

21
POWER
PRINCIPLES
— TO —

Maximize Your
Business Success



JAY ABRAHAM

21 Power Principles of Business Builders Who Get Rich

By Jay Abraham

Before we begin...a word from Jay

There are 21 “Power Principles” in this report and, while each one has a dynamism of its own, all of them have a common theme:

They are designed to help you put more cash and more customers in your business!

And I can assure you that my Power Principles will do just that. For almost 25 years, I have used them to help thousands of businesses jump-start their sales and profits – in many cases overnight and, in some cases, on a scale that is truly mind-boggling.

The Principles aren’t theoretical. They are all practical techniques of proven value and wide applicability. They can be used successfully by the smallest “Mom and Pop” store, or by a megacorporation. Whether you are a dentist or a designer, a “captain of industry” or the struggling owner of a start-up business, these “21 Principles” can do for you what they have done for so many others:

...help you rise to new levels of business and personal success.

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Power Principle Number One:

Don't Keep Your Customers From Buying!

My 24 years of experience in advising business owners and professionals has taught me a shocking truth: Most owners put limits on the amount of business that their customers want to do with them.

It doesn't happen by design, of course, but it might as well happen by design, because the fallout is every bit as devastating. Countless numbers of profitable sales that *could* be made are **not** made, countless numbers of customers are denied the opportunity of receiving full, satisfying service, and countless numbers of opportunities for business growth and personal fulfillment are squandered.

I have seen that happen many times. Fortunately, I've been able to keep my business clients from falling into that trap. And that's why I'm putting this special report in *your* hands at this time.

I don't want *you* to miss a single opportunity to draw closer to the customers you already have, and to do more business with them! **Those customers are your greatest asset.** They are also an asset you can immediately leverage, simply by creating more opportunities for them to buy from you – and to buy more frequently. The dynamics of that process are what I call the “21 Power Principles.” Let's take a closer look at Principle Number One – letting customers

Make 'em Offers They Can't Refuse

The easiest way to make customers an offer they absolutely can't resist is to guarantee them a result they absolutely want.

Tell them that even if they get that result and it's not everything they want, you're the one who will take the loss on it, not them. That's “risk reversal.”

The second way is a process called “future pacing.” That's the process that takes people forward to experience what their life will be like once they have your product or service in hand.

Keep in mind you're not really selling a product or service. You're selling a result, a benefit, an outcome, and advantage, a protection, an improvement or prestige.

Let's say I am trying to sell you my landscaping service. I would paint a future word picture for you – I'd have you driving home to a lush, handsome, really rich-looking lawn with shrubbery and gates that opened and you drove in! And there was this beautiful section of gorgeous flowers, butterflies and bees. And your kids were running around in there. Just beautiful.

And you could sit out there in the twilight between the time you got home at dinner and read the paper and relax and sort of escape all of the insanity of the day. And over weekends, you could sit there and you could basically tinker in the garden and it would be very relaxing. It would connect you with nature. Do you see what I'm saying?

Take your customer forward to what it will be like.

Then tie it in with risk reversal. If your customer says, “It certainly sounds good, but what if it doesn't happen?” -

You'll respond, “Well, if it doesn't happen, I'm the one who will absorb the loss, not you. If you fail to achieve at least this minimum outcome, I don't expect you to keep my product. I won't consider the purchase binding on your part. I won't consider the transaction complete. And, I'll expect to either work with you longer or return your money or return whatever part of your money you think is fair.”

buy as much as they want to buy:

There Are Just Three Ways to Grow a Business

You can find new customers, **or**...you can have your current customers buy more frequently from you...**or**...you can give your current customers more opportunities to increase the size of the purchases they make.

When a business falls into the unwitting habit of limiting its own sales, it's almost always because the owners have been looking at their marketing methods through a tunnel, instead of through a funnel.

Business A offers its customers too few choices, at too few price points.

Business A's owner fails to realize that customers would buy more if given the chance – and buy more frequently!

My point is that dynamic business growth can't flow out of a stodgy, **linear** strategy. You have to think in **geometric** terms.

Let me give you an example:

Let's say that you're running a small business or practice that you inherited from your father. He did virtually all of his advertising in the Yellow Pages. And, when you took over, you continued the tradition. Result: The business is doing so-so, and you and a handful of employees are taking modest incomes out of it.

But, down the street, a competitor is getting ready to eat you up! He's in the very same business that you are but, unlike you, he is talking to his customers through more than one megaphone, talking to them often, and offering them more than just one or two unimaginative purchasing options!

Your competitor realizes that if he remains creatively alert, there is almost no limit to how much his existing customers will buy from him! So, he keeps the dialogue going, and tests

and retests sales messages. He's not afraid to try anything: TV, direct mail – any available marketing medium. And he's done something else – something that I want you to do right now:

Figure out what a customer is worth to you over a purchasing lifetime – the total, aggregate profit that each customer can generate for you, minus all advertising, marketing and service expenses!

If you've never run out those numbers, by all means do it soon. The exercise is technically known as reckoning an individual customer's "marginal net worth" – a bland and book-keeping way of describing something that can be a stunning, eye-opening revelation. You will be astonished to learn just how much your customers are worth to you! *Consider this hypothetical example:*

The average new customer coming through the door brings in an average profit of \$75 on the first sale and repurchases three more times a year, in an average reorder amount of \$300 (each a gross profit of \$150 to the business). At that rate, and with an average patronage life of two years, every new customer is worth \$975! And, remember: We've been talking about people who are *already* customers – the ones who are known quantities, already in the computer database and on the mailing list! We haven't even gotten to the question of how to round up some brand new customers.

Many business people allocate money to "advertising" or "promotion" or "selling expenses." But there's no basis for that.

It's a conjecture-based decision by someone saying, "I'm going to spend 5% of sales on advertising, or \$20,000 a month, or a quarter, or a year." Or, "I'm going to give my salesperson a \$2,000-a-month salary or draw against 3% of gross sales."

There is no real reason behind such figures. The moment you understand what you can afford to spend to acquire a new customer

based on what that customer will be worth to your business or practice in terms of profits in transaction one in year one, and in subsequent years, you will stop wasting money on advertising and start only investing in sales generated. Your waste factor will drop about 90%!

Once you know precisely how to quantify the marginal net worth of a customer, then you must work with the data. If you knew that a customer would be worth \$975, and it costs you \$30 to land him, then every \$30 you spend is worth \$975. You would be foolish not to increase your ad budget to produce more \$30-cost customers.

Theoretically, you could afford to spend up to \$975 to bring in a customer and still break even. In other words, your “allowable cost” for acquiring a customer could be as much as \$975 per customer.

Let me give you a specific example:

One gentleman I know went from \$1 million to \$5 million in sales. He never before understood “allowable cost.” When he realized that after analyzing what a customer really could be worth to him – not just for the first sale, but how many sales on average, worst-case, he could expect to get in the useable life of a customer – he realized that he could spend three times as much as he was spending in order to acquire a new customer.

Once he realized that, he tripled his allowable acquisition budget. There is a difference between an advertising budget and an “acquisition” budget. A mind-set difference. Advertising is speculative. It’s wasteful; it’s unpredictable.

Allowable costs tied into acquisition budget means you know that you can spend money to acquire customers up to a certain minimum allowable figure per customer generated. My friend did that and all of a sudden his business quintupled.

In other words, if everyone else thinks that

your goal is just to advertise, but you understand that your purpose is as long as you can buy a customer for less than X dollars, you can buy customers all day long. While your competitors stop running ads because their ads don’t work, based on the money they arbitrarily allocate, you can keep running ads for months and months, you can go into all kinds of other publications they couldn’t begin to afford to run advertising in, because you understand what’s allowable and what isn’t.

I ultimately want you to spend less to acquire each customer, so why am I trying to get you to spend more? Because this is the most lucrative short-term way to get more starter customers. After a while, you can start slashing your cost per acquisition, which may take a few months.

The concept of marginal net worth is the total aggregate profit of an average customer over the lifetime of his/her patronage – including all residual sales – less all advertising, marketing, and product or service fulfillment expenses.

Let’s say the average new customer coming in your front door brings you an average profit of \$75 on the first sale. He/she repurchases three more times a year, with an average reorder amount of \$300, and on each \$300 reorder you make \$150 gross profit.

Now, with the average patronage life lasting two years, every new customer is worth \$975.

I arrived at the \$975 by adding the \$75 initial profit to the three additional purchases per year (at \$150 profit per purchase) times the two years they remain a customer.

If you haven’t calculated your marginal net worth yet, here are the steps to follow:

Step 1: Calculate your average sale and your average profit per sale.

Step 2: Compute how much additional profit a customer is worth to you by determin-

ing how many times he or she comes back. Be conservative.

