

Mail Orders Best Kept Secrets

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Mail Orders Best Kept Secrets

INTRODUCTION

While many aspects of mail order are commonly understood by those who have already learned the hard way--by costly experience, years of trial and error--there are several facets of mail marketing that remain cloaked in mystery, clouded by half-truths, misinterpretation and misinformation among those who have not yet had the advantages of such experience.

This report will attempt to clear away some of the fog and reveal mail order the way it is in the real world, not as some crafty promoter would have you believe it is.

We will cover a wide territory in just a few concise pages, and present both pros and cons of various mail marketing ideas, methods and practices within the large scope of selling by mail. Many books on the subject, some consisting of hundreds of pages do not include the information you will find here.

CAPITAL INVESTMENT

You've probably seen the ads:

"Start your own mail order business with just \$10 and make thousands of dollars at home in your spare time"

You don't really believe ads like that, do you? of course not. You're much too intelligent to fall for such misleading promises, but there are many people who are not as smart as you, and it's to this audience these ads are directed.

Some shrewd promoters of mail order plans, schemes and other questionable programs prey upon the gullibility of the public. They appeal to humanity's inherent greed...the dream of making a fortune without investment, risk or effort.

Just for the record, there still is no free lunch. The amount necessary to begin will depend on what you hope to accomplish. If you plan to buy or rent a small building, stock it with merchandise, hire a few employees, we're talking upwards of \$50,000. To begin at home in spare time, using a spare room and operate as a sole proprietorship or with the help of family members, you can trim that figure by many thousands of dollars.

Before we get too specific about dollar amounts, let's pose a few questions:

* How much do you know about mail order? Do you have knowledge and experience in advertising, graphic arts, printing, accounting, record keeping, taxes?

* Have you selected your product line, and have you determined who your prospective customers will be? Do you know which publications to advertise in, what size ad to use, which mailing lists to rent?

* Do you have a reliable supply source for what you will be selling, or will you be your own supplier as manufacturer or publisher?

* If you must rely on an outside supplier, will you purchase products wholesale to stock and ship your customers, or will you operate on the dropship method, having orders shipped directly to your customers from supplier's stock?

Your answers to these questions will help in figuring your initial cost. For instance, if your knowledge of mail order and the other related subjects consist of what you might have read in a book about 10 years ago, you're not ready to begin. Plan to invest at least \$100 in a few mail order books, reports, subscriptions to a couple of mail order journals, maybe even subscribe to a newsletter. Learn as much as you can about mail order selling, now and on a continuing basis, because there are always new ideas, changes and innovations that you must keep up with. Never think you know all there is to know.

Obviously, it will require more capital to produce whatever type of item you sell than if you purchase ready-made products, and it will cost more to buy and stock what you sell rather than doing business on a dropship basis.

We haven't established the selling price of the products in question, either wholesale or retail, but it will require more capital to maintain an inventory of \$50 items than if they are to sell for only \$5 so this must be taken into consideration.

When purchasing inventory from an outside supplier, you can probably buy in dozen quantities, but the picture changes if you produce your own product line. It would not be practical to produce only a dozen of anything because the production costs would be prohibitive. To enjoy the lowest possible production costs, you would be required to turn out a minimum of a thousand at a time.

On a dropship basis, inventory costs would be zero. If purchasing items to stock yourself, you should maintain an inventory of about \$500. If you plan to manufacture, publish or otherwise produce your own products, you should figure a minimum of \$3,000.

The biggest chunk of your initial capital--and this is important, because most newcomers don't realize this until it's too late--should be reserved for advertising and promotion. So, if you invest \$500 in products, plan to keep about \$1500 for promotion. This will include space ads, classified ads, mailing lists (if you opt to take the direct mail route), circulars, brochures, sales letters and envelopes.

If you are operating on the dropship method, you should still plan to invest a minimum of \$500 in advertising to get your business off the ground.

As you can see, there is no exact answer to the capital question, but now you should have a working estimate as to how much capital will be required, based on the direction your are investment for your particular objectives.

ADVERTISING--THE GOOD, THE BAD AND THE UGLY

To the mail order newcomer, all advertising looks pretty much alike. Each ad represents a person or company who is trying to sell you something or get you interested in what they have to offer. You normally don't try to judge the sales copy, layout or graphics. Either you buy, inquire or pass it by.

As you become an active advertiser, yourself, all ads begin to take on a new perspective. You see ads interesting or boring; one will zoom out at you with sparkle and zest, while another leaves you cold. All this analysis will be based on your own experience in creating and placing advertising for whatever you are selling.

In the final analysis, however, personal opinion or judgement means nothing to the success or failure of advertising. It's the results of each ad which determines its power and effectiveness.

WHAT MAKES ADVERTISING SUCCESSFUL?

