

Encounter! With Jay Abraham and Drew Kaplan

Jay Abraham: Welcome to Encounter! Today, our guest is a man who's a very dear friend of mine, but that's not the reason we're interviewing him. I'm interviewing him today because he is a *legend* in an industry which is legendary. He's probably helped introduce technology nationwide to more nooks and crannies, and educate more people than any five people I know, and I know a lot of people in this field. He is a legend who basically took a concept in its embryonic, infancy stage and turned it into one of the largest companies of its kind in the world. In the process, he's been on the cutting edge of more technological advancements for the consumer than I think I can count.

In addition to that – and I'm not trying to flatter him, I think he's a brilliant entrepreneur. I think he's one of the most gifted educators I've ever met in my life. And education is the ability to explain the complex in very simple terms, and he can do that masterfully. But he's got so many other attributes that I want to focus on, and talk about today, that rather than build his ego any higher, let's get right to it.

My guest is Drew Allen Kaplan, founder of DAK Industries, creator/originator of the famous DAK Catalog. All you "DAKonians" know what I'm talking about. And before I start, I should say, we're sitting in one of the most comfortably air-conditioned studios in all of Southern California, when it's 112° outside. We're sitting here shivering, but having a great time.

So Drew, how are you? And welcome.

Drew Kaplan: Hi Jay. Thank you very much for having me, and that's a very flattering, and somewhat embarrassing introduction. What I am is a simple guy who loves electronics, has always loved electronics, has always loved cutting edge in science. And all I've tried to do is bring that hobby of mine to everyone else.

Jay: It's interesting – when I asked you to come here, you thought I was going to ask you just about copywriting, and about the mail order business, and about technology, when in fact, I think the greatest gifts you have to share are your knowledge, your experiences, your understandings of all the aspects of business building...of being an entrepreneur...of breaking into a changing, or a cutting edge industry.

So with your permission, I'm going to take you on a very broad, and a very fascinating journey. We're both going to have an educational adventure of our own while we're doing this interview.

As you know, I've had the good fortune of interviewing, of working with, and getting to meet a lot of entrepreneurs. One thing's been real evident to me: If you go back in time and look at their origins, many – not all, but many of them started out with little enterprises, even when they were kids. They started out collecting Coke bottles, or pop bottles, and selling them for money and using the money to buy a bicycle. Or they had a news route, or a lemonade stand, or they bartered, or traded, or they reconstructed things from scrap and resold them in a reconfigured manner. Did you do anything like that when you were young?

Drew: Well Jay, the first thing that I did that was productive and profitable was laid bricks, and it happened to be at home. We lived in the mountains, and I laid over 2,000 bricks, and terraced a hillside.

Jay: How old were you?

Drew: I was about 13 or 14 at the time, and no one thought it could be done. We were very fortunate – we lived next door to one of Disney's head architects, and every morning on his way to work he'd come out and say, "Well why don't you use a string to straighten that wall out?"

And anyway – but I learned how to lay bricks. I learned how to mix concrete, I learned how to thread pipes...

Jay: And you're 13 at this time?

Drew: 13, 14...I did that one summer, and it took me three months, but that hillside today still exists, with all the brick walls in place.

Encounter! With Jay Abraham and Drew Kaplan

Jay: A question comes to mind. When you did that, what inspired you to want to lay 2,000 bricks?

Drew: Well, it may seem trite, but it was there. I looked at all this hillside of ivy, and I said to myself, “This has to be changed.” I wanted to change it. So I removed all the ivy. I used to pay the city trash man to take it away. There was a 5-limbed, 100-foot-high eucalyptus tree that had fallen, and the stump was there, so I bought a chain saw and cut the stump out, and then dug it out, and then...

Jay: Had you ever used a chain saw before?

Drew: Never. Never. Sorry – I tried that too. I had to dig a hole six feet around it by hand, and then I rented a chain, and when the trash truck would show up once a week I’d hook the chain up, and the trash drivers would pull out whatever I’d cut.

So I started really young, but it was high school that I really got going.

Jay: What did you do then?

Drew: I was really lucky. I – as you’ve probably guessed, I love technology. I used the money I earned laying bricks at \$1.25 an hour. I bought a tape recorder, which in those days was very, very new. And I made tapes of the music that I loved. My mother’s a concert pianist, and I also loved folk music, which was kind of an interesting combination.

Jay: Interesting combination, yes.

Drew: A very interesting combination. I still love classical music - I was a cellist - and I still love folk music.

But I wanted to buy more and more tapes, and so I needed to support that habit. And so, I started installing 8-track car stereos.

Jay: This was when?

Drew: This was 1963, ’64...I was about 16, and by the time I was 17 and I was driving, I was the pride of Beverly Hills, because I spoke English. And I’d go to people’s houses, and for \$50 I’d install a car stereo. And so, by the time I started college – UCLA, in ’64, I had a real good business going installing car stereos for custom installations.

Jay: Now, what do you think drove you at that period to be that enterprising, that entrepreneurial?

Drew: I’ve always enjoyed taking on a project – something that looked difficult, but when you took it apart, was easy, or could be done. It wasn’t a great masterstroke. It was a matter of, it was there – I wanted to do it. I never was comfortable sitting. I always loved electronics, and I used to put an electronics catalog inside my schoolbooks and read that instead of the schoolbooks.

But I was always stuck on tape - tape recording, and music. So that’s how it all came together for me.

When I moved into the dorm at UCLA I had nine tape recorders in my dorm room. And I was not a real popular person.

Jay: That’s wild. So here you are, what, 17 or 18 years old...

Drew: 17. 17 years old.

Jay: ...You’re in college, and you’ve got this enterprise that’s really thriving.

Drew: Thriving, yes. Absolutely doing great.

Jay: Did you have people working for you, doing it?

Encounter! With Jay Abraham and Drew Kaplan

Drew: By the time – I had three people then. After the first year at the dorm – this was Dykstra Hall at UCLA, suggested I might run my business elsewhere, because too many people were showing up at the front desk buying recording tape...

But let me just tell you, what I was doing was, I had these nine tape recorders. Cassettes hadn't been invented yet. And I found a way to buy used recording tape from the studios. We had all these studios here in LA. When you were recording Frank Sinatra in one of the studios and you had an 80-piece orchestra, you didn't use the same tape for out-takes. As soon as you went through one reel of tape you'd pick up the next. So the used tape with the out-takes in it was generally thrown out.

So I started buying it at roughly \$1 a reel...

Jay: Was that really cheap?

Drew: Oh, yeah. Tape was \$6-7 then.

Jay: OK.

Drew: So I'd buy it for \$1 a reel, and I took it and I used it myself. And then I took it back to the dorm and I'd sell it for \$2 a reel. So I literally started the company, DAK, the first company, with \$100. I bought 100 reels of tape, brought them back to the dorm, sold them for \$200, went back and bought \$200 worth of tape, sold it for \$400, and by the time I was, oh, maybe a junior, I had bought a tape factory for \$20,000 that actually made tape. And that's when I moved into a warehouse where I lived for seven years while I finished college and went on to found the company.

Jay: Now, I'm going to get to the company, but I want to ask you some questions. I'm obsessed, almost, with learning how your mind thought. How it saw opportunity, challenge, issues. Because you see life different than I do, different than a lot of people, and I want to understand what you see positively that we don't. So a question I want to ask is this: You said earlier, from the time you were 13 and laying the bricks, you were always fascinated with challenges and projects that were not as hard as they seemed. How did you see – I mean, most people see a project as insurmountable...as unpleasant...as so complicated and intimidating, it's not even worth trying. How do you see projects?

Drew: I tend to object to looking at things straight on, the way that most people would look at them.

Jay: Tell me why.

Drew: Well, because going at things in a straight line is A) the way everybody else does it. That means that there are a lot of smart people who have tried going at things in a straight line, and if anyone can do it, why should I do it? I'm only interested in projects and products that no one else can really sell, or no one else can really conquer.

Jay: Have you always been that way?

Drew: Always been that way. I mean, my happiest days are when I can take a product – and I've really enjoyed products. I don't know as much about services, but – product or service that other people have failed at, or said, "This can't be done." And that's like throwing the red flag in front of the bull. To me, that's "OK. How do we go about that?"

An example, back to the company, again...there was a company that was making computers. It was a terrific, early IBM computer. And it wasn't selling, and they weren't going to survive. And they handed it to me, and they said, "Well, what can you do with this? We have two thousand of them." So I looked at it, and I said, "Ah. This is really a sophisticated typewriter," which is what a computer was in those days.

So I came up with a headline called, "Unfair Competition". And I went out, and I bought a Xerox Memory Writer, and I bought an IBM, I think it was a Wheel Writer. And they were each about \$1,100. And I offered this computer for \$1,000. It was a word processing program that I created, very basic, that was nothing more than a typewriter and a Daisy wheel printer, for those people who remember the little spinning wheels.

Encounter! With Jay Abraham and Drew Kaplan

Jay: Sure

Drew: And I called it “Unfair Competition”, sold it for \$1,000, used the metaphor of the two typewriters, showed the receipts of what I’d paid for the typewriters, and said, “Well, you can go buy one of these typewriters, or you can have a computer that does everything the typewriter does, lets you keep everything in memory, rewrite things, edit things – *and* play all the IBM software that there is.

So the whole concept of coming at it from a different direction. It’s not a computer; it’s a sophisticated typewriter.

Jay: Did it work?

Drew: Oh, we sold – there were 3,000 of them? We sold 23,000. We kept that company in production for two years. But it was exciting, because it was something that had already failed, and yet it was a great product. And that’s something that I hold as a caveat: You should only offer to anybody a great product or a great service. Don’t offer junk, because it will haunt you forever. You have to have integrity with what you offer.

So I can’t take a bad product and make it look good. That’s not what Drew Kaplan does.

You know, I look at a product, and I look at it as a *solution* rather than a product. I don’t care how big it is, what size it is, or what it does. I care what it does for the individual who’s reading the ad. So when I wanted to sell an intercom, I didn’t just call it an “intercom” – I called it a “Hey, Martha phone.” The reason is, everybody can identify with, “Hey Martha, come to the phone!” So it’s a combination of a phone and an intercom.

When I wanted to sell a pulse watch... “pulse watch” doesn’t have the same sort of appeal as “Wrist-EKG.” So it’s not just a good name, but it’s putting it in a different venue. It’s putting it so that people *think* of the result...*think* of the quality...*think* of what it’s going to do for them.