Step 3: Compute precisely what a customer costs by dividing your marketing budget by the number of customers it produces.

Step 4: Compute the cost of a prospect the same way.

Step 5: Compute how many sales you get for so many prospects (that's the percentage of prospects who become customers).

Step 6: Compute the marginal net worth of a customer by subtracting the cost to produce (or convert) a customer from the profit you expect to earn from a customer over the lifetime of patronage.

My advice? Grow your business by doing more business with the customers you've got right now. Offer these wonderful people who have already proven their loyalty to you, more product or service choices, more price options, and more combinations. Remember the retailing formula at Christmastime:

"We can sell you the gift item as is. Or, we can wrap it for you, ship it for you and – once it's been delivered – call the recipient for you to make sure they're happy!"

A sale can often be upgraded simply by suggesting an affinity item. An "add-on." Golf shirts with golf clubs. A special carrying case for a camcorder. A tackle box with a new surfing rod. A year's supply of copy paper with a new copying machine. The opportunities in add-ons and "upselling" are massive. They can bring you exponential business growth.

Power Principle Number Two:

Use Test Marketing to Maximize Your Sales Results

It is absolutely amazing what you can learn from testing and retesting something as simple as a headline. I have seen a single word change in a headline make the difference between \$50,000 in sales and \$250,000! That happened with an ad for rare coins that ran in The Wall Street Journal.

I want you to adopt that same inquisitive mind-set: Never stop probing for customer response. It's your money that's being spent, and a \$500 ad is going to cost you \$500, whether you get 50 responses out of the ad, or 500.

If you buy two display ads in a newspaper, and one pulls better than another, try to figure out why. What action did the two ads urge the reader to take? What words were used in the all-important headline? On what page did each ad appear, and on what days?

Something else, too:

After your analysis tells you which basic offer, headline and copy worked best – giving you the greatest amount of business – then see if you can improve on it!

Get the picture? Test and retest, whatever medium you use to get your message to the public. Continuous improvement in advertising copy is one of the quickest ways to leverage marketing.

Simply by comparing the variables in every ad, sales letter, promotional offer and sales pitch, you will increase the efficiency of your marketing dollars and increase your profitability. *You'll also lower your selling expense.*

So, test one price against another (or two or three others). Or add a guarantee, and see how your results with a guarantee look when

compared to results *without* a guarantee. Test one advertising vehicle against another. If you use display advertising, test one size against another.

There are many factors in the total mix of your marketing program. Each step of the way, variations of each component should be cross-tested. (For more on high-impact headlines, see my bonus publication “*37 Million-Dollar Headlines*.”)

It’s also important to test for the “right” price. Different prices for identical products sometimes outperform each other by huge margins. I’ve seen \$295 outpull \$195 on some offers, and \$19 outpull \$25 by 300%.

I don’t know why that happens, frankly, which is why I encourage you to test and retest. It’s the only way to find the “right” price. You will be simply astonished at the difference in profit and total orders that one price can produce over another. Always, let the market tell you the correct price, don’t try to guess the price as it could cost you significant revenues.

Power Principle Number Three:

Build and Profit From a “USP”

What sets your business or professional practice apart from others in the same field? And, more to the point, what is truly unique about your business – something “special,” something that your main competitor simply can’t offer or doesn’t offer?

Price? Durability of product? Convenient hours? Great post-purchase service? Whatever it is, make sure that this unique quality (we’ll call it your Unique Selling Proposition, or “USP”) is at the heart of all your marketing efforts. For, unless it is, you’ll be needlessly forfeiting the use of one of the most powerful sales weapons at the disposal of any business: *uniqueness*.

The number of possible USPs is virtually limitless, but once you have yours nailed down – and have made it the foundation of your marketing – proactively defend yourself by making sure that any promises you make on the basis of your USP are always fulfilled.

For example: Don’t promise speedy service unless you can unfailingly give your customers speedy service. (That was the winning cachet of FedEx – “When It Absolutely Must Be On Time.”) And don’t promise a wide range of choices if you have only one or two items in stock.

My point is that customers will hold you to your promises, even if they don’t say a word upon learning that you’re “out” of something, or that you “can’t ship until Tuesday because the truck’s in the shop.” Customers expect promises to be kept. They want results. They have absolutely no interest in your truck or its troubles.

If you disappoint the strong, “silent” type-customers enough times, they’ll simply take their business somewhere else!

You don’t want that to happen to you, and neither do I.

If you need some help in identifying your own particular “USP”, try this little exercise:

On a sheet of paper, write down this sentence:

“Most businesses in my industry do _____ . But what we do is _____ .”

As the blank spaces suggest, I want you to write in whatever it is that sets you apart from others in your same line or field of practice – what you do that they don’t or can’t do. That’s your Unique Selling Proposition. It may be that you have a trade-in program that no other company offers. Or perhaps you serve a specific age group that other businesses ignore. The important thing is to recognize that unique strength, and then to use it!

My List of 10 Deadly Sins

And How Avoiding Them Can Make Your Business Almost Divinely Profitable

Sin #1) **Failing to Test:** If you don't test prices, headlines, advertising copy, radio/TV spots and verbal sales messages, you won't know what the market wants, or what it will pay. You're just guessing – which can be disastrous. Tomorrow, I urge you to have your salespeople try different pitches and differently priced offers, then review how they do, one test against the other. If you find a new twist that outcloses an old one by 25% - 50%, have all your reps use that approach until you can test and compare even more – and potentially better – possibilities!

Sin #2) **Running Institutional Ads:** Institutional ads are a sheer waste of money, because they don't direct the reader, viewer or listener to any intelligent action or buying decision. Direct response advertising, on the other hand, makes a complete case for the company, product or service. It overcomes sales objections. It answers all major questions. And it promises results, backing up the promise with a risk-free warranty or money-back guarantee.

Sin #3) **Not Stressing Uniqueness.** Most successful businesses and professional practices are built around a single USP, or "Unique Selling Proposition." It might be reliable post-purchase service, super fast delivery, convenient hours – or something else. Think about what it is that sets you apart from your competitors, and then make that "USP" the engine that drives all of your marketing and advertising efforts.

Sin #4) **Not Having Back-End Sales.** The back end is vital to any business. If you can induce new customers/clients/patients to buy a similar product or service from you within 45 days, you double the value of the customer. All of a sudden you're far into profit, instead of what initially was probably a net loss.

Sin #5) **Failing to Address Customer Needs.** By communicating with your customers (and making sure that your employees do the same thing), find out what it is that people need/want most – and then make sure you satisfy that need. If it's the lowest possible price, give them that. If you don't genuinely fill the needs you purport to fill, your customers will soon abandon you.

Sin #6) **Failing to Educate.** Your customers and prospects won't understand or appreciate a bargain, service or benefit unless you point it out to them. Example: If you're overstocked with widgets, advertise that fact (admitting your mistake) and then explain why the widgets are valuable, how they can be used, and how you are willing to let them go at a major market discount to 1) either your best customers, or 2) first-time customers, or 3) people who are willing to make an additional purchase.

Sin #7) **Making Customers Work Too Hard.** How easy is it to find things in your store? How helpful are your telephone operators when a customer, client or patient calls with a question? How easy is it to order from your business by mail?

Sin #8) **Failing to Explain Why.** Whenever you make an offer, ask for a sale, run an ad, or offer a product or service for sale at a specific price, always explain why. For example, why can your salespeople handle my purchase better than someone else? Why can you beat your competitors on price? The more believable and plausible your reasons, the more compelled I will be to favor you with my patronage.

Sin #9) **Giving Up Too Soon on What Works.** I find that business people get tired of their advertising and marketing campaigns long before the marketplace tires of them. If you fell into this business "sin," you might call off an advertising campaign that was working and replace it with something that hadn't proved itself and, in fact, might flop. Test different concepts and approaches, but never abandon your "control" (i.e., best performer) until you find something that pulls better.

Sin #10) **Forgetting Who Your Customer Is.** Always send your sales messages to the people who are your primary prospects. If you want to reach people over 45, for example, your ad's headline should say, "If you are 45 or over...etc." Scrupulously avoid headlines and ads that are nonspecific or abstract.

Power Principle Number Four:

Grow Through Endorsements

You might hesitate to request endorsements from you best clients, patients or customers, but please don't be bashful about doing it! An endorsement can be a powerful business booster, particularly when the person doing the endorsing is well known and respected by the people who read or hear what he or she has to say. Your endorser doesn't have to be a famous general, a film star, or a university president to command respect; someone who is "visible" in your community's business life will do just fine!

Also, the endorsement's wording doesn't have to be (in fact, *shouldn't* be) run-of-the-mill. It can say a lot more than "Jane runs a fabulous beauty salon, please drop by there and see for yourself." An endorsement can be creative, compelling – truly novel.

