

Derek Dearden interviews Ken McCarthy, June 2010

Derek: Today I'm talking with Ken McCarthy of The System Seminar. It's my very great pleasure to introduce you to Ken, because he is the source of the overwhelming majority of information that I've personally had and been able to make use of in running my business and expanding it, and in being able to pass that information on to other people.

Hello Ken!

Ken: Hey Derek, how are you?

Derek: I'm really good, and you?

Ken: Very well, thank you.

Derek: Ken, we take the internet very much for granted for these days, so much so that it comes as a surprise to realize that it's not that many years since very few people were actually connected to the internet. Fairly few people had even the vaguest idea of what it was and what it could do, and certainly nobody at all was making money on it.

About 16 years ago you were one of the first people, possibly the first person, to recognize the potential of this from a commercial point of view and to bring together a group of people and discuss that. Would you like to say a little bit about that?

Ken: Sure. There definitely was a group of us who were interested in this topic, but I actually organized and sponsored the first gathering of serious people to focus on web commerce. There had been nothing done like that ever before. It was very interesting.

It was in San Francisco in 1994, and San Francisco of course is the center of all things computer-related and digital media-related. Just to show you what the climate was like at the time, there were two big trade associations that represented people involved in digital media. One was called the International Interactive Communications

Society, and I can't even remember what the other one was called. They're both out of business now, by the way.

Anyway, I went to both of them and I said, "Hey, I want to bring this young fellow, Marc Andreessen, up from Silicon Valley. He's invented this thing called the web browser and it looks very promising. I think we should all pay attention to it and start thinking about ways that we can use it for business."

The head of one of the associations – that was the International Interactive Communications Society – was all for it. She was a real enthusiast and said, "Yeah, this is a great idea. Thank you for doing this. We're going to send all our members to this meeting."

The other guy said, "This is ridiculous. Why are you wasting our time? This has nothing to do with digital media. Nobody can do anything with this thing. It's impractical. Nobody can buy anything on it. It's going nowhere." He wasn't very polite about it, either.

That was in the most sophisticated city on earth for things related to personal computers, San Francisco being at that time especially a real cutting-edge place. That was where all the multimedia was being developed and all the things that we take for granted today. So even in that very sophisticated cutting-edge city there was a big skepticism that the web could ever be anything but a toy.

Derek: That's right, and in fact even with presumably a relatively sophisticated group of people at that meeting, you had to spend a significant portion of the meeting explaining what the internet actually is, didn't you?

Ken: Oh yeah. We had three talks and a panel. I spoke about the history of direct marketing, which is selling to people at a distance – in other words, not live retail selling, but selling through catalogs, through the mail, through radio, through television – and I was projecting how people would sell through the internet.

I basically said, “Look, this is a new medium. It’s very exciting, it’s very dramatic and glamorous, but ultimately what’s going to work are the old-fashioned direct marketing principles,” so that was my talk.

The next talk was a fellow named Mark Graham, who in those days was known as Mr. Internet in San Francisco. That was his nickname, and he explained what the heck the internet was and basically how it worked and how it was put together.

Our third speaker, of course, was Marc Andreessen. At that time I believe he was 22 or 23, and he had just co-founded Netscape with Jim Clark, and they had just made the first commercially available web browsers and web servers. Their dream was maybe to interest the world in their software.

I’ll never forget this, just to show you how things have changed. At one point in his talk, Marc bragged that there were over 20 companies developing web applications. [laughing] He offered that as proof that there was some viability to this crazy idea that he and Jim Clark had.

Another thing, just for fun, was somebody raised their hand and said, “I just saw a URL on a billboard. Isn’t that amazing?” and we were all kind of amazed, Marc included. That’s where we were 16 years ago.

Derek: That’s amazing. Of course from then on, that was about the point where the whole thing began to expand exponentially. Way more people got onto the internet, and it was about that time I think that I recall seeing newspaper reports of some firm of lawyers or something using the internet to promote them.

It was regarded as scandalous and an outrage, and the internet shouldn’t be tainted with commerce and all that kind of thing. That was part of the background.

Ken: It's a very interesting phenomenon, because when the radio was invented and commercialized, one of our presidents, who was a pretty pro-business man, Herbert Hoover, he felt that the radio should not be commercialized, that it was too important and shouldn't be tainted with commerce in any way. There was definitely that attitude very strongly.

I remember the first time that somebody put a banner on a home page, you would have thought that we'd desecrated the Mona Lisa or something. Literally, there was just outrage.

But the fact is, these servers cost money to run, somebody's got to be paid a salary to build content and do things, and the money has to come from somewhere. There are all sorts of different models that have sprung up over the years.

One of the things that got the web off to such a fast start was something called the banner ad, which seems like a pretty simple idea, but it was actually quite revolutionary.