So another really good example might be, I had a camcorder. It was one of the first camcorders made. A *really* neat product – *nobody* knew what it was. Did I call it a camcorder? No. I called it, “Daddy’s Pride and Joy.” Why did I call it that? Because I had surveyed people as to why they’d want camcorders. Most of them wanted to record their children. That’s the main reason people bought camcorders – that and weddings.

So what I did is I told the story about my younger son, who was making a speech at school, and I had to be away on a business trip. So I called it “Daddy’s Pride and Joy.” I sent my wife with a camcorder. She recorded it, and I got to see my son. And I told the whole story and sold 20,000 camcorders. So that was in the days when there were no camcorders, so I would have really missed seeing my son.

And when I sold a tape deck that had no hiss – it had a certain noise reduction system – I called it “Stealth Bomber Update.” So I attacked the *reason*... I went after the *reason* that it would be good for people, and I came up with a new name, a new concept for the product so that they’d understand it.

And that’s really what I do. I mean, even the first product that I carried, the used magnetic tape - I called it “studio recording tape,” the tape that Frank Sinatra and Dean Martin and Sammy Davis recorded on. If you called it “used,” then nobody would have been interested in it. But associating it with leading names like that made it really exciting. It made it a *better than new* product.

That’s what lateral thinking brings to advertising, and what it brings to problem solving. You don’t go in a direct straight line. Any smart person can do that. The creative mind tends to attack things from the side, and it’s easy to do. You just stop looking in a straight direction and think about it, and say, “Well, how else can I think about this? What are the other alternatives?” And when you do that, you find a whole multitude of ways to look at products and services, and make them exciting for your potential customers.

Jay: Drew, can you give me a little formula that might be useful for anybody in any kind of business or profession to develop this kind of a mindset?

Drew: Sure, it’s actually really easy. Here’s an idea: Write down ten words that are totally unrelated, like “brick,” like “music stand,” like “cello,” (I’m a cellist) like “tall.” And then, put your product, or your concept, or your service, or whatever it is you’re going to do next to them. And then write a sentence using your product, your service, your idea with each of those ten words. And you know what? You’re thinking laterally already. It’s just that simple.

Encounter! With Jay Abraham and Drew Kaplan

Jay: That's fascinating. When you looked at an electronic, or a computer piece of equipment, can you sort of go through what your mind would do? You'd look at - for example, I'm looking at some of your lateral - what's "Smart Sound Detonator"?

Drew: "Smart Sound Detonator" is one of my favorite products. It was an equalizer that made your stereo system sound 5-10 times better than it sounded before you put this in the system. What it - an equalizer...

Jay: But most people wouldn't even know what an equalizer was, would they?

Drew: Well they didn't know, before I sold them 170,000 of them. What it is - very simple. If you have a tape deck, you put it in the tape loop of your stereo system. And then, instead of having one volume control and a bass and treble control, you have 10-12 volume controls for each channel, and each of those volume controls controls one segment of the frequency spectrum - like 20 Hz, and 60 Hz, and 400 Hz - Hz being cycles per second. So your string bass, which is down around 60 Hz, you slide that volume control up, and all of a sudden the bass just resonates through your room. You slide the 16,000-cycle slider up, and your cymbals will *crash* into the room.

So what it does, is it gives you instant control of the sound, so you get it just the way you want it. I learned that in the recording studios when I was a kid. Consumers didn't know about it when I started selling equalizers. It was terrific.

Jay: But you educated me, right?

Drew: Right. What I did is not so much educated as shared something that I knew, was fortunate enough to learn, in my past and apply to a new product. And that's what I do with a stereo or with a computer. A computer's full of chips. You look at the computer. In the early days you could show a picture of all the chips, and everybody'd be impressed, and you'd say, "Oh, this is powerful."

Today, and even over the last few years, what people want to know is, "What will it do for me?" And so a computer isn't a "thing". People say that they're using an IBM, or they're using an Apple Macintosh. It doesn't matter. What matters is, what does the particular program that you're running on that computer do for you? Is it word processing? Is it graphics? Is it sound? All of these things are available to you, and people get hung up on the mechanical parts - it's this fast, or it's this big, or it's that... That has nothing to do with the *actual* motivations behind why people buy, and that's true, whether it's in mail order, whether it's in person, whether it's on the telephone - all of these things hold together, and lateral thinking, and explanation and education - they all tie together.

Jay: Now there's something that's got to be evident, because it's surely evident to me. When you talk, you don't talk without inflection. You talk with *such passion* emanating out of every pore of your being... How do you become passionate - about your product, about your service, about what it does for other people? About looking at it in this CAT scan perspective?

Drew: I think you look at your product...you learn about your product...you fall in love with your product.

Jay: Drew, you're on a little bit of sacred ground here for me, because I'm on record as teaching and advocating that you should fall in love with your customer or client, *not* your product or service, and there seems to be a little bit of an incongruity. Can you help clarify, or tie it together - or if you can, you can refute me, whichever is...I just want to get your perspective on it.

Drew: Oh, well Jay, I agree with you 100%. When I fall in love with a product, I don't mean that I fall in love with the physical product; I fall in love with what it's going to do for the end user, for the customer. *Not* what the product is unto itself.

Jay: So - how it's going to enrich, enhance, protect, expand, help me in my life. Make it better, richer, more prosperous - whatever.

Drew: And save you time, which of course is *my* main critique. I believe that saving time is the best thing that I can do for my customers, or one of the best things. That's why I'm here.

Encounter! With Jay Abraham and Drew Kaplan

Jay: That's great. It reminds me...I'll go shopping frequently and see a dress. And I'll fall in love with that dress because of the vision of how attractive it will make my wife look, or how happy it will make her feel. Are we saying the same thing?

Drew: Exactly. That's what a product is all about. It isn't a thing unto itself, it is what it means, in this case, to your wife.

Jay: Great point. We're harmonious - let's move on.

Drew: OK

Jay: OK, but before we move on, give me a summary. Lateral thinking – what would you tell anybody, in any field of endeavor about how and why lateral thinking should be a critical part of what they do every day?

Drew: I tell people to look at things sideways. First approach it head-on – how would you normally do it? Then come up with six or eight other solutions to the problem of explaining it to your customer, to educating your customer, to helping your customer or your client. And when you do that, you'll find that you start thinking laterally *all* the time, and most of the time you're going to find that lateral thinking helps you do a better job, provide better service, and make your customers happier people.

Jay: But I suspect it will also make the process of your business or your practice a lot more fun, won't it?

Drew: Oh, sure. It's been fun. I've been doing this for 30 years, and I loved every minute of it. So yes, lateral thinking gives you new ways, new creative ideas, and it keeps you going. It keeps you excited all the time.

Jay: That's great. You're leading me, and setting me up for the kind of questions I really want the answers to, so I'm going to ask you another one. I'm taking you on your career, and I'm almost on the precipice, probably, of DAK. But I don't want to get there yet. I want to know about your attitude on selling - on helping people – customers, if you will – seize the benefit for themselves, not just the enrichment to you, of a product or service. Before you started DAK, you were selling tapes, you were manufacturing tapes. How'd you sell them? And why, and what was your motivation?

Drew: Well actually, tapes were number two. First was the 8-track car stereos.

Jay: OK

Drew: First of all, I was installing them, and I worked for a – not for, but with – a stereo store in Beverly Hills called The Sound Center. The owner was a friend of mine. As would be expected when you're 17 or 18, and you have friends who are in electronics, what do you do? You hang out at the neighborhood stereo store.

Jay: Sure

Drew: That's what I did. When I was in high school, on the same corner as the school there was a store called The Hi Fi Corner, and we all used to congregate there. There was a small group of us that I guess today would be called “nerds,” because we all loved stereo and electronics. And stereo was just coming in right then it was still hi fi.

Jay: Yeah, sure.

Drew: Monaural. But it was a really exciting time, and as each new product has come out, I've been able to put my hands on it, play with it, and then, it's always been fun for me to explain to other people what made it work. And that's, I think, where I come in, and where what I do is a little different, or

Encounter! With Jay Abraham and Drew Kaplan

what I've always done is a little different. Whether I was installing an 8-track car stereo, and then I was the first Lear Jet – remember the airplane people?

Jay: Sure

Drew: I guess they're still around, but they also introduced the first 8-track car stereo that had a special motor called a "Paps Motor" – boy, you're taking me back a long way. But this motor had a very heavy flywheel that spun on the outside, rather than a belt that caused flutter and "wow", meaning a waving sound in your car.

Jay: What was the advantage?

Drew: The advantage was that you had better, smoother music, and it didn't go "Rrr, rrr," when you hit a stop, or when you moved, and this was a far better system.

Jay: A breakthrough.

Drew: A breakthrough. It was literally a breakthrough. And I became the first dealer in Los Angeles, so not only was I installing for people, I started selling. And I started in advertising in where? *The Daily Bruin*. I was at UCLA, I was a student, so it was just – it was the beginning of, "If you're like me...if you love stereo...if you want to hear your..."

Jay: Is that how you wrote them?

Drew: Yeah.

Jay: Now what was your advertising philosophy, and what was your motivation when you were writing ads as a college student in *The Bruin*?

Drew: Well, why I wrote them was because I had this great product that no one else had, and that I could make money and support my habit, and buy more and more tape recorders. And live a life style that was more in keeping with the way that I wanted to live. And by the way, I had no problems. My parents wanted to pay for my college education, but by the second year it became sort of, you know, not important, because I started at UCLA in September of 1964, and by October I was self-sufficient.

Jay: That's really good.

Drew: So it was really - it was a lot of luck, and a lot of good fun, and I enjoyed every minute of it.

Jay: So you're installing. You're now a dealer. So take me to the tape. I want to know about your method of selling, of persuading, of connecting with your customers. How'd you do it?

Drew: Well, it was easy, because I loved electronics. I tended to hang around with other people who loved electronics. And as an example, before, when I was very young, I actually had my door open and close to my bedroom when I was 12 automatically. There was no stereo in those days, but I had nine speakers in my room. And I had remote control of my drapes. And I think I was about 10 or 11 when I almost burned the house down using used wire that I had soldered in about 10 different places. So my love of electronics started very, very young.

Jay: And did your parents nurture that?

Drew: They nurtured it. They weren't into electronics themselves, but they were into allowing me to pursue my interests as long as I was headed in the right direction, which was college, I could do pretty much anything I wanted to do. So they nurtured it, they supported me, and I had extremely supportive, very intelligent parents.

So, when I looked at my own needs as an owner of nine tape decks, knowing what I needed in the way of tape, in the way of equipment, it was real easy for me to recommend to other people in the dorm -

Encounter! With Jay Abraham and Drew Kaplan

which was the first stage, Stage One – all the people on my floor, 5th Floor, Dykstra Hall. The second stage was to expand beyond that to the rest of the dorm verbally, telling people. I became pretty much the dorm expert.