Endorsements can be presented through direct mail, TV, telemarketing or a simple personal letter. I use endorsements all the time to approach my new, potential clients – I find that it boosts response and lends instant credibility to a sales message.

Here's a real-life example: When a lawyer wanted more business, he approached his accountant and asked him to send a letter of endorsement to his (the accountant's) best clients.

The accountant readily agreed to do that. This is what the letter said:

"It's rare for me to write, much less to write about someone in another field. But I'm writing to tell you about my attorney, John Schmidlap, and to tell you about some of the fine things John has done for me." (At this point, the accountant mentioned several ways in which the lawyer's advice had saved him money. Then came this creative kicker-)

"Because I appreciate your loyalty to our accounting firm over so many years, I was thinking of sending you flowers for your office, or a gift box, but I decided that the noblest thing I could do for you is buy you an hour of my attorney's time! I've arranged to do that, and there's no charge or obligation for you to ever use him again. The session won't cost you a nickel, and you can use it to talk about any subject you want to discuss, whether it's a trust issue, a contract negotiation – or whatever. I can't recommend John enough. Here's his number. Just tell him that you're someone for whom I've purchased an hour of his time."

Now, *that's* an endorsement! One that worked very well, by the way. Most people who received the endorsement letter did in fact go to see attorney John Schmidlap, not once but several times! The lawyer's business increased dramatically, and the accountant's business benefited as well, through a referral percentage.

Referrals provided by your customers or clients can be another potent business builder – one that you'll find me discussing often in the pages of my monthly newsletter, "*Business Breakthroughs*."

Keep this in mind, too: Competitors can actually help you **grow your business**. Here's how:

Go to a competitor and show them that if they've lost a customer that, for all practicality, it's a sunk cost that they've written off. Tell them that if the customer doesn't want to buy from them, they can still make a profit by introducing the customer to you. Both sides win.

Go to your competitor and say, "Let me have a chance to access your inactive customers, not your new, active ones."

Or tell them, "Let me have one of your salespeople to call on your old customers to say, 'You didn't buy from us, we understand. We've done something to lose your goodwill, but we want to introduce you to somebody

we respect. We think that we're superior and superb, but if you don't want to do business with us, let us introduce you to the next best thing. We really respect these people."

If you do just that, the law of averages says that you're going to get 30% to 50% of those "old customers" to buy from you.

Pay the referring competitor as much as 100% of the first transaction. Show them that you could write them a check for tens of thousands of dollars, which they could use to pay off debt, to run ads to build themselves new customers, to pay themselves raises, to add to their facilities, or to hire salespeople.

After they get over the shock of a competitor wanting to do business with them, many of them will agree to your plan.

If they say no and tell you to take a wild leap, don't let that upset you.

Say to them, "I'd say the same thing if someone came to me with this proposition. But let me make a point: You've got a lot of lost assets. You spent thousands, or even millions of dollars to build them. These old customers are not buying from you now and they probably won't. Every week, every month, every year that you do nothing with them, it's a lost asset worth less and less. If you can convert a thousand of those 10,000 customers over to me – and I'm willing to pay you 100% of the first revenue – I can write you a check for \$20 or \$220 or \$2,000,020. How bad is that?"

Power Principle Number Five:

Reverse Risk to Put Your Sales in Forward Drive

Reversing risk by offering a prospect your guarantee of anything they buy from you is a wonderful way to overcome "buyer hesitation." And, yet, an incredible number of small-business owners and professional people are unwilling to assume full – and sometimes even *partial* – transactional risk.

That's shortsighted. It's also terribly unfair to customers. Look at it this way: If a business owner doesn't think enough of the products or services he sells to stand behind them, why should customers buy from him?

Why should they have to extend themselves and assume all the risk that the transaction involves?

By lifting risk from the buyer's shoulders and carrying it yourself, your sales proposition will be so much more powerful, appealing and embraceable that many more customers will break out of their shells and take advantage of your offer!

When companies use "risk reversal," it's not a rare thing for them to double and even triple their sales. A few customers will take advantage of your guarantee, to be sure, but so many more will buy that it will make refunds only a minor headache. And, even if you do get refund requests, it's not difficult to turn those complaints and requests into profits.

Skeptical about that last statement?

Then consider this:

I once signed a client whose main product was an item of poor quality. As a matter of fact, his returns on the item almost equaled his sales! He was in real, real trouble.

Recognizing that fact, I crafted a letter that apologized unreservedly for the poor product quality and offered each person who had purchased one of the substandard items a big savings on some kindred products of good quality that we had picked up at incredibly low wholesale prices. We invited the customers to simply call and tell us which product, or products, they wanted.

The customers were assured that immediate shipment would follow, and that their account with us would be adjusted accordingly – refunding the difference, or billing their charge card the additional amount.

The customers *loved* us. They were able to dump a terrible purchase, and pick up some quality things they really wanted.

Everybody – including my client – came out of that experience a winner.

The standard guarantee is to offer customers their money back if they return the product within 30 days. A stronger guarantee is to let them try your product free of charge, billing them only after 30 days have expired. Stronger still is the “pay only if it validates” guarantee: The customer pays only if your product or service delivers them a value that is, say, five times the product price.

One client of mine, who does industrial-scale carpet cleaning in a New England state, tied a skyrocket to his growth by using risk reversal. He talked a furniture chain into letting him test an offer of “lifetime” upholstery cleaning with each sale of their furniture pieces.

The effects were immediate and dramatic. Sales of furniture jumped, and my friend got all kinds of referral business and back-end sales in the process. He hadn’t spent a dime of his own money on advertising (the furniture people worked the lifetime cleaning offer into their own ads.)

My friend told me that the fallout from that

strategy – one combining risk reversal, joint venturing, and (for him) the use of no-cost outside marketing – gave him more business in just three months than he had done all of the preceding year.

Sure, a few people may take advantage of your generous offer; many, many more will buy from you because of your guarantee. They will like the feeling of security and control that your guarantee gives them.

But if you still feel uneasy about offering customers a guarantee, ask yourself this question:

“How many of my customers (clients or patients) openly express dissatisfaction with my product (or service) over a week’s time? A month’s time? A year’s time?”

If your product or service is of good quality, the figures should be low, even negligible. So, if your customers are generally satisfied, you have nothing to worry about! Offer a risk-free guarantee. One that is very clear as to what it means. For example: “If you encounter a problem with one of our machines, we will have a repairman at your house within 24 hours.” Include the strongest pledge you can live up to, and stress it in your advertising.

Power Principle Number Six:

Make Top Quality a Top Priority

Having just told you (Power Principle above) that horror story about my client and his problem product, you’ll hardly be surprised to see me follow with this plea:

At all times strive for the highest possible quality in the products and services you sell – and also in the work of everyone who works for you! Be unrelenting on that score. If your widgets are great stuff, but your customer reps are impolite, indifferent or not constantly alert to new ways in which they can deliver value to

your customers, then you've unwittingly created a "quality" gap in your business, and a sales beachhead for your competitors!

I hope that you will resolve to make "high quality" an integral part of your Unique Selling Proposition. In a marvelous book called "*The Start-Up Entrepreneur*," my former client, tele-marketing expert Jim Cook, wrote that, to be a successful entrepreneur, "you must become a service and quality fanatic." Jim rated that above almost everything else on a 25-item list of the things that an individual should have to attain business success.

The only requirements that he rated ahead of quality were these two absolutely essential attributes:

1. You must develop the ability to see the needs and wants of others.
2. You must find a market gap.

The best marketing plan in the world will be quickly undermined by poor quality. Chances are your sales efforts will attract new customers, but most, if not all of them, will quickly leave you if their expectations aren't met.

Here's how I look at the issue of quality: If you sell a product, make it the best and most useful product you can create. If you sell a service, extend yourself to the absolute maximum.

If you have a problem, resolve it as equitably and favorably in your customer's behalf as possible.

When creating ads or promotions, put as much thought, effort and review into them as is humanly possible. When everything you do is top-of-the-line quality, you can't help but do better! You can write far more powerful ads and promotions because you've got so much more to build upon. Likewise, you can accrue infinitely more repeat and residual business because you'll have so many satisfied customers and referrals. And you'll feel so good about

yourself and what you're doing, that it will rub off in every contact you ever have with your customers, as well as your employees.

In fact, you'll start demanding so much more out of yourself that a business that may have once been boring will come alive with exciting, self-improved challenge and fulfillment.

Starting today, right now, put maximum quality into every facet of your business. The payoff could be awesome.

Power Principle Number Seven:

Link Your Business to a Strong Partner

There are a number of exciting possibilities here – joint ventures, for example – but let me tell you about an unusual and potentially profitable kind of deal that some business owners and professional people have never heard of: the host/parasite relationship.

