

**A WINDOW INTO JAY ABRAHAM'S
3-DIMENSIONAL BUSINESS MIND**

**THE ABRAHAM MIND
SHIFT CHALLENGE®**

**LEARN TO SEE BUSINESS OPPORTUNITIES
AND SOLUTIONS THAT ARE THERE FOR THE
TAKING, BUT HIDDEN IN THE SHADOWS.**

**LEARN TO LIGHT UP THOSE SHADOWS,
SEE IN THE BUSINESS DARK, IDENTIFY
POSSIBILITIES & OPPORTUNITIES YOU
NEVER REALIZED YOU HAD AND
MASSIVELY EXPAND YOUR BUSINESS
SOLUTIONS AND RESULTS.**

**SHIFT YOUR BUSINESS
THINKING AND
EXPERIENCE LIFE-
CHANGING RESULTS.**



Author's Note:

This compendium is a “Version One,” first draft attempt to introduce open-minded, possibility-driven, grown-oriented entrepreneurs, business owners, professionals and managers with P & L responsibility – with an entire new “world view” of how much more is possible for and from whatever enterprise you run.

This version is, however, a work in progress. I'm still ruthlessly re-editing, revising, clarifying and dimensionalizing different stories and sections. But rather than wait for it to be absolutely perfect and totally ready for “prime time” – I wanted to get it into your hands right away – with imperfections and all. Over the months, I will definitely improve both the readability and clarity of some segments. But the fundamental message and the reference examples I'm using to support my strategic philosophy will remain pretty much the same. Only greater clarity/brevity or editorial impact will be added. So I hope you enjoy being transformed and traveling now from wherever you're at paradigm-wise into my world of mind broadening, infinite business/profit amassing possibility.

Enjoy this journey!

Jay

The following stories, case studies and personal illustrations are designed to challenge your business reality, expand your thinking, stretch your sense of possibility and animate your awareness of how much more is truly possible – from your efforts. From your actions from your opportunities, from your people, from and for your business.

None of what I'm sharing is designed or intended to be legal or accounting advice. Always verify with a professional as to legal, accounting and contractual issues that affects or impacts any intended action or transaction you ever do.

But use these stories, examples and illustrations to fuel your idea of what could be possible for you and your business.

I'm not a lawyer, not a CPA. Rules and regulations need to always be followed correctly. But a lot more is almost always possible from any business you ever own, run or work for.

I'M NOT A PSYCHIC, BUT...

I KNOW WHAT YOU'RE DOING WRONG

You're viewing your business problems, challenges, possibilities and opportunities from a static, linear, unimaginative, and one dimensional perspective. Your singular, static, flat view of your business is why your sales haven't grown, your revenue is flat, your profits are stagnant, and you're not identifying new areas of growth, income, and wealth.

I'M NOT A PSYCHIC, BUT... *I HAVE YOUR SOLUTION*

THE ABRAHAM MIND SHIFT CHALLENGE©

I've advised clients in 487 different industries and 7193 specific business categories. Virtually all my clients have suffered from the same crucial deficiency that obstructs their business growth, success, and increased wealth. They all viewed and attacked their business problems and opportunities from a linear, stationary, limited point of view...and I have a proven record of changing that.

The Abraham Mind Shift Challenge© is a very simple, and massively rewarding proposition:

I challenge you to view, think, and attack your business problems in a non-linear way. To expand your mind and think in a creative, 3-dimensional, probing and expansive way. To see and embrace all the different ways you can think, view, take a generic concept and spin it, monetize it, maximize it, be creative and unorthodox with it, and achieve life-changing business growth. That's exactly how I view business and I can teach you to do the same.

The Abraham Mind Shift Challenge© has one basic goal... To animate your sense of what's possible in your business. I want to give you the confidence and security to look at your business in a fresh, non-linear, 360° perspective that will allow you to see 100, 500, 1000 different possibilities and solutions that can significantly increase, even explode your revenue, profit and wealth, and realize life-changing results.

OPEN YOUR MIND AND I'LL WALK IN

If you'll open your mind to unlimited possibilities and massive business success as you read the following pages... I'll teach you how to see, guide, and steer your business to massive success. To think differently. Show you how and where to see more options. To then see more solutions. To realize significantly greater growth, income, and success. I Challenge you to take control of your business future, gain more firepower, and change your business life forever.

Prepare for an advantage for the rest of your business lifetime. It's a journey into possibilities you've probably never accomplished yourself of your business to entertain.

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As long as you view and run your business from the one position, the one dimensional approach you've always used, even if that one position has worked for you in the past, you'll NEVER achieve the success you should or could. If you keep looking at your business from the same, limited perspective you'll only see what you're prepared to see and what you've seen in the past.

THE ULTIMATE GOAL - RESULTS

A lot of people talk about business building principles, strategies, and tactics. In fact, virtually anyone can (and do) charge money to teach the same principles I've created, developed, and shared with my clients for decades. The difference between them and me is I go well beyond the teaching – I guarantee results.

How can I guarantee results when others won't or can't? It's simple – I see more than others do. In see more opportunities, more possibilities, more solutions, and produce better results. They see the solar system. I see the universe.

SEE IN THE BUSINESS DARK

I look at business obstacles and opportunities with a fresh slant, a different approach, and a uniquely creative, non-conforming point of view. I look at not just the traditional aspects of the business process, but **all** elements that apply to a successful business operation – many elements and possibilities that traditional, linear thinkers routinely overlook. Your business is unique and your solutions should be, must be, too.

I *GUARANTEE* this - there are many more business, revenue & profit increasing possibilities available to you than you've been using, or have ever imagined. I've seen them, you haven't. I want to show you my expansive, see-around-corners, x-ray vision approach and give you a new way of thinking, an expanded way to look at your business problems and hidden assets & opportunities. You can take off your business blinders and turn myopic into miraculous.

Those of you who have never been exposed to me should know this - I'm ruthlessly focused on educating you. I'm totally committed to moving you to action, and it serves my self-serving best interest to see you oriented to go out and do something incredible with this knowledge.

HOW CAN I GUARANTEE SUCH EXPLOSIVE RESULTS?

I don't look at a business from a standard, linear point of view. I look at business problems and opportunities from a 360° perspective. I don't analyze a business challenge from one, static, standing in place spot – I orbit the problem. I look at my clients' businesses from every possible angle – from 360°.

Anyone who views a business from one angle will miss more than they see - and the results will be significantly less than they could or should be. I see more. I see problems and opportunities that others don't because they have a static point of view. As stated, virtually everyone looks at their business challenges and possibilities from one angle – at least they do before I get hold of them. Also as stated, I have clients in 487 industries and 7193 sub-categories (I'd be happy to send you the entire list). I have the knowledge, details, nuance, and experience *in your industry and your specific business* to get the results you want, need, and deserve.

I don't have the ability to view a business from all 360° because I've had over 7000 client categories in 487 industries. I've had over 7000 client categories in 487 industries because I can see problems and opportunities from 360° (I'd be happy to send you the entire list).

When you read the success stories in this Mind Shift Challenge the solutions and results may seem simple, logical, and even obvious – that's what happens when you approach any business problem from many angles, different points of view, and find the absolute best approach and perfect solution. But you can't see those simple solutions if you don't know how and where to look.

I'VE BEEN CALLED NAMES

Over the years the press has referred to me as a “Business Strategist”, a ”Dealmaker”, a “Marketing Guru”, a “Business Builder”, a “Problem Solver”, an “Opportunity Creator”, and many, many more.

Which is accurate? They all are.How can that be?

Again, and simply stated... If anyone stands in one place and views a complex business situation from that one static point they can only do one thing, maybe solve the one problem they can see from that one angle. But I have always moved around the complexities and, as a result, I see more possibilities - see more dots to connect - see more opportunities and solutions because I don't stand still and hope the solutions and results come to me. I keep moving and search out the solutions that others don't see. You can learn to do the same.

Approaching problems and challenges from the same old angle, the same old approach will produce only the same old results. I'm not interested in the same old results – and you shouldn't be either.

4 QUICK, VERY INTERESTING & VERY DISTINCT EXAMPLES

#1: THE 100% SOLUTION

I have a client whose income curve was flat. It doesn't matter what they sold. Pretend it's your product or service.

This company had a compensation program that paid the sales people 10% of the profit. And the dollar numbers are arbitrary – multiply them by 10 or 100 and the lesson is the same. So, if the company made \$1,000 profit on a sale, the sales person would get \$100 and the company would get \$900.

I had them calculate:

- What the average new client is worth to them in dollars each time they buy.
- How many times that client will buy from them each year.
- How many years the average client will be with them.

It turned out the first sale, on average, resulted in about \$200 profit for the company. Of that, \$20 went to the salesman or woman, \$180 to the company. On average, the client bought five times a year for three years. So basically, each time that company got a new client, they were receiving \$3,000 in cumulative profits.

My solution: Instead of giving the sales people 10% of the profit on a sale to a new, first time client, give them 100% of the profit of the first sale.

The company management's response: "You're insane!"

I smiled pleasantly and went on to explain that as long as their sales people maintained sales from existing clients at past levels or above, give them 100% of profit on the first sale for every new client they bring in. They'll be ten times more motivated to sell new clients. And every time they bring in a new client, the sales person makes an additional \$200, but the company makes an additional \$2,800.

The company implemented the plan and sales tripled in nine months.

...and they said they were sorry for calling me insane.

#2: THE CHIROPRACTOR'S PINE NEEDLE MIND SHIFT

A chiropractor came to one of my programs and learned about the Abraham Mind Shift. He went out and he used his new ability to see more possibilities to create a very successful joint venture.

He lived in an area near a large national forest. Every year that national forest had to pay people to haul away the pine needles that fell from the trees. He basically figured out that pine needles turned into mulch was a great fertilizer, but most people didn't see that.

First he did a joint venture with a trucking firm. He found a trucking firm that went right past the national forest delivering, but they were going back dead-ended. He made a deal with them where they would take pine needles and deliver them to him for no fee, but for a percentage of revenue he would later get.

He found a big used car lot that was unoccupied where the trucks could drop off the pine needles. He made a deal with them where they let him access their space for no fee, but for a share of the revenue he would soon realize.

He went to the National Park Service, and he underbid the company who was hauling the pine needles away and disposing of them. He underbid it by 50%, because he figured out how to take the pine needles, turn them to mulch, have someone bring it there, put it on this yard, and sell it - he made \$300,000 the first year, and his success continued.

#3: SEEING & SEIZING AN OPPORTUNITY

In 1972 a young man worked as a page at the Democratic convention where George McGovern was nominated to run for President against Richard Nixon. During the convention, Senator McGovern was forced to drop his first choice to be his vice-presidential running mate, Senator Eagleton. The young, 16-year-old entrepreneur saw a one-time opportunity and bought up 5,000 suddenly obsolete McGovern-Eagleton buttons and bumper stickers. He paid five cents apiece for them. He soon resold them as historical and rare political memorabilia for as much as \$25 per item.

This is an excellent example of shifting your mind to see opportunities where others see just problems. True, the young man's one time windfall profit did not result in a major industry breakthrough. But what is important is that he had the opportunity focused attitude and a 3-dimensional point of view that is needed to see an opportunity where no one else did. That young man, by the way, was Bill Gates. Yeah, that Bill Gates.

#4: THE ORDERLIES WHO BOUGHT THE HOSPITAL

Every time I tell this story people chuckle a little bit. Orderlies buying a hospital?

I do need to tell you they were actually two gentlemen going through med school who intended to become doctors and during the time that they were in that process, they worked at a hospital as orderlies to pay for school.

Here's what they did.

They were working at the hospital, and one day they got called in by the head administrator. He told all the employees they were losing money at this hospital because they were functioning at about 65% of capacity. There were so many other good hospitals in the area, there just wasn't enough patient flow to fully support their hospital.

Their hospital was losing money and trying to find a buyer. If they didn't find a buyer in the next sixty days, they would run out of money and the non-profit organization that owned the hospital would close it, liquidate the business. It looked like everyone would be unemployed.

Everybody got very disheartened by that news - except those two orderlies.

The first thing they focused on was structuring a Limited Partnership.

Very simply, it's where you have limited partners who don't have any say in the business. But they're equity owners, they put up all, or most, of the funding, they share in the profit, and in the appreciation growth of the entity.

Then you have the general partner who basically runs everything. They have all the say, but don't put up any money. They actually get paid a monthly management fee for putting this limited partnership together and running it --and that's in addition to their fat share of the profits and their huge share of the equity as the business grows.

So these orderlies put one of these things together.

There's one single question that you should ask yourself if you want to know if an acquisition situation is a candidate for this leveraged buy-out strategy.

Who controls the customer flow for that business? Answer for the hospital? Doctors! Doctors decide where they choose to be on staff, refer patients, and operate.

And the second question you ask is: Whoever was the answer to that first question, do they have money to invest and an incentive to own the business they help generate?

Well, let's look at doctors. Do they have money to invest? They're reasonably well paid, professionals. They have the ability to come up with large, lump sums of cash. They have the ability to make large investments.

Now, with the answers to those two questions, we know that this purchase is going to be an opportunity for simultaneous marketing and raising of investment capital. So the orderlies used that vehicle called a Limited Partnership to put the whole thing together.

They started contacting doctors in their area and they put together a simple business plan.

Their simple business plan showed what the hospital brought in currently in revenue, what their expenses were, what percentage of capacity the hospital operated at now - and then what would happen if, instead of 65% capacity, they started operating at 75%, 85% and 95% capacity.

And, obviously, once you get up around 85%-90% capacity, this hospital is actually making a lot of money. Every month, potentially millions, in fact.

So the orderlies figured out exactly how many doctors it would take to add to the staff to hit the 95% capacity and it came out at 70 doctors. So if they could add 70 more doctors, they were going to have all the patient flow that hospital could handle.

Then, it was going to make a ton of money.

So they literally got 70 doctors to put up \$100,000 each. They raised \$7,000,000 for the purchase of this hospital in two months. That was actually \$2,000,000 MORE in cash than they needed for the leveraged buy out they had negotiated with the non-profit.

They were able to leverage all of the rest through the assets, installment notes, and through the other forms of creative marketing or financing.

So the \$2,000,000 surplus at the end of this whole structuring went right into the bank accounts of those two orderlies as their fee for putting this whole project together.

These two (about-to-become-unemployed) orderlies literally walked away from the closing using this transaction, and put \$2,000,000 in their pocket - in addition to instantly gaining their 30% equity of the hospital as the General Managing Partners.

A SUMMARY ONLY 10% OF THE WAY IN

As you've now read, sometimes the solutions are relatively simple. That's the beauty of learning to explore your business problems and opportunities from a non-linear, 360°, 3-dimensional mind-set. Simple, effective, and actionable strategies and tactics can have life changing results. Even seemingly complex problems and solutions are frequently made up of a series of simple steps and solutions – *but you have to see the possibilities before you can benefit from them*. If you don't see it, no matter how simple it may be, you'll never recognize the strategy or tactic and your business will remain stagnant or reach only a fraction of its potential.

I can teach you to see your business from a 360° perspective, a 3-dimensional point of view. If you'll open your mind to my approach I can shift your mind to see 100, 1000 times more than you do now. If you see only 10 possibilities you won't be as successful as if you see 100 possibilities, 500, 1000 possibilities.

When you read the following case studies, success stories based on 360° thinking, you might find a specific example that relates directly to your business. But that's not the purpose or goal of my Mind Shift Challenge. What I'm Challenging you to do is see the massive value and ultimate possibilities that exist when you move your business approach from a linear, static, singular point of view to a 360°, see-all, leave no stone unturned, CAT Scan approach.