One of my students, Rick Boyce, played a really important role in making the banner ad model prominent. He did a very good job of selling banner ads for his employer, HotWired, which was a sister publication of Wired magazine. Based on his success, literally thousands of ventures sprung up to create web content and to support that content with banner ads.

Rick was the first guy to do simple things now, but very profound at the time, like tracking the click-through rates – how many people saw the ad, how many people clicked on it – so banner ads were a very important thing.

Of course, when Netscape's stock was first issued, it was an unbelievably successful stock issue, and that sort of woke the whole world up. Even if they didn't know exactly what they were going to do with the web, it woke the world up to the fact that there was money to be made on the web.

Derek: Sure, and then of course it went from one extreme to the other. We got the lunacy of the whole dot com boom. Business people seemed to lose all sanity in thinking that there had to be any underlying business reality to what you were doing. If you were connected to the internet, you were bound to make billions.

Ken: Absolutely. They were just mesmerized by the potential of it all. It was actually a relatively short period, and when it was happening it seemed like it was never going to end. This would go on forever.

I found it just crazy that anybody who could string two or three sentences together and get a meeting with a venture capitalist in Silicon Valley could raise millions of dollars. I knew it wasn't going to last for long, and I actually left the Bay Area in 1998 and moved to New York, just to keep my sanity.

People were abandoning all rationality. They were abandoning the direct marketing model, which we've proven to be the correct model for successfully operating on the internet. The lunacy was so thick that I just left town.

Interestingly enough, when I came back not too many years later, it was as if a neutron bomb had hit San Francisco. So many businesses that had been flourishing and had 20, 30, 40, 50, 300 employees were gone. They were all based on a faulty model.

Derek: Right. Just before we take the narrative a bit forward and go into where you went there with the education that you've been offering, you mentioned the direct marketing model. Can you in just a few sentences say exactly what you mean by that?

It's one of those terms that's bandied about, and a lot of people assume that they know what's meant by it, but perhaps some people are confused and other people who think they know have got a misconception. Just in the simplest terms, what do you mean by that?

Ken: Absolutely, and this could be really the most important part of the call for everybody, me included. If you're in business, you can never think too much about good direct marketing principles. They're just one of the most useful ways of thinking that there is.

It all starts with the basic common-sense premise that a lot of people sometimes overlook, which is that a business's health is entirely dependent on its sales. A nice office is nice, and nice ideas are nice, and nice products are nice, but things have to be moving out the door and people have to be making purchases. Sales are really the engine that drives business.

Most people think of sales as something that takes place live and in person. You walk into a store and somebody explains something to you and you make a purchase, and that's certainly viable and it works.

But there's another way to sell, which actually gives a lot more opportunity, especially to small operators, which is direct marketing, whereby you're selling what I call 'at a distance.'

So instead of showing up personally, or having your customers show up personally, you're using media to do your selling for you, and that gives you tremendous leverage. You can only talk to so many potential customers in a day. You can only knock on so many doors, you can only handle so many inquiries personally.

But once you figure out ways to use media to systematize and automate your selling, now one person or a very small group can realistically sell to hundreds, thousands, even tens of thousands of people per day.

All this goes back to the old catalog days. In the 19th century we had this sudden explosion of technology, low-cost printing, universal postal delivery, manufacturing itself, and better railroads for transport and so on.

Previous to that, Napoleon Hill made the point and I think it's absolutely valid, Queen Victoria and Julius Caesar had the exact same telecommunications infrastructure, at least when she began her reign. What was it? Yelling as loud as you could or running as fast as you could. There really weren't many other ways to get the message out.

So we had this explosion of media, and some clever people very quickly realized, "Wow, instead of having one shop, we could use this to sell to every home in the country."

Some of the pioneers on the American side at least – I'm sure there were great pioneers on the UK side – were Richard Sears and the Sears catalog, and Montgomery Ward and his catalog, and these catalogs were in every American home.

The U.S., of course, is such a huge expanse, and in those days a lot of people were rural, so the only way for them to access interesting quality goods was through these catalogs. You had this real explosion of know-how in how to sell goods at a distance.

Of course, Sears is a massive company, but for every Sears there's tens of thousands of small companies that are filling very specific niches, selling directly to customers using media with great, great leverage.

Derek: There's another very important part to the whole methodology, which is how do you actually optimize your message? You first attempt at communicating with the mass of people who are out there and they're not in front of you, as they would be if you were a face-to-face salesman, so you can't get the feedback from them. Some of them are going to respond to your message, and others of them aren't.

Of course, the glory of this is that there is actually a systematic method of refining and improving your message and increasing the effectiveness. Do you want to say anything about that?

Ken: Oh yeah, absolutely. That was something that people figured out fairly early on, too. They would run one ad and they would see what kind of response it got, and then they'd run another ad and note the difference in the response.