"Host/parasite relationship?" I know, it sounds like Biology 101, but it's really "Good Business 101." Here's how it works:

Let's say that you're a medical doctor, and you have a friend who's a CPA. As a physician, you've established yourself in the medical community; you have influence. So, you write to all of your fellow doctors and health care providers and tell them you can offer your CPA friend's services to them at a special fee at tax-filing time.

And, of course, in your letter you *endorse* the fine reputation and skills of the CPA!

Result: Your CPA buddy gets some new clients, and you get a percentage of his earnings from each referral!

Another host/parasite illustration: Say you own an automobile-detailing shop. Approach a

car dealer and ask him to include *your* discount coupons in *his* next mailing to his customers. For every coupon that someone brings into your detailing shop, the car dealer gets a percentage!

Keep your vendors in mind, too. If one of them is a professional (let's say a Chartered Financial Planner), write to all your *other* vendors, plus your customers, and recommend the planner's services! This could be an arrangement in which he gets new clients and *you* get a percentage.

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The possibilities are simply massive, breathtaking! I submit that a profit-oriented business person figures out ways to maximize the profits from any asset in which he has an interest, or actual investment.

That means your sales network, your customer network, your employees – everything. Host/parasite relationships are low cost, but they can be high impact!

It may surprise you, but I even believe strongly in developing ongoing relationships with competitors. Everyone seems to have this terrible desire to drive competitors out of business. They hate them. They don't want to talk to them.

But isn't that more than just a little bit silly? I mean, your main competitor is a hard-working person just like you – someone who has a family and is trying to build a successful business. Your competitor has the same kinds of problems you have. And, where there are differences between the two of you, those *differences* could be a profitable *opportunity* for both of you!

Let me give you an illustration:

Let's suppose that X% of your sales prospects, for one reason or another, don't buy from you. It might be that the machinery you sell is a little too complicated for them, or not complicated enough – or maybe they don't like your location! Whatever it is, their decision not to buy from you doesn't have to mean that all is lost.

Not if you can refer them to one of your competitors, and earn a percentage of the profit from the business they do with him!

There may be a lot of procedures, manufacturing or service functions that your business can't handle as profitably or as efficiently as your competitor can. Rather than lose business, set up a private-label relationship with your competitor and let him do work for you that you can pass back to your customers.

To find competitors who will agree to do that, consult your vendors, because chances are they know who all your competitors are, and even how their interests and yours might be brought together in a mutually profitable way.

But if you do work out a deal, ask your competitor not to try to take any business away from you. I know that's a delicate point to bring up, but if you have any doubts, try to get the promise in writing. Chances are your competitor will agree without any complaint, because he may want to reverse things in the future and job out some work to you! In any event, it all comes down to delivering convenience, quality and overall good service to your customers – which is the main reason you're in business.

Most people don't think about strategies that can help them profit from their competitors, or from the people their competitors sell to just one time. They don't see the joint-venture possibilities, or the ways in which they can take what their business competitors they have and work it themselves, or work it for themselves *and* their competitors! I realize that a lot of this might sound crazy but, really, think

about it.

I did a consultation with a contracting firm that had always thought of itself as fiercely independent. But, it was losing out on more than 95% of the bids it made by just a small margin. I persuaded the owner of that company to join forces with a competitor who was also losing bids by a slim margin. Working together, they brought their bids down 3% and got 10 times the business that the two of them had been losing.

Another time I was on the phone doing a consultation with a gentleman who sold oxygen, beds, post-surgical supplies and other hospital items. I convinced him that a number of his competitors who sold only one or two of the things that he offered were perfect prospects for the services he offered that they didn't offer. He had never thought about going to them and suggesting a joint venture. I talked it through with him and showed him that there could be a million dollars' worth of undiscovered income in his small city alone.

Power Principle Number Eight:

Pay Only for Results

With luck, you'll get 75% effort from any outside specialist you hire, including lawyers, consultants and ad agencies. That's just the way things are. If you pay someone up front what they tell you their "fee" or "price" or "percentage" or "rate" is, you have probably already *guaranteed* less than a 100% performance on their part. Why should they knock themselves out for you? They've got their money.

My advice: Tell outside specialists that you'll pay them in direct proportion to the results they achieve for you – a "variable." Say "The more you do for me, the more you'll make!"

You might be a little bit skeptical of this approach, but I have seen it pay off hugely, and

on many occasions, not simply for those doing the paying, but for those *being* paid.

You're not cheating someone out of his or her basic wage; you're making it possible for them to earn a whole lot more than a basic wage! In fact, you're likely to spend more money on outside services this way than you would if you immediately agreed to pay each service supplier his or her asking price! (*For you, the upside is that you will be virtually assured of getting the top-notch service you need and deserve to have.*)

Per-inquiry advertising is an example of my "pay for results" philosophy in action. A locally owned TV channel runs your commercial at night, with the understanding that you'll pay for that exposure in direct proportion to the number of customer inquiries or orders the commercial generates. This reduces *your* risk. And, if the station manager has unsold time on his hands, it gives *him* a chance to at least make *something!*

I don't want you to be shy about trying to negotiate a better, lower rate for anything that you need in your business.

Let me bring that to life by telling you what I did with *Entrepreneur Magazine*. They had 200,000 subscribers; a direct-mailing to their entire list would cost \$100,000, and all you could expect to do was to break even. However, I negotiated an eight-page space ad for \$22,000 - \$78,000 less than the mailing cost – and I generated almost exactly the same \$100,000 in sales as the people did who rented the *Entrepreneur* mailing list and broke even. Only, instead of breaking even, I made a profit of nearly \$60,000 on the transaction.

Per-inquiry advertising is a delicate, little-understood, but frequently used approach to reducing your advertising risk. The key is turning the advertising medium into a venture partner.

Conventional advertising is pretty much a no-win situation. If I'm a magazine publisher,

or a radio station manager, and I come to you and say, “Hey, buy 100 drive-time or prime-time commercials for \$50,000,” you’re stuck with owning those, regardless of whether they work or not.

The trick is to try to move the risk off of your shoulders and onto the shoulders of the other side. The more you do that, the more motivated they are to make certain that whatever they do with you or for you works.

So, the trick is to persuade the medium to run ads and only be paid so much per order generated – or per inquiry generated, or so much of the gross sales generated.

They will do that if you show them that their medium has a high probability of pulling a lot of orders. They will also do it if you cover their downside costs.

With radio advertising, the downside costs are normally just the cost of the spot. With print advertising, it’s much more expensive, because there is an embedded cost just to print, such as the paper and ink. With the better magazines, every page of advertising has to have one or two pages’ worth of editorial content. It requires the cost of printing 10,000 or 110,000 or a million of those pages, the cost of paying someone to write it, and the cost of getting it typeset.

But the truth of the matter is you can go to publications and you can persuade them to do Per Inquiry and Per Order, although they don’t like those words. Better words are shared revenue. You may have to guarantee them to work a guaranteed sale. Instead of saying, “You take all of the risk,” you can innovatively reverse it and say, “I will pay whatever your advertising costs are, as long as you’ll guarantee me a minimum number of sales from that advertiser.”

You have to be aware, too, that just because some self-appointed expert purports to know what your market or your circumstances require in the form of advertising or legal strategies, or merchandising or promotional products, they are

more often than not being reckless with your faith, your business and your capital.

Few professionals have to suffer the consequences that result when their advice for a client fails to pay off. I completed a nasty divorce, for example, where I spent \$650,000 on legal advice that was at best mediocre and at worst incorrect.

And even though most of the advice proved wrong, I got stuck with the bill. A similar thing happened with accountants. I got advice that may not have been as useful as it could have been, but I had to pay through the nose anyway.

I’ve determined to never again have to pay for professional carelessness or incompetence. That’s why I urge you to review all of your relationships with advertising experts, consultants, and any accountants and lawyers, where this is applicable, and convert whatever fixed-base compensation system you’re used to paying over to what I’ll call “carrot-and-stick” compensation.

Work out, if possible and if legal, as many purely performance-based compensation arrangements as you can. Then, when someone causes you to lose money, or lose ground, or lose market position, tailorize that expert!

In order to make a philosophy like this work, it has to be based on a supremely generous reward system for performance, and unless the upside for achieving your objective is generous, no one would be willing to assume the downside risk. Yet the concept is beautiful because only an extremely confident and competent professional would consider accepting a performance-based compensation deal. And that’s exactly what you want and should have – the best talent available.

Please don’t misunderstand me. I believe you should reward any professional who makes money for you, or saves money for you, or increases your profit, or helps you to avoid a big, imminent problem. But always keep your advisors challenged and tested – and don’t ever

assume that they're looking out for your best interests.