Jay: But give me your presentation in a summarized minute.

Drew: It was, “Here is the best tape you can use. It’s the same tape that all of the professionals use. This isn’t tape from a hi fi store that may or may not be good. This is the same tape that people like Frank Sinatra, Dean Martin, Sammy Davis were all using. I had their voices on these tapes. It was really exciting to listen to these tapes! They were ¼” and ½” tapes running at 15 inches/second, and I had the recorders to play them. Then I would erase those tapes, and wind them to 7” reels, which was the size most people could use. So I was offering to people at UCLA in the dorm the best tape that money could buy – the same tape the professionals used, and I was offering the very best tape that money could buy, not at \$6 or \$8, but at \$2 a reel.

Jay: So the precedent was set.

Drew: The precedent was set. It was the best tape, bar none, and it was at a price that was a third of what they could buy *any* tape for in a hi fi store. So there was the price, there was the “This is the tape that Sammy Davis used”, and this is the best tape coming from Drew, who is really the nut with the nine tape decks.

And then I started running ads in the Daily Bruin that said, “Studio Recording Tape”, you know, “Use the tape of the professionals.” And I had some of those ads. I was looking at them a couple of months ago. And the whole concept was, use the same tape. Don’t use inferior tape. Because there was cheap tape around, just like there are cheap cars, there’s cheap everything. This was the best tape that could be bought. This was the tape the professionals chose, and I was offering it at a great price.

So you had the concept of professional, and you had the benefit of cheap price, which of course, for college students, very important. And that business continued to grow, until I ran out of used tape. The studios weren’t producing enough to tape to support how much I was selling.

So then I went to the government, and I found out that there was great reams of government surplus tape. At that time they were using tape for all the space shots. Those were the days, in the ‘60s and early ‘70s, when we had a very active space program, and most of it came from Fort George Mead, outside of Washington D.C. And I found a way to negotiate with the government through bid, that no one else knew what to do with the tape. And I used to buy truckloads. At one point I was buying 40” truckloads, 8, 10, 12 truckloads at a time.

Jay: And you’re how old now, 21?

Drew: I was...Oh, no, no - 19, 20.

Jay: OK

Drew: I moved from the dorm to an apartment, a two-bedroom apartment, grew out of that and moved to a four bedroom house, grew out of that, moved into a three thousand square foot warehouse. I was in the three thousand...

Jay: You were living there too?

Drew: I was living in the warehouse. By the time - I had an indoor hot pool, I had an indoor sauna - I was very comfortable. I had *palm trees*. It was great, I was baking bread...I was doing all sorts of neat stuff in my warehouse. Having a wonderful time, still going to college. And I was able to bid on what they called government surplus tape. And then I had enough tape. Because then I could buy all the tape I wanted, and we were bringing in 40’ truckloads of tape, 8, 10 at a time. A 40-footer also coincidentally holds 40,000 pounds of tape – that’s a lot tape! And so I started selling that tape as still, used recording tape, and I was selling all of that that I could make and slit. And at that point, I bought a tape factory and started making tapes, and that’s about when cassettes hit, and I started making cassette tapes.

Jay: And how old are you now?

Encounter! With Jay Abraham and Drew Kaplan

Drew: Oh, by this time I was 20, 21.

Jay: Had you graduated?

Drew: No, I actually spent five years at UCLA and actually never graduated. I have one class left, Statistics, to take.

Jay: That's funny. OK, so you're in the tape business, manufacturing cassette tapes...

Drew: Cassettes, open reel, and video tapes, all three.

Jay: OK, and videotape back then was a much different market than today.

Drew: It was a much different market. There were no cassettes. They were actually 7" and 10" reels of tape, half inch wide. I had 200 people at that point working for me, slitting this used tape and manufacturing new tape.

So I was a tape manufacturer, the same as Scotch or Ampex. They were my competitors. And we were one of the few people that actually manufactured tape. We coated it. We bought the Mylar from Dupont; we bought chemicals from the various chemical companies; had 9,000-gallon underground tanks at Ball Mills; mixed all of the oxides; coated the tape...

Jay: Now I've got to stop. I've got to stop and ask a question. Here you're a young man, figuring out how to do all these rather complex functions, relatively technical, competing with very large, multinational companies... First of all, what gave you the confidence to do it in the first place? No. 2: How did you figure out how to put it all together, and what was your selling proposition to your customers?

Drew: Basically the concept was - no one told me I couldn't do it.

Jay: Interesting.

Drew: And it's a very trite phrase, but if somebody tells you can't do it, you tend to be afraid to try it. If nobody tells you can't do it, and you try it, - it works!

And so my first tape was not very successful, but by the second, the third, the fourth, or the fifth time, I was making very good tape. And so our tape was comparable to any of the major brands. In fact, I had many state contracts. I was selling by mail, obviously.

And let me step back for a moment. How did I sell all this tape not just at UCLA? Remember, I said my friends were tape nuts.

Jay: Yes.

Drew: One of them was a service manager for a company called "Concert Tone," which was the early TEAC, which is a major electronics company. Another one was UHER, a German tape recorder company.

I happen to have terrible handwriting, so I became a very good typist. I took all their warranty cards, and I typed the names and addresses from all of the warranty cards that had come in from these various tape deck manufacturers, and created a mailing list, not knowing *anything* about mail order.

Jay: Just intuitive.

Drew: Intuitive. I don't know that intuitive is even fair. I'm not sure it was that good. I knew the people, I had the warranty cards; I said, "Why don't I send something to these people?"

And so in 1965, '66, I was already mailing things, and I had my own string tyer; I did bulk rate by myself... I just sat down and...

Jay: string tyer, for all...

Encounter! With Jay Abraham and Drew Kaplan

Drew: Oh, I'm sorry, when you mail something bulk rate, you have to put ten pieces to a zip code together and tie them up with a string. And then you put them in a trailer, which I rented. Hooked it to the back of my station wagon...

Jay: This is very enterprising!

Drew: ...And drove them down to the terminal annex, downtown Los Angeles.

Jay: Now stop. I've got to know this question. Something in your being has got incredible ambition, incredible resourcefulness, and incredible focus. What do you think it is? What happened?

Drew: Well, I was very fortunate. I'm not a first-generation immigrant. My parents were, and they taught me a work ethic. And they espoused a work ethic, and they lived by a work ethic.

Jay: Can you summarize what that ethics is?

Drew: Ethic is: work hard, save, do well, help people, and you will do well yourself. And my parents have always contributed to the community. And I think it's a very important that you *do* something with the community, and that you work hard. And I can't – I've tried, I have two children of my own that I've tried to instill this work ethic. And I think we've been successful. Of course it's up to them, but you either have to work ethic or you don't.

I don't know how to tell anybody *how* to work. I know how to tell you how to work smarter, faster, easier. That's what the beauty of technology is. But you have to; you have to *want* to do it. That's the only thing that you have to have within yourself.

Jay: I suspect that it's a misnomer. I don't think work to you is drudgery. I don't think work, to you, is anything but a sheer joy. Am I right?

Drew: You're absolutely right. I love creating. I don't mind looking something up in the dictionary, or the encyclopedia. I will look and do research for fun, because I'm interested. I mean, I read an article yesterday, in Discover Magazine, on Easter Island. I've always been fascinated by Easter Island.

Somebody just did a complete dissertation on what happened at Easter Island. But I took an hour and read the article – I've always read everything I can get my hands on.

And I think that one of the things - when I just said that people have to have that inner drive themselves, that's sort of unfair. If you know you can do it, that drive tends to generate itself. If you don't know how to go about accomplishing something, or you're afraid to do it, the drive stays dormant. I know that if I don't have, right now, a computer next to me, I don't tend to write. But if there's a computer right there and something that I can see finishing, I'll write, I'll create, I just can't *contain* myself. I want to get more out.

Jay: Like our new letter.

Drew: Like our new letter, right! Thank you, Jay! But if there's nothing - if there's no end in sight, if there's no goal that's obtainable, I'll sit around and clean up my desk for two weeks without accomplishing anything.

Jay: So what's the lesson there?

Drew: Deadlines. Deadlines are wonderful things.

Jay: Do you impose them on yourself?

Drew: I impose them on myself. I say, "I've got to finish this by tomorrow." And it may be two, three, four in the morning, that I'll keep going, just because I want to finish it. Rather than leave it until tomorrow, because if you don't set a deadline you never finish anything. And that's just a bit of self-discipline. That once you start doing you'll find it makes life much, much easier.

Encounter! With Jay Abraham and Drew Kaplan

Jay: OK, now it's time. I've got to get you forward, because I'm getting excited. I'm getting really excited. So we've got you in this 3,000 square foot warehouse...

Drew: \$300 a month for rent, which I was *really* nervous about, because it seemed like a lot of money in those days.

Jay: But something tells me you had a surplus in the capacity to pay it comfortably.

Drew: No problem.

Jay: OK, so let's get to the big event. So how did this glint in your eye turn into reality? Let's talk about the concept, the inspiration, the formation, the whole emerging, sort of genesis of DAK?

Drew: Well, the whole concept - it already was DAK, but at that time I was in my fifth year at UCLA studying psychology, and *loving* psychology by the way, but I realized - and I was very fortunate at a young age to be able to say, "I want to do what I love doing." And that's something I think everybody should strive to do. Because if you're unhappy at your job, you're unhappy in your marriage, you're unhappy in your life - you're not going to accomplish anything.

So I had to make a really tough decision (and this was during my fifth year) that said "Am I going to become a psychiatrist (which was the way that I had been heading and with which I think I would have been happy) or am I going to pursue this technology that I love, that I seem to never be able to get enough of?"

Even today, 35 years later, every time I get near something new, I can't keep my hands off it. I'm out, I buy it, I play with it, I explore it. I go over to the Orient and I play with it, and I invent it. I *love* this. And so I chose, I was very fortunate at a young age to say, "I have - I can always go back. Let me give this a shot for a few years and see what happens." And that really, I would say, was more the genesis of DAK, was the ability to say, "What have I got to lose? If it doesn't work out, I withdrew gracefully, with good grades - I can go back."

Jay: But you went into it with full, unbridled passion, didn't you?

Drew: Oh, I started DAK in '64, it was unbridled passion.

Jay: But you and I both know, because we've had the bad fortune of seeing a lot of people who play-act at business as they do at life with no passion, or a very low level of passion.

Drew: Well a lot of these people went into business, went into work, went into life, to make money.