The point of the Mind Shift Challenge isn't the specific solutions, but the process I use to get there – the same one you can learn.

“YOU” NOT ME – YOUR FIRST MIND SHIFT CHALLENGE

Your first Challenge is an easy one. As you read the following case studies and success stories that come from expanding your business horizons and seeing opportunities that you've never seen before, focus on this reality... The point and purpose of these stories isn't what “I” did, or what even what others did. The lesson is what and how *you* can do grow and expand *your* business. It's about shifting *your* business mind to see more, do more, and succeed more. This Challenge is totally about *you* and *your future business success*.

MORE 3-DIMENSIONAL MIND SHIFTING EXAMPLES

Following are over 90 pages of case studies, success stories and observations. I started out with 300+ pages, but thought that might be more than you had the time to read, or needed, to understand the Mind Shift Challenge (I'd be happy to send you the longer version.)

Some of the solutions and observations concern all-important Joint Ventures and Strategic Alliances – a business cornerstone that is, more often than not, not realized for it's massive importance – a consequence of linear, restricted, pedantic thinking. There is also a brief section on another area of business growth and wealth building that most companies completely overlook – Barter.

Then there are other examples of business solving approaches that fall under different categories... but I haven't identified those specific categories. Some case studies and success stories are short and simple. Others are slightly longer and more complicated. The point isn't the categories these observations and solutions come from, it's that there are so many different ways to look at a business problem - so many opportunities to identify, use, and profit from that most never see...but you can and will.

The examples on these pages aren't about the specific solutions, they're about the process, a non-linear, mind expanding way of thinking, the almost unlimited way of approaching any business problem or opportunity.

And if, after reading these innovative, monetized, maximized, wow-where-did-that-come-from business success stories, you'd like more information about my non-linear, orbiting approach to business, more case studies, testimonials, and thousands of dollars worth of free material (books, seminar transcripts, research material, more case studies, proven business strategies and tactics – previously sold for \$5,000 – \$50,000), all gratis, with absolutely no strings attached – PLEASE GO TO: **abraham.com**

ONE MORE THOUGHT...

It doesn't matter who you are, where you are in the business continuum or if you own a business, no business, or ten businesses.

Expanding your business horizons, looking in the business shadows, and seeing possibilities that aren't on the traditional business radar are equally adaptable, important, and successful to your specific situation - no matter what your current set of circumstances may be.

POWER PARTNERING

Power Partnering, which is basically Joint Ventures and Strategic Alliances, is all about “marketing arbitrage” --- *seeing assets, opportunities, connections, money connections no one else does*. And one of the keys to it is understanding how it takes vision and the ability to orchestrate the leverage of other people's assets, efforts, abilities, relationship.

Several years ago I was interviewed by a major publication and was asked, “If they took all your business building concepts away but one, which one would you retain, and why?” And I said, “No question. It'd be strategic alliances, joint ventures, because you can control the world. You can have access to everything, and it costs you nothing. It's only limited to your sense of applicability, of execution, of ethical exploitation.”

How many different ways of creating and benefiting from a joint venture or strategic alliance can you think of? In the following pages I'll give you many case studies and 45 different ways of looking at a joint venture and strategic alliance. And each of those 45 approaches might have a dozen or more options – the exponential explosion of possible solutions is mind-boggling.

Enjoy the read. Enjoy the ride. Shift your mind.

There was a very bright advertising woman in Los Angeles who had made tons of money for her clients from the great marketing work she did for them. One day she decided she wanted to go into business for herself and use her marketing talents to successfully market her own product or service.

In this case, it was a product.

The product she had decided on was cookies. She had a client in Hawaii, a huge mainland bread company, that she took from a little tiny corner bakery Oahu to a national bread bakery through her brilliant marketing techniques.

She got the bread into supermarkets all over the country. On her many trips to Hawaii to service that client she fell in love with macadamia nuts. And when she got home, she took an old family recipe and baked up a batch of chocolate chip cookies, threw some macadamia nuts in and there was a unique reaction with the macadamia nuts.

It was just one of those wonderful things where the texture or the taste and the smell of the cookie was just outstanding, actually irresistible.

So she decides she's going into the cookie business. She takes a big batch of these cookies back to the folks at the Hawaiian-based (now national) bread company, they taste the cookies and love them.

She says, "Well, look. Here's what I'd like to do. I'd like to go into the cookie business. I'm an unknown cookie person. And getting people to sell MY cookies in their grocery stores is going to be hard. So, I don't want to go it on my own unknown in the market.

I want to bring it out under YOUR brand name. I want to call these "your" Hawaiian Macadamia Nut Chocolate Chip Cookies – using their brand name as the credibility builder.

And I want to put them right next to your bread racks and call them "your brand" Hawaiian. But I don't want you to put up a dime. I'll put up all the money. All I want from your company is a license from you allowing me to use your name and brand -- making it appear to the world like this is your cookie."

Now, remember, she's a marketing talent. She shows the Hawaii bread people all they have to do is sit back and collect their fat royalty money from her. They loved it. Then, armed with that licensing agreement, she went back to California.

But she now had a problem --- she didn't have anyone to bake the cookies. So she went out to the suppliers of all the ingredients that she needed. She showed them her licensing agreement with the Hawaiian bakery company. She had them taste the cookie. Everybody thinks it's great.

So she persuaded all of her suppliers to agree that they'd sell her the ingredients and wait thirty days after she ships the cookies to the store to get paid their money. Now she had her ingredients - without putting up a dime. She did the same thing with everything else she needed. Packaging, shipping, you name it – she deferred payment on everyone.

Now she needed a bakery to bake and pack the cookies. She went to several people who had bakeries. She showed them her agreements with her suppliers, and, of course, her agreement with the Hawaiian bakery company. She had them taste the cookie and then she would ask them. “O.K., now if I bring this product to your bakery and I start putting my orders through you, I want a special concession.”

And the concession she requested was that when her products hit 30% of the business volume in that bakery's sales, she wanted to own 10% of the bakery. When she hit 40%, she wanted to own 20%. When she hit 60%, she wanted to own 30% of the bakery. And if they'd agree to do that, she said she'd bring her baking business there.

Now why was this “no cash down”, buy-in proposition attractive to those particular bakers?

If you're a baker and you don't have a proprietary product, you're at the whim of the marketplace. Your customers can leave you tomorrow and you can be nowhere. It's a very unstable business --- unless you've got a proprietary product.

So here was a proprietary product that she was willing to bring in and keep there. Then if it was successful --- and ONLY if it was successful----she'd get a piece of ownership in the bakery.

But, keep in mind, that even after she got her share of that bakery ownership, the remaining equity of the original bakery owner will produce much more profit than that owner would have earned if he remained the owner of 100% of the bakery, but didn't have the proprietary product going through their business.

So she got the owner of a bakery to agree on this performance-equity “buy-in” deal.

Yes, they would allow her to become part owners of the bakery. She started marketing, shipping, and distributing their great cookies to all the same grocery chains who were selling Hawaiian Bread. The sales took off. They were an even bigger success than she expected.

She reached her benchmark quotas within the framework of her “buy-in” agreement with the baker.

She ended up owning the maximum percentage of the bakery for absolutely nothing! Zero! Nada. And then she bought out the original owner, leaving her as 100% owner of the bakery--- and the cookies.

But, again, she didn't use any of her own capital. Very simply employed the technique of using the access and the cash flow of a given business in which you're a minority partner to buy out the other into your pocket for a dime to accomplish it.

This woman never came up with a cent in this entire process. And at the end of the day, the Hawaiian bakery company was pushing her hard to introduce her cookie into more and more of their locations.

Why?

Because they loved getting this free money in royalty checks from wherever she's selling her licensed cookies. Every time she opened up a new territory, grocery chain or distribution channel, the Hawaiian bakery company got a bigger license fee for the right to use their name.

Soon she wasn't growing fast enough for them. Why? Because she had limited capital and capacity.

So she could only expand one market at a time. She didn't have an unlimited amount of capital to go and open up in many new territories all at the same time. So the Hawaiian bakery people came to her with a bold proposition, They offered to buy the company from her for a huge price. They'd put up all the capital she needed to expand as fast as possible. They gave her a long-term license fee, on top, so she got royalty payments on all their sales." A total turnaround.

She ended up selling her cookie business back to the Hawaiian bakery parent company for a big lump sum of cash. They bought out her business, then gave her licensing royalties that created lifetime income payments for her grandkids. That was the way that she "leveraged out" that particular purchase for a huge, "double" payday.

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One of the first businesses I helped was a product called Icy-Hot. It was for arthritis, like Ben-Gay. The owner had no money. But he had a product that was very, very effective.

It sold back then for \$3 a jar. The owner didn't have a pot to you-know-what in. But he had an ingenious understanding that every time he got ten or so people to buy the first unit of purchase, more than half of them kept repurchasing it every month for life - for life. He had that recognition. But he didn't know what to do with it—because he had no money.

I was able to go to 1,000 radio stations, television stations, publications around the country and persuade them to run mail-order sales ads for us -- without us paying them a dime in up-front cash. Instead, we let them keep 100% of the revenue from the first sale.

Why would we do that?

Because every time that ten people bought, at \$3 apiece, \$30 came in from them. But five of those people bought again and again and again, for life thereafter. Making us \$185 a year, every year thereafter.

We used that concept to generate 500,000 repeat buyers, build a \$13 million company in 18 months - with no capital investment. We sold it for millions of dollars to a prominent pharmaceutical company. That was my first experience with leveraging the market of a business—using no capital.

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Sears got the idea of starting All State years ago because they realized they could stick agents in kiosks right in the middle of their stores, and they could draw and build a business with virtually no marketing.

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When I went in the seminar business, I didn't have one client. I went to a bunch of financial newsletters that I had served and knew my reputation. I wrote letters for them to sign which articulated their experience with me. I underwrote just the hard cost of sending it out to their subscribers, telling people how great I was. We did \$100 million from a standing start, for a total out-of-pocket investment of about \$300,000. We didn't permanently share revenues, so we paid money out, but only a small percentage. We didn't make the entire \$100 million. We made about \$80 million, between ourselves and our partners, but it was all performance-based, by knowing how to access other people's goodwill, other people's distribution, other people's credibility.

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Another client was in the financial services business. He was running ads in *The Wall Street Journal* and selling annuities, and not doing very much. I set up endorsed relationships with financial newsletters for him where he gave a share instead of paying for advertising. We set people up as licensed agents, and he gave a share to those people, and he did \$50 million in the first year, and went on to do hundreds of millions of dollars.

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We had a seminar attendee who had a medical delivery service that ran from doctor to doctor that was very time-critical --- picking up specimens, and blood test, etc. But their trucks would usually go back empty.

They realized there were other companies that were having products delivered over the whole day. They were able to make a joint venture with another company that did daily deliveries, and were

paying their own staff, and for their own trucks. That company was able to totally get rid of their trucks and people, used my client's delivery service on the dead end run back. They created a business together and they made millions of dollars.

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There was a man who had worked for Siemens, NCR, several very major companies. He quit to become an entrepreneur. The first thing he did was go out and found very, high-grade technology companies that did not have good marketing. He went to them, and said, "If I can get you distribution, I want 40% equity in the additional business that grows from that." He took a business that was struggling at \$2 million, got them to \$8 million in the first year, and got 40% of the \$6 million --- the volume, the profit, and the equity.

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A company called Encore Travel was one of the first companies to go to credit card companies and show them that they had an asset in their inserts. Instead of sending bills out by themselves, they could generate an incredible revenue stream by putting an offer in with their billing --- particularly an offer that people could just charge right back to their credit card and send back - and they would earn hundreds of millions of dollars.

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We had a software company that sold a very expensive, entrepreneurial-based enterprise software. They'd spent a lot of money on advertising. They got a lot of leads, but they converted very few because their software was so expensive.

After coming to one of my programs and posing their problem, they realized that the people responded because they were very interested in enterprise software. But they just didn't have the budget or the necessity to buy their \$100,000 to \$200,000 software.

So they found a software company that had a more meat-and-potatoes, lower-priced, basic software product, but it wasn't selling well. They got the rights to that, to private label, and they were able to sell that lower-priced version to all the leads that didn't convert to their expensive ones on a joint venture. They ultimately made more money from the people who didn't buy originally than they did from the ones who did.

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There was a builder in Australia who specialized in first-time buyers. He was spending \$10,000 to \$15,000 per sale to attract buyers. After he came to one of my long programs, he realized that the source of first-time buyers are people living in apartments. So he went to apartments, and he made

deals with them where he gave them \$5,000 (which was between \$5,000 and \$10,000 less than it had been costing him) for every one who moved out of their apartment and into one of his homes, and he also agreed to underwrite any unrented apartment up to a year. Apartments were \$500 a month, \$6,000 a year. Even if he paid for a full year and the \$5,000, he saved himself \$4,000 over the \$15,000 expense, and he sold millions and millions of dollars' worth of homes.

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A man realized that financial and business opportunity newsletters didn't know how to market, and that they made their money on renewals and back end. He went to them and said, "I'll do a sampling business where I will offer people three to six months of your newsletter in a basket (i.e. 18 different newsletters for \$20), so it's irresistible. You give me the newsletter for nothing, and you'll get 25% of the renewal." He sold 100,000 people this kind of concept every year. He made a fortune on the back end.

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Colonial Penn was an insurance company that was designed to sell insurance created for a specific demographic or person. They were struggling years ago, and they couldn't figure out how to break through the barrier of trying to win over groups that already had affiliations with the right target market.

Somebody got the wise idea, "Why don't we just start our own organizations, and we'll have a captive market?" They started American Association of Retired People (AARP) just so they would have a captive client. (Membership at last count was over ten million.) Colonial Penn did billions of dollars in business from this brainstorm.

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Today in business, it's very brutal. It's very ultra-competitive. So with brutal competition... a disloyal market... commoditized products and services... lots of options and alternatives that a person has to fill a given need... fear... apprehension... uncertainty on the part of buyers... few trusted advisors --- a strategic alliance or a joint venture may be the perfect mechanism to get you instant access, instant credibility, accelerated buy-in, rich and bonded trust. The opportunities are literally limitless. The only limit is your inventiveness and your ability to look inside and outside, and see a CAT-scan perspective.

It used to be that mergers and acquisitions were the only way to grow. Today you can grow through tying up distribution. You can grow through getting rights to products. You can grow through tying into somebody's sales force. You can grow through getting access to their buyers. You can grow through co-branding.

The number of alliances are growing at 40+% annually with major corporations. More than 35% of the revenue generated in the top 2,000 companies, supposedly, now comes from strategic alliances. In a survey that was done last year, 49% of the businesses report that they're making more money today because of joint ventures (these are big businesses). 21% say they're getting higher revenues because the cost of selling is less. It is in direct proportion to the results. You're not wasting any money or time. And 38% said it had massively increased the productivity because they could creatively go to other providers for skill sets, for services, for resources that they either didn't have, couldn't afford, or weren't proficient at.

Why the growth? Strategic alliances can be a partnership in which you combine efforts in any area. You can go to companies in the same business outside your market and say, "Hey, we're non-competitive, let's bond together to improve our buying on warehouses, or insurance, or distribution - anything." That's a strategic alliance. You can buy in bulk. You can seek business together.

Shift your mind to a 3-dimensional perspective. See more. Succeed more.

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We had one client who was a financial planner, and I was able to get him to go to specific attorneys, CPAs, and bankers who wanted to reach the same market and engineer a very profitable joint venture. He got all four of his new power partners to put up all the money to run full-page ads in their city's business publication inviting affluent people to day-long seminars on wealth preservation, on succession planning for business owners.

All four of them spoke. They were not competitive. They were complementary. He got a free ride, because he put the concept together, and syndicated it all, and they made a fortune.

