what the business is looking like? You're in all 200 of the Target stores?

Joe: At this point, we're also in probably 2,000 independent gift shops.

Michael: In 2,000 independent gift shops, any other mass merchandisers with the stickers?

Joe: Yes. At this point we're doing about $3 million or $4 million in sales and we were in probably the top 20 mass merchandisers. Everybody became ours.

Michael: And tell me what happens when you have a big success with a mass merchandiser like Target, why don't you describe how you leveraged that to get into the other mass merchandisers or did your phone start ringing because of IRI data? Did the mass merchandisers know what's hot and they start contacting you? How did you get into the other ones?

Joe: Through the reps, our independent reps pretty much suck as sales people, but you got 300 of them. I was putting full-page ads in all the gift industry magazines and they're like four of them and I'd have a full-page ad in every one every month talking about how well these things were selling. At the same time we're getting into Target the way they're gift stores expanded was we did enough promotion that the store owner would ask the rep do you carry this line? I want to buy this. Now, reps aren't any good at selling, but they're good at taking orders and if you get thousands of stores asking the reps for this and then the rep that carries that line can write the order, after this happened 10 or 20 times, the rep finally dawns on him that maybe he should mention it and before long now they're mentioning it on every sales call. And lo and behold at the high point we have 10,000 independent gift store customers.

Actually we're all over, we're in the US, Canada and Europe at that point. But with a mass merchants, these gift industry people, a lot them had mass merchant divisions, a couple of people who specialize into mass merchants, and so they would go call on Dayton Hudson and they'd call on Kresge and K-Mart. We were in Safeway and Jewel Foods, so we were in grocery stores. We were in drug stores. We were in mass merchants. And if you looked at the report of the top hundred mass marketers, whether

(Go to next page, please...)

it's grocery, drug or anything all in one list, we were in 40 of the top 45.

Michael: And how much business were you doing at the peak?

Joe: At the peak, a little over a million dollars a month.

Michael: And that was back in what year?

Joe: In '84. So, the only one we couldn't get into was K-mart. We had a competitor in K-mart who was doing the prismatic stickers and he copied us and there's another piece to this, which is the manufacturing side. The normal way you would make these things is that you would print them on a rotary press and the dies are expensive. You had a couple thousand dollars in dies. Plates are expensive and then you have to run a bunch of them so you have about $10,000 cost per design. And the guy we were competing with was making them on a web press like that. We were screen-printing them on sheets. And the way we made rolls of stickers is we screen-printed them on sheets and then we die cut them and then we sticky taped them together. This sounds insane, but you have this 28 x 40 inch sheet of all these stickers on there, die cut into rolls that are perforated between each sticker and then we'd lay them upside down and we would put adhesive tape between each segment and then we'd roll that up on a roll manually, which sounds insane. And we would screen print them on 8 colors would be 8 screens, we'd run it through the press 8 times, 4 times to die cut it and it's going through the press 10 times. Where our competitor is going through once because all the plates are printing and the dies are cutting all inline.

Michael: Who was your competitor?

Joe: Well, we had a lot of them, but this one was called Starbright. He was a little company he didn't manufacture anything, but we were doing something people if they knew what we were doing would think we were nuts, you're absolutely crazy. You're taking 10 steps where I could do it in one step. But, because we were using vinyl and not polyester, and this is one of our big secrets, we could do it 28 x 40 inch thermal die on a sheet. We used old letter press machines and we put it in there and we die cut it with a thermal die, which cuts by heat and that would melt the vinyl into the stickers and we'd put it in our rule die cutter that would cut through the backing material. What that let us do is where the other people had a set up cost of $10,000 per design, we had a set up cost of $25.00 because I could make a thermal die for about $150.00. It would do about 30 designs and we'd tape them together with the tape, so we didn't have hardly any cost.

And what we did is I had a bunch of test stores and at one point we had 900 test stores, but we started with maybe 50. I had one lady whose job it was to contact the test stores.

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The test stores got their stickers at half price and in exchange for that they would talk to us every week and tell us which designs had been selling so we could replace them and we never had an out of stock so that our numbers were meaningful. So we never had a failure on a new product because I would make enough for the test stores of anything new, put it out in the stores, see if it sold. If it didn't sell, it's discontinued. If does sell, we roll it out.

Michael: Like if you tested 10 designs, how many ended up making the cut?

Joe: Sixty percent.

Michael: And so, your other company didn't have the luxury of doing that because his cost was so much on the setup.

Joe: We had another competitor who -- we went to very first gift show. He had eight designs or something of the prismatic ones and we had our different process and we had like four designs or something and the next show he shows up and comes over to talk to us all proud that he has 12 designs now and looks at our booth and we had 200 of them and what he thinks is, holy cow you guys got $2 million dollars in financing just to do the upfront cost to make all these stickers. I'm out of this business is his conclusion and it didn't cost $2 million dollars, it cost us $2,000. So, our process let us test up and not worry about if it's going to work or not because we never have a failure if we only make enough for the test and roll out what works. So, that was a really critical way we were able to expand into thousands of items.

Michael: That's great. You had an advantage in manufacturing and you tested meticulously.

Joe: Oh yeah. And then the other thing we did on the gift side that was really huge, again not inventing anything, there were six or eight of our biggest competitors who had sticker clubs and the sticker club was the kids come and get their sticker each month kind of thing. At this point stickers are a hot craze and these other companies that were about 20 to 30 thousand kids in their clubs and from talking to stores again, and actually my reps talking to stores or my VP of sales, we find out that the stores don't like these clubs because what they view them as is the manufacturer trying to go around the retailer and selling to kids direct. Now, that's not the truth, but that's the perceived image in the storeowner's mind.

So, what we did is I said, I'm going to do a sticker club too and I'm going to do it different. Stores don't like these things because they feel the manufacturer is trying to undercut them, so I'm going to set mine up as a promotion for the store. And our sticker club has the stores name on them. Our company is called Decal Specialties. So, it

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would be like the Ross Hallmark sticker club and we had a huge poster for the window. We had point of sales displays. We had a limited edition sticker of the month. We had a newsletter and we had membership cards for the kids. Now, what the store did is they would sell the membership card for $1 and that entitled the kid to come in every month to get their free limited edition sticker of the month and get their card punched. The store paid a nickel for the stickers. So, by selling a membership card for a $1 their cost is 60-cents, the promotion doesn't cost them anything. Now, they do have to buy the window poster and the displays, they're cardboard.

Some of the best stores had over a thousand kids in their club. So, what that meant is number one, this club got massive reception because it was a traffic building promotion for the store under the store's name. So the stores loved it, not hated it. They would have lines of kids outside the stores when the sticker came in and the kids dragged their mom's to the Hallmark store and guess what mom does while the kid's waiting in line? She buys stuff. And they come to the Hallmark store more often than normal. On average the Hallmark stores in a 12-month period did a 20% more business because of the promotion. So, a store doing $1 million then did $1.2 million because they had the sticker club that didn't cost them anything. So, everybody wanted a sticker club.

We had shoe stores who wanted sticker clubs and we had to allocate them no more than two in any mall and we wanted to make sure that there weren't too many close together. But we had about 1,200 of them I think. And we were selling as many as 900,000 limited edition stickers every month. Our biggest seller was always our limited edition sticker because it was dated and everything. I had at one point figured it out, it amounted extra sales that each store got times the number of stores came out to be in the area of $150 million dollars of extra business for the stores that they got for free. So, one of the requirements, though, they couldn't have the sticker club if they didn't have a four foot section of our stock. So, we had Hallmark stores with four and eight foot sections. At this point, we have stickers on rolls, stickers on sheets, sticker collecting books, little notebooks, all kinds of stuff, enough to fill 12-feet of space in a store. And back in the Target and those kinds of stores, we have two-foot sections probably.

Michael: And was all your stuff prismatic or now were you doing all different stuff?

Joe: No, we were doing other things too. We were doing holograms. We were doing pearlescents. We were doing other things, but not paper. All our stuff was exotic looking. There was nothing plain. So, it was selling really, really well and at the point we were doing $1 million or $1.25 million every month, we were like a 110% leveraged.

My partner and I had a thing going. I used to say that I could sell more than he could make and he'd say he could make more than I could sell. And what this led to was a frenzy. We ended up with four buildings, 70 acres of land, 300,000-foot factory with at

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least $150,000 screen presses. We were at this point set up to do $50 million because he's doing his thing buying equipment and I'm doing my thing selling stuff. And we're getting things like KB Toys. We got a $1 million order from them for the name stickers with the kids' name on the stickers and they liked them so much they wanted us to make racks that would hold twice as much than our normal rack and they wanted them for all 900 stores.

Michael: Did you all fill that order?

Joe: Yes.

Michael: Wow!

Joe: Yes, my partner, at this point, had started making the wire racks. He had set up an area to do that. So, we were doing our own. And things are going nuts.

Our one competitor in K-mart had just a few designs and we couldn't get in that chain. Back then I think K-mart was probably crooked because the guy in the automobile stereo department was buying the stickers, and everybody else it was the stationary department. And we couldn't get in. So, what I ended up doing is talking to our competitor and I said, okay guys you guys have a few designs, you've got K-Mart and I have an idea. We have a lot more designs. Our stuff is better than yours. How about we sell it to you and you put it in your package and put it in K-Mart. And we give them a price where we're still make double our cost and they can still do fine. It cost them just a tad more than they're paying to have somebody make it for them now. So, they test it and what ends up happening is our stuff does sell better. So, they end up turning their whole product line into our stuff. So, now I'm in K-Mart, but in their package. How cool is that?

Michael: That's great.

Joe: So, what happened then at the high point of this, visualize a Target store, a K-mart store where they have a four foot section and an eight foot section of all stickers and they're all in little packages and on hooks and there's hundreds of hooks. They're all over the place. And the mass merchants back in the 80s, they're tracking systems were not that good. They did not want to assign an SKU for each one because that's 200 or 400 SKUs just for stickers and its nuts. So, they didn't do that. What happened then is they would order an assortment from anybody who would sell to them and then it would sell out and then they would order more. But at some point the kids get more picky and they'd only want to buy the good stuff. The stores still ordered the same assortment and then the bad stuff stays there, the good stuff sells, they order more, the good stuff sells, the bad stuff stays there, they're still ordering the bad stuff. After a few cycles of this,

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you have a display of bad stuff and nobody buys anything. So, what happens is our sales go from over a million a month to a quarter million a month in 30 days and almost all the chains had the same thing happen at the same time.