Far too often those of us in business let our fates be determined by people who are not penalized when they play havoc with us. I say replace those kind of nonaccountable professionals with people who are willing and able and capable of being paid when and if they perform like mad for us, and who are 100% willing to be penalized when their advice doesn't pay off.

And we should extend this same pragmatic view to people who work directly for you full time. Pay for performance and utilize the talents of people who have the incentive to hustle.

Let me tell you a revealing story about myself: I once hired a secretary. She was highly skilled and highly experienced. Her references were impeccable. But she hadn't worked for almost a year. Her husband was wealthy and independent. She said she wanted to "rebuild" her career, and my idealistic and trusting side wanted to believe her. I hired her at an exceptionally high salary.

But by the first week I knew I was in trouble. She never stayed past five. She never took the initiative of reading past correspondence or my marketing reports. All she did was come to work, type a little, answer phones, take an hour-long lunch, and disappear at five.

It gets sadder.

I started getting her trained to input accounting data. Admittedly, the training was rigorous, but after the first intense week she came to me and said her husband wanted her home with him and she could only work part-time.

The fault was entirely mine. I should have hired someone who was stone broke and had a burning desire to succeed – and perhaps had two or three or 10 children to support, and maybe her parents, too.

Unless the other person has more to gain in the success of a project than you do, you won't get all-out effort, and the project will be doomed. That applies to vendors as well. I learned to use small ones who are fairly priced, but to whom my business is substantial. I want vendors who will worry more about facets of my business than I ever will.

You may be losing \$30,000 right now if you're not talking to your vendors, as well as your employees.

Most business owners or professionals don't try to instill the same vision in their team members. They don't share their hopes, their dreams, their purpose, what they're trying to do, and why they're trying to do it.

Until you do that, you can't get anywhere close to the fullest result.

I commissioned a study a couple years ago and determined that companies that failed to share vision lost more than \$30,000 per customer per year in potential sales and resales.

The same goes for your vendors. If your vendors are working in contravention of your vision, if they aren't trying to move heaven and earth to help you produce the best product or service at the lowest cost and the greatest value, if they aren't trying to always be innovative for you, then you're losing potential.

All of these things cost you sales. Quite frankly, \$30,000 is a joke; it could be \$300,000 or \$3 million!

Power Principle Number Nine:

Manage Your Assets Wisely

All things being equal, I'd much rather put all my available dollars into marketing and pay a supplier 105% in exchange for having him keep inventory accessible. That can free up thousands, sometimes even millions, of marketing dollars.

And I urge you to be just as hard-nosed, whether the business climate of the moment is smooth or stormy. Make sure that you aren't keeping any money tied up in dust-catching inventory.

Another reminder: In tight times, you might be able to save money by farming out segments of your business to someone else – someone who has idle equipment, idle space – or even idle employees!

Here's an example of a profitable trade-off: Company A has trucks it's using only 40% of the time. At Company B, the situation is even worse: It's using trucks only 10% of the time! If delivery items aren't time sensitive for Company B, it might be able to farm its deliveries out to Company A – saving both firms vital marketing dollars!

Or, maybe you know of a business that is getting close to bankruptcy. If you do, you might approach the owner with this proposition, or some variant of it:

“Look, right now you have six employees, you have this heavy overhead and all this equipment. I'll come in and buy your customers and integrate them into my business. If I need any of the equipment you have, I'll buy that from you at market value.

If I don't need any of the equipment, I'll help you sell it. You have a facility that is costing you \$5,000 a month to rent. I'll find someone who will gladly pick up \$3,000 of that

just to get some of your unused space. You'll pay \$2,000 – the rent difference – for subsidizing those people. Meanwhile, I'll operate my business here, too, and write you a check for \$10,000 a month! So, you'll still make \$6,000 a month for simply letting me run my business, to my customers and yours, from your facility!”

See why some people call me “Jay Abraham, the Dealmaker”?

Speaking of “deals,” I want to share some thoughts with you on what it takes to negotiate a deal that can turn out to be massively profitable for you:

Rule One: Put your payment obligations at the end of the deal, not at the front. Tell your negotiating partner that you'll pay any risk you have within 15, or 30, or even 60 days after the deal is done and the results are known. By doing this, you'll preserve huge amounts of your own cash, and you'll be able to work on the other company's money for months – if not longer.

Rule Two: If a deal is risky, structure it so that you won't have to commit too much money in the early stages

Rule Three: Start the negotiations by offering less than you're willing to give. You won't know how much negotiating power you're leaving on the table, or giving away, until you try this approach. Too many business people go out with their best offer first, and have no negotiating leverage left, except to eat further into their already meager profit.

Rule Four: Always ask for joint tenancy of all the customer lists or buyer prospect names resulting from any customer “list” deals that you do. Those names are worth a lot of money. You can sell your partner the right to forego your right in using the names if they turn out to be valuable, but you can't get the right to the names after the fact.

Rule Five: Add the right to assign your

interest to others in any deal you negotiate. That way, you can sell your rights off, lease them, or finance and trade them to somebody for a cash lump sum – or for some of their assets.

Rule Six: If the negotiations involve a highly original idea of your own, get your partner to acknowledge your proprietary interest in the concept in a letter of agreement, or contract, before you start dealing. If you wait until later, after the fact, it might be impossible to get that concession.

Rule Seven: Don't start the deal until a "contract of agreement" is fully discussed and signed. Don't start, don't reveal too much, don't make your assets available, don't make your operation open to the other party until you have an irrevocable, binding and fully stated agreement. Take my word for it, you will regret it if you don't.

Rule Eight: Always reserve the right to audit the other fellow while the deal is in place.

Rule Nine: If you lack talent in negotiating, bring in someone who has that talent, but will wield it for you in a non-bullying way. (Don't use a lawyer, but pay the person who does assist you a percentage of the deal if that's what it takes to motivate them.)

Those are my bedrock rules for negotiating deals. Try them, and combinations of them, in the future, and you will save yourself a lot of money – and a lot of grief.

Power Principle Number Ten:

Borrowing Winning Strategies

The caption just above says "borrowing," but let's retitle and call it "creative emulation." It deserves a more stylish name because it's the highly leveraged art of studying and observing all sorts of successful marketing techniques and concepts that companies totally outside your

normal sphere are using.

The object of this "emulation"? To adapt other people's good business ideas. Nothing that's protected by copyright, of course – but inventive, freely available ideas that, with a twist here and a turn there, can be put to work at the task of helping you grow *your* business.

I'll give you a real-life example of what I have in mind:

A friend of mine in the precious metals business was sitting at home one evening reading his mail, and he saw a solicitation from a large insurance company offering to compare its rates with his current insurance costs. All he had to do was mail them a copy of his policy.

That set my friend to thinking. He came up with a fascinating adaptation of this "let's compare" approach:

He ran ads offering to compare his own firm's commissions on certain negotiable commission trades with those of other precious metals dealers. "All you have to do," his advertisement said, "is send me a copy of your trade-confirmation receipt."

Did it work? Did it ever! More than 5,000 people who were active metals traders took my friend up on his offer, and something like 800 of them became regular customers!

Some of the most successful and profitable marketing breakthroughs I've ever seen or been personally involved with were adaptations of concepts other people had developed for other, totally different kinds of businesses. If you want a "moral," here it is:

It pays to keep your eyes peeled and your ears open, whenever you're reading, traveling, watching a TV commercial – or listening to the radio. The next good idea you see or hear could be something that, with a little marketing finesse, could put money in your pocket.

Power Principle Number Eleven:

Be Proactive to Outsell the Reactive

Trust me, those gloomy estimates we've all seen are not exaggerated: As many as one-half of the small businesses launched in the United States this year won't be around by the end of next year. They will be little more than painful memories in the minds of the disappointed people who launched them. They will be business "failures."

The big question is, of course, "What causes so many businesses to fail?" Bad location? Lack of nurturing capital? Inexperienced owners? Massive miscalculation of market demand?

I blame "passivity." *Too many new owners passively wait for business to find them, instead of aggressively going out and finding it!* They think that hanging out a sign or a shingle is enough.

But it's not. That's a "reactive" way of doing business. Whether a company is brand new or has been around for years, it won't endure if its owner doesn't adopt, adapt, and constantly implement a "proactive" business strategy.

Which are you? Proactive or reactive? One quick way to tell is to count the number of times in the past year that you made a conscious, all-out effort to work your active and inactive customer lists. You should be doing that all the time, because you spent a bundle of money to build your customer base in the first place, and if you leverage it properly it will give you a better dollar for dollar return than you'll ever get from trying to pull in new customers.