MANY INDIVIDUAL ELEMENTS COME INTO PLAY MAKING A SUCCESSFUL AD:

1. **PERSUASIVE SELLING COPY.** The wording is the single most important element in determining a successful ad. What counts most is what you say and how you say it.
2. **PLACEMENT IN APPROPRIATE PUBLICATION.** This might seem obvious, but it is often neglected. If the right people don't see your ad, they can't respond.
3. **SPACE/PRICE IN PROPORTION.** You simply can't sell high priced merchandise from a small classified or one inch ad space. These should be considered as a low cost means of building a mailing list by asking readers to write for more information. If you expect to sell directly from an ad, the size of the ad will have

to increase in proportion to the selling price. Two or three inches of space for items selling for 42 to \$5... half or full page for items selling for more than \$5 up to \$20. When the price goes above \$20 it is usually best to run inquiry ads and follow up with a printed sales presentation. There are exceptions, but this is a fairly safe rule to follow.

4. TESTING ALL THE ELEMENTS. Unlike institutional advertising (toothpaste, cars, soap, etc.) which must rely on extensive market research, analysis, surveys and a lot of psychology to achieve success, mail order selling has a built-in "watchdog" to guard against waste and loss, and to help assure that every dollar spent will produce a profit...or at least tell you why it didn't, so you won't make the same mistake twice. This method (unique to mail order) is called KEYING. By inserting a number or letter (or combination) into every ad you run, you can tell which ad works in which publication and in which issues it works best. More sophisticated forms of this testing technique can be carried thru by trying a new headline, a different testimonials, guarantees, etc. The testing technique know no limits, but there is also danger in becoming test-happy. To use the testing principle effectively, be certain that the results will justify the time and expense of making the test. If it merely means adding to your paperwork without adding profit or reducing cost, it isn't worth it.

DROP SHIPPING

Theoretically, you can offer a million dollars worth of merchandise by mail without ever buying or stocking a single item. The trick to this is by using the drop ship method of selling. Simply stated, this means that you merely do the advertising, receive orders at your address, then forward the orders to your suppliers with your wholesale price and they send the item to your customer. It's an easy way to sell, it's effective and it works for many mail order firms, large and small. But, like so many other things in this business, there are two sides to the story. If you have already heard about drop shipping, you have probably only heard one side...the side that merchandise promoters want you to know. As Paul Harvey might say, "Now you will hear the REST of the story."

Yes, drop shipping can be used profitably, but it is unlikely that you or anyone else can become wealthy in mail order this way. The reason is economic. Most manufacturers, wholesalers or suppliers offer drop ship discounts of 30%-40% and up to 50% to dealers. This is not enough to allow any great profit on which to build a business. The selling costs will usually outweigh the profit allowed on merchandise, so the more you sell, the more you lose. How then can you make money by using the drop shipping

principle? By using it to get REPEAT business.

Here's how it would work:

Select what you think would be a good "leader" item and ask your supplier for his lowest price in quantities. The low price will give you greater flexibility in promoting it. The important rule here is to make sure this item represents the entire line of merchandise that you want to sell. Whether you sell it directly from an ad, run inquiry ads and use the two-step followup method of selling, or rent a mailing list...you will probably lose money on this first sale. Don't worry about it. If it's a good item at the right price, you will be building a customer base... people who will be happy with their purchase and will be willing to do business with you again.

Now is the time to use the drop ship method. From your original supplier or from others, get all the sales literature available on other good products that will appeal to your customers. Use this literature as individual sales pieces, or compile them into your own catalog. When filing your first order, enclose this catalog or sales literature with the order, along with an order form and your return address envelope. A percentage of customers will begin sending you additional orders for these new items. Here's an important point: To get the first order you had to spend a lot of money for merchandise, first order you to spend a lot of money for the merchandise, the advertising and shipping. This time you don't have these expenses. All subsequent orders are virtually FREE, except for the cost of the sales literature (possibly 2 cents to 10 cents each.)

At least 3 or 4 times a year, mail to your accumulating customer list with additional offers. All of these can now be drop shipped at a profit. Keep a close watch on items that are hot...those that sell exceptionally well. You might want to take advantage of the lower prices by stocking some of these to fill your own orders and enjoy the maximum profits from each sale.

This is how drop shipping can and should be employed. Of course, if you already manufacture or publish a product of your own, you're way ahead of the game. Use drop shipping to supplement your sales by offering other items to your customers on a regular basis. This is where the profits are in drop shipping.

THE ILLUSION OF PRINT/MAIL SERVICES

If ever there was a lazy way to easy profits in mail order it has to be the concept of letting someone else do all the work for you.