Michael: And how long of a period did this take to get to that point?

Joe: Several years. At the beginning the kids would buying anything. If you had stickers, they would buy them, it doesn't matter. Everything sells. But at the point where you got hundreds of companies making them and thousands of designs and the kids have collection books, now they're getting more discriminating. After a few years, they're pickier and that's when this happened. And the only chain that had their act together was Target. And Target tracked each group of designs. There may have been three designs on a hook and they'd track that. They're given an SKU and they tracked it. And though our sales to other mass merchants went to zero, Target sales never changed. They went up a little because Target bought what sold only. How obvious is that? But the executing of that at store level back in the 80s wasn't so simple, but Target was smart enough to do it. So our sales to Target never stopped. But the other chains did and when we went from $1 million in sales to $200,000 to $300,000 in sales, basically we ended up bankrupt in a few months.

Asset based financing works great if you're growing, but when you're going the other way, it's basically like leverage. Leverage going up is great, leverage going down will kill you and we had no financial staying power whatsoever. We thought we were going to the moon, we were going to be $50 million next year instead of $15 million this year and then it turns out we end up out of business because of that. The guy I had for a CFO was really just our accountant. He wasn't a real CFO. He knew more than I did at the time and what I tell people now is that you can go and get your MBA and you will learn some useful things. I didn't learn a lot growing. Going from nothing to $12 million to $15 million in five years, I didn't learn a lot doing that because everything I did worked. And my partner and I pretty much though we could never fail. The going bankrupt part, I learned a lot.

Michael: How long did that process take?

Joe: A year and a half.

Michael: A year and a half. That must have been stressful.

Joe: Well, we stuck around. We could have just said, okay we're bankrupt; we're out of here. We're personally bankrupt our business is bankrupt, walk away and start doing something else.

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Michael: Were you personally on the hook for this?

Joe: Of course.

Michael: So, you had a home and were you married with kids?

Joe: Yes, I had a home and stocks and all kinds of stuff and yes, personally on the hook and personally bankrupt and business bankrupt because all that has to happen is a bank comes and says okay, you personally guaranteed $6 million so we want our money. Okay, I have a couple hundred grand but not $600,000.

Michael: So, what happened, did you lose your home and everything?

Joe: Yes. I went through personal bankruptcy and business bankruptcy. We hung around, my partner and I, for a year and a half on small salaries and helped the bank get their money back. And we liquidated the company. And the bank did get most of their money bank. Apparently, most people do not do that. I mean, we didn't know, I've never been bankrupt before. It seemed like the right thing to do. But the bank was impressed enough with that that when they had the auction for our equipment, sold it all in auction, they loaned my partner the money to go buy it at the auction, pretty cool.

Michael: Did he buy it for a good deal?

Joe: Oh yes, 10-cents on the dollar because it's an equipment auction. Banks don't normally do that. If you go bankrupt the bank isn't going to come near you with a 10-foot pole, but because of the way we handled the whole thing, they loaned my partner the money to start over with another company.

At this point, I had enough of manufacturing. I said I'm going to move to Colorado and I'm going to do marketing. I'm not going to do manufacturing. So my former partner starts a screen-printing company again and he does contract screen printing for people not getting back into retail stores, which I wasn't interested in to see if I could make something for $1 and sell it for a $1.15. This isn't where I was coming from.

Michael: At this point, you knew what a pain in the ass it was to run a company like that, something that had to be manufactured.

Joe: I was stuck as president of this thing because I had an MBA, okay? My partner graduated from college as a musician. So, I by default end up president pretty much clueless on how to handle all these people and I didn't want to do that again. So, I came out to Colorado. We did a couple of good things. One thing is we have a promotion on the back of our stickers where we said send a $1 for shipping and handling; we'll send

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you some free stickers. So, we have kids sending in lots of dollars for the stickers, I don't know, $10,000 a month maybe in dollar bills. So, we started a little consumer mail order company out of this that my wife runs and it's so cool because this is a company that can get a 0% response in a mailing and make money. Its kids are sending us a dollar, we send out their free stickers, and an order form to buy more and the cost to send the stickers and the stamp and the whole thing to mail it costs 80-0cents. So, we make 20-cents if we never get an order, which is so cool. We build a consumer mail order company this way.

Michael: Now who were you mailing to?

Joe: Kids who buy the sticker in a store. On the back of the package it says send a $1 and we'll send you a free sticker.

Michael: All right, now this was even when you were in all the mass merchandisers?

Joe: Yes.

Michael: Oh, so you had that on the back of all your packets? That was happening the whole time, right?

Joe: Yes.

Michael: That was income part for the company, right.

Joe: Yes.

Michael: But after the company went bankrupt things were still coming in?

Joe: Yes, the consumer thing was still there and the bankruptcy court wasn't interested in it.

Michael: Okay. So you still had dollars coming in, which you wanted to leverage?

Joe: Not very many though because remember when the stores stopped buying that dwindles down in a hurry. The important thing we did is we had a lot of artwork, thousand of pieces of art, and before filing the bankruptcy our lawyers suggested that we sell the artwork to our wives. I sold it to my wife, he sold it to his wife, but both of them were non-exclusive. We would both have the non-exclusive rights to the artwork and then the bankruptcy court looked at that, which sold for $5,000, this is like $2 million of artwork, the bankruptcy court says, okay $5,000 that's fine. Who else would ever want this anyway, non-exclusive right, we'll approve that transaction.

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I took my non-exclusive right to the artwork, came out here to Colorado and went back into gift industry and found a company that wasn't making stickers. And I said, guess what guys, do you want to be in the sticker business? I can put you in it over night. I have all the art and I know how to get this stuff made. So, I sold it to them for a $100,000 and that's how I started my next company and I helped them get in the sticker business. So, now I put this company in the sticker business. They're doing great, making a million or two.

Michael: How long did it take them to get going?

Joe: Three or four months. I had all the art. I just had to set them up with the manufacturing, which we out sourced this time. And then got them in the business then they started to design some of their own and everything, which is fine.

Michael: Did they pay you a $100,000 all up front?

Joe: No. I got about half of it upfront and the other half later, but I also made each package of stickers and were now selling Hallmark size packages. It cost me 20-cents to make, I sold it to them for 25-cents, so I made the mark-up on the product itself along with my $100,000. And that went on for several years. What I did then, came out here to Colorado and the company I started out here never had more than 10 people instead of 300. I said I'm going to do marketing this time. I'm not going to own the factory.

One thing I've done is that I noticed this raw material we were using had gotten cheaper. A couple of companies were now metalizing paper and those that were doing it on film instead of 3 mil film, they now have half mil film, which is one-sixth as much. So, I said okay, I have an idea. And my idea is this prismatic holographic look sold well to kids, they loved it. The stuff is now cheaper, so I said, okay what else do kids buy that would appeal to the same age group that's bigger. And so, I come up with school supplies. You have portfolios, three ring binders, spiral notebooks, pens, pencils, and rulers. So I found people who make those things. The spiral notebook companies and the companies that make two pocket folders and I have them make their stuff out of our materials with my artwork on them. And back I go to Target and Wal-Mart.

Michael: Well, how were you going to make money on that deal? Did you just sell them the material?

Joe: No, no. I provided the material to the factory. I said you guys make me a spiral notebook. I would have the material made and ship them the cover and they'd make the line paper pages and put the spiral in. On a ruler, I would send them the material attached to vinyl and they cut it and print it and on a two pocket folder, I had the material

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shipped direct to the factory that makes the folders and they laminate it to the cardboard and then I would do the artwork. And the product would be my product and I would sell it to the store. So, I'm having it made for me and then I sell it to the store. Now we're dealing only with mass market because that's where school supplies are sold.

Michael: And you went back to Target.

Joe: Target and Wal-Mart, and actually, with Target, Target is high-end compared to Wal-Mart, fad and fashion, and they spend $100,000 to $150,000 a year on research of colors. So, I got the buyer at Target to help me design my product line. They shared with me their color research. Here are the coming colors for this year and I was going to do a product line with animals on it and it was to the point where I would send drawings up to the buyer and he would say yea or nay, I don't think this would go, but this one should work well. The buyer knows more about what the customers are buying than I do. And we developed the product lines together, both the colors of the metallic stuff that was just colors and different sparkly patterns and the stuff that had designs printed. The buyer helped me do it. The net result of that is that he had a buying in on it, so there was no way that it wasn't going to get in the stores for at least a test because the buyer helped create it.

Michael: You got him involved.

Joe: Yes.

Michael: I bet buyers are open to working with manufacturers and distributors, wouldn't you think?

Joe: Well, Target yes, Wal-Mart no. Target is a fad and fashion leader. They do the color research and all that. Wal-Mart is a follower. If you prove something will sell, we'll buy some, but we don't want don't want to pioneer anything. Where Target will. So, start with Target and then go to Wal-Mart once you have a proven success. But with Target, the products sold so well, I had four feet again, the whole product line. The mass market people don't want to buy an item, they want to buy a product line. You better have a four-foot section of product, not just a thing. The only way you'll sell a thing is if you have the Star Wars license and you put Star Wars stuff by that cash register.

Michael: Well, I've heard this before in some of my interviews about how to get into Wal-Mart. Don't go to Wal-Mart or any of these mass merchandisers with just one product.

Joe: They won't buy an item. They want a product line and I guess an exception to that is if you have an item that sells for $75.00 and it's something unique like iPod for example. Okay, iPod doesn't have to have ten different iPods. They can sell one. But for

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the normal small business, you're not Apple Computer.

So, Target told us, and so did Wal-Mart, that one of their corporate edicts is to reduce the number of vendors. They want less vendor IDs in their computer system and it cost them money. If they can get one vendor to fill four feet instead of three vendors to fill four feet, if the sell through is the same and the profits are the same, they'll pick the one because they make more money when they consider all their other costs. What happened at Target is that they gave us two feet, it sold well, they gave us four feet, it sold well, they put us on an end cap because we were then the best thing in the department and we got an award of the best new vendor for the year, stationary and school supplies, and we went to Minneapolis and got my award. We created the most profit per foot per week in the department.

Michael: Did Wal-Mart pick up on it?