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How many benefits can you think of in terms of strategic alliance? Three? Maybe four? Let me give you 45 -

1. **You can use it to achieve advantages of scale, of scope, or of speed.** You can take advantage of other people's infrastructure. You can take advantage of other people's reach. You can take advantage of other people's responsiveness that you, as a single proprietor, one-man or -woman band, a smaller business couldn't do. You can plug into all this intellectual capital... all this reach.
2. **You can increase market penetration.** You can do it locally. You can do it regionally. You

can do it nationally. You can do it internationally. You can do it all kinds of different ways.

- 3. You can enhance your competitiveness in local, national and international markets** because now you're in association with somebody who's a dominant force... somebody who's already built a market... somebody who the market already trusts.
- 4. You can enhance product development.** You don't have to sit there and try to develop new products yourself. You don't have to try to allocate an unavailable portion of your meager profits to try to do R&D and come up with breakthroughs for the future. Now you can just go out and find other people who have already done it and don't know what to do with it. You can put it through your distribution. You can get control out of it. You can put your products with theirs. You've got all this flexibility. It's like a two-way valve.
- 5. You can develop new business opportunities through products and services.** As I said, it's a two-way valve. You can take your product through as many different other distributions channels as you like --- publications, non-competitive complementary providers of products or services, people outside your market, new applications of your product. You can even go through competitive ones...

The first seminar I ever did, I went and found people who sold advertising and marketing seminars at the \$495 and below level. Their average was \$295, their premium was \$495. Mine was \$5,000 to \$50,000. It was the perfect mix. The first thing we did together, we both made \$500,000, and they were exhilarated.

I went through another company that sold training programs to people on how to be a utility auditor, and they also sold training programs on how to be a real estate property tax abatement specialist, and they would get tens of thousands of inquiries every year, and sell maybe 1,000 of them a \$10,000 or \$20,000 course. And they wouldn't sell 95% of them, but everybody that inquired was interested in learning a skill. It's just that theirs wasn't right for them.

I got them to send the letter I wrote and paid for to all their non-buyers, and we got \$10 million of business by mining that complementary group.

- 6. You can create new businesses at will** by understanding that you're not limited to just your own company product. You can get control of other people's distribution. You can get control of other people's products. You can match people together in the middle. You can create businesses at will.

You can do process licensing. One of my clients owned a lumber mill. He would get raw lumber, cut it, cure it, and he would turn it into board, and then he would sell it. The key to all that --- the most critical function --- is the kiln drying, because if you do it wrong it goes from A-grade to reject. If you do it wrong you spend tens of thousands of dollars a

week on energy, on gas or electric. You do it wrong, and it's just a mess. You do it right, and you save a lot of money and you get a premium for your lumber.

He did it right. He was a fanatic about it, and he had the best kiln-drying techniques around. The only problem was in the lumber business is the product is so heavy. He could give his lumber away to somebody 3,000 miles from him, but it would cost so much to ship it that it wouldn't be worth it. So from a practical standpoint, his market is 400 - 600 miles.

I showed him how to take his kiln drying methods and license other lumber yards outside of his 600-mile competitive radius - all over the world. He started making \$2 million a year just from recycling what he'd already done.

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We had a dry cleaner who came to one of my programs – he had developed incredible marketing techniques for his local dry cleaning business. He had three stores in Chicago, but he never wanted to grow past that. He had great marketing. He had great packages. He had great specialty services and he was doing about three times the average revenue of a dry cleaner, but he was content with his three stores – didn't want to open any more.

I showed him how to take what he was doing in Chicago, block Chicago out, and license all his techniques --- all those advertising approaches --- to dry cleaners outside of Chicago, and he got 3,000 dry cleaners to pay him a fee every month to use his advertising and marketing methods.

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I had a car wash client who developed techniques to increase dramatically the number of people who upgraded to the hot wax, and the premium package. That added a lot to their bottom line --- tens of thousands of dollars a month. But they only used it in their one car wash. We got them to license nearly 4,000 other car washes on how to use their upgrading techniques, and they paid them \$100 a month. My client was making hundreds of thousands of dollars without having to invest in new equipment, labor costs, etc. It's a mindset.

- 7. You can get control of tangible and intangible assets.** We had a person who realized that certain companies that had big telephone sales rooms sold to consumers. Others sold business to business. People who sold business to business are marketing during the day. People that sell to consumers are normally marketing from late afternoon and into the evening.

He was able to find business to business rooms that had invested millions of dollars and were empty after 4:00, and lease them on a performance basis --- not on a cash basis, but on a share of the revenue. He was able to go to consumer sales people who wanted to leave

their employer and start their own companies. He was able to get an equity in their business and a share of the revenue just for being able to make this money connection.

8. **You can use strategic alliances and joint ventures to reduce costs.** There are a lot of things that you can't afford to do, but if you joint venture them and you only pay for them in direct proportion to the revenue that comes in, they're no longer a cost. They're an income stream. They're a profit center
9. **Strategic alliances and joint ventures, once you understand the dynamics and mechanics, are easily established.**
10. **They only add to your own selling efforts.** All you have to do is figure what you do, and then figure what you don't do and you want to do, and who already has access to that, and it's like a playground.

You say, "Oh, gosh, I wish I had a sales force but I can't afford it." So the first thing is, who's got a sales force going out to the same people to the same market you're after and you can joint venture with. Number two is "How can I get sales people to do this as a joint venture with me instead of me paying them a fixed salary or benefit?"

Just keep thinking through all those points. Let's say that you wish you had a warehouse, but you can't afford it. Who's got a warehouse that's only using a part of capacity? It just goes on and on.

11. **It increases your sales massively, and thus your profitability.** If right now you're only operating in a linear, single or with few marketing activities or market areas, and you're making a living but through joint ventures, strategic alliances/endorsement, host/beneficiary deals you could open up twenty new distribution channels... eight new markets... that could increase by a function of five, ten, twenty times your business. And if you can't handle it, you can joint venture with somebody who's got capacity, but doesn't have sales. There's no problem... there's no need... there's no asset... there's no skill set... there's no issue in this whole process that you could imagine you want that you can't get through creativity.

One of my dear friends, who is one of the preeminent executive coaches in the country, made a statement right at the turn of the century --- right at Y2K, and he said, "The defining factor between mediocrity and making millions... between greatness and 'also-rans' in the 21st Century is going to be your ability to creatively collaborate, because no one has infinite pockets. No one has infinite skills. No one has infinite assets. No one has infinite access." But you can get all of that - all you have to do is show people how you can give them what they want --- and most people don't even know what they want.

12. **It lowers the barrier of entry.** Let's say you wanted to reach the legal market, but you've

never done it. Well, you can call cold on attorneys. Or, you can find a company selling products or services or advice to attorneys that are not at all competitive, but have worked for the last 20 years building an access, building a reputation. Go to them and make a deal where they put your offer through their distribution. Either their people take it to their attorneys, or you do it for them through letters, emails, or salespeople.

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I don't know how many people are really very critically familiar with me or not. But if you know the foundational work that I teach, you understand the concept of lifetime value.

“Lifetime value” is a phrase which refers to the totality of ongoing, cumulative profit that a type of a buyer, client, customer, patient or a source of a customer or patient is worth, meaning different kinds of buyers, different buyers coming from different sources are worth a certain amount of money to you, not just in the initial sale, but over all the subsequent purchases they do. When you realize what that is, you can afford to invest very generously to acquire it. Let me give you an example:

We had a group of expensive programs we used to do: \$5,000 - \$50,000. We went to several providers who sold \$50 introductory courses for us, and we let them keep all the money because we knew through analysis that every time they would sell ten people we would get one who would buy a \$5,000 course from us, and our cost of sales was nothing.

When I did the product Icy-Hot, which I mentioned earlier, we took a company that was doing \$20,000, and we escalated it to \$13 million in the first 15 months just by engineering joint ventures with radio stations, television stations, and publications where we did not pay for advertising. We let them sell our product, which sold for \$3.00 a unit, and keep all the money on the first sale.

They thought we were crazy, but we had done our math and we saw that every time we got two people to buy, one would buy every couple of months forever, and they would buy other products, and they were worth \$30 in profit a year to us for a lifetime. So every time we gave away \$6, which were two \$3 sales, we got back \$30 in Year One and \$30 every year thereafter for no cost at all.

- 13. It boosts your market presence.** You can do joint ventures with tons of different organizations, entities, distribution. Even if they don't all make you a lot of money, they hit the market with credibility and implied or expressed endorsement, and it makes whatever you do more powerful.

I used to do seminars with lots and lots of endorsers. I found that every time (like in the financial newsletter, which I did a lot of) if there were 20 people sending an endorsed letter,

the first one pulled “X.” But when they reached the second market, there was a lot of duplication. Those people saw the credibility again from a third person. It would pull “X-plus.” The next would pull “X-plus two.” And I kept doing it. And then, when I finally went into the market myself, the market was so favorably predisposed to my brand, because 20 different respected people had put their full faith of their reputation, their trust, their credibility, access on the line for me/my business. That’s what you’re dealing with here, for no hard bucks at all. I never paid for the effort. I always paid the endorsers on the results their newsletters produced for me. The biggest cost is the ingenuity, the capability of realizing how to harness and command it.

- 14. It provides added value to customers.** We had a martial arts club that realized if they gave certain retailers certificates good, not for one free lesson, but for six months, which was worth \$500, it had very high perceived value. So the retailer could say to their customers, “If you spend \$200 with me, I’ll give you a \$500 membership to a martial arts club.” The retailers loved it, because the certificates cost them nothing. And approximately one in every four people who came in the martial arts club with the free \$500 certificate would extend to a \$2,000 membership.

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You don’t have to give it away. We’ve seen people sell things at a discount that were packaged in as a joint venture, because #1, incrementally, if they only made \$2 apiece, but they sold a million of them to windfall markets, they’d make \$2 million more. And if half of those people go back and buy again and again at full price the income rise is unlimited. It’s a mindset.

- 15. It contributes substantially to perceived customer or client benefits.** Again, you give somebody something worth \$50. You can give an endorser or a host, a partner, a product, a sample, an experience that has perceived value. It may make them a hero, but it sets you and your business up for the back end profit and future sales.
- 16. You can enter emerging markets instantly.** Let’s say there’s a market that you want to be at the cutting edge. You don’t know anything about that market, but you want to be the leader. All you’ve got to do is figure out who already has presence in that market.

Let’s say that you’ve got a software that’s a breakthrough for bakeries, and you don’t know anything about bakeries. Well, you don’t have to find a breakthrough company in bakeries. Find a bakery supply company... find a bakery consulting company... find a bakery equipment company and do a joint venture with them. That’s how you can instantly usurp all the other people trying to enter that emerging market.

- 17. It expands your horizons.** When you realize the limitless array of ways, places you can go

with this it completely changes your business outlook. If you don't have infrastructure, and you don't have capital... It's OK. You know why? Because you can access it on other joint ventures. Whatever you need, as long as you can show people that they'll get something great out of it, you can always find somebody to provide it. You need copywriting --- somebody will do it for a percentage. You need delivery --- somebody will do it for a percentage.

18. **You get to speed your access to a wide varieties of new markets.** You can penetrate ---we've used this to take my brand to Asia, to Australia, to Europe, to Canada. We've used this to take my brand to the real estate market, to the chiropractic market, to the martial arts market... All with me basically having a smaller infrastructure. I used to have a large infrastructure, but I don't need it anymore. I can get anything I want on a performance, or a soft dollar basis. Why do I need to have a huge overhead, an HR department? But let somebody else do that, and you get the leverage off of it.
19. **You can expand beyond your geographic boundaries, right now limited to your facility, your staff, your delivery.** Use it. But now, with the blinders off, and with the permission I'm giving you, the business world should be a 3D movie and you've got the only pair of glasses.
20. **You can gain a foothold in international markets.** You can do anything you want. When infomercials were just starting out here, I used to go to Australia and the U.K. and do seminars, and I taught a direct response guy how to go to all the infomercial people here who were limiting their horizon to just the United States and get the rights on a joint venture to use their infomercial to buy their products at incremental cost plus profit, and use it in Australia and New Zealand. He made \$20 million a year, and he wouldn't have made a dime if he hadn't created his own infomercial. He got access to infomercials that people were spending \$400,000 to manufacture, to create. He got access with rights that people had spent millions of dollars to develop. All he needed to do was share the profit. He just had to be able to exploit that.

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We had another colleague who would traveled the country/USA and find all the people here selling products - books, courses geared to direct response, through ads, through letters. He would get the rights and take it to Australia, to the U.K., South Africa. He made millions of dollars just seeing that creative arbitrage.

21. **You can control other people's markets.** Years ago, before the Internet ever developed, the way to communicate with people was through a lot of financial or specific generic type of advisor letters, newsletters. I realized that a newsletter was the perfect vehicle to access segments of the market. I went out and I tied up the rights to put inserts into other people's newsletters for no fixed cost, but for a modest share of the revenue.

The first offer I made to the first newsletter I tied up didn't cost me a cent, because I said to them, "I'll just use your printer to print it, and they'll send me a bill." The person I did it with had 90 days deferred billing, so I got \$30,000 worth of billing for my inserts that I didn't have to pay for for 90 days. My first insert made me \$500,000. I had to pay \$150,000 of it, give 30% back to the person who owned the rights, but they didn't see the opportunity. And I tied up the biggest asset they had because they didn't see it and I did.

- 22. You can gain a competitive advantage.** If you have access to markets and you have a direct, implied or explicit endorsement and your competitors don't, three things happen: It shortens the selling cycle. It reduces the cost of access. It enhances the response rate. That means you're going to sell more, you're going to sell faster, it's going to cost you less, you're going to make more money --- even if you pay back a portion of that revenue to the endorser or the joint venture partner.

When you understand this concept of lifetime value, even if you pay very generously on the first sale, but you get all the profit on the second and third, etc. one. And if you have no other products to sell, that's not a problem. Let me tell you why:

We made somebody a million dollars who had no time, no understanding, no product, no money. We taught her how to go out on the Internet, find people who had non-fiction --- business or skill-type of books, and that's all they had --- match them with people who had training, expertise, coaching in that skill, and take half the profit on both sides. She put a few people together that way, and just by making what I'll call the "money connection," she was making a million dollars a year.

- 23. You can rapidly overpower the competition.**

- 24. You can joint market with people and share the cost.**

Let's say you really wish you could penetrate new markets, and you can't find any one person to do it, so you've got to find a salesperson, but the salesperson wants \$100,000 and you don't have it.

If you're the one who's got the idea, you can go out and find three or four other people who want to reach the same market who are non-competitive, and put the whole deal together where they share the cost, give you a great ride, and you could build a sales distribution cycle all over on their dime.

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Let me give you a flip. Years ago I had an “almost client” --- “almost” because it was a computer products company right before the big box stores started selling computers for almost nothing. And they were getting squeezed. They had about 50 salespeople, and they were doing \$60 - \$70 million in Southern California. They were going to boost their marketing, and were negotiating our deal. Between the time we started negotiating and the time I got the first proposal to them, they went into bankruptcy – they had to liquidate everything. I told the owner, “Please, wait...” I had two people who were willing to pay the owner a six-figure up front payment, and one fourth of the profits for the next three years to take over his salespeople. That was an asset that I’d already semi-brokered, but they fired everybody before we could implement the plan. It was the dumbest thing in the world. You learn that intangibles can be worth more than tangibles, but you’ve got to have a reason to see it.