Then some clever person said, "Why don't we key the ads" – this was in the print days – "where we have somebody respond to Box 40 from one ad, and then with the other ad we have them respond to Box 50."

So when the mail orders came in, you would just count. You'd say, "We got 300 orders from ad A and we got 500 orders from ad B. Let's run ad B." It's a very simple idea called A/B split testing and there's tremendous power in it.

That brings us to the present. Whereas that happened in slow motion in the print world, it can be done extremely rapidly in the internet world. You can do as many tests in a week as it might have taken the old print merchants a year or more to do, and you can do them very inexpensively.

The bedrock theory of direct marketing is "we don't know"... "Let's put something out there and measure the response and let the market tell us what they respond to."

This word that you used is very important – "optimize." You can sometimes have an ad that's breakeven, it doesn't make money, it doesn't lose money, nothing fantastic about it, and for those who are willing to test different ads, you can easily find yourself increasing your response rate by 50%, 100%, or 200%. There's one celebrated case where I think one ad increased response by a factor of 23 times.

It's a scary idea, because think of all the businesses out there that

never test their advertising. They get a vague notion of what they need to put out there, and they put it out there, and then they get the response they get and they think that's it.

Clearly one of the secret weapons of the internet is the ability to test lots of different advertising and come up with the most effective ad there is.

We've seen lots and lots of businesses go from struggling or just barely breaking even to being very prosperous, just based on the fact that they've improved the response rate of their ads.

Derek: That's great. Thanks, Ken. All of that is good and brilliant information, and probably for somebody who's already in business and already on the call, if they haven't been doing that and they haven't been taking advantage of that with however they're presenting themselves on the internet, they could go out and get value straight away.

But let's think about the person who has maybe not started a business yet. They're perhaps in a job they don't like, or they may just been thrown out of a job, whether they liked it or not.

They've got limited resources and they want to go from nowhere to whatever series of steps it takes to get to the point that they've got an adequate living, and then from having an adequate living to use that as a platform to go on and build something bigger and better. Have you got any advice for the way they should approach that?

Ken: I absolutely do, and of course I've gone through this process myself – having a job I didn't like, being fired from a job I didn't like, and then wondering, "Okay, am I going to go through that cycle again?" and then bit by bit building up something on my own.

The first and most important lesson is start thinking about sales. I'm not saying become a salesman, although that's not necessarily a bad idea, but realize that there's tremendous power in being the person who generates business, whether you're generating it for somebody

else or you're generating it for yourself. I referred to that very early in the call, that business is driven by sales.

Now unfortunately – or maybe fortunately, depending how you look at it – the whole profession of selling has a bad reputation because of so many bad players in the selling profession, but try to set that aside. That's them, that's how certain people do it, high pressure or the insincerity or whatever negative characteristics you associate with selling. For the purposes of this call, if you could, temporarily set them aside and let's just look at reality.

It's not hard to find somebody who can sweep up at the end of the day. It's not hard to find somebody who can handle customer service. It's not hard to find somebody who can make things. In fact, now with places like China, it's the easiest thing in the world now to have something manufactured.

It's not even hard to find somebody who can do engineering or accounting or even legal work. We're seeing now those professions, at least in the States, perhaps this is happening in the UK too, being outsourced to places like India. So there's a lot of things that people do that really aren't that hard to do and are available in vast supply.

What is in great shortage and is always in great shortage and will always be in great shortage are people who can generate business, people who can create sales.

If you want financial independence and financial security and flexibility, my first advice to everybody is to think about the great value you would have in any circumstance or any situation if you were the person that was going out and bringing in the customers and selling to customers.

Derek: That's a really powerful bunch of points and, from my own experience, it's something I entirely overlooked the importance of.

Probably the biggest ramp-up I had in business was when I was in the

right place at the right time when microprocessors became very freely available and very cheap.

Because of my previous experience, I had a set of skills both in digital hardware design and also in software. There were very few people who had either of those skills, and because of the way our education system tends to specialize, it was extremely rare indeed to find anybody who had both of those skill sets.

Ken: And yet that was exactly what was needed.

Derek: It was exactly what was needed, and there was also an enormous hungry market because there were a whole lot of things that microprocessors could do that either weren't possible at all before, or were prohibitively expensive before, or were being done clerically or manually and could now be automated in what seems like a fairly crude way compared with what we take for granted, but it was a huge breakthrough in profitability for people who harnessed that.

So basically I thought of sales as being irrelevant, because I had people knocking at my door 24 hours a day. Then when I'd get results for them, they'd go off and tell all their friends and they'd be phoning me up. So I didn't think of it as something that I had to be proactive in.