Joe: Yes. Once we were a success in Target, then we took it to Wal-Mart and we said, okay, Target has us on an end cap. Stuff is blowing out. You guys want to test it? So, Wal-Mart took it and obviously bought a lot more than Target because they have more stores. And they did well with it, too.

Michael: Let's talk about your experience with Wal-Mart and what that was like. When you approached Wal-Mart, did you have to go down to Bentonville to present it?

Joe: Yes.

Michael: Did you do it personally or one of your reps? Did you have reps at this time again?

Joe: We got reps, but at least then and probably now, Wal-Mart doesn't want to deal with reps. They want to deal with principles who can make a decision.

Michael: Okay, so you had to go down to Bentonville?

Joe: Yes. But the way that this happened, this is a funny story. I was looking for an employee, the sales manager in this new company who has experience selling to big chains. I put ads out and I guess this guy who comes into our office and here we're in Boulder Colorado now, and he comes in wearing a cowboy hat and boots and well, he's a Texan. He looks like he just got off a horse and he's like 65. And his jacket has fringe on it and he's a typical sales guy, I can sell anything to anybody, I have connections everywhere. And almost just threw him out, said you're not going to fit, but he was convincing and he was a good sales guy, And so, okay Jack, we'll give you a chance because part of his line was, oh I have connections at Wal-Mart, I know someone on the

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board. I said, right sure you do. But he did. I took him on as sales. We haven't been able to get into Wal-Mart. They wouldn't give us an appointment. And Jack gets on the phone calls this guy that he knows down there and the buyer calls us back and says when would you like to come? Whoa. So on a plane we go and ….

Michael: Did you go with him?

Joe: Jack, yes. He and I went down there together and basically closed the deal. And they give us the test and once we get a test, we're good because the stuff sells.

Michael: How would you recommend someone prepare when they're getting ready to pitch Wal-Mart? Did you have all your stats together? What advise would you give?

Joe: Yes. First you need to understand Wal-Mart. Just go to their web site and look at their vendor part and they tell you right there what their requirements are and what you have to do to do business with them. You can't get away with not giving your financials anymore. They've buttoned down that stuff and you basically need to understand where they're coming from and their business philosophy and all that. And you really need to study all that. But the basic thing I think you need to do is you have to have something that's going to make them more money per square foot than what's there now. And what people need to realize saying that your product is going to sell and you're going to make them a nice profit on this thing isn't good enough by itself. There's only so much space in the store. If they're going to take your product, something else has to go away.

Michael: Were you able to get stats on what was in Wal-Mart currently? The existing school supplies line?

Joe: Oh yes. We'd go into the store and we'd look at what's there and we tried to get our best feel for how fast it's selling. We'd check the price points.

Oh, one other thing I didn't tell you about the school supply line. Everybody says Wal-Mart's cheap, right? The normal two pocket folder was selling either for 39-cents retail just the yellow paper one, called PT or there were some fancy ones from the sticker companies, Lisa Frank and so on that sold for 79-cents retail. Ours sold for $2. We were three times the retail price. On the surface of things that sounds insane. You need to go in with a lower price so they would buy yours. Well, if you have a commodity that's true. If you're selling apples to apples they're going to buy the cheapest apple that's the same quality. But ours was not the same and our pitch was, guess what guys, you will sell the same number of units of our portfolio as you will with competitors. On the competitors 79-cent portfolio, you make 30-cents. On our $2 one you'll make a $1.05.

Michael: I've got a great story on one of my Wal-Mart interviews, the exact same story

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with a guy who got in with a line of kick balls that you see in all of the mass merchandisers and it was the same thing. It was a beautiful ball with imprinting, with licensed characters, and all these gorgeous designs that no one else had and that's how he got into Wal-Mart with an item that sold three times the normal price. And he would guarantee it, too.

Joe: People don't think like that. But I have another example with Wal-Mart. We didn't get in there first, but Jack got us in there first with wasn't school supplies. It was stickers because I did stickers again in this new company, but I did them differently. With Wal-Mart, we got in on price initially, but there are two different departments, so one buyer and another buyer. There are two different buyers. But we were selling the stickers. 3M was in there and they were selling their package of stickers at $2.50 retail because 3M sells nothing cheap and ours were $1.00 retail and ours were our metallic material, our prismatic. So, Wal-Mart tested it and then they kicked 3M out. In this case, 3M had them placing eight pegs of stickers and what we did is we created a little wider rack. It would bolt onto their fixture and it was painted the same color to match and all that. We'd give them the rack free and we'd give them the stickers and we'd sell them at $1.00 retail. So, they could sell them at $1.00 instead of $2.25 and they'd turn more and the price is cheaper for the same size product. So, they took it and we were in all the Wal-Mart stores selling stickers.

Michael: How many Wal-Mart stores were you in?

Joe: As many as they had.

Michael: Did they pay on time?

Joe: Oh, good story on payment. I don't know why, but we've had good luck with buyers telling us the real deal and the buyer at Wal-Mart said if you do 2% in10, net 30, we'll take that discount.

Michael: Oh, yes. I bet Wal-Mart would.

Joe: Because 2% in10, net 30, if you calculate that interest on money, that's a good deal. So, we got paid in ten days. We had a $900,000 check come in ten days.

Michael: And so, how many Wal-Mart stores at that time were you in?

Joe: Fifteen hundred or 1,600, however many there were. We were in all of them.

Michael: You were shipping to their distribution centers?

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Joe: Yes. They had like 12 distribution centers. We shipped to them. At this point, we have a warehouse slot and there's another story with that.

Michael: What's a slot in a warehouse?

Joe: Literally that. It's a place on a shelf in a warehouse for your product. You ship to the warehouse and the warehouse distributes to the stores. The first thing I got in there with was what I call an in and out promotion, which does not go through the warehouse. It was Christmas stickers. Now, seasonal stuff, there's no point in setting up a slot in the warehouse for something that's only going to be there two months of the year. So, it's flow-through sale, goes through the warehouse to the store without getting a slot.

And here's an example of one I sold based on price. They're buying out 4 x 6 stickers. Sticker material has gotten cheaper and now I'm going to go to them with an 8 x 10 sheet of stickers for Christmas, which is 80 square inches as opposed to 12 for the same price because I can make them cheaper. That was an easy sale. They say okay, you're going to sell us this 8 x 10 package of the same stuff for the same price as this one thing that's one-sixth the size we'll buy it. They didn't test it because you test it this Christmas and what roll it out next Christmas. No. They just put it in every store right away because the logic says, hey, if a 4 x 6-inch sheet of stickers will sell at $1.00, will an 8 x 10 sheet sell at $1,00; how could it not. So, we did stickers and gift tags and labels and stuff for Christmas and that was a flow-through thing. It was right about $1 million order and no testing involved and it when great.

But the warehouse slot, we got approved for the stickers to replace 3M. Wal-Mart told us that when the order comes through, you'll ship in a week or you won't get the order. We said okay, so that means we have to put in inventory. We can't make it that fast for as big an order as they're going to give us. And they said once the warehouse slot is approved, you get your order. At this point, everything is EDI, it's all electronic. We have one EDI system for Target, another one for Wal-Mart. They're on different hardware and different software, so we have two sets and our warehouse slot doesn't get approved or it got approved, but we don't get it. So, now I've got close to $1 million worth of stickers for this order sitting there and my suppliers want to get paid. Imagine that.

Michael: Where was the slot? How come you didn't get it?

Joe: Well, the buyer said we'd get the order, our warehouse slot is approved, you're going to get the order, but it took nine months. Nine months later we eventually got the order. But I needed to pay the suppliers. They weren't going to sit on us for nine months. I ended up having to get other people to put money in the company and I ended up losing control of the company.

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Michael: So, you got by with your financials with Wal-Mart on this one because you had used that technique or was that the first time you were in Wal-Mart?

Joe: No, it worked.

Michael: It worked on this one, too.

Joe: I gave them everything but the financials. What I'm saying, though, it won't work now.

Michael: It wouldn't work now.

Joe: No. In '92 it worked. I got in on the same way, the financials part, stuff starting selling and they get less concerned.

Michael: All right. So, what happened? How much money did you owe to your vendors? It took nine months to get the order, right.

Joe: About $400,000.

Michael: This is kind of interesting. Tell me where did you find the money? How did you finance it?

Joe: Well, here's what I'm trying to finance first. I'm trying to finance the promise of a purchase order. A purchase order, if you read the back, is cancelled at any time before shipment you have no recourse. So, you can't even really borrow on a purchase order from Wal-Mart.

Michael: Banks won't lend on a purchase order?

Joe: No because the purchase order says they can cancel at any time and you have no recourse.

Michael: I didn't know that. I mean I thought a purchase order from Wal-Mart is as good as gold.

Joe: No, it's not worth anything. An invoice to Wal-Mart is gold. Anybody will finance an invoice.

Michael: That's after the purchase order.

Joe: Once I've shipped it and it's in accounts receivable, easy, easy, easy because Wal-

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Mart is golden. Everybody wants to finance that. But a purchase order can be cancelled before it's shipped. It's not a legal document. So, they're telling you they want it, but until you ship it and it's a receivable, it's a promise. And now we're talking about a promise of a promise. Sure, we'll get the P.O. It's coming any day now.

Michael: A check is in the mail.

Joe: We're getting this thing that you can't finance even when we get it.

Michael: All right. So, what did you do?

Joe: So, we got it financed by private individuals, but they wanted stock to go with it.

Michael: Stock of the corporation.

Joe: Ownership, yes.

Michael: How much did you have to give away?

Joe: I didn't have to give away all that much at the start, but by the time we got the order, 90%.

Michael: Ninety percent.

Joe: Look at it this way. If I don't have that, I'm going because my creditors want their $450,000 and I'm a little company and just put me out of business. You have no bargaining power whatsoever in this situation.

But the order does come through and we shipped the stickers and we get in and all is well. And my analogy on this is 3M is the elephant and we kicked the elephant in the shins and being big and slow, he didn't notice us for about a year and then he did and he turned around and squashed us.

Michael: What did they do?

Joe: 3M wanted their space back, but they didn't want to discount their price any. So, they said to Wal-Mart, we want our space back. We just recognized that we lost our space for a year, how insignificant that they didn't notice.

Michael: And they got back in.

Joe: Do you know how?