25. **Joint selling or distribution.** You can do things at will. Instead of having to buy equipment... instead of having to rent an office... instead of having to hire people... All you have to do is get the paperwork done on the joint venture or the strategic alliance, and you’re off and running. Then you just have to be masterful at programming, at leading, at directing.
26. **You can collaborate to design new products or combinations with other people.**
27. **You have total flexibility in the way you operate.** We normally have control of 50 different products, services that we’re doing deals on in different forms in at least three continents, and I have eight people on my staff. If we had to do it ourselves it would take tens of millions of dollars. It would take staff. It would take specialists. Whatever we need, we just take someone who wants to be a performance-based, a joint venture, a profit-sharing partner, and then we just go through the motions. If the first one doesn’t do it, the second one does, or third. If the first one turns you down, always say, “Why?” And if they give you an answer that I had never thought about, I figure out a preemptive way to overcome that on the next one.



We’ve bought businesses for clients. When a client has a competitor who’s weaker, instead of waiting for that competitor to go out, we suggest a JV-type of an acquisition where they show the competitor that they are better off letting our client take over their clientele, integrating them into their fixed overhead, because they’ve got the economies of scale, and incrementally it costs very little to bill/service another 500 people... very little to ship out another product... It’s just incremental., but it pays of significantly.

And we help the acquired company get rid of their overhead, staff, re-lease their office. And we pay them a share of the revenue forever for the business we take over. We’ve taken over millions of dollars for our clients that way. It’s all a mindset.

- 28. It's less risky.** The downside to you... You're in Los Angeles. You want to open an office in New York? OK. You have to lease an office. If it's a nice one, you might have a three-to five-year lease. You have to hire people. You have to train them. You have to buy the equipment. If you have a lot of money, that's no problem. If you don't, that's a problem.

What if you find somebody who is distressed, meaning they aren't using their opportunities fully, their relationships fully, their past clients fully... and you can make a deal with them that's incremental, so it's variable-based? You could be in not just New York. You could be in Atlanta, and New York, Sydney, Australia, Toronto... And your downside is very little. If it doesn't work, you unwind it or you adjust it.

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Sometimes it doesn't work because the money isn't good. I had a deal one time with an infomercial company. They had done a ton of infomercial deals with product companies where they were splitting 50/50 on the revenue, and about half the deals didn't work out, and they summarily abandoned them.

I looked at them and said, "A lot of these are back-end deals," meaning that once that company got an initial, first-time buyer, they kept getting subsequent product/service repeat/ongoing revenue. And I said, "If you restructure the deal to where you show that product company that even if they made no profit initially and just got their hard-cost up front, they'll make huge money on the repeat back end sales." You can make a losing deal profitable. And we renegotiated five of the deals right away, and they made millions of dollars. And the companies that had basically abandoned the relationship made a ton on the back end. It's all a mindset, all a mindset.

- 29. Requires less cash.**
- 30. Acquire a technology license.** You can license other people's technology. Someone looks at buying a franchise. But most franchises don't have the critical element, which is marketing. But I say to somebody, "Let's look at the top 1,000 franchises. For every Subway and every McDonald's, there's a Handyman, Inc.," which is just basically giving you a system of being a handyman.

I said, "Go to every major market and look up in the Yellow Pages or on the computer who's got an independent handyman operation (to use one illustrative example). Find out how well they're doing, and go to them and ask THEM if you can license THEIR systems and THEIR approach and THEIR advertising for every market other than the one they're in, because most of them aren't that ambitious. Now you're in a business you can re-license/

joint venture with all kinds of other people and be a franchiser/licensee, multi-unit owner.

- 31. You can get research and development done for you free.** The biggest problem in most businesses is you have to keep developing innovative, breakthrough ways to make your current model obsolete. Well, that requires technology, or commitment, or staff, or capital, or experimentation.

But guess what? In this fast world, you can go online and search any category and find 5,000 - 25,000 websites of people who have already come up with a breakthrough. The problem is they don't have marketing. You can get control of their breakthrough product/technology, etc., and the lion's share of it is profit, for no out-of-pocket to you, paying only on performance.

- 32. Access knowledge and expertise beyond company borders.** There are so many consultants out there. There are a lot of excellent ones. And they really can make a difference for most small/medium-sized business owners. Most people here, they can't afford them.

Well, what if you could afford ALL the experts you ever wanted? You CAN afford them three ways. #1, specific expertise, you can, instead of paying for it, you can acquire and convert their compensation to a share of your results... or to an interest in your company... or to an ownership in certain kinds/categories of clients or sales that you make, or products you sell.

We've also made deals where we took prestigious experts. We put them together as a board of advisors for a company, and we made a joint venture with them where they had no liability. But by lending their implied endorsement to our client, it gave our client preeminence and competitive advantage, and we produced multiplied revenue that came from new sales that used that advisory board in the credibility part of the sales and marketing, and we gave the "advisors" a share, and we've sometimes actually tripled and quadrupled businesses.

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I developed early renewal programs for financial newsletters, and I found other people that wanted early renewal programs, too, and there were dozens of other newsletters that wanted early renewal programs but didn't have one. So after I had one program that worked for one, I would retain intellectual property ownership, and I would then re-license it to 25 other newsletters, and I'd buy the right to other people's renewal programs or alternative product or sales programs, and I'd license them to other people. I was making hundreds of thousands of dollars extra per month, just for knowing what something intangible was worth, tying it up, knowing how to revere it, and knowing how to re-sell it (over and over again) on a performance-based compensation.

You can learn how to do that, too. Expand you mind. Think differently. Learn to see all there is to see.

- 33. It can strengthen your expertise in an industry as result of the association.** In the chiropractic industry I did five joint ventures. I was joint ventured by three magazines. I was joint ventured by a leading-edge technologist. I was joint ventured by the leading chiropractic company.

If I send a letter myself to chiropractors beyond the scope of that, they'd now see me from five different, high credible impact points. My credibility, my stature, my attributes, my relative worth has already been established by plugging into the cumulative efforts, the relationships of all these other people.

- 34. It extends your product offerings.** Let's say that you're a company that has one or two products, and nothing else to sell. Well, you can have a static, a linear nowhere to go sort of business, OR you can decide to massively monetize all this valuable time and effort you've already spent on the opportunity costs of identifying and creating goodwill to companies or to an individual you sell to. I always want to find as many other related complementary or extended products, or even more advanced or expanded versions of what I originally did or sold my buyers – tie up rights to offer those offerings to my buyers, then sell them, and share richly on the profits, or vice versa. You find all kinds of other businesses... all kinds of other service providers... all kinds of other publications or associations that have a limited number of services or products. And when they're done selling their buyers all they have to offer, that doesn't have to be the end. It should actually be the beginning of a never-ending profit stream.

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Nightingale Conant, for example - one of the biggest providers of audio-based information – originally saw their model as merely selling \$39 programs to the market, and their back end was merely selling more \$39 programs. But I would go to their list, and I would sell \$5,000 and \$15,000 information programs and products. And I said, “Don't you see that you're making a modest amount on what you do. If you got your toll from other people's \$15,000, \$5,000 programs, you'd make a lot more.”

Then, at one of my programs I did a little survey, because the owners of Nightingale Conant were there. And I asked for a show of hands, and I said, “Show me how many of you in this room who came from Nightingale Conant went to one of the authors whose \$39 CD sets you bought from Nightingale and retained that author to consult?” 30% had. Average engagement was \$25,000 per consultation. It was about \$3 million of lost opportunity sales Nightingale never recognized, and had Nightingale offered that service too, they would have made \$1.5 million just incrementally, even if they split with the expert. So it's seeing

connections, and providing them both ways.

- 35. Widens your scope of innovation** --- Innovation and optimization are two totally contrarian concepts. Optimization is maximizing the performance, the viability, the possibility of everything you do. Innovation is making what you do obsolete, and coming up with totally new applications, markets... You can do both through joint ventures, safely, rapidly, successfully -- and that's very exciting.
- 36. You can secure your position as front runner in your market.**
- 37. You can provide marketing or selling**, or have someone else provide marketing or selling. Let's say that you've got a killer product, but you don't know how to market or sell. You joint venture with somebody who does.

A company was in the aerobic attire business. They had really hot-looking clothes for people who would work out. They only had two or three products, their sales were starting to slow down, and they wanted to figure out a breakthrough. But I realized they had 5,000 or 6,000 retailers. They had a famous hosiery company that had 700 outlets. They had Nordstrom. They had just a bunch of other great, huge retail chains.

They were frustrated, but they weren't creative. They had developed these two products, and that was it. I said, "Your biggest asset ISN'T your product. It's your distribution channels and your relationship with the store's buyers. You can use that very advantageously. Go on a road trip to the hot cities --- Chicago, L.A., South Beach, New York... Go to all the health clubs, and in the health club in the little snack shack there's always maybe some creative man or woman who's created a design for tennis shoes, or sweatshirts, or head bands that's selling four of them there, and nothing else. Find those. Go to the creator. Get a royalty deal on the product. Take it outside."

They immediately went into linear interpretation mode and said, "We don't want to be a distributor." And I said, "Don't. Tell that person who created the original product, you want to now sell them that. They can keep all the sales from their one or two health clubs, and you want to give them a 5% royalty on all the other distribution channels you open up," and they were able to tie up ten really cool products. Oh, yes, and generate millions more in sales than they originally did. It's a mindset. It's understanding posture, power, leverage, control, value of intangibility. It's non-linear, 3-D thinking.

- 38. You can easily establish purchasing and supply relationships.** You can get access to products incrementally that no one else would ever let you have access to by tapping into your partners' supplies, relationships, buying power, etc. You don't have to buy any (or

many) goods, yet almost at will can create formidable buying power instantly for yourself and for others.

39. **You can set up instant distribution networks** all over the... fill in the blank --- country, industry, nation, continent, world. Galaxy!
40. **You can capitalize on all kinds of hidden assets and overlooked opportunities.** See template I'll be coming out with in a month.
41. **You can make much higher ROI's and ROE's on alliances than from your core/main business,** because with your core main business you're burdened with the full overhead. When you go to a joint venture, you can make a deal where everything is incremental. You're not laden with their fixed overhead. You're not laden with their payroll. You're not laden with any of the cost. You figure out a G&A that you pay them, but it's incremental. It's performance-based. You can make three or four times as much profit on those transactions as you do on your own.
42. **You can stay focused on your own core business while expanding, exploiting and harnessing the whole.**

Years ago when I started setting up joint ventures for specific clients, I was linear-minded. But after I'd set up lots of them, I realized I was only using it for one client. What I really was creating was a distribution channel that I immediately broadened, and used the distribution for all kinds of other non-competitive, and even complementary competitive products/services, and I made millions more than I was making just doing it for one client.

That distribution is a pipeline you can put all kinds of other complementary products or services through. And you can sell your main business and keep the pipeline, or sell the pipeline.

43. **It lets you maximize and multiply and stretch your own management, economic, technical and operational resources.** People ask me, "Jay, what's your theory of management?" And I say, "Don't manage. Do joint ventures with people who have several tiers of management. They have consultants - just plug into whatever you need, and they provide whatever you're missing. All you have to do is be the big thinker, and the deal-maker, and the strategist, the catalyst and the visionary.
44. **You can outsource every non-core competency,** and get it performing at many times higher level of capability and results, and only pay for it in direct proportion to its results to your bottom line.

- 45. Reduce your overhead through shared costs and outsourcing.** You're buying all this outside sales for a much lower cost of sales. But by outsourcing and starting it from an expensive cost of sales, you should wish you had to pay a sales trainer \$100,000 this month because of the extra sales he taught you how to get. You should wish you had to pay a technical expert \$30,000 for the savings he or she made you, because that means they made you probably \$100,000, or \$150,000, depending on what the deal is.

It's a mindset. It's a very big shift in mindset.

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There's a great story which really demonstrates this, and it's been told five or six different ways. I'll tell one or two of them. It's been told about Bernardo Baruch, the famous financier. It's been told about Rothschild. It's been told about Rockefeller... A person went to them and said, "Mr. Rothschild/Rockefeller/Baruch, will you loan me \$50,000 for my business?" And he said, "No, but I'll do something many times better. I'll walk arm-in-arm with you back and forth three times across the New York Stock Exchange floor, and when I do that everybody will be willing to lend you, or joint venture with you, or finance you for all the money you want."

That's the power of joint ventures. You're capitalizing on all that goodwill, all that existing trust, credibility, respect, access... And it's incalculably powerful, and you put up very little. You can put up nothing. You can merely put up the profit of the sales, or merely the hard cost of printing the brochure, the modest cost of a letter, the tiny cost of an e-mail, the small cost of presentation... But you're accessing millions, tens of millions, hundreds of millions of dollars each time you do it, and it costs you nothing.

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The first time I did a joint venture with Tony Robbins and got him to sign a letter raving about me and my seminars and send it to his list, it was 250,000 people. We tested it first to 25,000. My downside was paying the hard cost of the mail, \$12,000. But what I was getting access to were the buyers that came from the \$100 million that Guthy Renker spent on Tony Robbins infomercials. What I was getting was access to the \$5,000 per person buyers who Tony Robbins had spent eight years developing. What I was getting access to were the buyers who had total trust for Tony, because he'd spent eight or ten days at one of his Mastery programs with them, winning their trust. And I got all that for the mere cost of funding a letter.

First thing we did to their list, fully rolled out... It cost us \$300,000, and brought in \$9 million. You do the math. That was a good yield. That's what you're dealing with. Does it always work that well? No. But if you choose wisely... if you understand the dynamics (and hopefully you will --- at least you'll understand the basics before we're done) you'll be able to at least break even, even on a bad deal, and make out like a banshee on a good one, and know the difference between

the two so you can discriminate. And you can modestly/safely/easily test any proposition before you go “hog wild.”

There are many kinds of alliances. You can do joint ventures. You can do co-branding. You can do a host/beneficiary. You can do equity partnerships, and equity can be in a new business you create together, a new product you create together, a new market you penetrate together, a distribution channel you create together, a different category of buyers you create together. It's only limited by your vision, and your ability to revere, respect, value and commandeer/control of intangibility.

You can flip business opportunities. I used to always do joint ventures where I would get control of somebody's right. Then I didn't do anything with it, but I flipped it to somebody else who would either pay me a share of revenue/profits for doing all the work, or a fee plus a share, or just buy it out from me, and I'd sign it to them. My fee and/or profit share, by the way, was always a multiple of what fee or profit I was paying out to the company I acquired the right from. And I did that all day long.

Let's say in certain markets, certain kinds of businesses run lots and lots of different ads because a live-in market saturates quickly. Once an ad stops pulling, they retire it. But that ad wasn't seen in 95% of the other markets. You can get control of ads that somebody spent \$20,000, \$30,000, \$50,000 writing, creating and maybe spent millions proving it worked. It worked for them, then burned out, and you could re-license it to people in the same business outside of the original company's market, and you can get a share of the revenue those licensed ads generate, a fee plus a share. You can do it all the time in as many markets as your fertile mind wants to pursue.

You could joint venture sales forces, new products... Joint venturing a lot of success of all possibilities. You can easily repackage or create new businesses together with other companies.

A simple example --- I talked about All State and Sears. Now fast food stores are going into mini-marts, banks... Starbucks are going into grocery stores... vending of video machines are going into grocery stores... There's a Chinese restaurant now that's in all the grocery stores that we use. You think they do that because it doesn't work? It's because it gives you access to traffic, captive markets, to implied endorsement, to repeat business. This is very powerful stuff.

Co-branding --- I like co-branding. Coke and Proctor and Gamble are now co-branding things together. Taco Bell and Amazon co-branded some things.

Host/beneficiary --- You can use assets that aren't yours.

Again, you could do equities in all kinds of strategic partnerships. You could do equity in the business, the clients that come from it. You could do equity in a new brand you created together. You

could do equity in the distribution channel. You can do equity in the buyers and prospects. You can do equity in the marketing materials you create, that you can relicense. You can do equities in the intellectual processes that come from it.