Of course, after the easy money comes the hard money in every field. Come around 1989, 1990, 1991 when the economy had a bit of a setback, and it also coincided with the time when there were a lot more people who had now been trained up and had these skills, so it was far more of a sort of commodity type thing, and there were also far more off-the-shelf solutions and far more sort of toolkits, if you like, that kind of made it possible to put things together –

And because I disregarded the discipline and the profession of sales and marketing, I went through a pretty hard time for a few years. If I had the background of what we've just been talking about, I'd have

still been in a position to leverage myself even through those changing circumstances.

Ken: Very good points there. First, virtually everything becomes a commodity eventually. Things that you think are really rare and really exotic beyond imagining, suddenly are common. I mean we're all carrying around cell phones – a classic example. That's one thing.

The second thing is, whatever you do – whether you're a cook or a restaurateur or an engineer or a physician – whatever you do, adding some sales and marketing consciousness to your mix can really mean a huge difference in income, in sustainability over time, in opportunity, and I would dare say even enjoyment.

We've talked in terms of sales, but maybe we should really also be talking in terms of marketing consciousness.

Derek: I just wanted to pick up another point there. A lot of people when they're thinking of starting a business, they conceive of an idea in their heads and they fall in love with the idea, and then they go out and implement something. Then they look around trying to find who might be interested in it.

Suppose somebody is starting a business. The first point would definitely be to get some basic skills in the areas of sales and marketing, and to recognize that this is going to be a key factor in your profitability and your prosperity over time, and your resilience to cope with the changing circumstances.

The other aspect of it is perhaps to do with what business you should choose to be in, what products you should choose, and how you can go about setting yourself up powerfully to be successful with those choices.

Ken: Exactly, and that's why I want to distinguish between sales knowledge, selling technique, and marketing consciousness or savvy, equally as important, and you really need both.

Here's why it's so important. You could be the world's best salesman technically – in other words, you know everything that you need to know to attract attention, to hold attention, and to persuade people – but if you're in the wrong market selling to the wrong people, your knowledge is for naught. It's going to be useless. It's like rolling a rock up a hill.

On the other hand, you could be in the best spot at the best time, but if you're missing basic sales knowledge, you certainly won't harvest the full potential.

What you really want is knowledge of sales technique – just the ABCs, just bread and butter things, nothing complicated about any of this, but it's not something that's taught in school – and you also want marketing consciousness or marketing savvy.

That speaks to what you talked about, which is the kind of backwards way that a lot of people go into business. They get an idea, they fall in love with it, as you pointed out, they ramp up something, and then they discover that, "Gee, there's nobody at our door with money to buy from us. What do we do now?"

It's much, much better to be interested in and conscious of specific existing real-life marketplaces, and think about how you can insert your skills and your insight and your value into an existing marketplace, rather than in isolation come up with a great product and then try to find a ready market for it.

There's an old saying, "Don't reinvent the wheel." See what people are already buying, and join in and offer something that is different, that's satisfying a need within the existing marketplace that's not currently being satisfied. That's absolutely the surest way to make a business work out.

Derek: And of course this is something that was always a good idea, but once again the internet has completely revolutionized the actual way that you can go about doing that for practical purposes.

Ken: Absolutely. I'll give you a real life kind of amusing example. I met somebody who basically lives on a beach in Costa Rica. He casually mentioned to me that all kinds of amazing exotic hardwoods wash up on this beach all the time.

I said, "You're kidding!"

He goes, "Yeah, full mature mahogany trees," and I'm not really up on tropical hardwoods, but every possible expensive tropical hardwood you can imagine shows up on this beach, and it's just there for the taking.

He's like, "Wow, if the raw material is free, that's a pretty good place to start."

We went to the internet and we found very quickly that there's no shortage of tropical hardwood suppliers in the world. It's kind of an obvious thing, but we saw it first-hand by looking at the internet.

So we thought more and we realized that actually some of these pieces of wood are actually quite interesting looking because they've been out at sea for months or years. We then started to look around at high-end landscape supply places. Some of this wood would look very interesting as centerpieces in outdoor gardens, especially out west in Arizona or Baja California.

In a matter of an hour we took a raw idea, and using the internet we eliminated an unpromising application, which was to try to get into the tropical hardwood business, and found a promising one. We had all the information we need, because all the landscape designers and design centers are very easy to find.

What he'll do with that idea I don't know, but again in a matter of an hour he went from an unfocused impulse to a pretty finely-honed idea with all the contact info he needed to take it to the next step.

In the old days that process could have taken weeks. You'd have to go to the library, you'd have to look up specialized information from industry sources, you'd have to talk to people, and it would just be a big long process, and we were able to knock it out in an hour.

If he was motivated he could have just simply gotten on the phone and started calling landscape designers right away and said, "Hey look, I've got these very amazing exotic pieces of wood. Would you like to see pictures of them? They might be good for centerpieces in the garden of some of your clients."