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Michael: How?

Joe: They told Wal-Mart, we will have an in-store person go to every one of those displays in every one of your stores every week and we will service that display and replace what needs replacing and we'll do that for free. And Wal-Mart says, well, can you guys do that? No, we really don't have a way of going in all 2,000 of your stores every week and if we hire someone to do it, we won't make any money.

Michael: So, that was it.

Joe: So, 3M got us out.

Michael: Did you investors get their money back?

Joe: Well, at this point, we're doing other things. Investors got paid when we collected the first payment. They got paid back right away. When we got kicked out of Wal-Mart, that's like ten months later. And 3M has people in the store anyway. They sell Wal-Mart so much stuff that they're in the store doing store level work, so adding that service from the point of view of 3M hasn't cost zero. Adding that service from a point of us is a cost of a tremendous amount of money. So, once they realized what we did and they thought about it a little bit, they got their space back. But being a little company, you can be quick and make $1 million before they figure it out.

Michael: That's a great story.

Joe: And then we got the school supplies in. I've got another story with school supplies.

Michael: Now, was this after the company went down?

Joe: The first sticker company was in Iowa. The second company is in Boulder and this company is doing school supplies. The other company didn't do school supplies because the material was too expensive back then. So, this is my new company with 10 employees and not making anything. So, we're doing well in Target, we're doing well in Safeway, and we're doing well other places. Wal-Mart will give us a test because we do homework on the category, we do our homework on what they have, we have our sell-through information, we know how many pieces sell per week, and we know what our gross profit is or what their gross profit will be on it and you go in with a presentation that says okay guys, here's our presentation. You will make 350% more money for the same shelf space with our product than you will with the one that's sitting there right now. And here are the facts and figures to prove it. Can we have a test? And basically Wal-Mart reacts okay. You've given them the proof, the documented sell-through proof

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in other stores that you're stuff will sell and you've shown them how it will be better for Wal-Mart. It gives them a different category of products, it sells better, it makes them more money, the kids want it. And the way I look at this is you're basically making a sales presentation with many points in it. On every point you make, you want to prove that point. You want to assume that their reaction to everything you say is you're full of BS and you need to have solid proof of every point and build it like a lawyer's case, step by step by step.

Michael: Like a good direct sales letter.

Joe: Exactly.

Michael: That's a sales presentation.

Joe: Exactly. And like a good direct marketing letter, you want to prove things with testimonials and facts and figures and not ask people to believe you. The same thing with an in person presentation to Wal-Mart. But once you're there, if your stuff doesn't sell or you don't ship on time, you're out.

Michael: What happens if the stuff doesn't sell? Do you have to take it back?

Joe: No, we didn't sell it on guaranteed sale. They just mark it down and blow it out. But the funny story about Wal-Mart is after a couple of years, there's this company called Meade Paper, a multi-billion dollar paper company that also makes these portfolios. In the case of school supplies, we took their space. Not all of it. They probably had 30 feet. We took 4 feet.

Michael: And they came out with whole prismatic line.

Joe: Right.

Michael: I've seen it.

Joe: And guess what? It didn't sell. The way they got into Wal-Mart is our stuff had sold out and school supplies don't get reordered. It's like Christmas, in and out. So, ours sold out and then the next year, I guess Meade just put their stuff in, in the second year. So, their stuff was there and our stuff sold out and their stuff didn't sell. The bottom line is that Wal-Mart told me that they'd like to return this $2 million worth of stuff that didn't sell and Meade said to them well we didn't sell it on those terms, but if you kick that other company out, we'll do it. So, we get kicked out. Our product sold through, but we get kicked out anyway because Wal-Mart wants the $2 million return. Meade's didn't sell because their artwork sucked. That was why. They wanted us out of there and Wal-Mart

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wanted the credit. If I were Wal-Mart, I'd do the same thing. So, the next year Meade was there and we weren't. So, in talking to people who want to sell to Wal-Mart, I'd tell them that even if you get in and even if your product sells twice as well as your competitor that doesn't mean you get to stay.

Michael: You can always get kicked out.

Joe: You can get kicked out if you make them more money per square foot than your competitor and you deliver on time and do everything you're supposed to do and make them more money, you could still lose. There are more pieces to the puzzle than you're seeing.

Michael: Now, what if you had an exclusive on the manufacturing process of that prismatic paper?

Joe: Then that wouldn't have happened.

Michael: Who was the company that was making all that stuff?

Joe: The paper was VanLeer and there were a bunch of ones doing the vinyl. They emboss a metallic pattern into the vinyl or polyester and then they metallize it with a similar process that's used to put the metal on a plastic bumper on a car.

Michael: Now, wouldn't you have liked to been that guy?

Joe: Yes, that would be nice, but wasn't there. Now, with Wal-Mart, though, I had my promotion on the stickers and you've got to be real careful with them or with Target either. If they think you're putting your promotion on there to help you that doesn't help them, you lose.

Michael: How did you get them to let you do that?

Joe: What I wanted to do with Wal-Mart now is our stickers are not going to be free anymore, but their mail-in offer for $7.95 and you're going to get 500 stickers. But they're loose stickers, they're not the same type of thing they're buying in the store. And the other thing is that for every UPC code they send in, they get $1 off, up to $4. Now, the product costs $1, so if a kid wants to get this mail-in offer, if they buy four more packages of stickers, they get their $4 back. So, Wal-Mart loved that. They see that as a way to sell four more packages of stickers. And so the buyer not only liked the promotion, he says you need to put a starburst on the front of this package calling that out.

(Go to next page, please...)

Michael: And did you do that?

Joe: This is building us a mail order business.

Michael: So, what happened? How many names were coming back?

Joe: Thousands and thousands. I'd since got divorced and my ex-wife still does that. She still has a business direct with consumers. It stemmed from those packages of sticker. Now, I took this in one other place. This is sort of like one company leads to another company leads to another company. I'm seeing that this prismatic stuff is popular and kids like it and at the same time, I was doing school supplies, this little mail order thing headed more into a separate business, so I had two businesses at once. On was really, really tiny, the mail order thing, but we noticed from taking the kids to the doctor that pediatricians have these stickers that are paper and they're all round circles.

Michael: Sure, I still get them for my kids.

Joe: Yes. They're from a company called Smile Makers.

Michael: Are they a direct mail company?

Joe: Yes, and I'll tell you how I know that. We said you know what, what was in stores was paper stickers, too, before our stuff came along. I wonder if these doctors would rather have our stuff. So, we're going to do a direct mail and we put together this mailing, which is funny when you think about it now. We took about 15 or so little prismatic stickers and we put them in an envelope with an order form. No sales letter, no letter, no Dear Dr. Smith; nothing.

Michael: How much were you selling them for?

Joe: A $25 box and that was like 300 stickers in a little cigar box. And we mailed this out to pediatricians and we got like a 35% response.

Michael: Wow, that's great. Was that your first direct mail type promotion?

Joe: Yes.

Michael: Now, you fell in love with direct mail.

Joe: Our first direct mail and I said holy cow.

Michael: How many did you mail out the first time?

(Go to next page, please...)

Joe: One hundred.

Michael: And you got 35 orders and you said bingo.

Joe: I said oh my God, maybe we should mail another 100. There are 39,000 pediatricians. So, we get more sophisticated and we get more stickers. We end up with four-page flyer and it's an order form. It's all different things they can buy, four pages worth, and now we've gotten really aggressive and included a reply envelope.

Michael: Did all those things help response?

Joe: Yes. Well, we had more to sell. And as we went along, we said well they buy a $25 box of stickers, I wonder if they'll buy $50 worth if they're a little cheaper each. So, we do a $50 box. They buy those. Well, let's do $100 box. Gosh they buy those. Let's do a $250 box. Through the whole process, we got up to $2,500 factory case and that wasn't in a little cigar box now. It was a 3-foot by 4-foot box that had the press sheets from the manufacturer. It weighed 150 pounds and it's 52,000 stickers.

Michael: Were these doctors?

Joe: For a doctor's office.

Michael: How much were they paying for these?

Joe: $2,500.

Michael: Oh my God. A lot of doctor's offices were going for that?

Joe: Not the little ones. Mayo Clinic bought them. Big hospitals and the Mayo Clinic is a good story. It was a double case. A single case is $1,200. A double case is $2,500. They bought the single case, so we said maybe you'll buy a double case. They said sure, if they're a little cheaper, we will. So, we're selling them these and then eventually a couple of years later someone in the purchasing department figures out they're paying about four times what the paper ones cost and they discontinue buying from us. And they have a revolt. The nurses and the people in pediatrics and all those people, they have a major, major upset there and about four months later the buyer calls back and says can we please, please, please buy some from you again. We have a real problem over here with our staff.

Michael: Because they really loved them and the kids loved them.

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Joe: The kids loved them and the nurses loved them and everybody there loved them and they didn't care if they cost four times as much. They wanted them. So, we got back in that way. At the height of that business, we have 10,000 medical offices and hospitals in US and Canada as customers and we're doing around $1 million a year. And now I've gotten innovative. I'm doing pearlessence, real holograms, all kinds of holograms, seasonal stickers. We doing direct mail every three weeks to all our lists and we sent out seasonal specials and every season we have stickers and all kinds of things; many designs.

Michael: Were you mailing out to all 30,000 every three weeks?

Joe: No. We mailed out to all our customers, mailed about 8,000 every three weeks and then we'd do lead generation stuff. I'd send out a package insert or one thing or another, 50,000 or 100,000 of something. But our catalog is still a white paper, four-page order form. And now I decide I'm going to look like Smile Makers. Smile Makers is the elephant in this industry and we're selling doctors and dentists and so are they, but they're doing $25 million, so they're 25 times our size and they have a 100-page color catalog. So, I say well we're ready to take a step up. We're going to make a color catalog and we have some really great stuff. We have endangered species stickers and information about the animal on the back and we have pearlessence and holographic and color changing and things that change when you touch them. We have fuzzy ones. We have everything except paper and Smile Makers has paper.