Nightingale Conant years ago realized that there were tons of seminar people that only saw seminar-giving as a linear process. At the end of their seminars, if those seminar companies never sold anything else, Nightingale went to them and said, “If WE provide the staff and the programs, will you let us sell CDs of those programs in the back of the room at the end of your live seminar if we share profits?” Millions were shared on this “Ah ha!”

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A colleague had an infomercial called “Where There’s A Will, There’s A ‘A’”. It was doing OK. Then, they replaced their no-name host with the now late, famous sit-com actor, John Ritter. By having John Ritter do the hosting, it added star-power credibility to the offer and giving him a little override on the sales, they tripled the response to their infomercial. It didn’t cost them a cent, up front, but John made millions. And my colleague made tens of millions more.

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A very classic Power Partnering example is magazine subscription for schools, where a kid’s taking orders. It’s an implied joint venture. It’s an endorsement, and there’s all kinds of things that are so blatantly obvious you don’t see them for what they are.

You can reinvent business opportunities. You can put together a mastermind brain trust that you normally couldn’t afford (where you assemble a collection of bright advisors), and give them a share of either the incremental profits, or the profits from new products or services that flow from their ideas, advice, or from better selling ideas they offer. It’s only limited to how much you can take the intangible, and make it tangible.

You can use the equivalent. Anything now in business that you’d want that you couldn’t ordinarily afford financially to do/have/employ --- sales forces, advertising, penetrate markets, develop new product lines, etc... You can now get control of distressed properties/sales forces/excess assets. Always, somebody’s distress is another’s opportunity. People have got skill sets. I told you about the sales force that was being disbanded. People have jobs that they’re not fully utilizing. Magazines, radio stations, online websites – all have unsold advertising available. Sales forces don’t always fill their companies sales potential.

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I had a client who was in the heating and air conditioning business, and he had more business than

he could handle. But he didn't have the capital to grow it -- because the cost of buying trucks, hiring and training skilled/high-paid people was extraordinary.

Instead of rejecting or not accepting all that overage business, we went out and we found three quality heating and air conditioning companies that were NOT being fully utilized. Because I was able to show him the communication proposition, we were able to show these other companies that incrementally they were paying their people on salaries and had 30-50% non-utilization. We were able to give them the overage jobs, and pay them a fraction of our revenue from those jobs and show them the result meant incentive money for THEM, and we were able to make a small fortune on the extra business we couldn't have even ordinarily accepted because we didn't have the capital to expand in the past. A fresh way of thinking turned adversity into opportunity.

You can access other people's production that you can't afford, because there's ALWAYS going to be somebody somewhere who's got excess production. You can get access to amazing talent. You can take any business, technical, sales talent you want... any talent your business could benefit from... any skill... any expertise... make a list. Somewhere out there it exists. And somewhere out there, if you know how to make the right envisioning, the right proposition, the right proposition communication --- you can get lucrative access to that, and convert the other side's total cost away from fixed fee and over to a direct, variable payoff you make to them based on your improved results, profits, sales, productivity that you get from it, so it's always a profit center. It's never, ever an expense again!

You can get access to delivery, office, commercial facilities, property, technology, procedures, intellectual capital --- all kinds.

You can license other people's marketing, or other people sales ability, or other people's management skills, other people's cash flow management...

One time we had a business where we found people that didn't even know they had skills. Seriously. But once we identified, then codified it -- we went out and sold it to tons of other companies _____ and I got a huge share of the payment.

Almost every successful business, but then if you break it down, they're successful for many unique, strategic, operational, management reasons.

Usually they have certain processes, techniques, strategic approaches that are superior to the people they compete against. But they don't even know it.

I found a business in the retail specialty clothing business that had figured out a way to turn their inventory three times higher than the average specialty merchant. But my "discovery" client didn't even recognize their ability. Once I showed them -- they went out and taught other non-competitive specialty companies how to do it for either fees, performance bonuses, shares of extra profits, etc.

If you can figure out what they are, from management, cash flow management, tax management, distribution management, sales ability... and you can figure what they do superior to their direct competitors, if they're not competing around the world, or if they're not competing around the country, or they're not competing in other markets, you can go to them, figure out what it is for them, tie it up, license it to all kinds of other people in the same field or related field, and make a fortune from both sides. I've done it over and over again. You can, too.

Think about all the multitudes of options available.

Here's a list of license or acquired licenses you can get:

You can license people's companies/brand.

You can license their technology or methodology.

You can license their promotions, or their marketing, or their advertising, or their selling systems.

You can license their products or services for private label.

You can license processes (which is sort of a variation of technology or methodology.)

You can license their images, their designs.

You can license a territory, a market, or an industry.

You can license core competency if you need it.

You can license skill sets for yourself. You can do it the other way. You can find somebody who's really good.

Most consultants never tried to correlate or convert their skill sets, their talent, their expertise, to a clear-cut bottom-line, tangible, measurable result for the client company. In other words, you might be the greatest productivity guy, but if you can't really say, "Hey, it's going to increase productivity by 23%", which will put \$X million more profit dollars into your company, you're not getting full value.

Well, if you CAN correlate it and measure it, and figure out a reference frame where, with predictable follow-up, if somebody performs the activities you (the expert) advise and recommend, they're going to get an impressive increase (or reduction if a reduction is preferred for cost savings), and you can measure what productivity is worth, you can go and you can make a fortune.

A lot of consultants charge \$200 an hour. I've gone to consultants and said, "I'll tell you what. I don't want to try to sell your \$2,000 day. I want to own your time. I'll pay you \$1,000 a day out of

MY pocket, but I want to own your time, and I'll get someone to go out and sell you to businesses where your work, if they follow through, could save them a million dollars, and we'll take a quarter to half of the first savings that year. Maybe it'll take two weeks. And I'll pay you up front \$10,000, and I'll give you a third or a half of the savings payments earned on your consulting on top after I recoup the \$10,000 I'd paid you." And we've made a fortune by changing the dynamic from fee based abstract consulting to performance based bottom-line "impact" consulting.

So if you need something impactful in your business, now you never have to worry about being able to afford it, and you don't have to worry about paying for expertise. You can convert anything you want to results and pay accordingly on a JV with somebody who possesses the skills, resources or assets, or do a strategic alliance, or a variable-based compensation, internally for your business.

Externally, you can get control of experts/skilled people, and you can make them available to other people and help them translate what they do to results. But I'll give you a little insight here. There's some issues you've got to worry about.

You alone, if you're doing a deal with a third party and it is performance-based, you have to mandate, you have to stipulate, that it's based on mutual performance (that means both sides do their part, not just your side). We used to do all kinds of deals purely on contingency, and there was an era when people were dependable, when people would follow through... It's not necessarily the case anymore.

Same goes for performance-based activities. You have to have your agreement stipulate that it's based on mutual performance, and they've got to affirm in writing what you're going to do and what they're going to do, and that they're going to do it in a timely way. If they don't, there has to be a penalty.

But, back to the point...

You can do core competency licensing.

You can do reclamation. People sink costs, time, effort, expert systems, processes, methodology into their business products, people... I mean, there's all kinds of stuff that companies do that, when they're done with it, it has very little or any value (to them), but it could have enormous value to other people in those fields, other people in related fields, to all kinds of other people.

Dun & Bradstreet years ago got into the data-based management business (renting names, contact information) because it was a byproduct of reclaiming all the research, all the data they did to do business credit reporting.

One of the best ways to rapid growth is open or develop or create new products or markets. One of the people I'm really impressed with took a company from a thousand dollar, kitchen table start-up to a \$450 million industry leader. He did it by introducing one new product, penetrating one new

market, and purchasing (on a performance basis) one, new company each and every year.

Let's move from Joint Ventures and Strategic Alliances to other off the radar, 3-D, 360° thinking examples of deals people have made just to stretch your sense of creative possibility.

MIND SHIFT TO SEE MORE, DO MORE, RECEIVE MORE.

A lot of people create sporting events, high-concept-type sporting events (say X-Games or special volleyball tournaments), and they put them together. Then, they get a sponsor to put up all the money. They originally own the event. The event instantly becomes an asset. They can sell advertising, they can sell broadcast rights. And there's a lot of people in sports that package that. In show business, the Golden Globes is an example of this concept. A guy organized the Foreign Press Association and started the Golden Globes – but has grown to be an important, pre-Oscar award and event that's nationally broadcast. Dick Clark owned the New Year's Eve Times Square broadcast.

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The Saturday Evening Post, a magazine I worked with years ago, was bought in a very clever transaction that is more of a marketing play than a joint venture or strategic alliance play. It had fallen into bankruptcy. The buyer gained control of it for nothing and put \$4 million in his pocket within a few months of getting control of it by using variations of the very same, non-linear mindset I'm trying to teach to you here.

But more importantly, it had an asset that he alone recognized that no one else did. The old *Saturday Evening Post* for years had a different Norman Rockwell custom-commissioned painting on the cover. After Norman Rockwell had done the painting, it would reside in the offices of the old *The Saturday Evening Post*, which used to be in Philadelphia.

The people I worked for were in Indianapolis. They bought the magazine out of bankruptcy, and along with it came all these seemingly valueless paintings. The first thing the owner did was get an attorney, who he paid strictly on performance, who was a licensing expert to go all over the country and set up license deals for people to use the image, the facsimile, of the Norman Rockwells on calendars, on coffee cups, on greeting cards. And they had to pay the owner a royalty and an advance, and he made some number of millions of dollars a year just by reusing that asset, alone.

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A company realized that most people hated, inherently, paying for advertising, but they loved, philosophically, paying for results. So they got into the lead generating business. They bought tons of media --- advertising, direct mail lists, radio, television --- and they bought it so advantageously

low that they could go to investment companies, magazines wanting to grow more subscriptions and they would say, “Don’t pay for advertising. Pay for results. We’ll put up our own money and speculate on buying you leads, or buying you subscribers, and all you have to pay for them is so much per result.”

By doing what I call marketing/advertising arbitrage that company earned 500%+ on their capital.

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Healthy Choice, the food title --- it was developed by one of the big agricultural companies. They came up with a concept, and then they licensed it to all kinds of other people who pay a fee up front and a percentage for using the name. The Healthy Choice company used it for a few of their products. But far more is earned from outside licensees.

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Years ago I was in the information marketing business in the general forum, and we would sell \$39 reports. And I never, ever, ever had a report originally created. I would merely go to major New York publishers, find generic non-fiction (business and skill-type) books that had been written, that were now out of print, but were timeless, meaning the content was great. It just came and it went, which is what happens to a lot of books. They have a little arc of about six to twelve months, and then they’re sort of dead.

I would get the reprint rights for about \$1,000, and a royalty of \$.50 a book. I would take the 400-page book and get rid of half of it, take 200 of the most powerful pages, and turn it into an 11x17 \$39 manual, and I sold approximately 40,000 of each one of them, and it cost me almost nothing to get control of the asset.

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There were two very prominent copywriters in the newsletter business, and when they were starting out, in the beginning they just charged people modest, one-time writing fees, like \$8,000 per on sales letters, which is nothing. These guys were grossly underpriced because they didn’t have the confidence to deal with the market. Yet their copy would result in tens of millions of products being sold.

I went to them and said, “I will pay you half of your fee, \$4,000, and I will own the copy, and we (together) will lease it to newsletters. We will lease it to booksellers. We will lease it to investment companies to use, and charge them either a share of the revenue, or so much for every mailing piece they mail.” I also gave the writers a percentage of the lease fees – we made millions changing the paradigm.

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Years ago, a lot of these high-priced, dramatic, really small art dealers realized that on a cruise ship they had a captive audience for selling art. So they made percentage deals with the cruise ships to go on the ships, have art shows every day, sell their art for very impressive markups and pay a variable to the cruise ship in exchange for access --- access to a captive market.

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A discount department store signed the designer Massimo, who was once really hot. They licensed his name --- just his name --- and then they got their own designers to put together designs, and they put his name on it so they could charge a premium over the norm they usually charged for clothes at their store. That stroke of “perceptual genius” adds tens of millions to the sales of that department store.

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I had a very good friend when I went in to business for myself who was the guy who created (for those of you who are old enough to remember) Ricky Ticky Stickies. They’re large, stick-on flowers that people in the flower child era in the 70s and 80s would stick on their Volkswagen busses. But what his real business was --- he and his partners designed very cool designs for ceramics, for sheets, for bedding. They would go to what I’ll call “white label-type” --- boring, unimpressive, nondescript manufacturers of ceramics, coffee cups, glasses, sheets and they would offer them their designs, and they’d say, “Test these designs against yours. If they tremendously increase sales, give us 5%. If they don’t, don’t use it.” And they made millions.

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When 800 numbers first came out, no one knew the power. No one knew the impact. My friend would go to people who were running ads in *The Wall Street Journal* and the financial publications and consumer publications and specialty publications asking for direct response for mail orders or for inquiries, or people would have to call the regular number or would have to mail in an inquiry.

And he would say, “I will pay a for a portion of you ad to put this slug it in (a “slug” is just a reference, approximately an eighth of the ad that read “...call toll free this number...”). We will quantify the numbers of responses --- orders, telephone direct orders, and mail-ins you’re currently getting (without the use of the “800” nuber). Those are yours. I don’t want anything from that. I want half of the profits from the increase from my 800 number that I’m paying for, and I’m giving you what it produces.” And he made millions by seeing that opportunity. I call it “creative marketing arbitrage.”

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I had another friend in the beginning days when telemarketing was first emerging. (By the way, telemarketing is now emailing (social media, etc.) – there’s nothing new, just newer versions.) He went to my then employer, *Entrepreneur Magazine*. *Entrepreneur Magazine* would sell a lot of products, reports, programs on how to start a business, specific businesses. People would order it, but it was very passive ordering. They had an ordering department, not a selling department.

My friend offered to personally fund the creation of a sales department where he put true sales telemarketers in calling --- just quality, well-trained people who would call in on the phone --- and he paid them all. And his deal was, “Let’s figure what you’ve been averaging every month from the sales you’ve been generating on your own. You keep that. I just want half the increase my professional orders makers create on top.” And my friend, after all commissions, started making \$50,000 net a week in his pocket, just from the increases. That was good nearly 35 years ago.

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I found a company that had imported beautiful, Italian ceramics --- ash trays, dishes, vases. And they were sitting in a warehouse because their salespeople couldn’t sell them very well, and they were just gathering dust, and they had capital tied up.

I made a deal with them where I took their entire inventory and placed it in gift shops, in high-end retail stores, in card shops, in high-level drug stores. They sold it, and they got to keep 1/3, I got to keep 1/3, and original importer got 1/3. I made about \$10,000 a month just for seeing the connection, the arbitrage and putting the ceramics into stores and out of the warehouse.

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Back when the commercial business field was struggling, a friend of mine went to a bunch of office buildings that were not filled, and made a deal where they gave him a full floor, and he turned it into these temporary suites, where anybody could rent it by the week, by the month... and he shared revenue with the building owner. His hard cost was just a very, very simple, inexpensive build-out, and one secretary for everyone.

He also went to a phone company that had equipment they weren’t using and got them to put the equipment in, not for \$100,000, but for a small percentage of the revenue.

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A couple of people sell business opportunity-type training that’s based on being a cash flow expert, where you can make mortgages. You can do financings. You can do factoring. Well, they make money on the training, but they’ve worked out deals with the sources where they get a middleman spread from all the financial transactions their “students” end up generating, and they can make more profits on the back end (off the financial deals) as the front.

Donald Trump, you all know, makes a fortune leasing his name to investors. He gets front money. He gets equity. He gets management money. He gets all those things and just gives them his name.