That's just one very specialized example of how fast the internet can make things happen. And by the way, let's say he got to the point where he made a few phone calls and people said, "You know, I'm kind of interested."

He could have then taken photographs of some of these exotic pieces of wood, put them on a website, wrote some ad copy, put up an opt-in box or something that would stimulate some kind of response, and then gone and emailed or postcard mailed all the people in the landscape design industry.

See who showed up at the page, see who was interested, and see if there was any interest – and we're talking about an investment of basically beer money.

This is so important. The old model of business was you get your idea, you write your 800-page proposal, you borrow money from all your relatives, or if you have a bank that would back you you'd try to get money from the bank, you gear everything up for months and months and months. You then open your doors and let loose all the balloons on your grand opening, and hope that you made the right decision.

We don't do it that way on the internet. We find out in advance before we put any kind of investment into anything.

Derek: Even if it's successful on the old model, if you've got £100,000 or hundreds of thousands of pounds tied up in getting your business launched, even if it's successful – I mean perish the thought if it isn't – but even if it's successful, it's probably going to be years before you're actually on the positive side again.

Ken: Exactly. That's just a matter of mathematics. It takes a long time to pay off a big chunk of money. It's much better to bootstrap your way up, and this is something you can do.

If you focus on sales and you're able to accomplish your sales inexpensively with little more than digital boot leather, then it's very possible to finance the growth of your business, as opposed to having to take a lot of savings or a lot of family money.

One of my favorite success stories is a student that took advantage of some of the free material we have and he became an affiliate marketer. This is something that we should probably talk about on the call for sure.

He didn't even have a business in the classical sense of the word. He didn't have a product, he didn't have anything, but what he did – and this is something everybody can do – is he found online businesses that are actively essentially seeking sales people, and he became expert in putting prospective customers together with these companies.

He happens to specialize in personal finance and credit cards and credit repair and all kinds of things related to that. He's been doing it for several years now. There are a lot of companies that offer those services online, and their big challenge is everybody's big challenge. "How do I get customers?" They gladly pay if you send them customers.

Last year he generated over \$1 million in commissions, and this year he will surpass that. And what does he do? He basically goes out on the internet using various means that we teach, finds lots and lots of prospective customers, sends them to these existing companies, and they pay him a commission on all the sales that he accomplishes.

Derek: That's terrific, and it's very inspiring to know that it is possible to do that. I think maybe a little caveat is in line, because I'm sure that many of the people listening to this call will be in a position where if they've inquired into this kind of thing at all, they're probably bombarded with flavor of the month offers for this, that, and the other highly exotic, highly sophisticated programs, some of which may work very well. And others of which possibly don't work at all, possibly might even be damaging, but that's another whole story.

You could very easily end up in a loss knowing which way to turn, which ones of these are good, and are they really going to guarantee that you go from zero to overnight success in a matter of a few weeks. What's the reality?

Ken: That's important. Anybody that promises overnight success is kidding you. It's a learning process like anything else, and it takes as long as it takes. If you have a lot of business experience and a lot of energy and time and enthusiasm for it, it can take place faster, but if you're starting from scratch it's going to take time.

If you're looking to learn these things, I would seek to learn from people that look at it as a business and not some wild-eyed opportunity, who make the wild promise that "You can do this! It's easy to do!"

Is it easy to do? Well, it's like any other profession. You have to learn it, then you have to show up every day and do it, but it's a real thing.

I don't know if they have this event in the UK, in fact I don't think

they do, but it's called the Affiliate Summit. They have one on the east coast and one on the west coast.

I've been to it, and there are literally thousands of people that show up at this who are actively doing exactly what my student does, and that's the whole profession. There's nothing exotic or strange about it.

Derek: Of course this is one particular model that greatly takes a lot of the variables out of the way. I mean if somebody else has got the product, they've got to source the product, they've got to deliver the product, they've got to take the money, they've got to process the credit cards, they've got to handle the queries and complaints and customer support and refunds and all that kind of thing – that is a whole bunch of stuff that has been taken off your plate and dealt with by somebody else, which is terrific.

Ken: Yeah, and you can focus on the one aspect of the business, which is going out on the internet and directing people to the company. You don't have to stay there. You may find after awhile you get very good at doing this and you think, "Gee, I'll create my own product."

Now you're in a perfect position to get into the business for real – I don't mean for real, because obviously my student's doing very well – but I mean to be the provider yourself.

Interestingly enough, he's had no motivation to do that, and everybody's different, so this is very important. Some people really want to create their own product and sell it and handle all of it, and that's fine. Other people want to operate differently.

My student has no inclination to create his own credit repair service or credit information service. He's totally happy to just find and educate prospective customers and pass them on to his partners, who are in business to offer this service.