And our first catalog is going to be 24 pages and they find out about it. I didn't know this at the time, but they've been trying to figure out how to make the stuff we were selling because they could see that the people were buying it. And they were having problems trying to figure out how to get the stuff made. And they found out we were going to do a 24-page catalog and we were going to mail 50,000 of them on the first press run and they came up to see us. The president of Smile Makers came up to and we showed him the catalog because why not. We're friendly. We were not that big, either of us. They say that they want to buy our company. And what they didn't say at the time, but what they wanted to do is they wanted to buy our company before we could mail that catalog. They were scared of 24 pages of things they couldn't do. So, we sold the company for $1.2 million, which is way more than it was worth because hey why not.

Michael: Yes, why not.

Joe: I could always start another company. And then I go on contract with them as a consultant and I save them in their printing processes -- this is pretty funny because I'm not the manufacturing guy. But they were what I call letting your art department run amuck. They had 78 colors they were using and they were using letterpress printing and I had by now discovered that for the stuff that had a paper base, we were using flexo-

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printing. And I basically got down there and said guys we've got to change your process and we've got to change some of the colors and I'm going to make this thing a better way than you're making it. Your artists will be able to tell the difference with a magnifying glass, but the consumer won't and I'll prove it to you. So, they paid for the test and I went ahead and got them made stuff the other way. The consumer can't tell the difference. The artist can because they can't have 78 colors anymore, they can only have 30. But nobody can tell the difference and it saves them $500,000 a year. So, we do that and they merge our company with theirs and all is well.

Michael: So, if there's moral to these stories, what is it?

Joe: As far as selling companies, be careful of debt and other partners. I was financially out of control in the first company. I had taken sales, a substantial one, and it knocked me out of business. The second company I was smart enough not to have 300 employees and high overheads, but I needed money to handle the Wal-Mart order and I didn't have a way to do it without it and lost control of the company. And the third one, I had no partners and I had no debt and I made over $1 million on it. So, the littlest company made the most money. The big one was $15 million and the middle one was $6 million or $7 million.

Michael: Which one was the funniest?

Joe: The little one.

Michael: The little one.

Joe: Well, no I can't say that.

Michael: They were all pretty exciting.

Joe: The very first company, we made the cover of National Magazine. I was in Inc. Magazine, Venture Magazine, Sales and Marketing gave us an award. People came out from New York to interview us in Mason City, Iowa. We were walking on water back then, totally full of ourselves. Huge egos. It was fun until the reality hit and I learned my lesson.

Michael: That's wonderful.

Joe: As far as the product side of things, you've got to talk to consumers and test them.

Michael: That's evident in this story. All right, Joseph, how did you do $20,314 profit sending the moving announcement for a cosmetic doctor? Can you tell me about that?

(Go to next page, please...)

Joe: You bet. I had this client. It's a cosmetic doctor does surgery with lasers, 38 different laser procedures, microdermabrasion, Botox; those kinds of things. And she was moving her office and I'd just started working with her. She's getting ready to do a moving announcement. This lady is not very marketing savvy, but she does recognize that if she's moving her office and changing her phone number, it might be a good idea to let her customers know. At least I didn't have to try to convince her of that. So, I said how about instead of doing what you're going to do, let me do it my way and make a sales letter out of it. I want to get you some sales and make money with your moving announcement and she says well it's not going to work, but okay. So, what I did is I put together an offer that if you pre-pay for six procedures, we'll give you one free and you can pick the procedure and some of these things are expensive, thousands of dollars. So, we mail this offer out, the sales letter that has their new address and all that in there, as well to her customer list of maybe 1,000 people. And as a result, she got over $20,000 of pre-pay. This isn't just sales. It's pay in advance these treatments you're going to do over the next year and a half and as we all know, they'll be shrinkage on that. Not everybody will redeem, but how cool is it to be paid in advance. I mean she never got anything paid in advance. She had trouble collecting. The $20,000 we made her from 1,000-piece mailing to change her office address.

Michael: Did you ever try and license that?

Joe: That particular one, no. I probably should, but I didn't. Basically my main thing now is do-it-for-your-marketing programs for an industry where I can license to everybody in the industry. When I did the letter that got her $20,000, she said it was a fluke. It'll never happen again. I said well please let me do one more mailing to your customer list. So, okay, one more, but that's it. So, I did it again and we made $15,000 or $18,000.

Michael: The same offer?

Joe: No, a different offer. A different offer, same list two or three months later. So, I said now do you believe that mailings work? She says no it's a fluke. I'm going to stay with my newspaper ad. She has a color newspaper ad that runs in a medical section every other week and I set up tracking, which took me almost a year to set up and working for her company. And we now have the proof that the newspaper ad did not work. She was going to do the newspaper ad anyway and didn't want to do any more mailing, so I fired her as a client. I said you don't need me. Your mind is made up as to what you're going to do. What do you need me for? I'm out of here. I'm not doing you any good. Why should I charge you money? It makes no sense.

The problem for me personally was it's an incredible amount of learning curve to learn enough about cosmetic doctors' products, to learn the oil change business, to learn the

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handyman business, to learn the painting business; there's a lot to learn to be effective in marketing.

Michael: A lot of research involved.

Joe: So, now I would rather do the real estate. So, instead of doing just one, the real estate is an example. An attorney came to me who does foreclosures.

Michael: This is the $13,570,000 of real estate deals called "our licensee in his first week?"

Joe: Right. That started because this guy I got introduced to, my financial advisor knew him and he recommended we talk. He was in the foreclosure business doing cold calling and knocking on doors. He tried a mailing of a couple thousand letters and he got zero response. So, like other people, he said direct mail doesn't work and I said well I'm not so sure I agree with that. What did you say and how did you say it? So, I did a letter and sent out less than 300 of them. Got him 11 calls and he went nuts. Oh my God, do you mean they'll call me? Now, it took a while. I had to learn that business, too, so there was quite a bit of time involved. I wrote some reports about the seven questions to ask before you do business with anyone trying to save your house from foreclosure and a credit repair. I didn't know anything about this either. I had to learn from him. But he wanted to set up a partnership to do this business, so I said okay. So, we have a limited partnership. And this works great. Now, we're here in Colorado. My job is to make his phone ring with deals that have equity in them. So, we screen the list. We only mail to people with equity and we get them to call him for his help. So, instead of him trying to stick his foot in the door like a vacuum cleaner salesman and try to get a sale, now he says the difference is so amazing. He says now they have the lemonade and cookies out for me and they're happy to see me because I'm their savior and I'm coming to help them. What a difference in the atmosphere of the meeting. And 95% of the people he meets with he gets a deal done if he wants the deal. Sometimes when you learn more about it, you don't want it.

So, then we say okay let's license this. At this point, I'm further along saying okay we can do it, why can't we do it elsewhere. Here in Colorado, we're number one in the country in per capita and number of foreclosures. Our real estate market here is not growing, though. So, the equity isn't here like there in California and other places. But what we found out from talking to people and he goes out and talks to each one of them and cuts the deal, they show him two or three hundred letters they get in the mail. Everybody calls them, knocks on the door, get stuff in the mail, and we keep hearing over and over again, yours is the only letter we called on out of this whole stack because of what we say in the letter. That we're going to help them. We're not out to steal their house or anything. We're going to educate them on the process. We're going

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to help them even if we don't benefit from and we have testimonials where we've helped people where the best deal for them was to do something with someone in your family and we weren't involved financially at all. But we help people and some we help, we don't make anything, but since we screen our list to start with, that's one out of ten. The whole point is, that comes across, is that we're here to help you first. We're going to educate you about the process and what your rights are. We don't have just one way we learned at a foreclosure seminar. We have five or six ways we can help you and some don't even involve us. We want to start out by finding out what you want. Do you want to stay in the house? Do you want to move? What do you want? We'll figure out how we can make that happen for you. And that is so different than what everybody else does that it works great.

Michael: Everyone else is saying sell me your house. You're in trouble. Give me your money.

Joe: Right. Well, what people here do, the laws vary by state and in Colorado after your house is sold at auction, you have 75 days to redeem it after that. You can still get it back. And what the typical foreclosure investor tells people is that once you've sold at auction, you're done. You'd better make a deal with me today. So, they do not tell them that they have 75 more days. Unless the person is in real difficulties, they don't advise them to go bankrupt. And what we do is we tell them if your financial situation is such what you really need to do is file bankruptcy, but here's the timing. You've got 45 days until the house is at auction. You have 75 more days until the end of the redemption period. You want to file your bankruptcy on the 73rd day and now you've got another 120 days. You can live in this house for almost a year for free.

Michael: So, you were just telling them the truth.

Joe: We were telling them what's in their best interest. It's in their best interest to have no payments for a year. Totally legally.

Michael: How did that work with your partner? Did you have a good relationship? You were bringing him the deals and he was closing them.

Joe: Yes. And we are right now today still doing that and that's working fine. And we decided we'd try licensing it and I have a lot of contacts, other marketing consultants. I was in the Y2 marketing thing for a while because I wanted to learn how to sell consulting services to get consultants. I knew the marketing part. I made a lot of contacts because the Y2 people weren't very sophisticated on Internet or direct marketing, so I ended up teaching the other consultants on conference calls those two topics; about mailing lists, about direct mail, about Internet, and so on. So, I made a lot of contacts and now I send out an email to my list and a bunch of the Y2 people are

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interested in my real estate thing. And the guy in California, we signed him up and he licenses it from us and we're going to do three mailing for him in California. He's in Oakland. And the first mailing we got him calls that represented $13,250,000 worth of property. That property had over $5 million in equity. There are eight properties in Nob Hill, in San Francisco. I mean these properties are expensive. Millions and millions of dollars of equity and there are either eight or nine deals he had offered to him and he couldn't close on any of them and we were just sick because we knew if my partner went out there, we would have closed seven out of the eight.

Michael: He couldn't close them.

Joe: He couldn't close any. We would have made at least $1 million off that, so we stopped that process. He didn't want to license anymore because he wasn't getting money from it, which makes sense. And now we're partnering with another guy who does _____ and some other stuff and he has some automated things. We're putting that together and we're going to merge our two companies and do it nationally. So, foreclosure will be one piece of it. There will be four modules, foreclosure being one. But there again, the direct marketing part of it was all what you say and how you say it because other people do it and get zero results.

Michael: Are you a student of copywriting?

Joe: Yes.

Michael: Who did you study to learn how to do copy? Who are your mentors?