A client of mine did seminars. He did specialty seminars for three industries. He went to all kinds of trade magazines in those industries, put up the modest marketing money for the publication to promote seminars that sold for \$800 on improving manufacturing prowess. They were the corrugated manufacturers, managed the printing industry, and one other one. He gave the publisher all the money from seminar registrant payments, because it was nothing, and he sold \$5 million a year of consulting. Because he got the trade publications to make him the hero to their group.

If you have a captive audience of decision-makers for two-days-straight seeing your skill – it's easy to sell the consulting at the end!

BARTER.

MOST DON'T EVEN SEE IT ON THEIR RADAR. THE SMART ONES DO.

Trading your products or services for things your business needs or wants is called "Business Barter." Barter gives you the amazing ability to vastly increase your purchasing power – sometimes by as much as 5-10 times over. Done right, barter also gives you the effect of having almost unlimited capital. It's like having a blank check to fill in. It allows you to acquire products and services now, but pay for them much later. And the longer you take to pay, the less it ends up costing you. You can make barter a major factor in your business growth strategy.

Barter represents probably the most enjoyable, stimulating, lucrative and rewarding business opportunity available.

Barter is not giving a country doctor a few chickens for setting your broken arm. I'm talking about simple to very sophisticated forms of leverage barter. You don't have to use cash to get what you want or need. You can turn your product or service into increased buying power and create the most lucrative profit center of all.

Read and expand your mind. Possibilities and solutions are everywhere!

13 Specific Barter Strategies

- 1. You save cash on capital expenditures.** Say you're buying a computer. After you negotiate the lowest price you can get, you can agree to the price if the seller will take a portion of that negotiated price in your product or service, ideally 25 or 50%. What does that accomplish? It just lowered the true cost to you of the computer by up to 1/3, depending on what your margins are, and it gave you dating on the barter portion of the purchase because most people won't use your products or services right away, even though they're welcome to,

but you get access to the computer right away, so you've actually deferred payment interest free at a discount for that period of time.

You can even trade a lesser dollar value of your more desirable goods and for a higher markup. We've seen car dealers trade cars for two or three times their value in soft dollar services. Let's say somebody wanted to do the window cleaning, or any kind of manual service. Car dealers can spend tens of millions of dollars a year on services, on products. Let's say you wanted to get in. Well, if they would trade you initially, and you get the business, you can get a car. Let's say your product is marked up five times, a car dealer marks his up twice. You get the car for twice, and sell it for less than the car dealer would. You get a profit on your services, and you get access to the car dealer as a client when the trade runs out.

- 2. You increase your total sales.** Since many businesses focus their attention on the total gross, barter accentuates your gross while continuing to minimize your overhead. This means that the cost of producing barter, instead of 100% dollars, lets you increase your gross sales at a fraction of what doing it with cash would cost. Consequently, your barter sales could be many times more profitable, incrementally.
- 3. Barter lets you pay operating expenditures, even payroll, if you convert it to a variable or subcontract with what's called "soft dollars."** That means you could be low on, or even out of cash, and still continue to operate and prosper, and continue to employ critically needed personnel or service providers using barter as your means of commerce.

All my decorating, all my furniture, all my painting for three or four years was done by me just converting my services. I'd give somebody my services at \$5,000 an hour, and they'd give me their products in return. My wife had a new Porsche convertible. It took me a day and a half of my time trade, brand new.

- 4. You can print your own currency or script, which is usable at your place of business.** Only your imagination can limit the advantages that having your own legal tender can do to benefit your business. Here's just one thing to think about:

Say there's one thing your company really needs or wants to acquire, but you can't afford it on a cash basis. Using your own currency, where the cost is based on the cost of supplying the goods and services, and where you take the liberty now, but pay for it much, much later, you can afford to acquire all kinds of things.

A lot of times you have to triangulate. You may not have something that the business that you need to get wants, but you may be able to trade your product or service to a third company or individual who's got that, and you're triangulated.

- 5. You automatically get terms, credit and discounts far more easily than you ever could by paying cash.** Say you issue a \$5,000 credit to a printer. He gives you \$5,000-worth of printing right now, and delivers it immediately. You pay with your barter script or credits, and give the printer one to two years to use his credit with you. Until the printer actually uses those credits, you haven't paid out a thing, and since he probably will only use a portion of the credit with you at a time, its cost will easily be handled a little at a time, incrementally, but a dollar paid in two years cost you a lot less than a dollar today.
- 6. Breakage.** This is not meant to be manipulative, or unethical. It's just a truism. Breakage represents the barter certificates you issue when your trade with someone that are never used. A certain percentage of all barter credits issued, if they have an expiration date (which we recommend) will not be used.

For example, a major New Orleans hotel traded \$125,000 worth of radio and TV time, and issued barter script in that amount with a one-year expiration date. Right up front, the hotel got \$125,000 in advertising at regular cash rates. This was advertising they had been paying \$125,000 for in real cash. At the end of 12 months, an audit revealed that only \$35,000 of the barter script had been redeemed within the time limit. The hotel were ready to, willing to, able to honor the barter script... but the rest expired unused.

So the cash cost of the hotel delivering \$35,000 worth of rooms was only \$5,000. The hotel had leveraged up \$125,000 in advertising for \$5,000 hard dollars. However, that does not take into consideration two overlooked, but extremely significant other factors:

#1) Statistically, \$35,000 in room trade produces \$17,500 in cash, food, beverage and miscellaneous real sales with gross profits in excess of \$8,000 for the hotel. The hotel actually got paid \$3,000 net after all expenses to enter into the transaction.

#2) All \$35,000 worth of rooms were not used at one time. It was spread out over 12 months, meaning that the hotel got to pay the \$5,000 over 12 months, totally interest free. In essence, they got \$125,000 worth of advertising up front, and got paid to do so.

- 7. Cash conversion.** Many barter items, merchandise or services you acquire in addition to paying bills with can be sold or converted to cash at a fee well above the cost of acquiring them.

Chrysler Corporation created a Spanish television network for 192 cars several years back. The seven station chain sold the cars to their employees at a 30% discount over what the cars normally stickered for. The employees were overjoyed because the most the dealer would discount them was 15%. The average value of each car was \$10,000, and the television network received from the sale more than \$1,920,000 in real cash for unused air time that cost them nothing. This was expiring time they weren't using --- time that probably would have gone unsold, and thus, would have produced zero revenue unless it was traded.

45 of the cars were traded to a television transmitter manufacturer by the radio station exchange for a half million dollars' worth of transmitter equipment that permitted the station to open up a new, full-power UHF station in San Francisco without using any cash. The ability to trade for this equipment set the time table to get the San Francisco station on the air ahead by more than one full year, and enabled that station to operate in the beginning without draining all their loose cash. They became a runaway success before any other Spanish station ever penetrated San Francisco. The stations subsequently were sold for \$400 million, and that same San Francisco station today is probably worth in excess of \$50 million by itself.

- 8. Create a barter profit center.** Some salespeople who are not effective in cash selling are extremely successful in bartering. So you might have a sleeper employee with you whose sales will skyrocket and give you huge bonus margins on the products or services you sell if you trade for products or services at full rate, then turn right around and sell the merchandise for services you acquire to the open market at a discount under the going rate for the merchandise.

For example... and I talked about the travel magazine. We would take a page, and we'd trade it, and then we'd sell the merchandise at a discount. But even the discount was five times more than the space cost us, so it was a great profit center that we never would have had before.

The Home Shopping Network, which is now a billion-dollar+ business was actually conceived and started by the owner of a small-time radio station in Florida who was having difficulty making payroll. The owner traded 1400, electric can openers with a hardware store, and then he cash-converted them over the air (radio), and the company was saved. He did an auction. He then began trading and auctioning goods and services he traded for over the radio, to the listening audience. Within 60 days, the small station was back in the black, and the seller on the air concept was further tested on the local cable. Then he bought some cable time. When this also proved successful, investors backed the concept into satellite link. It went national. The company's sales now exceed a billion dollars. It all started with 1400 can openers in trade.

In the beginning days of infomercials nobody realized how valuable cable time was, In the beginning they had trouble selling their time, and they had lots of big, bulk, unused time.

A friend of mine and his partners bought every unused piece of time they could for pennies on the dollar. Then they went to all the successful infomercial companies and they didn't sell them time. They ran their spot for half of the revenue, and they made a fortune through that marketing arbitrage.

- 9. Vastly expand your available advertising budget without using any cash.** A creative

thinker bought radio advertising for \$.20 on the dollar. He traded DHL for two times face value. He converted it, and he sold it to people for half the price.

That's not the best part. After they used DHL for a year, or a half a year, and liked it, they started paying cash when their trade was used up, and my friend got a percentage of the back end, too. All it takes is enlightened, very strategic, 3-D, non-linear, possibility-based thinking.

You can finance rapid growth without cash. Carnival Cruise started out as a border-based cruise line. It's now the largest cruise line in the world. It started with one ship, and had no real capital. They were totally uncaptialized. The ship, in the beginning, wasn't even painted on one side. They had to park it on the painted side so people wouldn't know the outside was unpainted.

The line traded empty cabins for radio, television, and newspaper advertising in 100 cities over a ten-year period. The cost of an empty cabin, once the ship sells, is minimal. Plus, the passengers may spend considerable cash in the bar, casino, and gift shop.

Carnival traded the advertising to the radio stations. Radio stations either sold it, gave it away as a gift, gave it to advertisers. When the advertiser or the recipient booked the cruise, Carnival would charge them a processing fee of about \$90. That \$90 paid all the food and the incremental cost of towels, toilet paper, electricity... So they were out nothing. They got the advertising. Here's the payoff to Carnival:

They used this technique to become the largest cruise line in the world, and continuously advertised in 100 cities for more than ten years without spending a penny of hard cash. A conservative estimate of the amount of sales generated was hundreds of millions of dollars. The owner became a billionaire, and was on the top Forbes Richest Men list.

10. **Ability to instantly and continuously generate a steady stream of profits at far above closeout prices.** A lot of times people have closed out merchandise. They'll try to sell it or pennies on the dollar, and they'll lose money. By trading them and getting something you would have bought, or something you can cash convert for a much higher yield than you would liquidating it, you can turn a loss, a distress, an obsolete situation into a profit center.
11. **Turn excess inventory into cash without losing regular business.** A major international hotel issues its own barter certificates to the tune of \$7 million a year. The certificates over the years have become extremely popular. The hotel is able to trade for advertising on nearly any radio or TV station out there, because it's so desirable. An estimated \$10 million a year in cash is saved through this process by the hotel because they get incremental business, so it costs them almost nothing.
12. **Recycle dollars right back to your own business.** The City of Palm Springs orders ad-

vertising for its tourist bureau. In order for the media --- the radio stations, the TV stations around the country -- to be paid for the advertising they run, the tourist bureau requires that the media has to travel to Palm Springs and spend the vouchers in the city itself.

In other words, the money gets recycled. Let's say they spend \$100,000 on TV in New York. They don't pay it with cash. They pay it with vouchers good for any merchant of the tourist bureau in Palm Springs, but it's got to be repaid there, so it all comes back.

- 13. Stockholder benefits.** Many companies issue employee or stockholder benefits in barter, either for the company itself, they pay bonuses, they pay vacations... They do it all in barter, and it costs them virtually nothing.

A few of the companies that trade: Chrysler traded 900 Imperials in six weeks. Only 1100 were manufactured the whole year. Yamaha traded 16,000 guitars for advertising. \$5 million of DHL services were traded. 350 Mazdas were traded for advertising credits. Carnival Cruise, I told you --- hundreds of millions. My friend built a TV station that was now owned by the Chicago Tribune, and he traded everything for it.

My friend bought the Western White House. He bought it and paid for it with barter script. He let the man finance it, and my friend gave him a half million dollars' worth of trade down, and he paid him, every month, \$15,000 worth of credits in radio, TV, travel, cruises... that my friend bought for \$.20 on the dollar. He bought a multi-million dollar house for pennies.

Some of the companies that have traded big time --- Best Western, Sheraton, Outrigger, Beverly Wilshire, L'Armitage, Carnival Cruise, Aero Mexico, KLM, Continental, RCA used to, Citizen Watch, Turner, NBC, Budget Rent-A-Car, Avis, Hawaiian Tropic, Conrad Cruise, Mexicana Airlines, Air France, Curtis Publishing, TWA, Samsung, Carl's Jr., Levitz Furniture, General Rent-A-Car, Cody Perfume... It's just huge.

MORE MIND SHIFTING, 360°, 3-D SOLUTIONS

When a friend went into his first company he was a young guy, just a couple of years out of college, and had this opportunity to possibly acquire a manufacturer of motorcycle accessory parts.

He didn't have any cash. He didn't have any references or credentials. He'd never run a business before. But here's basically what he did to put a great "first deal" together.

He discovered that, inside the business he wanted to buy--there were a bundle of undervalued and under recognized assets.

There was machinery and equipment. There were accounts receivable. There was inventory.

There were the normal office assets you would find in any manufacturing company.

He then found out (through research) that, once he owned this company, he could go out and borrow generously against those assets from what is called an Asset-Based Lender.

In other words, once he owned the business he could take all the assets that were in the business, pledge them to an asset based lender and that lender would give him a check for up to 80% of the current value of those assets.

The business that he wanted to buy wanted a total purchase price of \$500,000, he was going to have to ultimately pay \$500,000 to buy the business, but come up with only \$100,000 to close the deal.

But there was about \$300,000 worth of machinery, equipment and accounts receivables in it. So he could pledge those assets to the asset-based lender and raise approximately \$240,000 from them (that's 80%) instantly without putting himself on the hook personally.

There was a problem here. He had to be the owner of the business before he could leverage the assets to the asset-based lender.

But Remember, he negotiated very smart. He only had to pay the seller \$100,000 in down payment. The balance the seller agreed to take in monthly payments from him, over time through a note.

He wasn't worried about how to make the monthly payments on the note to the seller. Because when he took over ownership of the business it had plenty of profitable cash flow. It had handsome profits and out of them he could make the payments easily on the note -- and still have a generous surplus left over every month to pay himself six figures annually.

Now his only problem was where did he get the initial \$100,000 for the cash down payment? He thought he was stumped and wouldn't be able to pull the deal off,

But he did a little more research and found out he could also borrow what is called a swing loan to cover the time delay between the funding of his asset-based loan and the payment of the \$100,000 down payment.

So he realized he could borrow a \$100,000 swing loan from a bank, give that to the seller in morning. That would make the business his. Then in the afternoon he could take all the assets that were in the business that he just bought and raise \$240,000 the same day from the asset-based lender.

Then he could take \$100,000 of the \$240,000 and instantly repay the bank's swing loan. Then, he'd have a \$140,000 cash windfall in his bank account, which he could now use to run the business and pay himself a big bonus.

Well, that was an interesting piece of creative leveraging math. But, the problem he had was he

didn't have a credit rating that would warrant any banker loaning him his \$100,000 on his signature, alone.

So he was still stuck.

Then he did a little more research and he found out that he could set up something called a double escrow.

Remember this phrase: Double escrow.

A double escrow basically enables someone to do this: He never touched the \$100,000 of the down payment monies put into escrow by the bank. The asset-based lender never gave him the \$240,000 check. They put their money into a second escrow that's directly connected to the first transaction. Again, it's called a double escrow. Both escrows are set to close simultaneously.

So what happens? At the closing when he now becomes the owner of the business -- the \$100,000 swing-loan money goes to the seller. He now owns the business instantly. A \$240,000 asset-based loan now comes to the business.

The banker now takes out of the business' checking account his \$100,000 to repay the swing loan he'd advanced to him - and his \$140,000 is sitting there in the account.