Derek: That's terrific. That's definitely a logical route, because you would be generating skills that you're going to need anyway in your own business, and you can do them if you like serially rather than simultaneously.

You can get the skills to actually get customers through the door to put a case in front of them to get them to take action and to sort of build up a longer term relationship with them and all that kind of thing. Then you'll have a ready customer base when you develop a product of your own, so it's a very great route.

But regardless of whether you're selling other people's products or whether you're selling your own, there's advanced skills, but there's certain basic skills, a certain common denominator that applies whatever business you're in, and there's a handful of aspects to that.

Would you like to just run through what those are?

Ken: Absolutely. We sort of coined this formula years ago. It's very simple and yet it's just very, very helpful for clarifying everything related to internet marketing. No matter how long you're in this business or how many techniques you learn or people you meet, you'll find that everything always boils down to this formula –

Traffic + conversion = profits

What do we mean by that? There's really only two fundamental skills in internet marketing. One is generating traffic, actually getting people to the offer, getting people to see the web page, getting people to come to the web page. That's traffic, and there's a lot of different ways to generate traffic, and we can talk about those a bit.

The second skill is conversion. Somebody's on your page. How do you motivate them, inspire them, and direct them to take some sort of measurable action? It might be to call you. It might be to request a quote. It might be to download a report or a video. It's a measurable action.

Measurable is important, going back full circle to what we were talking about earlier. In this business, or really any business if you're smart, you never want to just spray random communications to the world. You always want to have some kind of actionable hook in everything that you communicate, 1) so that you get some action, and 2) so that you can measure the effectiveness of your communication.

Those are your two fundamental skills. You'll hear about this new technique, this new gizmo, that new guru, and this new method – you'll hear about all kinds of things related to the internet – but just sit back and calmly ask yourself, “Is this a traffic technique or is it a conversion technique?”

“If it's a traffic technique, do I really need to pay this guy \$5,000 or £10,000 just to learn a simple traffic technique, when there's so many legitimate authorities that can teach me?”

Or is it a conversion technique?... or is it a system that uses traffic plus conversion?”

In any event, that's what our business is. It's getting people to the web page and then it's getting people to take action that leads to a sale.

I've been doing this stuff for so long and now it's getting to be thousands of people, but sometimes even I take it for granted, but I'm reminded almost every day when I go out in the world and tell people what I do and I have a brief conversation with them that this stuff is still magic to them.

The vast majority of business people do not have a clue, and I'm even including businesses that generate significant revenues online. They just don't have a clear-cut vision or disciplined approach to internet marketing.

If you want to get involved in the internet marketing business, you're going to become a traffic expert or a conversion expert, or preferably both.

Derek: Basically we've covered acquiring the skill of getting traffic, and there's various ways of doing that. I think most people are kind of broadly aware of the obvious ones.

There's the process of converting them to an eventual sale, and there's the techniques that are available for systematically testing both of those processes so that you can reliably improve them over time.

Then there's another really important part of the puzzle, which is what you do with the people who are broadly interested in what you're offering and, for whatever reason – as the majority of them won't be – they're not going to buy today.

You don't want to lose people forever. What do you do in a systematic way that you can automate to get the best advantage from those people?

Ken: This is one of the great powers of the internet that's very simple and yet hardly anybody knows about it or uses it, which is the ability to automate follow-up.

What do I mean by that? Somebody comes to your website, they see what you have to offer, and maybe they're not ready to buy today. If you think about yourself, unless you're an impulse buyer, typically you need some time.

You need time to think, you need multiple exposures, you need a chance to shop around, whatever it might be. You very rarely buy something the first time it's presented to you, which means there's a lot of waste in business.

Someone runs an ad, there's an inquiry, the inquiry doesn't result in

a sale, and that's the end. But on the internet there's no reason for that to happen.

One of the things I started developing in the mid-90's was called a sequential autoresponder. All that means is somebody comes to your website, they see what you have to offer, they're not ready to buy, but you can offer them something that might be of interest to them for free, if they would be willing to give you their email information in order to get.

Let me give you an example. Let's say you're selling flooring. I'll pull this right out of thin air. You sell beautiful wood for floors. Somebody comes to your website and you've spent money to get them there.

You were fortunate they've actually showed up at your website, but they're not ready to buy flooring today. The phone rings or the dog barks or something happens, and they're distracted and they have to get off the site.

If you're smart, what you would do in that case is create something like a report – *10 Things You Need to Know to Get the Best Result from Buying Floors*. Obviously I could have put that in better words at some other time, but you understand the concept. It's something that would be of absolute interest to a person that's inquiring about flooring for their home.

You package it and make it very nice. You make it free. You make it easy for them to get. They say, "Oh, that looks interesting. I'm about to spend several thousands of pounds on new floors for the house. I better know as much as I can possibly know about this. This seems like interesting material. It's free. Why don't I get it?"