Joe: Probably most everybody -- Gary Halbert, Dan Kennedy, John Carlton. I've read pretty much every book on copywriting. I probably have 200 marketing books. I bought all of Jay Abraham's stuff when he first surfaced a long time back. That was when I was selling stickers to the doctors. I spent $10,000 or $15,000 on Jay Abraham's stuff and followed that and that's how I made the company grow. I didn't know anything about mail order. But I bought Gary Halbert's course and Gary Bencivenga's seminars and Dan Kennedy's seminars.

Michael: Did you go to Gary's recent seminar?

Joe: Yes.

Michael: How was it?

Joe: Great. What a hoot that guy is. I love him. He's great.

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Michael: What's the most important thing you learned walking away from his seminar on copywriting?

Joe: The number one thing you need to know about copywriting is the arithmetic. It's the number. It's so obvious once you hear it, but if you're going to do direct marketing, you analyze the numbers first. Don't try to sell something to people who don't want it. You need, as Gary calls it, the starving crowd. You want to find the starving crowd. If you're going to create a product, don't start with the product, start with a market. Find the starving crowd first and create the product to fit the needs of the market and then test it and make sure the numbers work because a lot of things I've analyzed for friends, I can say your project has zero percent chance of success. Either there is no list of your target market or the product you're selling is just a small price point and you have no backend that it's not possible for you to succeed. You need to high of a percent response. So, tell people that up front. So, that's what Gary said. It's the numbers.

Michael: What about Gary Bencivenga's course? Did you go to his training?

Joe: I bought his stuff. I didn't go.

Michael: Oh, you bought his stuff.

Joe: Yes. I have the Dan Kennedy stuff. Dan Kennedy has lots of stuff of which probably cost me $20,000 to buy all of his. And I have the Jay Abraham and Gary Halbert and I did go to the Ted Nicholas one. I've done that plus I've bought the books or the tapes of the ones I haven't been to in person. So, I think there's a lot to learn. Marty Chenard stuff, mathematically based, a lot of his things. But the good thing I got from him is the passion and urgency. Dan Kennedy talks about the passion, but he misses the urgency. All of this information is rehashed around, but they'll tell you need to have somebody who's passionate, you're starving crowd. You want them passionate about something. But Marty points out they have to have an urgency, too. They have to need it now. You need both and he has a passion for urgency index. You rate them both on a scale from 1 to 10 and if the two don't multiply to 90 or better, take a pass.

Another thing is you can't sell prevention. You can sell cures. I'd have a really hard time selling you a bunch of pills to prevent cancer. I'm going to have a hard time making you believe it would work and maybe I could get $39 and get a mailing going, maybe. It would be a really, really tough sell. But if you have one cancer and have a 100% cure, you'll give me everything you've got. How hard will that be to sell? All I have to do is show you it works because now I have proof because I cured people. With prevention I have no proof. So, when I have people come to me as a consultant and wanting to sell a preventative of something, I tell them I don't know about that. Let's sell a cure. Cures are easy to sell.

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A good example of that with Handyman Matters, they want to sell preventative maintenance to their commercial clients and I said okay. I can remember when I had a big factory and you come to me and want to sell me this preventative maintenance service, I'll pass. I'm just not interested in preventative maintenance. If my own people don't see it, they'll find it. The problem is you're selling prevention. Here's my new model for you guys. Here's how you're going to sell it from now on. Now, we have a free maintenance inspection. We will come out one a month. We'll go through your factory, your restaurant, your facility whatever it is. We will find everything that needs fixing, we'll make a list of everything that needs fixing, we will tell you how much everything that needs fixing is going to cost to fix, and you can pick any or none of those to fix. Now, me as an owner of a factory, would I sign up for that, in a heartbeat? It's free. You're going to come and do inspections for me and I'm not committed to buy anything from you and I can pick and choose what I want fixed? You've got it. I'm there.

Michael: So, is that what you set up for Handyman franchise?

Joe: Yes. I don't know if they're using it. But that is for sure easy to sell. You're selling a nice service. You can say the service is worth $1,000. It's free. It has a good value. It has no risk associated with it. It's prevention. It's the cure.

Michael: Tell me how you doubled sales for a Denver painting contractor? Was this a client of yours?

Joe: Yes. Painting contractors as a rule are not marketing whizzes. I ran a Master Mind class to teach people marketing and I had them do homework to create their marketing. I had eight or nine people in that class and he was one of them. He never got his homework done. It's a 12-week class held every other week so they'd have time to do their homework and he never could get it done. And so, at the end of the class he said all right what do you charge to do it for me. Just more proof that the do-it-for-you thing is where it's all at. So, I did my normal consumer research for him and what he does and why should I buy it from you and I build him a website.

First off, he needed to have a reason for the consumer to do business with him than some other painter because if everybody in the consumers' eye is the same, the only thing they have to choose by is price. So, if an industry is all price driven, it's because nobody knows marketing. So, when I do marketing for somebody, my first step isn't marketing. My first step is to make sure that they are quantitatively better in some than their competitors and if they're not, we need to find out what's important to the consumer and innovate or make ourselves better in a way that matters to the consumer. And the 21 steps that I follow to create marketing, the first seven or eight of those are all about finding out what's important to the consumer and making sure that we, in fact, are

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better because if we're the same as everybody else, what are you going to use gimmicks in your marketing. No matter how good your marketing is, if everybody you get doesn't come back because you suck, that's a bad deal. So, you need to be better first.

And in his case, he already was better. They were a better group. They were members of the painting association. They had set procedures. On employees they did drug screening. They didn't hire people who had a criminal record. And I put together a 24-page report of the ten questions to ask before you hire a painting contractor. It explains here's what you as the consumer need to know, here's why you need to know it, and here's how our guys fit that criteria. And we started out by saying they need to have a standard of ethics and are they in the Better Business Bureau, do they have any complaints against them. Our guys never had a complaint in five years. Here's where you can go to check that out. Call this number. Go to this website. Verify for yourself and then how many of them subscribe to the standards of practice for painting. Are you going to have your house painted and then it needs it again in a year because they did a rotten job and didn't surface preparation. If they belong to the painting and decorative coding association, they follow as a part of that these multi-step processes to make sure the job is done right.

Then I was able to say after these two questions, there are 370 painters in Denver and only eight of us meet those two. So, I've gotten rid of now all but seven of the competitors and now I'm going to get rid of the other seven because we're going to have a guarantee. Painters and trade people never show up on time. They don't call. They're late. So, if we're more than 30 minutes late, we'll pay you $50 on the spot, cash. Nobody else does that. So, now after just three of the criteria, we've eliminated the other 371 companies and I have 15 more criteria to go. So, we've differentiated them and built the case that they are quantifiably better. Why do you care about background checks? Well, have you heard in the news that David Letterman's son was kidnapped by a handyman or all these horror stories of people coming into your home and your wife or kids are there alone; really bad stuff. You really better not do business with somebody who doesn't do these background checks. When we do these background checks, only three out of ten pass. Our competitors hire the other seven. By the time I'm done with them, they're going to use this guy.

Then what I do is I do my marketing to advertise the free consumer report. We put a half page ad in the Yellow Pages. The perfect example here, he's never done a Yellow Pages ad. He wasn't even in the Yellow Pages. A half page ad in the Denver Yellow Pages is the biggest ad that any painter has and it cost $3,000 a month. So, I'm asking this little guy to commit to $36,000 for an ad that he's never done and he says whoa. I tell him well you really want to be the biggest in the category and here's what we're going to do to convince you it's going to work. I'm going to do you an ad and you're not

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going to like the ad.

Michael: What was the headline?

Joe: One of the four mistakes everybody makes in hiring a painting contractor; something like that. The ad itself had his picture in the upper left hand corner because he's a good looking guy and it looks like a newspaper article with bullets and stuff like that.

Michael: What was h is reaction when you showed it to him?

Joe: Yuck. Ugly. Nobody will ever read all that copy. And I said I know that's why you feel that way Rick, guess what, we're doing it. I'm going to test it and here's how I'm going to test it. I'm going to create this ad and I'm going to scan in the ads that are there now. He has six competitors that have page ads, so we scan in those ads and we scan in -- they had the idea to put them all on the yellow paper so they all look like they're scanned out of the Yellow Pages. I get seven of them. Put them on a Web page. Set them up so they rotate evenly so no one is first every time, send out a survey to my list of people saying if you're a homeowner please answer the survey. Get about 500 or 600 responses, which is plenty and the ad I did for him and one other ad are pretty much a tie. The other five, nowhere close. The question was, just one question, which ad would you call first. Just that. The stats say when people use the Yellow Pages, there's 1.6 calls on average. They typically do business with the first one they call and maybe the second. So, if your ad is going to work right, you want to be first. Net result, I tied with one other ad and I show him all this. I said that isn't going to cut it. Tying with the other ad isn't good enough. I'm going to change the ad. So, I changed the ad, not a lot, but I changed it around.

Michael: What change did you make?

Joe: I ended up with the four mistakes headline and didn't start that way. And then I took one I tied with and the next two, so I had four, and I did another survey. And this time, the one that tied me last time, I beat it 2:1. And I show him all these numbers. I show him the ads. I show him the statistics. I show him the results. I show him all that and he said okay let's run the ad because now I've given him some proof it's going to work. That was last year. We did some other things, too. We did direct mail. We did radio commercials. We did all kinds of stuff. But the main thing was the ad. This year when the Yellow Pages came out, his six competitors are down to a quarter page or an eighth page. His half page ad is the only half page ad.

As always, I got a lot of resistance from the Yellow Pages people. They said this is never going to work. Can't do this. Yeah, right.

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Michael: What do you tell them?

Joe: I told them this is what I'm going to do and I didn't let them give me a tracking number because the Yellow Pages guy told me how many calls all our competitors were getting. I said if I let them provide the tracking number, they're going to tell everybody else how well this ad works and they're going to try to knock me off. So, I set up a separate service to provide a tracking number that had nothing to do with the Yellow Pages.

Michael: Good job.

Joe: And I had another twist. I have a way to have variable copy in a Yellow Pages ad. We have a call-in toll free number that you call for the monthly special and we don't say what the special is in the ad. There is a special every month and you call this toll free number to get it. And then we would run a test. If it isn't converting very well, we'll change it. So, what we have is a special in the Yellow Pages ad that changes every month, or more than that if it needs to.

Michael: On your voice mail?