When he figured out how to do this transaction, it was like the skies opened up. Prosperity rained down from then on.

He paid a very high interest rate for that money. And so they got their high return and since the assets they were loaning on were worth every cent of the \$300,000 they had little or no risk to do that deal either.

But all it cost him was an extra \$15,000 in interest. That's a cheap entry price to get control of a potentially seven-figure valued company, a six-figure income and the foundation of building an empire. Don't you agree?

In case this seems confusing let me make it one more level simpler. The same reason the person or company that made you a loan on your car has little or no risk -- works for asset-based lending, too.

You make a down payment of 20% of the purchase price for the car. You have another 80% they finance. And if for any reason you don't make your payments then what do they do? They take back the collateral.

They sell it and they get all their money back and sometimes even a profit. So that's exactly what asset-based business lenders would do. If for any reason their loan isn't paid, they would merely come in, take out their collateral, sell it and get their money back.

They file what they call a UCC filing. It's basically a business-based first lien on the assets. No one else can have a claim on them. So they're safely protected.

So if for any reason any of these deals didn't go right, the lender has instant control of the assets. So that's how my friend fully funded his first acquisition purchase—using no money of his own.

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When the same man went to do his second acquisition the thought occurred to him if he wanted to keep building up his company conventionally he could spend a lot of years growing it in, say, 10%-20% annually in sales. That would take him years and he'd put a lot of effort into building the business. And all that hard work would only add up to a small fraction of more asset value.

Then he realized---he'd started from scratch and acquired \$1 million in sales, in a matter of months and an asset source potentially worth seven figures. How long would it take him to grow that business to double doing it the ordinary, old fashioned, internal way? Seven, ten years?

But he realized that he could double it---again in just three more months if he bought out one of his competitors -- and he now knew he didn't need any of his own cash to do it.

Now he knew how to structure that kind of a no-cash deal. So that became his goal and wealth-building model. To buy out his major competitor, add that business to his, to do it with a leveraged buy-out technique similar to the first acquisition transaction -- and do it quickly.

He went on to repeat that technique over and over again, not only buying his major competitors, but acquiring complementary business product lines too - until he had built a very substantial combined, motorcycle accessory parts business doing over \$18 million a year.

Then he used a reversal of these same techniques to sell the combined company at a huge premium to the right buyer.

That was part of the strategic "exit" plan that he put together, where he "cashed out" very quickly for a monster payday.

The details of the plan are beyond the scope of what I can cover in this brief Mind Shift Challenge. But you should recognize that you can use the same techniques "reversed" to sell any prosperous business you build up for much more than the average buyer would normally pay....and your exit plan is the place where the bulk of your true wealth creation will come from.

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Another colleague used a technique just like the one I just described to you to buy a circuit board manufacturing company---using not a dime of his own money. A man and wife used a variation of

the techniques to buy a chain of successful Arby's food franchise restaurants.

They bought five of them and when they completed the purchase, not only did they not have to come up with any money out of pocket.

They actually walked away at closing with a \$90,000 windfall check left over from the escrow. They didn't need it for anything. So they put that money in their pocket and enjoyed the bonanza.

Now think about this for a minute.

If you go to Arby's national franchise headquarters and tell them you'd like to buy a franchise, put it at a specific location, they're going to ask you for probably about \$200,000 as your franchise fee per store.

They're going to subject you to a bunch of strict requirements and rules you've got to pass financially in order for you to be able to even qualify to do business with them.

You're going to have to prove your net worth, show them where your working cash is coming from, prove your solidly credit worthy. The list goes on.

Well, why do that? Somebody out there already owns a bunch of these stores. There are all kinds of other franchise (or non-franchise) businesses you might want to acquire. And none of those corporate rules have to apply in the deals you do. Obviously, you have to check with your attorney and with the contract the seller has, but in my instance you can do wonders with strategies like these. The franchisees can often sell you their businesses any way they want----and on any terms they agree to. Again, check contract and legal provisions.

And if you know how to fully leverage the purchase, you can buy it from somebody who already owns it----and not have to come up with a dime. That's maximizing your money.

Done right you won't have to come up with any kind of financial requirements remotely close to what a franchise would make you provide if you were buying a new franchise directly from them, either.

Instead of opening up a new franchise operation (that may or may not make it at that location), the couple ended up with five already-successful stores, five proven restaurants that they already knew were making good money.

Because they had a tax return they could verify (before they closed the deal) that showed the amount of money each of these franchises were consistently making. So they knew when they bought it they were buying true financial "winners," not speculating "on-the-come."

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Another 360° thinker used the same strategy as the creative entrepreneur in the previous story to buy an aerospace manufacturing company. They made annular bearings for the aerospace industry. He was literally on the brink of personal bankruptcy. He and his wife were being evicted from their home. He was out of work because of the recession.

His wife was all over him to try and do something “conventional” to put food on the table, like get a job. He was an older man. He was in his late 60s at the time. Few people would even hire him -- even though he had tons of expertise.

Plus, he knew how to do incredible production work and make great products. He knew the business side of high-tech manufacturing. So he took these concepts and went out and -- without any cash, without any risk -- put himself in a manufacturing company.

At the close of escrow, he had solved all his personal problems. He was able to go up, up, up from there. Six months later, he bought out a competitor and so he, literally, doubled the size of the business he bought -- within six months and he quadrupled his potential income.

This concept has been used to buy a truck spring manufacturing company. Another man bought a technology franchise using the same strategy. One bought a wildly profitable employment agency the same way. A guy bought a highly profitable graphics design firm. Another acquired a prosperous domestic help business.

A man actually started his own fast-food franchise where he created a special business concept business built on fast health food and then franchised that concept all over to other people and used these exact leverage finance principles as a way to even raise additional money to grow the franchise chain.

When my friend bought out his first competitor, they made the basic same product he did. He went to the owner and showed him that the owner had two different products he was manufacturing. One was the product competing with his. The other was a product that was new, and appealed to a totally different market - and the manufacturer was making a ton more money on it.

The owner's margins were way higher on that new product business than the one that competed aggressively with his.

So my friend enticed the owner of the other products to take the money he had tied up in the old, marginal product business that was competing with his -- and sell him that business.

He showed the man how to take the cash out of the sale and use that money to invest back in growing his new product. Because the new product had so much higher margins and growth prospects, he showed the man how he'd make significantly more money by not having that old product draining capital and competing with him.

He urged him instead to use the cash that was freed up to rapidly expand the new business.

In this instance, he didn't get the owner to take back a single penny in his seller note. He bought that old product company from him in full for cash.

He did it with a Customer-Supported Strategy.

When a supplier (who in this case is the customer) buys his product from a manufacturer, the manufacturer marks it up. That markup is built in. It costs the wholesaler or distributor, a whole lot more to buy the product than it cost the manufacturer to make it.

But when he buys his competitor's manufacturing company and he values all the inventory that the manufacturer has on the shelf ready for delivery, he doesn't pay the seller the wholesale price for that inventory. He pays the seller his actual hard cost to manufacture it. That's how you value inventory. At cost.

So what he did was made a clever deal with his largest motorcycle distributors - upon his purchasing out his competitor, he would take their existing inventory and divide it out to his two largest distributors. He'd give each a big discount on the inventory in order to make it attractive enough for them to purchase all the product up front.

Once he did that, at the close of escrow, that product went right from his new warehouse to his two biggest distribution customers. He never touched it. But he immediately picked up two massive "accounts receivable" from those two customers. And with those accounts receivable purchase orders in hand, it was easy for him to finance all his cash needs through his existing asset-based lender.

He merely turned over the receivable to the lender and they gave him 80% of face value. So when you work all these numbers back and see what his real margins were you find that (even after the discount he gave his distributors), a very big portion of the proceeds from the cash he got back from the asset-based lender was ALL profit.

He got to use that money to make his "all cash" payment to the seller through a double escrow. The money came right out of his inventory and his two major suppliers' purchase orders.

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A colleague was in the industrial tire distribution business. This man found two manufacturers of tires who were very upset with the small amount of sales and distribution they were getting in a particular geographic area.

He had an outstanding track record and could demonstrate his ability to build up business in the automotive and tire related industries. So he went to these two tire manufacturers, told them that he

wanted to buy out their weak distributors that were in these two unproductive areas. The manufacturers - a.k.a., the suppliers - supported the purchase of those two distributorships by this colleague.

They did it in the form of advancing him substantial inventory that he could leverage through an asset-based lender. He took the cash the lender advanced and used that leverage to make the down payment to the sellers of the two tire distributorships. Again, the key was a double escrow.

You should be starting to see how there's a replicatable leveraging pattern here.

Once you understand assets. Once you understand financial leveraging. Once you understand the lending institution's mentality. Once you understand how to structure your irresistible leverage deal, you have a template and you can overlay it on just about any deal and see how all the pieces can come together -- without any capital outlay on your part, whatsoever.

New ideas, possibilities, and solutions are everywhere. Turn around, move to the left, to the right. Move up, move down. Walk around the problems and opportunities. Create a mind shift and see more than you ever imagined.



One of the most outstanding deals I've seen was a trucking company that did what my friends refer to as an Employee Supported Takeover.

This man was broke, out of work, a minority truck driver.

Without a dime of his own money he organized the drivers of an about-to-go-bankrupt trucking company. He got each one to buy the company truck they drove. Then, using the double-escrow techniques again, he turned the cash that was generated by the sale of trucks into the cash he used to buy the company from the existing owner.

With the former employee drivers now owners and operators of their own trucks, the high cost and low productivity problems that drove the original company to the verge of bankruptcy were immediately reversed. Today that man is a multi-millionaire from this single transaction. But frankly, variations of this will still work for almost anybody -- including you. You just need the right dynamics in place.

Remember, the company that the man acquired was a trucking company and the way in which he structured this company leverage purchase knocked my socks off.

What he did was recognize the trucking company was struggling and, in fact, about to go out of business. He recognized that he had no credit of his own and no way of getting any. He recog-

nized, also his own limitations but he knew how to overcome these and take himself to a higher level -- using leveraged buyout techniques.

What he did was this:

Went to each employee of the trucking company, showed them that they were about to lose their job and their income. He showed them that by taking ownership of the truck he could keep them employed and they could actually earn more money.

What he figured out was that by turning employees into owner-operators they treated their truck many times more attentively. The maintenance requirements were less, the breakdowns were less, the productivity was higher and the company he bought became highly profitable -- almost overnight.

And so the deal he structured almost totally eliminated the reason the company was losing money in the first place.

Plus, 53 people each buying the semis back from the company at \$40,000 apiece – puts nearly \$2,120,000 into his bank account the same day he gets control of the business.

This story has to do with something called a Secured Lender-Supported takeover. One of the companies bought was part of the “empire” my friend, who I told you about earlier, put together.

Remember, the earlier case study was all focused on motorcycle accessory parts. It was a company that was actually in bankruptcy. It was in bankruptcy for one very simple reason -

It was started by talented promoters that who were great at selling but couldn't make quality products worth a darn. What they had was a lot of sales, but very poor quality. They had bad manufacturing processes. So of every order that went out, about 20% of the merchandise would come back as returns.

The reason he wanted this company was:

- 1.) They had great sales.
- 2.) He had quality, disciplined manufacturing capability that could remake the product with great quality and it was a logical match for him to buy. But if he bought the company he didn't really want (or need) the manufacturing facility that came with it. He just wanted their sales. And if he had all those sales he'd need to have a lot more working capital in order to fulfill the orders - even though he already had a manufacturing facility to do it in.

So here's the key leverage he used to pull off this particular no-capital deal.

It focuses on a quirk in human nature. It's the way most people's minds work.

People will act more to keep from losing something that's already there -- than they ever would to gain or make it happen in the first place. We just don't like losing.

So if you're a loan officer for a large lender, say a big bank, it's even more true. Because, if a company you've made a big loan to goes into bankruptcy and your bank loses their "lent capital" as a result you look really bad if you're the one who made the loan.

And you don't want to look bad to the higher ups. So you're going to do "whatever it takes" - if there's a way legally possible - to make sure there is no loss.

What he did was structure a deal so that the secured lender (the bank) in bankruptcy would not lose by virtue of his takeover of the company.

They generously funded his loan in order to create his incentive to do that. That enabled him to buy the company and take all the assets, sell them at liquidation prices, get rid of them really quickly turn them back into cash, pay off most of the old loan, but not all of it.

Plus the extra cash that he generated by having them "fully fund" the loan then became the working capital he used to take the sales team from that acquired company and use them to grow all five of his other manufacturing companies.

However, what gets more exciting is how he kept growing the business after that.

He started to look at what he was doing strategically. What he quickly realized is that it didn't really matter how hard he worked all he could do is grow 10%-15% annually doing it internally.

It was frustrating, because he was working really hard and he wasn't able to grow any further or faster—the normal way.

So he decided to grow the first business he bought by buying out a competitor. Why? If he went out and bought a company that was about the same size, he could double the sales and profitability in a few months -- instead of it taking years.

And he already knew the techniques of financial leverage.

So that's what he did. He went out and bought his largest competitor on the West Coast. They made the same type of motorcycle parts as he did. Then a short time later he bought the only competitor he had left of any size on the East Coast.

Once he owned these three after-market motorcycle parts manufacturers, he had acquired the greatest distribution of motorcycle parts out there---because. literally, every distributor in the country

now bought something from him.

He went out and made a couple of other very small, strategic acquisitions.

But soon he had reached a plateau in his ability to grow in terms of acquisitions of leverage buyouts in that category; because he now owned all the major competitors.

They were all his companies. So his next step was to say, “O.K. We’ve gotten this great distribution. Every distributor buys from me. Why don’t I buy other metal fabricated parts?”

So he next bought companies to produce kickstands, handlebars, crash bars, seatback rests, luggage racks --- any kind of metal fabricated product for a motorcycle and he plugged them all into his distribution system.

Now he could take companies that were marketing-challenged but had good products (who weren’t good at marketing these products). He could instantly plug them right into his massive sales distribution system. Because they were having problems, he bought them each at bargain prices.

The minute they were his company up, up went sales. That dramatically increased his profits from the bargain purchase - all done without using any cash of his own! And, the profits raise the value of the business by 10-20 times each extra dollar earned.

But the story doesn’t stop there.

Because the next thing he did was realize that he had now just about maxed out the amount of growth that he could reach in the combined company.

He plateaued in his ability to engineer geometric growth. So having done this wonderful “roll up” in the motorcycle parts business he really wanted now to go into bigger, more lucrative industries and do the same again and again for a bigger payoff.

So he decided it was time to sell. But he wanted to be smart. He wanted to sell the company for top dollar. How did he do it?

He looked around and found other companies out there that were also motorcycle parts business, but they were in totally other forms of fabrication. They made fiberglass gas tanks, bearings, helmets and other types of plastic-related items. They did not have a particularly good distribution system. But they were very big in what they did.

So he worked out a deal for them to buy his company for way more than it was worth as a stand-alone business.

Why?

Because he convinced them that if they owned his company, they would not only be buying the profitability of that company, but once they owned it, they would back their own products into his distribution system and make their existing company worth a lot more, too.

So they were easily willing to pay him a monster premium for his business.

He walked out of the company with a ton of cash – five million to be exact. He went on a vacation for a year, took his family around the world, did some fun things that gave him quality time and regenerated his ambition.

And then he went out and did this all over again for another industry with no cash.

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I believe there's not one business owner or startup I've ever met in North America (and probably the world) who couldn't, who shouldn't broaden their perspective and think about how to grow yourself a small or large business empire.

And that can mean nothing more than multiplying the size of your current business many times through external leveraged buyout acquisition activities. Or it can mean multiplying it through a roll up. Or it could mean buying complementary-type product and service businesses on performance-based deals.