Let me prove that for you: Jot down the names of your 10 best customers. Then, contact each one – first by phone and then by follow-up letter – and simply tell them that you want them to know how much you appreciate the business they've done with you.

Then, a week or two after mailing your follow-up letter, send those same customers another note and offer them a one-time preferential price on your product or service, or an opportunity to buy something in advance of the crowd, or an opportunity to buy a limited-supply item, or an opportunity to buy in advance of a price increase. You might even offer them a *combination* of all those purchasing opportunities. I predict that you will get a surprising and wonderful amount of business simply by taking this one, simple, caring "proactive" step with your very best customers. *Do it, and let me know the results.* I can't wait to hear! I also predict that, when you write to me, you'll say "Jay, I can't wait to use a similar approach with my 'next best' customers."

The older I get, and the more wonderful business people I meet and get to know and share experiences with, the more I am convinced that you have to put passion into everything, and anything, you sell.

Many people tend to get into business enterprises or activities they don't really love. But how can they expect to achieve superlative results if they're ambivalent, or even half-hearted and listless about what they're doing?

I don't want that to befall you. Not to scare you, or turn you off, but let me say that of the hundreds of clients I've worked with, I can almost tell – in advance – whether they are destined for success or failure. And I do that by assessing their degree of commitment to the product or service or industry they're in. In other words, I try to see how "passionate" they are about the work they're doing.

If you can't pump up real enthusiasm for what you do, then I say get into something that you can love. Close one door in your life and open a new one! Fall in love with what you're doing now – or find a new love.

Power Principle Number Twelve:

Use Non-Ad Ads

A “non-ad” ad is a positive report on your business that appears in the local papers or is aired on radio or TV. You can get that kind of exposure for no more expense than what it costs to contact a newspaper editor by phone, or to produce and mail a few news releases.

And *it's exposure well worth seeking*. Not because you don't have to pay for it, but because it will help you strengthen your ties to your best customers – make them look up to you even more. People are people. They like to associate with winners.

A reminder: Editors and broadcast news directors are hungry for news. BUT – they want real “news” ...something out of the ordinary, and appealing...like a whole bunch of kids spending a day at your plant and getting a chance to “pretend” they're running it...or a novel product that you're introducing. Or, a good samaritan act that your company performs.

If a news item is marginal – say an announcement that somebody has been promoted from third vice president to second vice president – you'll be lucky to get a paragraph on a back page. In fact, if you send out too many “little” news items, editors will start thinking of you as a nuisance instead of a news source.

Remember, too, that anytime that you pay for advertising, your ad copy should ask for a purchase. Never run “institutional” advertising. It's a crazy waste of money. Those institutional ads tell somebody how much a company loves itself, how great and wonderful it thinks it is. But customers are only interested in themselves, and in things that will benefit them. Fall in love with your customers, not with your products, services – or yourself.

Power Principle Number Thirteen:

Turn One-Time Customers Into Life-time Buyers

If you have a consumable, repeat-sale product or service, set up a *regular* monthly, quarterly, semiannual or annual contact strategy, based on testing.

For our purposes here, let's assume that you have a product that your customers should replace two to six times a year. In that case, send out a letter to your customers every month or quarter acknowledging their importance as a preferred or valued customer. Tell them a bit about what's going on in your business, and then make them a preferential offer – like a special combination package that's not available to new customers.

By “working” those good customers, and repeatedly communicating with them, *you should pull anywhere from 20% to 300% in additional business!* People are silently begging to be acknowledged, informed, given advance information and led to action.

It doesn't matter what business you're in, this concept will work! If you're in a profession, and have a handful of expensive clients, give them a call. You can use a Mailgram or a mock Mailgram, a cassette tape, a card or a gift bearing an offer. The point is to *follow up* and *test* new versions against your “control” approach.

The best way you can increase retail traffic is by having something very self-serving for customers to come and get – it can be an offer or it can be information.

Basically, understand the following: People don't come to you unless you offer them something they want. The more valuable, immediate or unique that something is, the more people come.

So, concentrate on offering what they want most. Until you understand what *they* want, you can't offer what they want. Spend some quality time identifying and evaluating what it is they really want – not just things, but the results or benefits those things give them.

Also, make constant offers. Promote.

A company in Australia that I work with has 365 different promotions a year. Every day they have a different promotion. They have different reasons to attract people. They make it exciting. They give incredible value. They give fun. They give enjoyment. They give bonuses. They give benefits. They give buying advantages. They make every day an event at their retail store.

A restaurant that I work with has a different theme every night. Every night, something new is happening. You never know what's going on. They don't offer just good food. They offer an incredible experience.

My advice to you: Make it an experience. Make it an event. Make it exciting. Make it enjoyable. Make it fascinating.

Power Principle Number Fourteen:

Find and Use Your Hidden Assets

There are many assets that your company has that I'm sure you're not taking advantage of. They are assets that are beyond the obvious and may seem somewhat abstract. However,

Your Sales Letters Can Produce Goodwill, as Well as Good Sales

Expressing a genuine liking for loyal customers – even those customers or clients whose buying may have begun to taper off – can and should be a part of all the marketing you do. It also gives you a wonderful opening to offer your most valued customers a tangible sign of your appreciation, and deliver even more value to them.

One way to do that is to notify those wonderful people of special sales – before you tell the general public.

Here's a letter that incorporated all of those elements:

Oh, Do We Have Something Special For You!

Dear Mr. Customer,

We've missed you around the showroom, but maybe you've just simply been too busy to drop by. Anyway, because you are one of our most valued customers (and because we know of your great love for sports cars) we want to tell you about some terrific sports-car buys that we will be taking delivery on in the middle of next month.

One of the new models – the one we thought would be of particular interest to you and Mrs. Customer – is the new Aerodynamic Aero from Barcelona Motor Works. If you would like to get an unhurried look at this remarkable vehicle – and test drive it – please call me before February 21. If you're going to be extremely busy in March, I'll bring the Aero to your home or office, so that you can check it out there, and take it for at least a short road spin.

I ask you: How could a real sports-car buff turn down an invitation like that? Friendly approach. Completely sincere. Aimed directly at the prospect's bull's eye of interest. No strings attached, so easy for the prospect to accept the invitation.

once you *identify* your hidden assets, you'll realize how profitable they can be to your business.

So, sit down and carefully list all the assets and liabilities your company has. Then, try to determine who might be interested in purchasing your assets through a joint venture or licensing deal. Next, figure out who you need to work with to reduce your liabilities. Now you have a "Hit List."

Then, take your list to a confidante or business associate and let them go through the same process with your list. Often they will see something that you have completely overlooked because their needs and desires are completely different from yours.

Take your list to as many friends and associates as necessary to develop a plan for each and every one of your assets and liabilities.

Power Principle Number Fifteen:

Seven Keys to a Winning Sales Pitch

In my bonus report on effective sales writing ("*Sales Letters That Sell*"), I explain how to put a compelling sales message into writing. But, whether you are writing or speaking to a prospect in person or through your telemarketers, the symmetry of a winning "sales pitch" is always the same. For the message to produce a sale, you have to do each of these seven things:

- First*, say something that gets the prospect's attention.
- Second*, tell the reader/listener/viewer why he or she should be interested in what you have to say.
- Third*, tell them why they should believe that what you say is true.
- Fourth*, prove that it's true.
- Fifth*, list all the benefits of your product or service.
- Sixth*, tell the reader/listener/viewer how to order.
- Seventh*, ask them to order right away.

I find that messaging your current customers is generally the easiest, and the more successful approach. You're serving their needs, showing an interest, and showing that you really, honestly do care about your customers or clients:

"Miss Whitman, the boss asked me to call because you haven't bought from us for a long time and he doesn't know if you're unhappy with us, if you've found a source you like better, or if your needs have simply changed.

"In any event, you are one of our 25 most valued customers, and we have been wondering if you would like to take advantage of our preferred-customer discount on a great new product we're introducing..."

This kind of telemarketing – the "sensitive sell" – has tremendous business-building potential. Yet, most companies that use telemarketing don't know how to put the medium on target.

More often than not, their telemarketing sales messages go right past the customer.

Power Principle Number Sixteen:

Preemptive Advantage

You can score a huge victory over your business competitors simply by being the first to tell customers something that comes to them as a major revelation – or at least has the ring of "inside" information. Human beings are funny that way. They passionately and desperately want to be "in the know."

For example, if you sell clothing that is triple stitched and inspected 14 times for durability and quality workmanship, let your customers know that. If the stuff is dyed, and the dye is imported from Europe, and the dye is applied four times, tell them that also. It might all seem boring and unimportant to you,

but your customers – once they hear or read “inside” stuff – will feel better about what they buy, and better about you. In fact, they’ll probably replay what you tell them at the next party they attend!