So the customer is very happy. He or she now has some useful information that they can use to guide themselves in the buying process.

But you as the merchant should be even happier, because you've now converted the visitor into an inquiry, and you now have that person's name, you have that person's email address, and it's perfectly legitimate for you to follow up.

You could follow up and say, "Hi, I noticed you've downloaded our free report. I recommend that you pay particular attention to item #6 in our 10-step process, because this is where most people make very expensive mistakes when it comes to buying flooring." No one in their right mind is going to object to receiving an email like that. They're going to go, "Oh my gosh, I should go read #6."

Now they're reading it, your expertise is reinforced, your brand name is reinforced, your credibility is reinforced, and you could then from time to time send them useful – that's very important, I want to emphasize useful – information about the thing that they're interested in.

Some people will at some point say, "I don't want to receive any more emails about floors. I've had enough," and that's fine and they'll unsubscribe, but the majority of prospects are going to be very happy to receive this material, as long as you're sending them useful material.

By doing this very simple thing, which can be entirely automated by something called an autoresponder, you will absolutely dramatically increase your sales.

If you think about it, most businesses are geared just to sell to the person that's ready to buy right now, which is a very small minority of customers. If you just simply accommodate all those people who are not ready to buy now, you're going to show dramatic increases in your sales. Because of the internet, because of email, because of autoresponders, you can automate the entire process.

I have one small sideline project that doesn't mean anything to me

financially really. It's just spare change, but I have 20,000 prospects that I'm automatically following up with as we speak right now.

They signed up for something, I've put in a sequence of follow-ups, it's already pre-programmed, and every day thousands of people are getting a message from me that's driving them closer to a sale.

The total time involved to set it up was several hours. The total time to maintain it is pretty much zero. I will say zero. I barely pay any attention to it.

I'm glad you asked that. That is a very, very big piece of this money making and internet marketing and sales puzzle.

Those who are experienced in sales and have been around the block a few times know that this is the big gap. Why it should be such a big gap I don't know, but this has been a chronic problem in business for decade after decade. It's sort of like money just lying around waiting to be picked up, just simply following up with people.

Derek: That's brilliant, Ken. Thanks. I'm sure that many people listening, if they take that to heart, if they're already doing it in some way, if they take a fresh look in more detail on the basis of that, they'll get some tangible results.

For the people who are not doing that at all, if they just go away and figure out how to apply that one thing and put it into action, it'll be pure gold.

In a minute or two we'll come back and maybe let people know how they can get a bit more detail on some of these things, because obviously it's all very well to say, "This is what you need to do," and the question still arises, "Well, how do I actually go about it?"

Before we do that, just in a brief two or three minutes, could you say a little bit about what you've been doing in the area of teaching these things and the kinds of results that people have got in those

years from where we left the narrative earlier in the call when you put this out there.

During the dot com lunacy you stepped back from it for awhile. Then the dot com crash occurred. What happened to you following that?

Ken: I've been teaching pretty much consistently since 1994. Every year we do a big annual event called The System Seminar, mainly for people who are already in this business and they need to stay on the cutting edge, and they also need a review of the fundamentals, as we all do all the time, and that's held in America.

My students have done just amazing things. It's really a case of the student surpassing the teacher very often. One person comes to mind. He's an athlete named Lloyd Irvin. If you look it up, he's won the Brazilian ju-jitsu world championship twice, and a number of other championships, but being an athlete in that arena does not translate into making money.

I don't think I'm giving away any secret when I say when he started with us he was living in his mom's house, even though he was already a famous martial artist.

He's a very diligent and very intelligent person, a one in a million kind of guy, and he took to heart some of the things that we said. First of all, he developed a conversion process – a page that invited people to ask for more information about his martial arts classes – and then he developed an autoresponder sequence to keep people engaged.

It took him a year to get going. He was a slow start, but he built up a pretty big list over the course of the year, and then finally he offered somebody else's product, not his, and he was astonished by how many of this other person's courses he was able to sell and how much money he made so quickly.

That inspired him to start taking his own knowledge, which was extensive, and create his own martial arts courses. He's just

methodically expanded this business to the point that his sales are in the eight figures a year now.

That's an unusual example, but it's an absolutely predictable pathway for somebody that is an expert or has an affiliation with somebody who's got expertise, and taken that expertise and packaging it and selling it to people directly on the internet.

There's a tremendous hunger for knowledge about all kinds of things. In his case it was martial arts, but you can go on the internet and see thousands of different topics that people are keenly interested in and are willing to pay money to learn about.

Derek: And he's just one of certainly dozens, possibly.....

Ken: Oh, it's hundreds. It's certainly hundreds. Many people who are well-known legitimate authorities in internet marketing today started as our students.