In theory, it works like this:

You send a camera-ready circular or ad to someone who advertises a print/mail service and they will print and mail it (along with many others) to 1,000 to 25,000 names on their own list. You simply pay a one-time charge while they do all the work. Now, multiply this by 5, 10 or more such services and you could (still theoretically speaking, of course) have several thousand of your offers in the hands of prospective buyers within a few weeks.

The problem, is that it doesn't work that easily, at least not to the point of making it profitable for the dealer who expects to become deluged with orders. Even the very best mailers in the business can produce only a small percentage of return for their clients, so you would have to have a very high markup on your offer and reach millions of people if you hope to make it profitable. If you already have a test-proven offer that produces about 3% return when you mail the offer by itself, you will be lucky to get one-half of 1% when mailed by a mailer along with hundreds of others.

Yes, some offers can produce a profit, even with such a small percentage of return, but they are extremely few and far between. First of all, you would most likely have to be the high markup that is required. If the offer calls for \$10 and you can produce it for 41 really is: That's 5 orders per thousand...50 orders per 10,000. Some offers might be able to survive on this, others cannot. You will have to do some figuring to determine whether it's worth trying.

On the down side of this practice, there has been quite a bit of speculation about such print/mail services as to their honesty and quality of their services. Many of them offer less than good printing, often smudgy or in various shades of gray instead of crisp black and white; some of the lists they use are so overworked, they have become virtually worthless. Even the best mailers use primarily "Opportunity" lists, so merchandise offers would hardly be appropriate. Another flaw in this idea that some crooked mailers are out there who simply don't mail the quantity they claim. It seems they print and mail only hundred or so, but claim to mail in the thousands. This is very difficult for anyone to prove or disapprove, so the entire idea of using a print/mail service is precarious at best.

CHAIN LETTERS

It should hardly be necessary to include this mail order scam, but such letters continue flooding the mail every day. Chain letters are a total waste of time and money, appealing to the gullible and greedy, looking for fast, easy money. The easiest way to spot a chain letter is when you see a group of 4 or 5 names and you are asked to delete one and add your own, then send a specific amount of money. Chain letters are a sore spot on the business of selling by mail, and they are illegal. If it even

looks like a chain letter, it probably is. Save your money and stay out of trouble. When you receive chain letters in your mail, throw it away...fast. Better yet, turn them over to your local Postmaster.

ESTABLISHING AN IN-HOUSE AD AGENCY

There have been several ads promoting books and reports on this subject, or included as part of the contents in several mail order books stating:

"SAVE UP TO 17% ON ALL YOUR ADVERTISING"

It's legitimate, practical and effective, but like so many other promises, there are pros and cons involved. The pros are fairly obvious. By setting up your own advertising agency and placing your advertising under your agency name, most magazines will allow you the standard 15% agency commission plus an extra 2% cash discount. If your annual ad budget is \$5,000 this amounts to a saving of \$850 a year, which is a considerable piece of change.

The negative side to this operation involves the initial cost of establishing your new agency, which isn't very difficult, but it might be considered time-consuming. To initiate an agency you will have to have a name for it other than your regular business name. Example: If your company name is Nationwide Electronics and your name is John Smith, you could call your agency John Smith Advertising or The J.S. Advertising Agency. The agency address will have to be different than your company's, but this can be resolved by renting a post office box one of them and using your home or office address for the other. Next you will have to open a separate checking account under the agency name because all advertising payments will be issued thru your agency, and you will probably be required to register your agency with your County Clerk as a new business.

Once these details have been taken care of, you're ready to begin placing ads. You'll have to have insertion order forms printed with your agency name and address, and a separate form must be prepared for each ad in each publication. When your advertising schedule involves only a few publications, this will not be a problem, but if you expand into 50 to 100 different magazines, it can really cut into your time. Of course, if business gets large enough, you can always hire a secretary to take care of that chore.

THE LURE OF CLASSIFIED ADVERTISING

The easiest, least costly and potentially most profitable entry into mail order advertising is thru the classifieds...yet there is probably more money LOST in classified advertising than in any other way, with the possible exception of direct mail. Why? Let's

take a closer look.

Display advertising, the classy, artsy ads in magazines and newspapers, are difficult to create and expensive to place. The novice lacks the necessary talent, ability, expertise and (usually) the capital needed to venture into this area of selling. It requires a basic knowledge of advertising in general and mail marketing in particular, plus some background in artistic composition, layout and ad writing. The cost of running even the smallest display ad often runs \$200 to \$500 or more per insertion. The biggies, those full pagers, usually run \$2,000 to \$10,000 or more. Needless to say, the average newcomer isn't about to jump into such an investment on pure speculation.

So, the classified ad becomes very attractive, both in its ease of creation and the cost of running it. Such an ad can be scribbled on a piece of paper and sent to publication with payment in a matter of minutes, if necessary (although such a hasty move should be avoided) without any creative design or artwork.