“See this jacket? It’s been triple stitched and dyed four times with rare stuff from Europe. Nice, huh?”

One of the most interesting “preemptive advantage” stories is the true one about the great marketing strategist Claude Hopkins, a man I have tried to emulate in my own life and career.

Way back in 1919, Hopkins was hired by the Schlitz beer people. They were in trouble – running tenth or fifteenth in beer sales. When he went out to Schlitz in Wisconsin, he asked for an explanation of how they brewed their beer, and they took him through the place, step by step.

They showed him how they had dug deep artesian wells, just to get superior water; they showed him the mother yeast cell; they showed him the glass-enclosed rooms where the beer was condensed and recondensed for purity. And then they showed him the “tasters” and the place where their bottles were cleaned and re-cleaned 12 times.

“My God,” Hopkins said, “why don’t you tell people in your advertising about all these steps you’re taking to brew your beer?” And they said, “Well, *all* beer is made this way. It’s not just our process.” And Hopkins said, “Yes, but the first person to tell the public about this process will gain preemptive advantage.” Hopkins then launched an ad campaign based on the story of how Schlitz made beer, and he moved that company up to first place in sales in about six months!

The moral: Let your customers know what you do for them. People won’t appreciate what you’re doing for them unless you spell it out. Articulate it. Make it fun to know.

Power Principle Number Seventeen:

Work With Other People’s Money

Go to your advertising agency and tell them: “I’ve got a product that sells for \$100, costs me \$20 to make, and leaves me with \$80 of profit from every sale. I am willing to give you \$50 of that \$80 to spend on marketing if I can get superior results from your agency.

“I’ll give you the exclusive rights to television, print or direct mail for sales of my product, but I want you to handle everything. I want you to write the best copy, buy the best media, rent the best direct-response mailing lists, get the best printing, handle my mailings – all of it. And for every sale you generate, I will give you \$50.”

With an approach like that, they’re likely to finance all or part of your campaign. And look at how much money they’ll make if they come through with the results you want:

They might spend \$100,000 on a major campaign, mail 200,000 pieces, generate a 5% response (10,000 units) and bring in \$500,000 altogether. That’s a \$400,000 profit, which is probably 10 times what they would normally make off a major campaign.

Plus, they normally wouldn’t have the incentive to get that 5% response; they’d probably be satisfied giving you one or two percent. So it’s better for everybody!

Most people don’t realize it, but a business is composed of a multitude of processes.

Processes are the various ways you transact or operate various facets of your business or practice.

For my focus, normally I talk about selling, advertising, and customer generating. But processes also relate to the way you manage, the way you operate, the way you route people, the

way you maintain your inventories and the way you utilize your capital or human capital.

When you find that within your business you probably do many processes in a manner far superior to the way your competitors do, you can isolate those processes and can offer to teach those abilities to your competitors for either a one-time fee, monthly usage fees, percentages of the improvement, or the saving or productivity that they produce.

Here is a case in point:

I know a real estate expert who sold her business to a franchise. She had a prohibition for three years of working within 25 miles of the city that she used to operate in.

But she was masterful at knowing how to list properties. Listing properties is the best of all worlds, because if you list properties, you can have 100 other agents working tirelessly all day long to sell them for you, and you get 50% of the profit just for having the listing. So it's the best leverage you can get in real estate.

I taught the woman to teach her secrets of listing property to other agents outside of the area that she was prohibited from marketing. She made about \$75,000 in the first two little training programs.

A dry cleaner that I know has 12 facilities and is very marketing-oriented. I persuaded him to start a service in which for \$50 a month, he got 12,000 other dry cleaners outside of his marketing area to pay to learn his secrets. Now, he's got \$600,000 a month revenue and has a full-time staff to come up with and test new ideas!

Power Principle Number Eighteen:

Get Twice as Much Done in Half the Time

The best way to leverage time is to spend it in areas of your business where you get the greatest payback for your efforts. Don't devote more than 10 percent of your workday to anything that doesn't hold at least some promise of a profitable transaction or strategic gain. If you follow this advice, you'll accomplish more, feel better and have a whole lot more fun! Another suggestion: Don't let a day pass without talking to at least one of your customers. Better yet, try to get *them* to do the talking. You may hear something that will suggest a business-growing idea!

Most people have their mind set in one myopic track for so long that they don't use time effectively and, in fact, restrict their own ability to achieve. Inertia, like gravity, holds them back.

How do you break inertia's insidious, ham-merlock hold on your potential for accomplishment? First, by accomplishing a series of little, but meaningful, successes outside of the ordinary scope of your business operations. The reason for this is to "psych out" your subconscious, to negate your negative or skeptical predisposition and replace it with positive achievement experience. Then you get your mind believing that you can achieve things! Reach new goals!

Try a special promotional mailing to a few of your customers or prospects. Or a special up-sell package add-on approach to your customers at the point of sale. Or, go back to 50, or 100, or 500 old prospects or inactive customers and extend to them by phone, or letter, or an in-person contact, an irresistible offer. All those suggestions – which are keystone techniques in my marketing manual – will help you stretch your time, energize your time, and most electri-

fying of all, teach your mind that it *can* break out of the mold of not wanting to try something new.

I can understand how you might want to take just one or two steps at first, before experimenting with some of the more ambitious marketing techniques I tell you about in “*Business Breakthroughs*,” and in my seminars. It’s only natural, human, for a person to want to feel comfortable and confident in *this* part of the woods, before going charging off into *that* new and unknown part.

At the same time, I strongly recommend that you read a few of the best selections on the “positive thinking” bookshelf. My all-time favorites are these:

Think and Grow Rich, by Napoleon Hill
How I Raised Myself From Failure to Success in Selling, by Frank Betzger
How to Win Friends and Influence People, by Dale Carnegie
How to Sell Yourself, by Elmer Wheeler

I also recommend Joe Karbo’s famous book, *The Lazy Man’s Way to Riches*. Read it and think about it, then pick it up and read it again, and I think you’ll agree that it will help you transcend the self-limits we business people often impose on ourselves.

Power Principle Number Nineteen:

Use Direct Mail – But Use It Right

I have helped clients make millions of dollars in direct mail, and I know it can generate new sales for *you*, regardless of what profession or business you’re in. Using a targeted neighborhood mailing, a young dentist can attract patients by offering free oral exams or a discounted “family” dental plan; direct mail isn’t the exclusive province of magazine publishers and other giant mailers.

If you haven’t tried “DM”, you might

wonder how risky it is – that is, how well you have to do in results to make it pay off. Well, I am perfectly satisfied if 95 out of 100 people receiving a cold-prospect mailing don’t open it, *so long as one half of the remaining five do reply*. The following math makes my point:

At a cost of about 35 cents a letter, you’d spend around \$350 on a 1,000-letter mailing.

If only 2% (20 people) responded, with an average purchase of \$100, you’d gross \$2,000 on your \$350 outlay.

Deduct 50% of gross for selling expenses, plus the \$350 for mailing and advertising, and then subtract 10% of what remains for general and administrative expenses.

Bottom line: On a mere 2% response, you net almost \$600 in profit for every 1,000 letters you mail!

Direct mail is the least expensive, most effective and most straightforward way to tell your full sales story on customers and prospects. A flesh-and-blood sales staff can call on accounts once every two or three months. But, using well-crafted direct mail, you can call on many more prospects every month.

And each sales call will cost you a dollar or less, instead of \$15 or more!

In my newsletter, “*Business Breakthroughs*,” I will be returning often to the subject of direct mail. But before I leave the subject here, I hope you will fix clearly and forever in your mind my prescription for effective, profit-delivering sales letters:

1. Your letter should have a power headline, one that captures the reader’s attention.
2. Your letter should spell out distinct and desirable advantages you can offer the reader.
3. Your letter should then validate the benefit claims you’re making. (This might be done by a testimonial, or

through the introduction of factual evidence or analysis.)

4. Your letter should persuade the reader to accept your offer and place an order.
5. Your letter should motivate the reader to act at once. "Reply right away." "Send back the coupon."

There's something else I want to share with you. It's what I call the "assumptive letter." It's often ignored, in fact not even widely known, and yet it has literally massive potential for building a company's sales and profits.

The essence of this technique is to beam your letter solely to people who are seriously thinking about acquiring the products or services you sell. This is unlike most direct-mail sales letters, or sales lead-generating devices which ask: "Have you been thinking about investing in stocks?" or, "Are you thinking about buying a new car?"

The *assumptive* approach actually assumes that the prospects are inextricably desirous of acquiring the goods or services you offer. Where the typical sales letter *asks*, you *state*. For instance, in an assumptive letter for a car dealer, you would write something like this:

"I know you are within weeks of trading in your Sable on a new model, but I don't know what you've been thinking of buying.