I can think of four people alone who have published books now – and I'm not talking about self-published or ebooks or any of that stuff – I'm talking about mainline big publishing companies approaching them to write books about internet marketing because of their expertise, and they started as our students.

That would include –

- § Perry Marshall - who's very well known as an AdWords expert, a Google advertising expert
- § Howie Jacobson – another person who specializes in Google advertising
- § Tom Antion – sort of a general purpose marketer, and
- § Kim Dushinski – who's written one of the first books on mobile marketing

These are all people who came to us with almost no knowledge, and came out the other end with a very strong foundation in the fundamentals of internet marketing. Then by virtue of staying in touch with us and all of our ongoing research and ongoing publications and their own diligent work are now recognized experts in this world of internet marketing.

And a surprising number – sometimes I would even say an aggravating number – of my students go on to become experts and teaching their own seminars. That has to be scores. There's certainly scores of people now who, after going through our training, went out and started their own internet marketing training.

Derek: Believe it or not, Ken, we're pretty much through the hour now. I want to thank you so much. There's been so much valuable information on this call. I'm certainly going to be listening to it over and over again. I'm going to be taking notes, and I'd recommend that anybody else does the same thing, then form an action plan to put some of these things into place.

Just before we wrap it up, it's obviously great for the people who do get to one of your annual seminars. A lot of people are not in the position of being prepared to invest a couple thousand dollars, plus the traveling overhead and the time out.

In the present climate, particularly with beginners, a lot of people might not even have the inclination to spend a few hundred dollars.

Is there anything that you can offer them right now that gives a bit more detail on the actual practicalities of how to implement some of the thing that we've been talking about?

Ken: Sure. Like any other business, you kind of live and die by the quality of your vendors. If you get involved in internet marketing, you're not going to write your own software, you're not going to host your own web servers. You're going to be calling up other companies to do

these things for you so that you can focus on the selling and business and marketing.

So we've got what I call my rolodex, and these are companies that I personally work with. In some cases I've worked with them in excess of a decade, and they've proven to be extremely reliable and a good value. That would be one place to start, just to start familiarizing yourself with the different tools out there.

I literally believe that someone could take just simply an autoresponder, and if you understood and really worked all the potential of follow-up, that one tool alone could keep you profitably occupied for a very long time.

The company that we use and a whole bunch of other service providers use to do what we do is available at the following website. This is free information. You can just go and download it.

<http://www.NetBeginners.info>

You'll also find information about our foundations course, which we call Smart Beginners. I don't know if you have these books in the UK, but we have Internet for Dummies, Internet for Idiots – I don't like that. I think everybody that comes to me is pretty smart. They're just ignorant about a particular thing, which in this case is internet marketing, so we call our program Smart Beginners.

Basically Smart Beginners is a home study version of The System Seminar, especially the foundation material. Everything that you need to know to get started with generating traffic, converting traffic, with finding opportunities – this is something hardly anybody teaches – how to find opportunities and how to evaluate opportunities, and then how to safely and affordably test business ideas.

Plus the course includes a lot of technical information. You need to know how to register a domain name, how to get your website up,

how to open a PayPal account – very simple sort of bread and butter stuff, but if you don't know how to do it you're stuck.

The core of the course is how to think like an internet marketer, and the way internet marketers think is –

1. We're in search of opportunity first. We don't come up with bright ideas and then try to impose them on the world. We look for existing opportunities and try to exploit them.
2. We test things before we make investments of our time, money, or emotion.
3. Then once we see something that works, we work as rapidly as we can to ramp up and amplify the thing that works.

That's our core method. That's what's worked for so many hundreds of people – thousands really now – that we've taught over the years, and that's what's in the course. It's called the Smart Beginners course.

You can read about it at <http://www.NetBeginners.info>, where you can also get right now the free rolodex of all my recommended vendors and experts, people that I think are worth going to on specific topics.

Derek: That's terrific. Thanks a lot, Ken. That's really generous, and I'm very grateful for the time that you've spent with us today.

There's a whole bunch of topics that we touched on on this call that would merit a whole call in themselves. Maybe we can have another call sometime in the not-too-distant future and follow up some of those in more detail.

Ken: That would be great. I would recommend that everybody certainly go get the rolodex, and consider listening to this call again with a pen and paper in hand and taking notes.

It may seem like we talked about fairly simple things, but I guarantee if you've been in business awhile you know that we hit some very important issues. And if you're going to be in business awhile, you're going to realize that some of the things that we casually mentioned are actually really critical. I think we did a pretty good job of underlining what really, really matters in building a business.

I want to wish everybody a lot of luck. This is a very fun and exciting process. It has challenges, but there's also opportunities for triumphs too. It's probably the single best way to adapt yourself to the coming future world that we're in, too, so good luck to everybody.

Derek: Thank you very much indeed, Ken.

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