Jay: As opposed to?

Drew: To going into it with passion, with love for accomplishing something. For building something. For inventing something. I believe that if you do what you love doing, the money will follow. You'll have enough money to do the things you want to do, and often, you may have a goal that is earning more money because you're so miserable at what you're doing. That's a terrible way to run your life, is to be waiting for weekends, or two weeks off at vacation.

You should *love* what you do. When you get up in the morning you should be enthused.

Jay: Now do you like Monday mornings?

Drew: I don't like Monday mornings, because the phone starts ringing. Other than the phone, I love Monday mornings, but I don't have a problem, because I work seven days a week.

Jay: I was going to say, you and I are not dissimilar.

Drew: It doesn't make any difference.

Jay: But it's not work!

Encounter! With Jay Abraham and Drew Kaplan

Drew: The only difference for Monday morning is that everybody else comes in, and they call you with whatever they didn't finish the previous week. So I *don't* love Monday mornings, but it isn't because of going to work; it's - I work Sundays. I *still* am putting in 8, 10, 12 hours a day of - some would call it work. But it is working with things that I love doing.

And no one - don't get me wrong. You will never love every minute of what you do. But if the overall thrust of the day is powerful, is potent, and you feel you've accomplished something at the end of the day, the two or three hours of perhaps, negotiating, or doing something with someone you don't want to do it with - that fades away. You concentrate on the good parts. And it is a wonderful way to live one's life.

Jay: I can tell by your eyes. You're sparkling. But I've got to get to DAK as a catalog company. So here DAK, the tape company, is rolling merrily along, and what year is it?

Drew: OK. Let me fade for just a minute, and then I promise we'll move forward.

Jay: OK.

Drew: In '64 or '65 my first catalog, which went out to the first tape people, its headline, its byline, its logo said, "Importing And Exporting of Products; Close Outs; Introduction of New Products." It was pathetic. It was just - it was - I don't know where I came up with the three or four things that were part of what I considered the logo, but they were there.

It ended up in DAK being importing and exporting of products. It ended up introducing new products, and it ended up doing closeouts. And - oh, and the fourth was mail order. And it ended up being a mail order company *entirely*. I loved all of those things.

So the original genesis really *never* dramatically changed. It was what I liked to do, and it was the way it evolved. So DAK, the catalog of electronics that everyone is familiar with, really had its genesis in the early '80s - '79 to '80. And that's already ten years into a company that was doing millions of dollars. What happened was an event changed my life.

Jay: What was the event?

Drew: The event was very simple. It was a man. Name's Joe Sugarman.

Jay: I know Joe.

Drew: Probably the greatest copywriter, really the greatest promoter. And a great gentleman, real good friend of mine. I went to one of his seminars.

Jay: Now I've got to stop. Joe Sugarman had a company - he still does, but he had a company. JS&A, that in the early... '70s?

Drew: Through '79 or '80.

Jay: Was...was like an icon for selling high-tech, low priced, modestly priced, breakthrough consumer products.

Drew: Not necessarily low priced.

Jay: That's what I said - high-priced consumer products.

Drew: Right.

Jay: I'm easy!

Drew: No, it was a great product

Encounter! With Jay Abraham and Drew Kaplan

Jay: But I remember him, just for clarification, he had the same gift, or you and he were kindred spirits on opposite sides of the country. I remember one of his classic, classic successes. He looked at a little walkie-talkie set, and he said, “You know what that is? That’s a pocket CB.” Didn’t he?

Drew: Absolute classic Joe.

Jay: And he recharacterized it, and what did he sell, something like \$20 million worth?

Drew: At least. And it was a fabulous concept of taking a walkie-talkie, which he did the same sort of thing that I do. What he did is, he looked at that, and he went to the manufacturer and said, “Explain it to me.” And they explained, “Well, it’s this, and it’s a walkie-talkie, and it’s this...and it broadcasts on this CB frequency, #14.” He said, “CB frequency 14?” He said, “Yes, all walkie-talkies are on CB frequency 14.”

Jay: This was back when CBs were really hot, and you couldn’t get them. You couldn’t buy them if you wanted to.

Drew: Right. So Joe came up with “pocket CB.” It’s a perfect example of taking a product and showing - again, his sort of view of it is lateral as well. Looking at it, instead of it being a walkie-talkie, he made it a “pocket CB.” And he sold more than he could ever deliver, as usual.

Jay: And he sold numbers of products like that. Now, at this time, I happen to know - because I was operating in the mail order business back then - that he got the desire - and I don’t think it could’ve been profit motivated, because he didn’t sell it for that much- but he got the desire to start offering to a select group of people...was a weekend or week?

Drew: It was a week - five days for \$2,000 dollars...

Jay: Which was nominal.

Drew: ...That you could go and listen to Joe explain the concepts behind how he created advertisements and marketing.

Jay: And tell me - so, just as other clarification – it’s the year 1978, 9?

Drew: 1979 or ‘80 - it was in that range.

Jay: OK. Joe Sugarman, the classic, most successful, at that point, consumer electronics mail order retailer, is offering a select group of people the chance to come to his mansion in, was it Wisconsin?

Drew: Wisconsin. Yes. One in Wisconsin, he also had one in Hawaii.

Jay: He offers to train a handful of people for a real nominal amount, because he must have been making millions of dollars then.

Drew: He was making a *lot* more.

Jay: It couldn’t have been the money.

Drew: It wasn’t the money; it was the concept of working together, and the feedback.

Jay: So Drew, what did you get out of that seminar? You attended, what, four times?

Drew: I attended the seminar four times. I must be a slow learner. The first time was exciting; the second time was really great. But life’s experience helps a lot, because the first time, I hadn’t written that kind of advertising. The second time I had. By the third and fourth times, I was busy writing hundreds of ads, and each time, my enthusiasm would be raised to such fever levels. I came home ecstatic - ready to write.

Encounter! With Jay Abraham and Drew Kaplan

But I want you to know that Joe Sugarman's seminars changed my life. And he changed the life of a lot of other people who attended his seminar. And I learned a lot. It was the seminal difference between normal writing... And what he unleashed with me was the ability to write ads like "Illegitimate Child for a Headset." The "Can You Be Bribed?" ad, I wrote after that seminar.

Joe was the most important *single* individual in forming the kind of advertising that I write, and he really unleashed this kind of concept in my head.

Jay: Without breaching proprietary or intellectual property, because I know that he still occasionally considers doing that and it's a legendary program. And back then was very expensive, and today it probably, for the value would be real inexpensive but... Can you share what you think were the embodying traits that he taught you that no one else at that point, and perhaps no one else even today understood?

Drew: Well let me share something that I think is really important. I've been to a lot of seminars; I've read a lot of books. One: Joe Sugarman has done it. Joe wrote ads, he created products, he did it. So when he came to a seminar to tell us what he did and to interact with us, he was able to do it in the *real form*. He was a *real* businessman, not a teacher that had never done it. And what he was able to do, was to impart his wisdom, his knowledge, his experience to people at all levels of sales and marketing. The experience was really terrific. He taught nuts and bolts, and he taught concepts. And that made the seminar really worthwhile - not once, not twice, not three times - but ten times if he had kept giving the seminars.

Jay: I'm going to get you on a tangent for just a minute, so you can help me and help our listener. Joe Sugarman doesn't regularly give those seminars anymore. How can I, or how can our listener get the same kind of a real world, hands-on experiential-based learning process? What you think the closest comparable alternative to participating in a Joe Sugarman seminar might be today?

Drew: Well, you know maybe Joe will do some more seminars, and I'll tell you, I'll be number one on the list. Two, I'm thinking of doing some seminars and some tapes on the nuts and bolts of marketing.

Jay: I would encourage that. I think that'd be a great gift to the whole world, and certainly to every business owner, or perspective one.

Drew: Well thank you very much. I think that what I've done is really exciting. I've had a good time doing it, and I understand it. One of the reasons that Joe gave the seminars, and the reason that I'm thinking of doing it is, it helps you codify your ideas. Joe got a lot out of the seminars, as do the students. Because Joe was able to codify his ideas that he had used subliminally over time.

When you give a seminar, you have to be able to elucidate. You have to be able to clarify. You have to be able to make those ideas *really clear* for people listening to you. Often, we write, we create, and we don't know why we do it! We start with a blank piece of paper, and when we're done, we have a really creative ad. A painter has a great painting. But most of us don't really know what it is that we went through to get there.

Let me give you an example: A couple of years ago I was trying to teach some writers how I write. And they said, "You know Drew, you write in triads." And I said, "Gee, what's a triad?" And they said, "Well Drew, it's a group of three consecutive ideas that tie together, and that makes a really powerful mental impression." And I said, "Gee, I hadn't noticed."

So I looked through my catalogs, and lo and behold, virtually every ad was loaded with triads. I mean, I looked at a phone ad. It says, "It's smart, it's tough, it's fast." I mean, that was the way that I wrote about an automated phone.

I had another - a temperature controller. It says, "Check the temperatures of anything from your Jacuzzi, to your aquarium, to your attic." You had a security system that said you can "watch for pilferage, shoplifting, or accidents."

Let me kind of give you an idea of how I would use a triad in a paragraph, and it's sort of the style that I write. This was an ad for an answering machine, but before we explore just how easy it is to use, and all of the sophisticated features such as toll saver, two-way record, and remote erasing of messages, let's take a look at the phone. Well, you see the triad in there? That kept them going, and it kept them interested for what was coming later. And then I said, "But let's stop for a minute and look at the phone."

Encounter! With Jay Abraham and Drew Kaplan

So that's another writing technique, but the triad is *so* strong that it kept them reading, because they wanted to find out about those three things, that I'm going to tell them later in the ad.

Jay: So, if you follow through, which I encourage you, and I'll be one of the first to attend your program, and you do that, that's great. But if you don't, or if it takes you a year or two, what do I do if I live in New York, or Pennsylvania, and I want to get exposure to someone who's done it? Someone who understands business? In some way, maybe you could go in your neighborhood - did you ever go and intern, or just basically network with anybody in your field? In your industry, when you are running DAK?

Drew: You know Jay, I wish I could have networked, because I had to reinvent the wheel, and do things that I thought were original that turned out -

You know, I recently read a book I should have read years ago. A book by Claude Hopkins. And Claude Hopkins was, I think, in 1930, one of the great advertising men. Just a fabulous guy...

Jay: One of my heroes.

Drew: ...And I had never read his book. And I read his book, and in his book he tells a story about a department store that was just about facing bankruptcy. And it had a set of old mackinaws - that tells you how old it is. Rain slickers - that weren't very good. They were really cheap, and they weren't selling. So they went to an advertising man - Claude Hopkins - and they said, "Could you write an ad? Because we've got to move these, or we're going to file bankruptcy next week."