Joe: Yes. It's a menu driven system from Automated Marketing Systems. And it's not expensive and they capture all the data -- the caller ID and the people who call and everything. But the important thing is that is a way to have variable content in the Yellow Pages ad, which I'd never seen anybody do.

Michael: Once the call is made from the Yellow Page ad, you're able to have variable content on the…

Joe: On the phone message.

Michael: Yes. It's an extension of your ad. You're right.

Joe: What other people do is they might say 10% off in the Yellow Pages ad. Most of them put no promotion in their ad.

Michael: That's right. They're making one offer and they're locked into it for a year. You've eliminated that and you can make multiple offers.

Joe: Yes. I can vary it and I can use the one that worked.

Michael: That's a great idea.

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Joe: A lot of this stuff is just simple common sense, but until you hear about it, other people don't do that. Most Yellow Pages ads don't have offers at all, but if they do have an offer, why not be able to vary it and make it work better. Your monthly offer can be the same every month if you get a knockout winner. Why change it?

Michael: So, tell me the growth? What happened to the painting contractor once that ad ran?

Joe: Better than doubled. There was 87% growth right away. His problem is hiring people. He had about 15 or 16 crew people, two or three in a crew, and it took him up to 30 some. And his limiting factor was finding painters. He would probably have better than doubled if he could find the people. But following his promise to the consumer that he's going to do background checks, it's hard to find people. Three out of ten pass. So, his biggest problem right now…I'm actually not even doing anything for him anymore because he doesn't need me to. His problem is hiring painters. So, when he's ready for more marketing, he'll call me back. He has a problem with managing the people. When you've got 30 people running around where you used to have 15, I know how that is, people management. So, he's got to get his business together now, his operation together. But he is the dominant one in the Yellow Pages in Denver now.

Michael: That's great. A great story. Tell me about how you reached the president of a billion dollar company?

Joe: I was in the promotional products business and I'd been in that on and off for years and years and years and I was selling a business opportunity for promotion products on a website. So, I know that business. I'll tell you about that in a minute, but what I wanted to do was reach the president of Kinko's. Well, Kinko's is a huge, huge company because I thought Kinko's should offer promotional products in all their stores and I could do that for them. I could set it up so that all their stores would offer promotional products. So, I said okay how am I going to reach the president of Kinko's. I tried calling on the phone, which gets you nowhere. They probably have multiple secretaries that screen. I never got anywhere on the phone.

So, what I ended up doing is I sent him a greeting card, but I had to find out something about him. I found out he had just been promoted to the job or just got the job 30 days earlier. So, I sent him a card congratulating him on his new job as the new president of Kinko's. I had my wife handwrite the address. I put a, like I call them, big assed commemorative stamp on it not an American flag machineable stamp, but a big one. I drew the line. I didn't have her put perfume on it. I thought about that. I said no I'd better not. But I figured that if anything is going to get through the screening process, that a greeting card coming in a woman's handwriting is my best shot. And I didn't hear

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anything for a while, but about four or five weeks later I got a response back.

The president didn't call me directly, but I did get a call from one of his people because I had put an offer in the card about what I could do for them. They said that they had already looked into promotional products and decided they really weren't interested in going that direction. I didn't sell them anything as a result, but I got through and I got a response.

Michael: And the lesson from that story for anyone doing direct mail?

Joe: Personalize it.

Michael: Handwrite the address.

Joe: Handwrite. In the foreclosure process, I mentioned I send letters out there. I have a sequence of seven things and the first one is handwritten in a 6-inch by 9-inch brown envelope, handwritten address, big commemorative stamp. That will get opened.

Michael: That's two of the seven processes?

Joe: That's the first step. The second step is a regular #10 envelope with a typed address. But the first step is the handwritten. The thing that Gary Halbert says, he's right on about that, he says if you make it look like a personal letter on the outside, when they open it, what's inside better be a personal letter because if when you open it with inside is a couple of brochures, the recipient feels tricked and I've had that happen. I've received letters that were handwritten on the outside and I opened them up and it was all sales literature. I just threw it right in the trash. And what Gary says makes so much sense. Getting through to somebody to be put in as he calls it, A-pile mail that gets opened and not put in the trash, when they open it what they see better be a personal letter so they don't feel tricked. In the foreclosure real estate one, I have the person's name in the headline of the letter. With variable data now, you can have variable content in the letter and in the headline of the letter and not just the Dear John. You can get it throughout.

Michael: I know recently you're now an expert when it comes to Internet marketing. Can you tell me about the one $995 opt-in email that gets you 35 people to pay $87,500 for the rights to sell a client's product?

Joe: You bet. The way that works, the $87,000 is the total sales. In the promotional products industry, which I've been in, there are right around 4,000 factories, around 40,000 or 50,000 people selling over 700,000 products and none of those factories, of those 4,000, nobody charges anybody money to sell their products. Everybody is

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fighting tooth and nail to get their product noticed. So, I get a client who wants to charge $2,500 for people to sell his product.

Michael: What kind of product was it?

Joe: Personalized calendars where the photographs each month of the calendar are your own pictures of your family and they have your birthdays, your anniversaries, your kid's birthdays, and so on, on the date section.

Michael: What was his thinking? He sees everyone else in the ASI, specialty ad industry, is offering their product free to anyone ASI. What was his thinking in his mind about why he would even think he'd be able to do that?

Joe: He doesn't know the industry is the answer to that. He doesn't know anything about the promotional products industry and he thinks it's totally reasonable and he's a client and I'm not going to convince him otherwise on that.

Michael: He's paying you to do consulting.

Joe: Yes. So, I say okay, here's what we're going to do. The cheapest thing I can think of is we could send this smart blast, which actually was $8.95, I think to all of the industry distributors. It goes out to 43,000 people.

Michael: Who did you do that through?

Joe: Through www.smartblast.com. There are free services that will send an email out to the industry.

Michael: And it's called www.smartblast.com?

Joe: Yes.

Michael: And they'll send out emails?

Joe: Yes, they have an opt-in list for people who want to get their emails about new products in the commercial and products industry. There are supplier specials that also do it and I've never done business with ASI, but I'm sure they do it, too.

Michael: How many names were on the list?

Joe: 43,000.

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Michael: And that was going to cost how much?

Joe: $900. If you ever looked into opt-in email, that's really cheap.

Michael: That's a pretty good price, yes.

Joe: It's usually 10-cents or 20-cents a name, so $4,000 or $5,000 would be more typical, but $900 is a good deal. So, what I did, I created three headlines and two graphics, so I've got six different ads and I've three different headlines for the subject line of the email. And basically what I'm trying to do is test and 43,000 I figured I could break that up a bit and see what works best. And I found it very interesting when I talked to them that nobody had ever asked them for even a split test of all these 4,000 factories. They send out one of these smart blasts almost every day and of all these factories in this industry, nobody has ever thought to test anything. They've never been asked. So, I had to talk to their IT people and I finally got them to agree to do the test. They got me down to four, so I had four versions, a two by two. And basically I set up the email to get people to inquire and go to a website about this service to do these calendars. We were doing a number of things that were unique, one being that each end recipient of the promotional product has their own pictures on it. So, that is sort of cool. And they were able to do it themselves on a computer. So, the product itself was a very nice product, but I can go to my local quick printer and get one made over there, too. And he wanted to charge $2,500 to get people to do this. So, I sent out my test and I wrote him a landing page for his website where the landing pages takes them into a demo of how the whole thing works and once they opted in at the landing page then he would talk to them on the phone. He closed 75% of the ones he talked to. He made $87,000 in sign up fees from that one email.

Michael: Wow. So, did the one mail, four different versions, go out to the whole list?

Joe: No. We ended up with four, so it went to about 10,000 of each of the four. We split the list in fours. If I had sent the whole thing to all four, they would have charged me $900 four times.

Michael: I see. So, you split it up. Did you figure out which one worked best?

Joe: Yes. The best one to the worst was about a 2:1 and the two in between were in between. But the guy didn't need me to do another one. But as a result of that test, if I ever had to do direct mail or more emails, I knew what my new headline would be. I knew what one. What I would do next time, and the reason I called that Taguchi guy -- a friend of mine went to a Taguchi seminar that Kowalick gave, which was the only one. Did it one time and now it was reported in Forbes, I believe it was that they're doing it for companies for $250,000 a pop. But at the one seminar, I got the matrices and the

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methodologies on how to do it, so I can do it myself. So, $250,000 versus free, that's a tad of a difference. But the guy who did your recording with you sounds like he has a do-it-for-you-thing to help you with that.

Michael: Yes, he's got the software and all that.

Joe: I have what they gave us from Kawolick's seminar, which I have about 18 of the grids, the way to analyze them. It's all in Excel. So, I have that. But the guy I talked to, my friend, who went to the seminar said the very biggest problem with Taguchi is designing the test in the first place. You need to have the variables be substantially different and they recommended using that TRIZ method from Russia as creative ways to come up with the thing. So, there's more to it than just the analysis of figures -- structuring the test.

Michael: Can you tell me how you got to number one and the number two ranking in both Google and Yahoo out of 3.9 million competitors?

Joe: That's the business opportunity I had for six years where I was putting people in the promotional products business for $1,000 competing against the franchises that do the same thing for $20,000 or more. And I had a sales letter website and doing the search engine optimization and the links. Publishing a bunch of things. One thing is content distribution where you're publishing articles and getting them distributed to other sites where you get one-way links back. When I first started, I used Zeus and set up 5,000 reciprocal links, which worked back then, but doesn't work now. The Internet changes weekly.

Michael: Zeus was like an automatic thing?

Joe: Yes. You can still use Zeus, but I wouldn't use it for that. It's an Internet robot. It's your palm programmable Internet robot and what it does is it goes out and looks for websites that have your key words on them and that also have a link page and then it makes a big long list of those and then you can send an email to all of those people.

Michael: Wow. So, that's software?

Joe: Yes. Basically what it is, is you're creating your own Internet spider just like Google has. It goes out and crawls around the Internet and looks for things just like they do a search. It's your own little search thing.

Michael: Okay. So, you did that back then and got 5,000 one-way links back.

Joe: Yes, 5,000 reciprocal links. I did the one-way linking later because that's what

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works now. One-way linking is harder because a reciprocal link is a trade. A one-way link you want somebody who has a site that people care about to link to you without you linking back to them. So, to get somebody to do that, what are you going to give them? You have to give somebody something to do a deal of that sort, so what you give them is you give them free content for their website. You write articles about how to do stuff that are relevant for their website and there are websites that are looking for content. They publish your article on their site and keep your kink intact and now you have a one-way link by giving somebody else some content they need.