"However, before you sign a binding sales agreement, I'd like you to consider my company's offer."

An assumptive letter for a real estate firm looking for listings might start out this way:

"A friend of yours told me that you're about ready to put your home on the market. Before you list your home, I'd like to outline for you the 10 most effective ways to increase the selling price and shorten the listing period of any home you will ever sell."

A plastic surgeon might simply say (in his or her letter):

"A professional colleague of mine recently told me that you've given some thought to cosmetic facial surgery." Or – "A friend of yours suggested I write to you in confidence about the cosmetic surgical procedures my office performs."

To hit home, an assumptive letter should be personalized, with the addressee's name and address laser-printed by a computer. Mailing houses can arrange that for you. I also urge my business friends to offer major benefits in their assumptive letters. A free consultation, perhaps, or a free report with high perceived value – all risk-free, with no obligation to buy.

Wind up your assumptive letter with a request for action.

Give the reader a name to call, or a short reply card to fill out and return in a postage-paid envelope. If used correctly, one of these letters will outpull the routine, generalized sales letters many times over. It's a simply great profit enhancer. Please test it the next time you have an opportunity, and let me know how things turn out. You may develop some non-proprietary but creative touches of your own that I can pass on to other *Breakthrough* readers.

Find People Willing To Be Customers

There is a wonderful directory that you should spend an enormous amount of time with. It's called the *Standard Rate and Data Service List Directory*, and it's published by SRDS Publishing in Skokie, IL. (800) 323-4601

It costs about \$350 a year for a subscription. There are about 40,000 different lists you can rent and they are broken into two categories: mail orders sold and compiled.

If you want to know every engineer in the country or everyone who lives in a home valued at over \$500,000, you can identify that. Or, you may want to know everybody who sub-

scribes to *The Wall Street Journal* or everyone who is a member of a particular trade association. You can identify them.

When you see the different distinctions and ways you can identify and target segments of people and businesses, it opens up incredible opportunities.

The only way you can know this is to spend some time with two things: the aforementioned directory, and the lists of mailing brokers in that same directory.

Mailing brokers are professionals who advise you. I would pick out two or three and call them and ask them all the same questions, because some list brokers are stronger in certain areas than others.

Power Principle Number Twenty:

Develop Multiple Income Sources

In my seminars, I often display a stylized drawing of the ancient Greek Parthenon. You may remember that structure from your history classes in school, or from your overseas travels. It's a large marble temple whose heavy roof is supported by numerous pillars. Without those many pillars, the roof would collapse.

And that's my point! Your business could collapse if it's only supported by one or two income streams. Too many business owners gamble everything on a single revenue source. They get attached to one thing – let's say tele-marketing – and overlook the fact that there are at least a half-dozen income streams they could access.

What about direct mail? Or endorsements? Or back-end selling? Or aggressive newspaper advertising? Or joint ventures? Or a really systematic, creative and earnestly pursued referral program? See my point? You're shortchanging yourself if you rely on only one or two channels of business, and don't try to open up

other channels.

It's very much like the sensible approach to investing: "Diversify." "Don't put all your eggs in one basket."

I'm not saying that you should jump into everything at once. Try one or two of my business-building techniques first, to get used to the idea of funnel-vision marketing, as opposed to tunnel-vision marketing. Then, as you have an opportunity to test and compare one strategy with another, refine what you're doing, abandon what doesn't click, and then move on to another technique. As you do that, I'll be standing at the ready, waiting to answer any questions that might come up!

In the professions, and even in some businesses, there are traditions that foster a reluctance to use anything but dry, old-fashioned marketing and advertising approaches. And some of the rock-hard holdouts won't advertise at all (beyond putting their name in the Yellow Pages!).

But I say, "Let's lighten up." We're on the brink of the new millenium, and already in a world of rapidly evolving communications technology – high-powered PCs, Internet, cellular phones, interactive TV, virtual reality and (though it might upset some people) even the "infomercial"!

There is nothing inherently wrong about a doctor, or a hospital, or an assisted-care facility using creative, colorful, effective advertising. In fact, one of the most provocative commercials I've ever heard is a two- or three-minute radio spot for a chest-pain examination and treatment center in Virginia. The spot passes all my tests: a) it lets people know of a service that can improve their lives, and possibly save their lives, and b) it explains in specific terms how that can be done, and why the center is unique, and c) it asks radio listeners to respond right away, and tells them how to respond.

In other words, it "asks for the order" –

something some people in business sometimes fail to do!

The real super-achievers I've known take on one really good idea at a time. Then they spend the time and attention necessary to fully perfect and optimize all the avenues of sustainable profit that one idea holds. Then, after they have fully developed all the facets of potential existing in that concept, they carefully integrate the concept into an ongoing, perpetual part of their business.

Only after they have assured themselves that Concept "A" is a permanent part of their business do they move on to Concept "B." By layering one solid concept on top of another, a company can very quickly build fabulous streams of income resulting in a perpetual money machine that can't be stopped.

Marketer John Caples once said it very well: "Test everything on a small scale before you spend money on a large scale."

Power Principle Number Twenty-One:

Know Your Niche

Think about your past experiences as a customer in light of the "USP" examples I gave you previously. When you are in the market for something, wouldn't you respond to a company that strongly presents one of the basic USPs I mentioned?

Of course you would!

However, remember this:
You will never appeal to everybody.

The question really is which particular niche do you, as a business owner, want to fill? There is a vast gulf between upscale clients and bargain seekers. To assure your success, let's first identify the specific segment of the market that you want to capture, and then hone your Unique Selling Proposition to a sharp edge, so

that we can slice off as much of that market for you as possible.

Remember, your USP must not only fill a market void, but also produce adequate volume, customers, action and profit to satisfy your psychological and financial needs.

I may be the guide on this trip to success, but it's your trip.

Warmly,

Jay Abraham

P.S. I have saved a very special "Bonus" treat for you. You might call it a 22nd Power Principle! You'll find it below – it's a powerful, but surprisingly little-known and little-used way to grow your business without using cash!

Barter Your Way to Increased Sales

Whatever business or profession you're in, you have the capacity to generate finished goods or services that cost you less than their market value.

If you're a plastic surgeon and you perform facelifts, a facelift may have a market value of \$4,000, but it may cost you \$400 in hard incremental costs.

If you are a manufacturer of sofas, a sofa may sell for \$5,000, but your hard cost may only be \$500.

Here's how bartering works:

If you ran \$5,000 worth of advertising on a radio station, you would have to write a check for \$5,000. But if you can persuade the radio station to, instead of being paid in cash, be paid in your products or services, what you have done is reduce your acquisition cost of that radio time by the markups on your product.

For example, if you are the plastic surgeon I alluded to earlier who sells a \$400 facelift for \$4,000, the markup is 10 times. If you can trade a \$4,000 facelift for \$4,000 worth of advertising, you've just bought that advertising for 90% off its rate. In reality, you bought it for \$400, not \$4,000.

Even further, if you're astute, you acquire your advertising right now, but give your trade partner – the radio station – the right to use its credit with you whenever it wants to in the future, not worrying whether it takes a year or 10 years to do it. The longer they wait to use their credit with you, the longer you're gaining interest-free financing. Additionally, you're paying it off at a discount, because a dollar repaid next year is probably worth less than a dollar next week.

Let me share with you another neat aspect of barter.

You can do what's called "triangulation." Let's say you want to go to a radio station and you want to trade, but they don't want what you've got.

Well, that doesn't mean that you can't trade. What it means is that you might have to use a third trading partner. Go to a third party who has some goods or services that the radio station wants to trade for and trade with them for your product or service.

And, there's no law that says you have to trade equally. Depending upon the perceived value and the margins you operate with, you might trade abnormally higher or lower.

For example, car dealers trade automobiles that have lower margin, but higher desirability. They may trade a \$20,000 automobile, and they may go to a radio station and get two or three times that face value in advertising. Why? Because the radio station, if it wanted a car, would have to lay out \$18,000 for the \$20,000 car.

It's easy to trade hard goods, such as televisions and furniture, that people want very badly for higher multiples of soft goods, such as advertising and services.

Let me make this point clear: Barter is not limited to advertising. I use that example because most of my focus tends to be in the area of sales, marketing and advertising.

The truth is you can use barter for purposes of acquiring any goods or services you would normally require or desire in either your business dealings or your personal dealings.

All you have to do is work on your own or through a barter exchange and make sure you tend to the tax implications of the deal. But there is still incredible advantage.

I've helped clients trade all kinds of things. Bartering helps them when their cash flow is down and extends their buying power. Bartering is a means to allow you to create purchasing power almost at will. It's a legal entitlement to literally print money if you want to!