The problem with using classified ads that they are often expected to do more than they were designed to do in the first place, and that's to build a prospect mailing list. Instead, probably 95% of all first-time classified users will try to sell their wares directly from the ad, and this is where they go wrong. With very few exceptions, every classified ad should, in one way or another, say "SEND FOR MORE INFORMATION." It should NOT say " Send \$10 for this thingamabob"...yet many of them do.

Many authorities will tell you that you can ask for money in a classified up to \$5 for certain offers, but this is misleading. Asking for money in any amount will automatically cut response by up to 50% or more. When you're paying by the word, every word must work hard for the money spent, and that means brevity is essential. But it also means you can only tell, not sell in the ad. By merely whetting a reader's appetite for more information, then sending the complete story in a well-prepared sales package, a classified ad can be used profitably to build a business.

If you don't ask a classified ad to do more than it was intended to do, you'll never be disappointed.

WEALTH FROM REPEAT BUSINESS

Most newcomers to mail order think in terms of finding a single, new "hot" product to sell...one which will capture the public's fancy and catapult them to fame and fortune. This fancy is soon shattered after a few attempts at advertising the new pet product, only to discover that sales are few and profits are even fewer, if any exist at all.

The secret in this case is that costs a considerable amount of

money to secure each new customer. Sometimes a modest profit can be realized from the first sale, but more often a break even situation or small loss is the true outcome. This is the crucial point...the stage where most beginners in mail marketing become confused, disillusioned with the entire idea of mail order. It's at this point the faint of heart throw up their hands in disgust, claiming that mail order is just another scam. The more stouthearted (stubborn) dealer will try again with another idea, another ad, maybe a new selling proposition, only to experience the same disappointment as the first time. The smart person will begin to realize that it's vital to begin with at least TWO related items, preferably five or more products, all appealing to the same type of buyer.

TO ILLUSTRATE THE POINT:

Suppose you place an ad for a \$5 item at a cost of \$100. To recoup the ad cost you'll need 20 orders. Depending on fulfillment costs you'll also need an additional 5 or 10 orders to show profit. But suppose you receive only 10 orders? This means \$50 LOSS each time you run the ad. But wait: it also gives you 10 new customers. When filling the original order enclose additional offers of a related nature. Assuming customers are happy with the first purchase, about 10 to 20 % of them will order something else from you. It have cost you &100 for the original ad, but the additional order will cost only a few cents. This is where the profits come from.

Naturally, you hope you DON'T lose money on the initial ad. You would much prefer to show a profit right up front, but this example was used to present the worst picture and how it can be turned around. Keep in mind that, as long as your ad is running, you will be building your customer list. At least two or three times a year, send these customers a new offer. Satisfied customers will stay with you year after year, and this is where the wealth is in mail order.

It's not in the advertising; it's in the customers.

PROFITS IN THE PRINTED WORD

A good line of information books and reports can be the most profitable items in mail order. The field is enormous and the possible subjects are wide and diverse, as are the individual markets for each subject: financial, home business ideas, health, home & auto repair, investments, spare time money making ventures, do-it-yourselfers, mechanics, electronics, collectors, etc.

One of the big secrets here, of course, is to decide exactly which market you want to serve, then offer information only to these people. Don't try cross-selling by offering a handy auto

repair manual to someone who has expressed interest in better health or attaining greater income. Equally as important is to offer useful information; new ideas or uncommon information that isn't readily available elsewhere.

Next in important is the price/profit margin. Stay away from publishers who offer the standard 40% discounts. You need a minimum of 50% if you plan to operate on a drop ship basis, and 70% discount if you want to stock merchandise and fill your own orders. This may not seem important to you now, but you will soon realize that you need the high discounts to help offset the selling costs of whatever you are selling. Your selling costs involve the original advertising placed in publications, printed sales literature and postage needed to answer inquiries.

The next step toward success in the mail order information field is to use advertising and sales material that are geared to the information you are offering. Nothing sells itself by mail, it's in the words, ideas and graphics in the advertising that will draw inquiries and sales.

How will you sell your information--

Through classified or display ads? By direct mail? with a combination of all methods? Will you try to sell directly from a magazine ad, or ask for inquiries and use printed follow up material to make the sale? These are questions that deserve careful consideration before you go too far. If you are inexperienced in advertising or new to mail order, you should enlist the services of a competent mail order specialist to get the answers to your questions.

When all the facts are in, are there really big secrets to selling by mail? Not really!! There are only established principles of operation, proven ideas, methods and techniques that work...others that have been proven unworkable and unprofitable. There are no hard rules, just helpful guidelines. The true secret is to learn and follow the methods that have proven to be successful, use whatever knowledge and skills that you can bring to your new business, and get professional help in areas where you lack the ability to do it on your own.

The mail order graveyard is scattered with the bones of those who didn't!