Most people in business - or wanting to start their own business - set their sights too low. They're often content merely to have a so-so business that makes them a barely livable income.

But why start a business that has a one in thirty chance of even making it five years – when you can acquire a solidly profitable existing business that's a huge, proven moneymaker that has a high certainty of working - using none of your own capital ?

The Porsche story is a really fun one. A friend had a colleague whose passion was owning Porsches. He would buy the latest Porsche, then, he would trade it in the next year. He would drive the new one and drive the next new one next year and so forth. That was a very expensive proposition. Because, you're buying at retail, selling one year later at highly depreciated wholesale. And that's a very expensive loss to take every year.

He was having difficulty affording his new Porsche ever year. But then he figured out that if he was really smart about this, he could drive a brand, new Porsche Every Year For The Rest Of His Life - and never have it cost him a dime.

Rather, he could actually be paid richly for the pleasure?

How is THIS possible?

He could do that by buying a Porsche dealership!

But there was a big problem he had to overcome.

Where does he get the money to buy a Porsche dealership? Here's what he did. He actually ran an ad in a San Francisco newspaper. The ad said, "Drive a new Porsche every year for the rest of your life. One time investment. ONLY \$75,000." And that's it.

He was absolutely deluged with people who wanted to know how they could do that. I'll give you the bottom line here.

He recruited ten people who each put up \$75,000, which was the \$750,000 that he used as the down payment to buy a prosperous Porsche agency. He then lent each of his investors a new, dealer Porsche to drive every year as a demo.

He got the cars through his financing floor plan, at a very low interest rate. He insured these cars under his blanket dealer policy, which cost him very little – because a blanket policy isn't the same cost structuring as your personal insurance policy or mine.

He slaps dealer plates on the car, so he doesn't have to pay the big five-figure registration fee during the year that the investors are driving. He buys the car new, at true wholesale, then sells it one year later at depreciated RETAIL.

And he's still selling the car for a lot more than he's got in it at the end of the year. So it costs him "*less-than-nothing*" to get his \$750,000 that he used to buy himself into the company.

That dealership generated a fabulous personal income for the guy, too - not counting the rising value of the dealership as a prized, business asset.

He leveraged these ten people's desire to drive a new Porsche every year into the purchase of that lucrative dealership. But the neat thing about the strategy he used, was that the investors had no control over the corporation – they had no dividends coming to them, either.

They had nothing coming to them other than the fact that they got to drive their car every year. He had total control of all the assets, all the cash flow, all the profits – and those ten Porsche enthusiasts put him in business with their \$75,000, one-time pay-outs.

And, by the way, that's same strategy has been used by other people who've purchased other brands of car dealerships. It was done on a plane dealer, an aircraft distributing company. It was done on a yacht company. There's a whole array of different kinds of companies that this exact strategy was deployed on.

How many ways could YOU use a version of this approach, I wonder? Shift you mind. See more. Accomplish more.

With any business situation that someone's in today, there's a huge, "screaming," growth, expansion or acquisition, opportunity that's so close to you, you just can't see it. Like the forest for the trees.

Or, if you do see it, you don't think you're worthy of pulling the deal off.

Because you don't understand how to get control of that business or its key assets. You don't know the leveraged finance nuances. You don't know how to get other people to put up all the money for your purchase. You don't know how to negotiate a no-cash acquisition deal. You don't see how to take the investor's risk away.

Or, you don't see yourself being many times - or many tens of times - more prosperous over the course of your business career.

I hold people's careers, their fates, their business destinies, their financial futures, all to a much higher standard of performance and prosperity. That's what non-linear, 3- dimensional, creative thinking will give you.

I want you to start expanding YOUR sense of what's possible for you and start looking at how a leveraged buy-out might work in your own, current situation.

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I have a friend who took \$1000 and parlayed it into \$450 million, just by understanding that he could get control of businesses for nothing down.

He built a mammoth publishing business thanks to that realization.

As he built up an infrastructure that could accommodate many more publications. The same staff could easily handle more publishing, more circulation activities, more advertising sales.

So he was able to take over struggling publications, eliminate almost all their existing overhead cost. So publishing them cost almost nothing for him when it was costing the previous owner a small fortune.

He was able to parlay this strategy through a combination of consolidation, eliminating duplicative overhead, efficiencies and economy of scale, and penetrating new markets.

He constantly added new products - picked up, always on a royalty-only basis. He acquired new companies every year - all on leverage, earn-out payment-basis. Going from \$1000 to \$450 million may not be your idea of exciting, but I certain admire what he did.

One of my first employers was a master of buying older, struggling patent medicine businesses. Businesses that sold non-prescription products in drug and grocery stores had been around for at least forty years.

Most of the companies were second/third-generation owned, where the business was not being marketed well, where it was past its heyday and popularity was starting to decline and the businesses were no longer anywhere close to using full capacity of their facilities, equipment or staff.

My mentor would buy the business at a highly discounted asset value basis. He would buy it on a long, deferred-close escrow. He would then make sure that before he even exercised and finalized the purchase, he got quotes on selling off their building and all their equipment.

He owned a big company with tremendous manufacturing capacity where he could comfortably bring in all their newly acquired production - warehousing.

He already had sales distribution in virtually every industry. So doing their selling, shipping, billing, marketing could be consolidated into his existing staff operation.

He always made a profit of at least 100% up-front on liquidating assets and consolidating activity on every business he bought .

He wouldn't go ahead with the purchase unless he could pre-sell, then double escrow equipment and buildings for at least twice the total price he was paying to acquire. Non-linear and very smart thinking.

I found a plumbing service company with a great reputation, but a diminishing business that was getting ready to shut their doors. I negotiated the rights to resell their Yellow Pages ad (today it would be their website – same concept, new technology) and phone number to a larger plumbing company that already had offices, phone receptionist, salespeople, service people and trucks.

They were willing to pay handsomely and continuously (on percentage of result) for all the future service business that came from that Yellow Pages ad and phone number. They agreed to pay to take over the ad and the phone number the next year that Yellow Pages needed to be renewed. Think of how many situations like this exist.

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I had a real estate agent I helped. We'd go out and buy the rights to work all the past clients of every reputable real estate agent we could find who'd dropped out of the business. And in recessionary economy where real estate prices are dropping and mortgage money is hard to secure there are thousands of real estate agents getting out of the business who still have a good reputation and a nice past client base.

Few people realize it, but the average agent who sold at least 100 satisfied clients over the course of their real estate career can look for those clients to generate for them upwards of 100 future sales in the form of referrals over their lifetime. By tying up the endorsement of all the agents who quit the business we were able to generate thousands of potential future referrals for my agent client. What was our deal proposition to all those agents?

We offered the retired agents a small share of future commissions resulting from their referral assignments.

It worked like gangbusters.

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I used to go to suppliers in all kinds of industries and ask them which ethical companies they knew were in trouble. They'd tell me and I'd go out and offer to take an option on those companies, businesses, their brand names, their past list of buyers, key facilities, or equipment (trying always not to really take the whole business). The assets are frequently, more valuable, also easier to flip!

Then, after I got my option in, I'd go to bigger, stronger companies in the same field and flip different assets to them. We'd get front-end fees I'd typically share with the company I made a deal with and backend fees for ongoing shares of the revenue I'd share in equally too.

All told, I think we've found nearly 25 ways to buy businesses or more desirably, their key assets or aspects of the business for no cash outlay whatsoever using options and lease arrangements instead of outright purchases.

In a recessionary economy like this, some 10 million people could be out of work -- they lost their jobs, got put on shortened work week. Millions will be (or are, right now) aggressively looking for business opportunities they can purchase or start.

Though most of them don't have a lot of cash to invest, they still need income, they need work, they need productive activity that makes them money and keeps them feeling worthwhile.

If you negotiate a pure "earn-out" or performance-based purchase deal to buy one business (or assets of a business) after another, and get 6-9 month options before you had to close it, you can advertise those businesses or assets through all kinds of local, regional national or international advertising media that are on or off-line, paying only on performance for the advertising itself -

meaning, you only pay for the ads if they deliver a buyer that closes.

Your object here, on any purchase option you do, is to give the seller a pure earn-out and pay them out of a future sale or earnings. But your goal in selling the business to another buyer is to get a decent upfront payment if possible, or a larger variable payment that's 10 to 25% above the payments you are making to the seller.

Worst case, your buyer defaults and you either take the business back and resell it – it's sort of like a buy-here, pay-here car lot. Or you give it back to the original owner, who gets to keep all you've paid him or her so far. But all you'll have paid them came from monies other people paid to you first.

And your purchase agreement can be structured where there is no personal liability whatsoever to you - beyond merely giving back the business if you can't make the payments. I'm not giving legal advice here. Just sharing concepts you can develop to gain maximum rewards, with almost no downside risks.

Why in the world would a business owner be willing to do this? Certainly, they all won't. But for one thing, they may have no other way out. If they close the doors, they're on the hook for the lease, equipment payments, merchandise, etc. Very probably they've been depending upon the business for income and now that income is running out.

You came in showing the owner you're willing to pay almost all of the profits back to them in the beginning until the purchase price is paid off, or you break the dying business into pieces and liquidate the tangible and intangible assets for the owner.

I've seen people sell off customers lists. I've seen people sell off advertising brands. I've seen people sell off entire telemarketing teams. I've seen people sell off retail clerks. I've seen people sell off leases. I've seen people sell off vendor pricing contracts.

The key here is to give the seller above market interest on the note if you buy the business on an earn out.

And you only choose businesses to buy that you feel you can rapidly multiply the cash flow from quickly or reduce overhead/expenses so dramatically it makes you meaningful profit/cash flow. This increased income improves dramatically the selling price you can ask for the business or assets - before you ever flipped it.

Again, your options are many IF you stop looking at your business problems and opportunities from a linear, static, flat perspective.

Believe me, I think as many as a third of all struggling businesses (or parts of those businesses) could be for sale on this kind of basis - IF you know how to negotiate and structure the deals cor-

rectly. It's not hard, it just requires a bit of understanding and the right paperwork and marketing intelligence. The fundamentals can be learned in less than a month. I'm not offering legal advice or the agreements to use, but I can walk you through a lot of the basic steps you need to learn.

Online businesses are probably even easier to do this with on and there are probably even more opportunities available here for you.

Seriously, there are so many online businesses that are just getting by, and struggling financially that you could swoop down and acquire (for nothing out-of-pocket and pay into a small share of future earnings).

If you're really ambitious, you target 5 to 20 small, struggling web-based businesses in the same or related field - each doing modest business but not making a great income, and you put them all together in what we call a "rollup."

Now you create a super business once you use your newfound marketing know-how, your newfound 360°, orbiting perspective. Now you can either keep the rolled up business for yourself and earn a very nice ongoing income by letting other people do all the day-to-day activities.

Or you can flip it for a nice profit, once you turn up the income flow. Plus, you can keep doing variations of this over and over and over again throughout the recession.

Most small to medium-sized businesses don't market well. Most are scared. Most want out. But don't know how to do so.

You come along and get to "cherry-pick" all the income streams and super revenue deals you want.

No matter what you've tried in the good times, regardless of your current financial condition and irrespective of where you live, what you do and your level of education or expertise there are an amazing array of separate prosperity pathways you can mine very quickly. Shift your mind set, see more options and possibilities, act and reap the rewards.

All these opportunities take ethical but massive, positive and profitable advantage of this recession. While most people are running for cover, you can be raking in more income streams and profit sources than you ever believed possible.

WE'RE AT THE END, BUT –

THAT'S NOT ALL FOLKS.

WHAT'S NEXT?

Now that you've read the Abraham Mind Shift Challenge©, if I did my job you're not exactly the same business thinker you were on page one. You should see at least the beginnings of the expansive, non-linear, 360°, universal view I want you to embrace. You should now be thinking not about what you can't accomplish, but of what you CAN accomplish and what is honestly and significantly possible.

Hopefully you have, at minimum, the understanding of forcing yourself out of your old comfort zone that produces old ideas, old solutions, old and tired results and into fresh, orbital, 3-dimensional thinking. Hopefully you're more expansive, more creatively oriented and you're looking at your business and competition from a position that is brilliantly open minded and all encompassing. If I've succeeded at all with this brief insight into the Abraham Mind Shift Challenge©, you've opened the window to a sense of much greater possibility.

THE SUN NEVER SEES A SHADOW

An interesting, theoretical observation: "The sun never sees a shadow." That's because the sun stands still and the planets revolve and it. The most success business people don't stand still and constantly look at their business problems and opportunities from one static angle - they revolve 360° around a business – they see the shadows and what's hidden in those shadows. They find the new solutions and get meaningful, life-changing results that their competition never will.

But obviously, there's much more to learn and much more to be achieved. I can make the job easier, faster and far more enriching for you if you're interested in my personal assistance.

A Way I Might Be Able to Help You More Directly

If you're company is large enough, if you're open minded enough, if you're dedicated to true change, if you're excited about the possibility of seeing more, doing more, solving more, winning more, and succeeding more there might be a way I can be more directly involved in guaranteeing your future success.

There are many ways I work with clients –

- Short Term Fee-Based
- Long Term Partial Fee, Profit Sharing on Top
- Business Makeovers / Strategy Restructuring, Business Model Makeovers
- Personal Advisory Relationships – Mentoring, Not Coaching
- Laser Focus Arrangements – Situation / Opportunity / Challenge-Specific

THE ABRAHAM MIND SHIFT CHALLENGE

- Customized Business Relationships To Fit Your Competitive / Operational Needs
- Small Group Programs From \$5,000 Limited Exposure to \$50,000 Intensive Programs
- Long Term, Minimal Retainer Fee with Percentage of Increased Profit. Only Applies to Solid Businesses Doing 7-8 Figures or Higher-Currently

If you have interest in working with me, and your business fits into my client requirements, I'd very much like to talk with you exploring options and opportunities is always a worthwhile process for both sides. It broadens each other's mindset to how much more might be possible and in how many more ways that could be accomplished!

Please contact me at exploreoptions@abraham.com or call my office at (310) 465-1840 during business hours in California.

But please recognize I am pleased and honored to contribute mind-stretching, paradigm animating, sense of possibility into the thinking of any entrepreneur, CEO, P&L-oriented manager or start-up, which I hope this document has accomplished.

But to engage me personally or access my personal services/programs requires the ability both financially and operationally to capitalize on what I would share and implement/execute/apply my ideas, strategies and recommendations.

There are no limits. I know that, I've seen that. I've made it happen. And I hope you'll experience the same brilliant, life changing results.

I look forward to hearing from you.

Sincerely,

Jay Abraham

P.S. Hopefully you'll see that I purposely took your thinking around a huge world of new possibilities. The specific ideas I share in this doesn't/aren't as impactful as the new way of thinking I hopefully instilled.

P.P.S. Again – for serious businesses only, doing 7-8 figures already who want to explore options and opportunities of working directly with me in some appropriate form – contact at exploreoptions@abraham.com or call my office weekdays between 9 – 4 PST at 310-465-1840

The following stories, case studies and personal illustrations are designed to challenge your business reality, expand your thinking, stretch your sense of possibility and animate your awareness of how much more is truly possible – from your efforts. From your actions from your opportunities, from your people, from and for your business.

None of what I'm sharing is designed or intended to be legal or accounting advice. Always verify with a professional as to legal, accounting and contractual issues that affects or impacts any intended action or transaction you ever do.

But use these stories, examples and illustrations to fuel your idea of what could be possible for you and your business.

I'm not a lawyer, not a CPA. Rules and regulations need to always be followed correctly. But a lot more is almost always possible from any business you ever own, run or work for.