And so, Claude Hopkins wrote an ad that said, "You know, we've got some really second class mackinaws. They're not good, but not really terrible either. But for two cents each, they're a really good buy, and you're going to love it."

And so Claude ran the ad, and before the ad appeared, the president of the department store called him and *screamed* at him, and said, "How *dare* you do that? You'll put us out of business! We have absolutely no chance!" By 10 o'clock in the morning, every one of the mackinaws was sold - the store was saved.

That's a true story. *That's* what happens when you tell people what's wrong with something, and that's the kind of thing that I've done throughout my advertising career. Had I read the book earlier, I would have known that. I wouldn't have had to learn that myself.

Jay: So, one more time. The sooner you get your seminars, or your tapes, or your books together, great. But until that time...I'm a dentist in Ohio. Or I'm a contractor in Philadelphia. What do you think might be the most intelligent and viable approach I could take to get the equivalent of your Joe Sugarman?

Drew: Well, I think what you should do is look around the city you're in, because it's the easiest and what you can do the fastest, and find the people who are the most successful at doing what you want to do, and go to them, and meet them. And try and understand what they're doing, and spend time with them. Maybe intern with them. You know it's only time. If you're willing to spend some time and help them, you'll learn what they know, and then you'll carry that knowledge with you for the rest your life.

So I strongly recommend that you spend the time to go and meet the people that you respect. And *follow* them. And that will lead you on the road to future success. It really isn't difficult. All you need to do is pick up the telephone, make a few calls, and you get in to these people.

Smart people generally aren't threatened by teaching other people. It's the mediocre people that are threatened by teaching you. And you don't want to be mediocre, and therefore the people that you seek out will probably be willing to talk to you.

Jay: I think in confirmation of that, Drew, is the fact that when Joe Sugarman did his seminars and charged a lot then, \$2000 - what did he limit it to, 20 people?

Drew: 12 people.

Jay: Yeah, so he made a whopping \$24,000, which sounds like a lot, but at the time his business was earning him millions. I know he didn't do it for the money. He did it for two reasons:

People are really skilled love to teach, and they also love to learn in the process. And as you say, the more you ask someone to explain how and why they do something, the clearer it becomes to them. So it's a dual growth. So I think everyone here would be very benefited by following that recommendation.

Encounter! With Jay Abraham and Drew Kaplan

Why do you think, though, that some people like yourself are willing to seek out other experts, colleagues, kindred spirits, mentors - people who can train, can direct, can nurture, liberate their energy, their ambition, their resourcefulness, their passion - and many people don't have the wherewithal - even if it doesn't cost, because there's no -

I mean, I remember myself when I was young, I worked all night for one year at a job so that all day long I could go sit out and hang out in the offices and pick the minds of successful business owners in Indianapolis, where I was raised. People thought I was *crazy*. No one would do anything like that, but it taught me *so much*.

It sounds like you were willing to spend a relatively substantial amount of money, and travel a relatively large number of miles to gain access to somebody else's expertise.

Drew: It's an apprenticeship, and Jay, you should understand that, because thousands of people pay you tens of thousands of dollars to attend your seminars. And they come away from those seminars - because I've met a few of them - very, very enthused, and with a better understanding of how to change their lives.

So I think that there - I'm not the only person in the world that came out of Joe's seminar or your seminar fully charged and ready to go.

Every time you listen - you can go a 10, 20, 30 times, and each time you'll pick up one more thing, or ten more things. It's really exciting.

Jay: People don't realize - and again, I don't want to get too far afield - but there are experts and mentors that I've been impacted by at a very, very, *very* high level, who I've gone back to their well, either in a written form, audio form, and whenever I've had the opportunity in the live form - dozens of times, and they may say the same thing to me over and over again, but I hear it with greater clarity. I see nuances. I see depth. I see connectivity. And I sense that's what's happened to you.

Drew: Well, it's life's experience. I mean, they often say, "Education's wasted on the young, and youth is." But when you have already been in business-when you've written a thousand ads, and then you hear someone talk about advertising, you know where the chaff is, and how to separate it from the wheat.

So, Jay, let me give you another example of a wonderful product that had a problem that I turned into a real opportunity for my customers. And it was really good for them. This one was interesting. I called it, "The Thunder Lizard Mistake." And it was a super 15-inch stereo speaker system - a 15-inch woofer, 8-inch mid-range, and it had a crummy little paper tweeter. It was made by a company called BSR. And when you plugged them in, they sounded like thunder. They didn't have much high end, but they had a great bass. I happen to like bass.

So, I looked at them, and I asked them, "Why'd you make these things? I'm not going to sell them. They don't sound very good." They said, "Well, there was a mistake. We put the wrong tweeters in them. We actually were going to use these great horn tweeters, which was a 3, 4-inch plastic horn. But we didn't."

So we got these three thousand. I said, "I'll tell you what. I'll buy those from you. Give me the horns." And they said, "OK."

So I bought them, and I ran an ad in my catalog, and I said, "Dear Customer: Here is this incredible speaker called 'The Thunder Lizard Mistake,' and it has the greatest bass, has great mid-range, but it has a *lousy* tweeter.

"So what I did is, I went out and I got these tweeters for you, and if you have a screwdriver you just take the tweeter that's in there out - unscrew three screws - put in this great horn tweeter, and you're going to have great highs to go with the great lows. You're going to have the greatest speaker system in the world."

Jay: But at a fraction...

Drew: Yeah, but at a fraction of what it would have cost. And there were a couple thousand of them. We sold 35,000 pair of speakers. And we started - by the time we were selling these things, we just started shipping them with the new tweeters in them. Because the ad was so successful.

Because I took what was a disaster, and what could be a wonderful speaker, and gave the customers really good value for their money, but I gave them a *story*. It was fun. It was interesting. And I explained what a crossover was. I explained what the woofers did, what the tweeters did. They learned more about speakers than they ever knew before, which is part of what I do.

Encounter! With Jay Abraham and Drew Kaplan

Jay: That's great. I want to talk about words. I want to talk about words that compel, words that sell, words that grip, words that induce, ethically, people to believe, to attend, to respond. You've used a lot of great words in a lot of years to sell about, what, \$250 million worth of products?

Drew: Well over \$1 billion.

Jay: Excuse me, four times short.

Drew: In just the last ten years, actually.

Jay: OK. Give me a billion-dollar education in about five minutes. Tell me about some selling words and their implication. You've got a psychological background – tie it together and explain it for me, and wrap it up for me in about five minutes.

Drew: OK. Words are critical. I like strong, powerful words. I like words like “thunderous.” I like attack words, like “propel,” “ignite,” “rocket you into the future.” I like things that are really exciting, that reflect my *passion* for the kind of products that I'm selling. You know, if it isn't just passion, I want to *involve* you with a word like “imagine.” When I say “imagine” in an ad or in a context of a conversation, you're thinking in terms of “imagine if you had this product in your hands.” It puts you *in* with me. It's part of the bonding process.

But power words are where I'm at, and I use words like “eradicate” and “letter-cruncher” and “unfair competition” and “blunder” and “force field” and “extortion” and “detonate” and “thruster.” I had a sound processor; we called it “The Hiss Assassin.” And “Astounding writing for a word-finding device.” And “Marriage Saver” for a pair of headphones that saved marriages because your spouse could go to sleep while you watched TV. And a stereo – a little Walkman that I called a “Station Stalker.”

I sold some microphones, and I called it a “Microphone Gamble,” because I hired The Limelighters, my favorite folk group, to come to Carlos and Charley's Nightclub, use my microphones with 150 people, and perform for the first time and they used microphones. It could have blown up in my face. But we did that, and I put that on the cover of a catalog.

So – yeah, I like to find words that are really, really strong. When I sold a '62 CD collection of various classical music, I called it “Mozart's Revenge.” Again, you see a strong word like “revenge.” Why was it revenge? Easy – I was only charging \$3 a CD. The rest of the world was running \$8 or \$10. But the concept is, when they bought 62 CDs at one time I sold over 2 million CDs. But it was really exciting, because people looked at it, and they understood the concept – the metaphor “revenge against the record companies.”

So, I like strong words.

Jay: That's great. Let me ask you a question. How can I, or any of our listeners, use strong, power words to help their sales efforts, their advertising efforts, their sales letters, their direct selling, their in-store selling, their trade show activities?

Drew: Well, you know, my brain over the years has sort of turned into a Thesaurus. But it's not difficult to write your story, your letter – and letters are very important. Don't just think about this for ads. A letter is a *sales* letter, no matter what letter that is. You're selling your idea, your concept – even if it's a love letter, it's a *sales* letter. Draft the letter - everyone's doing it on computer today – and then check your Thesaurus. Don't just pull words randomly, but look at the words, and that will broaden your ideas.

There's nothing wrong with using a Thesaurus, and when they're electronic, it isn't like thumbing through the old Roget's, where it took you forever. Now you type a word and you have 100 choices. It's wonderful – it gives you lots of options. And soon, you may not even use it. But don't be afraid to use it.

Jay: What do you think our obligation is, as businesspeople – men and women – as professionals, to help our customers or clients get a better appreciation, a better clarity, on the result, on the value? Do you think words are the critical connection?

Drew: I think words and concept are the two critical connections.

Jay: What do you mean by “concept”?

Encounter! With Jay Abraham and Drew Kaplan

Drew: Well, why are you writing a letter? Why are you writing an ad? I think you have to plan ahead as to what it is that you want to accomplish with your letter, with your ad, or with your telephone call. If you pick up the telephone to try to make a sales call or an informational call, and you haven't written down a few notes, you're not doing a service to your customer.

The way that you express yourself denominates the kind of person that you are. The kind of language that you use. I don't use the word "employee." I use "associate." I never was comfortable with having employees. I liked having people who were working with me.

I don't really like the word "customer." I liked "DAKonian," because by using a name like that, I didn't have to separate myself. It was "Let's examine this together." That's the way that I like to do things. It isn't "us and them," or "them and us" – it's us *together*. We're exploring new frontiers. We're exploring ways to make our lives better, our families happier, our communities stronger.

This is what we do together. When you choose your words, don't choose "separation" words; choose "together" words. Make a decision of whether what the person is going to buy from is for them – a "for me" buy - meaning, are they buying it for themselves, or are they buying it for somebody else. And then sit down next to them, put your arm around their shoulder, and have a discussion with them, just like we're having now about how best to fill that need.