Michael: Is that what you did with this company?

Joe: Yes.

Michael: So, how many articles did you write?

Joe: Seven or eight.

Michael: Do you know of some article websites that are good to do that?

Joe: I think www.submit-it.com is a service that will submit six articles a month, which is more than I could get done and it will submit them to the content directory sites of which there are hundreds.

Michael: Submit-it.com.

Joe: Yes. It maybe submit-it or it might be submitit without a dash. And what that does is you go, and it takes a little time. You have to set up your account with them properly with all the different sites. It takes an hour or two to set up, but once you set up, then when you write an article, you distribute it automatically to all these sites that collect content, the webmasters, to go to.

Michael: Are there hundreds of them?

Joe: There are probably a hundred content distribution sites. I did three recently for my own website. I checked how many back links I got and I got about 1,500 or 1,800 links from three articles.

Michael: Wow, that's great.

Joe: So, you create an article of something people want to know about and you distribute it that way, it's free content. That's one of the best things now to get one-way links.

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Michael: And Submit-it will allow you to do how many a month?

Joe: They'll send out six of them for you per month, like $39 a month.

Michael: You recently just did this and got that many back links?

Joe: Yes, earlier this year. I'm not doing it anymore because the purpose of doing that was to get visitors to my website and I realized that I don't want visitors to go there and ask me to do consulting because I don't want to do consulting. So, dumb me, hit me upside the head with a two by four. I'm trying to create traffic to get me things I don't want.

Michael: How many visitors are you getting now on that site?

Joe: That I don't know. It's not huge, a couple thousand a month -- nothing that amounts to much. People are going there because I told them about it one way or the other. I send people to my website now because I have about 40 articles there, a ton of content for people about how to do marketing and Internet marketing and direct marketing and it's all free. I do have some things I'm selling there, but I don't even really try to sell them. My main point of that site is a credibility site if I want to do a joint venture with somebody. That's what it's there for now.

Michael: Let's get back to the story of how you go this…

Joe: The promotional products.

Michael: Yes. You did the one-way linking back to their site.

Joe: In chronological order I did reciprocal links first and one-way links last. Reciprocal links worked fine at the beginning. The other thing I did is another thing that doesn't work too well now, which is _____ pages, In the database I had of product, I had 184 categories like bumper stickers, watches, glasses, different types of things you can get imprinted with your company name. So, what I did is I built 184 websites, one focused on each one of those. So, I had a website about bumper stickers, keyword optimized for bumper stickers and then that links back to the main site. It still works some now. It's just not as good as it used to be. But what that does is it's building a network of feeder sites to bring traffic into the main site and if somebody goes and types bumper stickers into Google, then they find my bumper sticker site. Then they funnel back into mine so that those two things bring traffic and it helps your search engine rank because of the search engine thinks the more sites that are linked to this site, the better it might be. So, you get some rank because of links. And then, I had several sites. I started out with

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promotional products consulting dot com. Then I had promotional products cc and I had HPAS.com and then I did a deal with another guy with his site. And my top time in this, if you'd gone on Yahoo and put in promotional products, eight out of the top ten listing are me. It's not that way anymore. I sold the company a couple of years ago and the guy who bought it doesn't maintain any of this stuff.

Michael: And that brought you traffic to sell 1,320 people in businesses your distributorship opportunity in the promotional products industry for $995 each.

Joe: Right. My goal with that whole thing was to make sales without having to talk to people.

Michael: And it worked, right?

Joe: It works.

Michael: You'd have to talk to some.

Joe: Yes, probably a third of the people call or maybe half. You get calls from people who really want to see if the phone works, if there's really somebody there, are you real, and one of the most important things I did for the real thing is I had the Better Business Bureau logo at the top of my page with the link to click on to see I've never had a complaint. That's important because if you don't have your street address and your regular phone number and if you're like a website that has no way to contact you on the phone or on the fax, be in _____ for all you know and a rip off. Every claim I made, I had facts for. I had 23 testimonials. Every single one of them with numbers where my best guy made close to $1 million in one year. Well, for $1,000 investment, that's pretty cool.

Michael: Yes. What was the opportunity?

Joe: They made more money than I did. Putting them in promotional products is a distributor, which you can get from Adventures in Advertising or Proforma for around $20,000 to $30,000 or you can get from me for $1,000.

Michael: You have that product still?

Joe: No, it's gone. I sold it. I've never gotten over how cool it is to open your email and see that three people sent you $1,000 today. I'm not doing that any longer. I'm doing do-it-for-you marketing now.

Michael: In your direct mail and copywriting, you've got a case study here about an

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infomercial done as a joint venture with MTV that generated 250,000 calls in two weeks for a product that cost $129 thanks to your copywriting and direct marketing. What's this all about?

Joe: This is one of the funniest things I ever did for totally unrelated to marketing reasons. My very first client I ever had as a consulting client, while I still had my other businesses, came to me and wanted help with marketing and he had the rights to this called a skate bike. And what this is it's like a unicycle, but it has another metal bar coming out the front with skateboard wheels on the front so it's easier to ride than a unicycle. The inventor was from France and he had this product and he needed help with two things. He needed help with manufacturing and he needed help with marketing. These things cost about $60 to make here in the US, so I had some international contacts way back then because I was selling my stickers all over the world and I developed contacts in other countries. So, I said I think I can help you with that.

The first thing we did is went over to Malaysia and to Korea and I found bicycle factories over there who could make this and I got his cost down to $25 and that included a full color box to package it in so it could go in a store. Then the next thing, we wanted to do a direct response TV commercial. And remember this is 20 years ago. Now, to create a direct response TV commercial is about $250,000 to test one nowadays according to Dan Kennedy and the people I know who do it. But back then it was cheaper. And what we did is we created a commercial. It was just 60 seconds. It was a lead generation commercial. The guy who owned the rights to this company had more money than sense, but he got Remington, the shaver guy, to fund it. Remington Trading Division to provide the funding for all this because I'm going over to Malaysia and we're shipping container loads of these things back and that cost money even though we cut the price in half, it still cost money.

So, I worked with him to figure out what are we going to do in this commercial. How are we going to get kids to call so we can send them out our brochure? Since we've only got 60 seconds and I figured really what we needed is something visual, so we went and found some of the kids who were out getting paid to do tricks, professional skateboard guys. We went to Hawaii and we put them on these skate bikes and we filmed for several days. I couldn't even ride one of these, but these guys could get on them and do amazing stuff. I couldn't even balance on it. So, that was the start. We got this neat thing halfway made. It wasn't all made, but it was pretty cool what these kids could do. And then we went to see MTV, figured that's the logical place to put this thing. And the deal we wanted to do with them is we wanted to have per inquiry, which MTV is huge now and you can never do that kind of deal, but what we did is we were going to sell the thing for $99 and we were going to give them $25 on each sale. And you know how this goes, sort of like the Target thing, back and forth, back and forth. It ends up at $129 with MTV getting $54 instead of $25 and the thing that clinched the deal is we

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were willing to rename it the MTV Le Run. We put their name on it. And now that it had their name on it, they had a whole bunch of shows where they'd go to spring break and they'd go to here and they'd go to there and they'd put out product on there. What they'd call DJs would be riding it and they were riding it up and down the halls in MTV in their office and making holes in the wall when they crashed. It was very popular. So, we ran the direct response spot and we ran -- there was like 250 of them in two weeks, a lot and it got the 250,000 calls. So far so good, right.

Michael: Where were the calls coming into, a fulfillment center you guys set up?

Joe: Yes. We had to use two. Back then it was _____, which were enemies because they used to be together. But they were able to put 300 people on the phone. They had 300 or 400 operators ready to answer the phone. You had to have a huge company to do that because the calls come in right now. I mean you run an ad and you call in the next five minutes and it's over. Anyway, we had all the calls coming in. It took me a while to get the manufacturing set up and we had the deal cut.

When we went down to Ft. Lauderdale, this guy I was working with, my client, he was a real young guy, but he'd made some money somewhere. Something related with telecommunications and I was teasing him because he had this Porsche that he spent $100,000 on. And I said, you know, this Porsche looks like every other Porsche. They all look the same. The girls aren't going to be impressed. What you need is a Ferrari and I know just the place. There's the Auto Toy Store, deals Ferraris. So, we go over there and we decide to rent one. So, we rent a 328 Ferrari for the weekend, which is $25,000 a day and $2 a mile -- not cheap. He drives that around. We're driving around for a while. This is, I guess on a Friday and he says boy I really like this. I think I'm going to buy one because I'm teasing him unmercifully the whole time. This is a cool car. Your car sucks. So, we go back and the place we rented it from wasn't open, but the Auto Toy Store, the place where you buy them was. So, this guy was really good at selling. He was able to buy one by giving the guy his bank's number and all that. They let him take it without the final payment, so now we have two Ferraris. And we had two Ferraris for the whole weekend and we just chased each other all around Ft. Lauderdale and southern Florida and checked out the girls and all. I thought it was so much fun because I didn't have to pay for it. He did buy the Ferrari. He followed through on Monday. He wired the money to the place.

What I find out later is the deal of Victor Kiam and Remington, his trading division financing this thing, all of that fell apart. They couldn't print the brochures because they didn't have the money. So, we've got 250,000 inquires from telemarketing of people who want a brochure on how to buy this $129 thing and they don't mail a brochure. He spent the money on a Ferrari. I was going to make a couple of bucks a bike. I was to make $1 a bike on every one on the production side and $2 a bike on every one sold on

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the sales side. That's how I was getting paid.

Michael: That's a problem. You can get a lot of leads and inquiries, but if the business can't execute the lead, it's a whole different story.

Joe: And you do your marketing thing upfront. You put all your time and effort and energy you're going to do to make the money upfront and you find out on the backend they can't fulfill. I did my job fine. We got tons of calls. We got the thing made for half what he could get it made. I did my piece, but he couldn't mail the brochure. And needless to say, MTV wasn't very happy with him either. I don't know what eventually happened. The guy must have gone and hid somewhere because he used up a lot of Remington's money and stuff like a Ferrari. I mean come on now.