Jay: I think you stand out as a great model, I hate to say the word "icon," but an icon, almost, of what is right about educating and respecting the intelligence... Somebody can be very intelligent, but they can be computer illiterate. My hand's up - I'm one of them. I don't consider myself dumb, but I don't understand computer-ese.

Drew: But if you'll sit down with me for 30 minutes, I'll show you how to use a program – any program. And there are some programs that are more complicated than others, but most programs are easy to use. You don't need to be computer-literate to use the power of the computer. And I don't claim to be computer-literate. I know how to program some, but nothing like an engineer.

So the whole premise that someone is superior to somebody else is a mistake. You want to be an authority on the subject. You want to be intelligent about the product. You want to be able to explain it. And it's not a process of selling – it's a process of *sharing*. It's sharing the experience, examining together. Joining hands, and saying, "Let's explore this product and see what's good about it, and what's not good about it."

And that's really the focus of what I believe you should do, whether you're selling by mail, whether you're selling within a company – you're part of your department, or you're trying to interest management, or you're selling as a salesperson, face to face. The first thing you do is you look at the person you're talking to, and you try to understand that person. What do they want? Why are they there? How can you help them? They don't care about you. They don't care what you want. They don't care that you need to make this sale to make your mortgage, or you need to make this sale so that you can buy a new Mercedes, or Rolls Royce, or airplane, or whatever – what they care about is what's in it for them, OK?

So the first thing you do is, you put yourself in their position and say, "How can I use this tape recorder?" Or "How can I use this computer?" Or "How can I use this air cleaner?" and you then approach your advertisement, your sales message, your discussion on *their* terms, in *their* language. And one thing to always remember is, there are going to be objections. There's no such thing as a perfect product, at least not in electronics, and not in any product that I've ever bought.

Jay: Or service.

Drew: Or service. So whatever your service or your product is, think about a few of the disadvantages. Why isn't it perfect? And if you'll insert one or two of those disadvantages in your advertisement, in your sales presentation, when you talk to people, when you write to people, you will get two major, major bonuses.

And this is something I strongly believe in, is tell people the truth. Tell them what's good, because that's a given. We all know we're going to get out there and say, "We're going to puff." That's an advertising expression for "build up the product." But very few people have enough courage to tell people what's *wrong* with the product when they're trying to sell it to them.

Let me give you an example. There was a product awhile back, not an electronic, but for TV, called the "Beam Scope." What it was was a Frennel lens. This was one of those big pieces of plastic with little ridges on it, and if you put it in front of your TV it made your TV seem about three times as big.

Encounter! With Jay Abraham and Drew Kaplan

Jay: With good clarity?

Drew: Great clarity, and quite bright. It was really a good product.

Jay: So you could actually turn a small TV into a quasi-big screen one?

Drew: Quasi-big screen – you could turn a 13” into like a 21”, or a 21” into a 30”, OK. And it was...

Jay: Reasonable resolution.

Drew: Excellent resolution.

Jay: OK

Drew: Really a good product. I got the product, looked at it, said, “This looks pretty good.” Got the sales literature. The sales literature explained exactly how to demonstrate the product. It said, “Turn off the TV. Bring the customer over to a chair. Sit them in the chair. Turn off any overhead lights that are exposed, because they will reflect in your beam scope. And make sure there are no windows that could reflect on it. And then when that’s done, and you’ve sat the customer down, turn on the TV, and then they’ll enjoy thrilling, wonderful big screen size.”

So I took an ad, and I wrote to my customers, and I said, “Hi guys. This is a really great product. You’re going to have this great big picture. It’s really bright. It is a terrific product, but I’ve got to tell you, there are two things about it. One: if you have an open window during the day, and there’s a reflection on it, you’re not going to be able to see the TV. And two: if you have any naked light bulbs that aren’t covered by shades, they’re probably going to reflect in it, and depending upon what angle they are, you may see them. Aside from that, it’s the greatest product in the world.”

I sold tens of thousands. It was really, really successful. They ended up using my ad as an example for all their sales people, because what I did was, I was honest with my customers, so when they got the product they were happy. They knew what it would do for them, and what it wouldn’t do for them.

And so I felt good that I could tell them that. And two, they felt comfortable buying from me because I told them some things that no one else would tell them.

Jay: You made it very credible.

Drew: I made it credible.

Jay: And real.

Drew: Right. So I sold more to start with, and they stayed sold because they didn’t get it home, see a reflection on the screen, and not be able to watch their TV.

Jay: I like that.

What I want to do now is really going to be fun. I want to take you, rat-tat-tat, down a bunch of your actual offers, and I want you to dissect the anatomy of the offer, the key selling component, the psychology, and the element that would probably have universal appeal and value to anybody, in any industry, in any business, in any profession, in any product, in any service, who might be listening. So I want you to comment, almost like the ultimate psychological marketing Rorschach test, OK?

Drew: I got it. That sounds like fun.

Jay: OK, all right. Let’s talk about “Ten Tapes.”

Drew: Ten Tapes. Ten Tapes was, I think, my #1 project. I brought in over a million and a half customers...

Jay: Not dollars, but customers.

Encounter! With Jay Abraham and Drew Kaplan

Drew: Customers, customers - profitably, into my company. And the way that I did that was really interesting. As I told you before, I was a tape manufacturer, I was making tapes. I sold the tapes for about \$2.50 apiece. And when I tried to get new customers, I'd put them on sale for \$1.99. But who cared? They weren't buying them for \$2.50. Getting them for \$1.99 – they still didn't know it was a deal. At \$.29, they didn't know it was a deal. So I came up with this concept called, "Can you be bribed?" And what I did is, I gave you ten tapes and a watch for \$5. So I sold you the ten tapes for \$2.49 each - \$24.90, OK? It's the only way I sold them - \$24.90 – and if you bought those ten tapes, you could buy a watch for \$5.

Now this was when LCD watches were \$30. I brought them in from Hong Kong for \$7-8, but if you look at it, I sold the watch for \$5, losing \$3, but the tapes, which I sold for \$29.90 only cost me \$5 to make. So the whole package was very, very profitable.

Jay: So on a net basis, you were ahead of the game how much?

Drew: Oh, \$17 an order, plus postage and handling.

Jay: Did you sell many of those packages?

Drew: I sold 1.5 million packages of ten tapes and a watch, ten tapes and a calculator, ten tapes and a phone, ten tapes and a camera, ten tapes and *you name it*, and I did it.

Jay: What do you think the lesson in that experience might be for anybody?

Drew: Well the lesson in that experience for anybody isn't selling ten tapes and a watch.

Jay: What is it?

Drew: The lesson is, how do you build a company with \$100, and build it into a multi-million – at that point, almost \$100 million operation? And the lesson is this: Look at the back end of your business. I made enough money on the ten tapes and a watch promotions to break even and make myself a few bucks. I was doing fine. But the interesting part of this – and this is why I'm so excited about this – is who cares about selling them ten tapes?

Think about it for a moment, OK. What did you know if they bought ten tapes and a watch? You really didn't know how much they wanted the ten tapes or the watch. They knew it was a good deal, and the watch was fun. But they wouldn't have taken the ten tapes at any price if they didn't have a tape deck, OK?

Jay: Yes.

Drew: That's where this gets really exciting. If they have a tape deck, what else do you know? They've got a receiver, they've got an amplifier, they've got speakers. They have a stereo system. I then went on and sold 200,000 equalizers. I sold over 100,000 sub-woofers. I sold over a quarter million sets of speakers. So what I did was, I entered the hi-fi field – the stereo field that I loved so much through the back door, looking at it sideways. I didn't care about selling ten tapes and a watch. I made money, it was fine. But what I was looking for – the bigger question is, why sell a product in the first place? And it's to get a customer. Not to make that one sale, but to get a customer that will be happy, and buy other things from you, long term.

And that's what I think what everybody listening should really internalize is, don't go and sell something once. Sell an annuity. Sell something that you can *keep* selling to your customers. That they love you for. That they're going to come back to you for, over and over again. Don't do one shot deals.

Jay: Or...If I may be so bold as to recharacterize what I'm getting out of this, sell something which opens the door to a deeper, broader, more substantial ongoing buying relationship that maybe makes it easy for someone to raise his or her hand – a customer, a prospect, a client – and without intimidation. But it reveals a lot more about their needs, their desires, and the applications you might be able to benefit them with.

Encounter! With Jay Abraham and Drew Kaplan

Drew: Exactly, it's beautifully stated. The concept is, I knew what I was doing, but I didn't know why. I knew it was working. I knew I wanted those people, because I had identified them. They were self-identifying themselves to me as being stereophiles. As being stereo owners. Therefore, I could then sell to them all of the other products.

And in every box of tapes that went out was a catalog full of – guess what? Audio items! Things that went with their stereo system. And I sold tens of thousands of lots of products that everybody else had been unsuccessful in selling them. To sell a quarter million speakers by mail, where those people had never heard them before is a tribute to the fact that people believe in you if you give them a fair deal.

Jay: I don't think that most people think about establishing affinity, a trust, a connection based on a customer feeling that you, the seller, understand, respect, know what they're feeling, and are there for them. And that's what you did.

But I'm going to move on, because time's a-wasting.

Drew: OK

Jay: Let's talk about the Radar Challenge.

Drew: The Radar Challenge was one of the most fun projects we ever took on. I had a very good friend of mine who was president of a radar detector company called Maxon. And Maxon made an excellent radar detector, but the whole market was tied up by a company called Cincinnati Microwave. They were #1. They made a radar detector called The Escort, and later, The Passport – two radar detectors. No one could touch them. They had every magazine review locked up. They were the best in the world. And indeed, they were. They made a great product. But while they were making the great product, the great unwashed mass of the other ten radar detector makers was getting better and better, so there wasn't all that much difference.

So what I did was real simple. I challenged them. I issued a \$10,000 check in the name of Cincinnati Microwave. I put a picture of it in an ad, and I said, in short, "We think our radar detector's just as good as yours. Come meet us on the road, and if our radar detector isn't as good as yours, I'll give you this \$10,000 check." And I ran that ad, and 450,000 radar detectors later – 3 or 4 ads later – DAK was one of the top radar sellers – the #2 in the country.

Jay: And they never took you up on the challenge.

Drew: They responded to my letter saying that the \$10,000 was "de minimus," which in plain English, for the rest of us poor folk, who would like to put a \$10,000 check in our pockets, it was a lot of money. So I responded to them, and I said, "OK, I'll raise it to \$20,000. I'll scrape together \$20,000." Now we were spending \$20,000 apiece on the ads. I ended up mailing 8-11 million catalogs at a time, so I was spending \$5 million mailing the catalogs.

From a business level, they were right. \$10 or \$20,000 wasn't a lot of money. But from a psychological level, from us as consumers, when we take off our business hats, and we go home, and we look at our bills, and we look at the cars, we look at dinner, \$10-20,000 in our pocket's a lot of money.

So they batted zero when they came up against us in their response. And I printed their letter, which they never thought I'd do, saying that our radar detector was a cheap, Korean-made radar detector.

Jay: And you refuted it.

Drew: And I refuted it. And I said, "OK, well, let's have the challenge then. If you think it's made in some rice paddy," – and I said rice paddy, right in the ad – "you ought to be able to beat it." And they avoided us for awhile, and finally, we hired the head-testing engineer from *Road and Track Magazine* to hold the test, and we held our own. We beat 'em in a few places, lost in a few, but it was about a break even. The radar detector technology had really improved, where the best of the best was only a few percent better than the mid-class.

Jay: But you were selling a better value.

Drew: I was – oh, I was an enormously better value. They were selling a \$200 radar detector, and I was selling a \$69-\$99 dollar radar detector, and what I did – when they said that ours was cheap, and in a

Encounter! With Jay Abraham and Drew Kaplan

rice paddy, I did something that no one has ever done before. This is where it really gets to be fun. I bought stock in their company. They were a public company. I published their 10K in our next ad, and they made \$45 million on sales of, I think, \$140 million. So I responded by saying, “OK, maybe your radar detector is better, but it isn’t because it costs that much more to make, because look at all the profit you’re making!”

Jay: That’s wild!

Drew: So they didn’t like that very much.

Jay: What’s the lesson I can learn in my business or my practice from that very aggressive, very innovative, very lateral thought-based action?

Drew: It’s really simple. It doesn’t matter how big the competition is. It doesn’t matter how well thought of they are, how much power they have with the press. If you have a good concept, and you go after them, you can win.

Jay: But you have to have a quality product that performs a quality service or value for your customer.

Drew: Absolutely. A) You never involve yourself in false advertising, and competitive advertising is tough. You have to be *absolutely sure* of your facts. You never leave out a fact. If you list ten things you’re better than your competitor in, be sure you list the ten things they’re better than you in. If you don’t do that, you’ll get yourself in trouble, and you won’t be honest. And customers know when you’re not being honest.

Jay: I agree. I could get into this subject for another hour, but again, the clock is ticking. So let’s talk about bread making.

Drew: That’s one of my favorite subjects of all time. Not because we sold 900,000 breadmakers, which makes it the #1 selling product, but because it was a product that everybody said wouldn’t work, wouldn’t sell, and wouldn’t be successful. I took a look at the product, found it in Japan, brought it back to the United States, and said, “This could be a big winner, or it could be a loser.” I brought in 10,000, nobody thought I could sell them.

The first thing that we did – we being my wife and myself – we sat down with the breadmaker and created 50 really exciting, interesting recipes. We created an onion-dill bread recipe, which I...

Jay: Onion dill?

Drew: Onion dill.

Jay: How does it taste?

Drew: Wonderful bread. It happened to be my signature bread. This is a bread that I had already made in the manual form. It has sour cream in it; it has cottage cheese in it, onion and dill. It’s a wonderful bread. We adapted it to work in the breadmaker.

We had cherry cheesecake bread. We had macaroni and cheese bread. Even Diet-Rite bread, what I happened to drink. We had strawberry – peaches and cream bread. We came up with the most exciting recipes...

When I met with the people in Japan, they said, “Oh, well, this will be good for farmers.” I said, “No, no, no. Farmers have plenty of time to make bread. It’s working people in the city that don’t have time to make bread, and have that great smell in their home.”

So we created a 50-recipe cookbook. And then I wrote an ad. In that ad, I said, “Hi. My name’s Drew.” Which is the way I start a lot of my ads. And I said, “When I was young and single, I had this great stereo system, and I had a great video system. And I used to date, and I’d bring the girls back to my apartment, and they’d look at the video and they’d say, ‘Oh, that’s very nice.’ They’d look at the audio, and I’d turn on the stereo, and they’d say, ‘That’s very nice.’” But when I brought out the home made bread, that did it. That was my character.”

Encounter! With Jay Abraham and Drew Kaplan

And the ad actually said this; it was a bit of a sexist ad, but it very successful. The 10,000 were gone within weeks. And then we started bringing more and more in. At times, we were 60,000 pieces backordered. But in all, we sold 900,000 breadmakers on basically the one ad and the cookbook. And I'd made the cookbook because I thought it was important, not just for the ad, but for people to be able to make exciting kinds of bread. If you want white bread, buy it at the supermarket. But if you want oat bran bread, with peaches and bananas, make it in my breadmaker.

And so, these exciting recipes, and then a couple of gourmet gazettes, where we made you a club member, and then every couple of months, we'd send you some more recipes. It really ignited the passions of people, and everyone loves the breadmaker.

Jay: What's the lesson here?

Drew: The lesson is, go the extra mile. Find out, not what a product is, but what it *does* for people. Figure out what home made bread is worth to somebody. Not the machine – the machine was terrific, but that wasn't what was important. What was important was getting people to *imagine* smelling home made cinnamon raisin bread in their home, with less than 5 minutes in the kitchen. And that was true – it actually took me 3 ½ minutes. I did it 22 times before I actually ran the ad, which was titled, "Five minutes to home made bread." It took four hours for the first bread makers to make it, but it took less than five minutes in the kitchen before they could walk out and forget it.

Jay: That's wonderful.

Drew: It was a wonderful product.

Jay: I've got to go on. I would like you to tell us a couple more of your success stories, particularly the story about the CD-ROM. I love that.

Drew: Oh, Jay, I love CD-ROM. CD-ROM opened the door, for both education and general knowledge in this country. Up until the advent of CD-ROM, which I introduced in 1990, 1991, hard disks in computers were very expensive and generally about 40 MB. There was no way to store large amounts of data for the consumer.

CD-ROM changed all that. A CD-ROM disk, which only costs about \$.75 to make, can hold 680 MB of material. So you've got the capacity to have 1,000 books...90 million phone numbers. You've got the capacity to have a map of every street in the United States, all on one CD-ROM disk. And the capacity is mind-boggling, but what you have to remember is that this is sort of Internet on a disk for the consumer.

They're very inexpensive. They're very easy to operate, and you can have 1,000 magazines on one disk. So all you do is type a name, and instantly, everything about that name that's on the disk appears.

One of the best uses is encyclopedias. I have two encyclopedias at home, but I use my CD-ROM encyclopedia, because if I type something like "thermocouple", everything about thermocouple comes up on my screen, and there may be five or six articles. And all I do is hit return on the keyboard, and each article is in front of me. It's really exciting.

What's really important, though, as we talked about earlier, is that CD-ROM itself is just a medium. The question is what does it do for the consumer?

And that's why I got so excited when I introduced this. I produced a 24-page book about CD-ROM, explaining to customers that this isn't some black box technology. It isn't scary. It's really very simple. All it is is like an old-fashioned LP record. It just contains data. Instead of an up and down needle movement, it has pits that a laser, a little laser reads.

So the data is all contained, just like it is on a floppy disk. Everybody understands how a floppy disk works, or at least that it's an easy medium. A CD-ROM is basically even more simple than a floppy disk. And all you do is plop in a CD-ROM, and in a few seconds you have an encyclopedia loaded. Pop it out, pop in another one, and you have 90 million phone numbers, or 10 million businesses.

This is really great for a small business owner. When you start wanting to trademark your name, or market to somebody, type in the name you want to trademark. *Immediately*, you have 9 million businesses in the United States, and you can see if somebody else is using that name. And you can call them, and you can see what business they're in.

This is just an example of what these powerful CD-ROM programs can do for you.

Jay: So tell us about your best CD-ROM promotion.

Encounter! With Jay Abraham and Drew Kaplan

Drew: I think my favorite is still called, “Library of the Future.” A friend of mine owns the company. I fell in love with the product for what it could do for myself, my children, and my customers.

Over 1,000 books - every word that Shakespeare wrote; every word that Plato, Aristotle; every word that Dickens wrote; *War and Peace*; the Bible; *The Code of Hammurabi*, which happens to be one of my favorites - it’s all there. And if you type in, “To be or not to be,” you’ll find it, of course, in Shakespeare. You’ll also find it in *Huckleberry Finn*, and you’ll find it in several other locations. You can read the books onscreen, because the screen’s easily adjustable. Every word is there of every great, major work.

It’s fascinating. It gives me access to more books than I could ever fit in my livingroom. Imagine, well over 1,000 books - and where would you keep them? In boxes - I have boxes of books in the garage. Now I have it at my desk. Any time I want to look at a book, especially a classic, or a history book, or anything that’s really interesting, it’s all there on that one CD-ROM.

Jay: That’s great. What were the components of the actual offer?

Drew: The components of the offer were similar to what we’ve been talking about. I didn’t sell a CD-ROM drive. I sold a CD-ROM drive *with* 6 CD-ROMs. So the concept was that I didn’t just sell you something that I described - I gave you the power that you needed to get started. And again, we were the first to do this. I gave you the encyclopedia with the drive. I gave you a map of the United States. Every city, every state, every road, basically - all the major roads - a history about each city, rules; the phone prefixes - all the basic information. I gave you a world atlas on CD. You put the CD in, you can pick any of over 100 countries and you can learn about their history. Look at their capital cities - see even pictures of their cities. Understand their education level. All the information’s there. Of course, the “Library of the Future” that I’ve described.

Also, another book called The New York Public Desk Reference, which contains the most frequently asked questions at the New York Public Library. It’s a neat reference book. I mean, if you’re like me, and you can’t figure the difference between meters and feet, or gallons and liters, this will give you everything that you ever want to know for converting. When did something happen? Who was president at what time? All of the questions that the New York Public Library gets - which they answer for free - are contained in this book that they put out. But this one’s on CD-ROM, so you have everything instantly.

Jay: That’s fascinating. As a futurist - and it’s a little bit off the subject, but - what do you think the future implications of CD-ROM will be?

Drew: Well, the future implications are already light years ahead. The CD-ROM right now, as I said, holds 680 MB. They’ve already got a CD-ROM with three times that much. The Internet has hundreds of thousands of CD-ROM-type home pages, where you can get information on just about anything.

So, what’s happening is, the CD-ROM is a metaphor for a public library. Imagine you’ve got a public library. Most school libraries do not contain half of the books that are on one CD-ROM, like “Library of the Future.”

Jay: Wow.

Drew: You can go now, with your computer, and access information. And information is power, make no mistake.

100 years ago, 200 years ago, we humans were very primitive. We still are, but a couple hundred years ago, we lived by being big, strong, and bulky.

Today we live by our brains. Today, being strong doesn’t really buy you anything economically. Being smart does. Having knowledge does. So you need to learn how to use a computer. You don’t need to program a computer, but you need to learn how to access that information, because the power of the future is knowledge, it isn’t strength.

You know, it’s really exciting. We’re making great strides in finding our ancestors, and Neanderthal Man was short, and strong, and had a much stronger jaw - but we don’t need all that anymore. What we need now is to use our brainpower, and we have that brainpower, and all we have to do now is access the information, and we can answer any question. And that’s where the future lies, that’s where profitability in the future lies, and that’s where making a good home for your family lies.

Encounter! With Jay Abraham and Drew Kaplan

Jay: Interesting answer. One last promotion, then we'll move on. Tell me about X-10.

Drew: X-10 is a delightful product which does so much for so many. X-10 is a remote control system that allows you to retroactively automate your home. It allows you to turn lights on in your livingroom from your bedroom. It allows you, if you hear a noise at night to turn on all the outside lights. It allows you to dim the lights romantically by your bedside. All of this without ever touching a screwdriver.

It used to be that if you wanted to turn lights on, or turn on a coffeepot, or turn on an air conditioner, you had to get up and go do it. You couldn't do it remotely, you couldn't do it when you were away from home.

With X-10 everyone now who doesn't build a new home can have complete, instant control of their environment. They can put the lights on in their curio cabinets by touching a button. They can walk around their house with a RF, radio frequency, meaning no wires – a little remote control, and turn lights on as they go on the patio – have all their patio lights come on. It's really a great service to people. Everyone should have X-10 in their home.

Jay: I already want one. But how did you compel – how many did you sell?

Drew: Oh, hundreds of thousands.

Jay: How did you compel hundreds of thousands of people to want one?

Drew: Well, it was easy. Everyone wants one. You just heard me describe it. I don't have to do any work – all I have to do is tell you, "Would you like to turn on all your lights if you hear a noise?"

Jay: Stop. You mean all you have to do is tell me the result, and the benefit, and the advantage?

Drew: Is this a surprise? It's what we've been talking about! A good product sells itself if you merely tell people, your beloved customers, what it is that it does for them. X-10 does a lot for you, and it's cheap, it's about \$9-10 a module. So it's inexpensive, anybody can plug them in, it's so easy to do, that you can have instant control of your environment, and isn't that what we're all trying to achieve?

Jay: You've probably sold successfully 100, 200 products? How many?

Drew: Oh, thousands.

Jay: Thousands of products. What do you think the single, most universal sales lesson you've discovered that is essential and integral to all your successes has been?

Drew: Pick the best products that will help people the most, that need an explanation. That are not commodity-types of products. In my opinion, the best future is in the niche marketing areas. Pick niche markets. Pick small markets, or markets that you can go after that you can be special; that you can be knowledgeable; that you can be the best.

And you don't need to be the biggest. You shouldn't be the biggest. The best fun, the most excitement comes from going after a major company in a product category, and being the best, because most companies don't pay attention to their customers. And if you pay attention to what it is that makes a customer want a product, and that's a legitimate reason for owning the product, you will succeed.

Jay: That's a great answer, and a great lesson. I should stop there, but I've got to take you to a flip side. What if I've dedicated my business life to a commodity-type business – what should I do then?

Drew: There's nothing wrong with commodities, but you have to be the biggest, or you're only going to make a small percentage. You know, I've printed hundreds of millions of catalogs, but I could never be a printer, because printers make money two cents at a time. They make money by running their businesses very, very carefully, and watching every nickel, and every sheet of paper that comes in or goes out the door. They don't go after home runs. They don't go after major breakthroughs. They don't go after

Encounter! With Jay Abraham and Drew Kaplan

the kinds of products that I look at – not just high tech. If you have the best hammer, you're out of the commodity field. If you have the best pair of underwear, you're out of the commodity field.

But if you go in, and just try and be, say, a telephone supplier of basic telephones, without differentiating yourself with anything but color, you're not going to make big money, but more important than that, you're not going to have a franchise with your customers, because you're not supplying them with something that everyone else in the world –

Jay: You have no benefit – you have no unique advantage to offer.

Drew: Exactly. So why do it?

Jay: But if I'm already deeply involved in a business...I've invested my life, and maybe mortgaged my home, and my family, and my retirement, and the well-being of my children, and my kids' educations, and everything else, and the livelihood of 25 families who are dependant upon me are all in the offing - what would you have me do, or recommend that I do, to turn my commodity into a proprietary business? To turn my non-advantage into an advantage for my customers or clients?

Drew: OK, well let me tell you, because I have a two-part answer for you, and the first one may be a bit of a snipe, but let me say it, and then, let me give you the real answer.

The first answer is, you may have to sell something and provide a service, or lay bricks like I did to make a living while you make the transition.

So stay with what you're doing. Don't give it up. But start thinking laterally about the service you're providing, and see how you can differentiate that service, and broaden that service, and build more out of the customers that you have. Because I think that's your road to freedom, to building a franchise with those customers. Increase what you're doing. Find new ways to use your product, and go after those ways so you're no longer a commodity.

Jay: That's a very good answer. I want to talk about business. I want to talk about business management. I want to talk about psychology, motivation, lessons learned.

You have a distinction – starting from scratch at a very young age, you took an idea, you modified it, you turned it into over \$1 billion in sales over 4 million very, very loyal customers – DAKonians. You probably singularly were responsible for spending, investing, \$500, \$600 million dollars in ads and letters. You probably singularly were on the cutting edge of introducing more technological computer, electronic, audiophile-type breakthroughs in the last 10 or 15 years. You're synonymous with selling, advertising, copywriting, innovation.

I'd like to ask you questions about none of those now. I want to know what you've learned about management. About managing business, about managing people, about managing money, about managing vendors. Do you mind?

Drew: No, Jay, actually, I don't mind at all. As you know, my expertise is marketing. In order to market, I needed an organization. DAK had 450 people, so I did work with people, and what I learned about working with people was very much like what I learned about working with customers. You have to respect the people you're working with. You have to hold them in esteem. You have to understand what their needs are, and at DAK it was particularly difficult, because I wrote the ads, and my name was on every page. People didn't get the satisfaction of seeing their names, and having the public notoriety that I had.

So I had to work especially hard to make sure that my operations people, the financial people, the people in the warehouse - understood that they were important, and that writing the ads was important, but it wasn't the only part of the business.

So I think it's a basically simple response: Treat them as you would treat your customers – with respect, and they will treat you well in return. So that's how I handle the management of people.

Now vendors – one of my expertise's was working with vendors. Because I loved the electronics that I dealt with, I understood the products they were making. One of the things that I used to do – and this is good for anybody who buys anything – know what it costs for your vendor to make the product you're buying from them. That may sound like a strange proposition, but let me tell you, it is probably the most important, single, solitary part of buying, and let me tell you why.

Encounter! With Jay Abraham and Drew Kaplan

When somebody offers you a product for \$100, how do you know what to pay for it? Do you automatically negotiate, and say, “Oh, I want it for \$80,” or “I want it for \$70.” When you do that, every time the vendor comes to you, they’ll be at \$120 if they want \$100. So how do you figure out what to pay?

Well it’s very simple. You take the product, you open up the product – in my case it was electronics. You may be in hammers. You may be in office supplies. You may be in *anything*, but open up the product, and count the number of transistors. Count the number of resistors. Count the circuit boards. Weigh the plastic. Figure out what that product costs to make. Once you know that it cost \$42 to make, give the manufacturer 10, 20% markup, whatever it is *you* feel is fair - not particularly what *he* feels is fair – and then pay him that amount.

Because if you make him an offer that’s less than it costs him, he’ll walk out, and he’ll hate you, and he won’t do business with you. Pay him \$100, and you’ll leave \$20 or \$30 on the table.

So the most important thing I can teach you is, learn what it costs your vendors to make the product.

Another easy way, by the way, is to get quotes if there are lots of vendors for a given product. You should do this with office supplies. You should do this when you have letters printed. You should do this with whatever you do, because there’s lots of money to be saved. And it’s a lot easier to save money than it is to make money, for most people.

Jay: Great point. Continue.

Drew: OK. Now let me tell you what DAK taught me about managing growth, and managing money. First let’s talk about growth.

Growth was really easy, because the marketing worked, and we were able to grow from \$100, back in the days of the dorms, all the way up to well over \$200 million. The growth was fun, it was exciting, it was stimulating. Each new product was bigger than the last.

But managing growth is very important in a business. You have to control the operational side of the business, because just marketing doesn’t solve all your problems. Because you can sell a product doesn’t mean you can deliver it quickly to your customers; doesn’t mean that you can even afford to bring it all into the country.

So you need some money, and depending upon how fast you want to grow, you have to make decisions about how much money you want to bring into the company.

Early on, I made the decision not to bring in venture capitalists, and I kept 100% of the company. I used bank financing. And while it slowed the growth a little bit, because we only had a sum-certain amount of capital, we were able to grow because our front end advertising – the tapes that I told you about before – was profitable.

But over the years, we were able to get the financing we needed to import the products and supply them to the customers. One of the reasons I like mail order is, you don’t have open account. So when I shipped a product, I cashed a credit card the next day. So if I shipped your order on Monday, I got your money on Tuesday in my bank account.

So a mail order company doesn’t require the kind of capital that a manufacturing company or a wholesaling company does. So that’s one of the reasons I love mail order.

We were able to grow each year, culminating in a year of about \$238 million. At that time, we thought we had a long-term relationship with the bank, and unfortunately, due to the changes in the economy and the changes in the value of the dollar, the bank changed its mind about the size companies it operated with. And DAK had to find new banking. We weren’t successful in finding new banking, and unfortunately, that caused the demise of the company.

My view is that you have to learn to be a winner, and you have to learn to sometimes jump into the abyss. So I consider this all a positive experience, and now I look at life with a whole new perspective. I’m ready to start a new DAK in a minute.

Jay: Thank you very much, you’ve been very candid, and I appreciate that, and I’m sure our listener does as well. I want to ask a couple final questions. #1, you talked about the fact that in a heartbeat, you’re ready to do it again. What do you really going to do when you grow up? What are you doing with yourself right now, besides me trying to do things with you, and I am. I’m encouraging you to do about 7 different projects with me. What do you want to do with yourself?

Drew: I think doing some seminars and tapes, like we talked about, would be fun. But Jay, the one thing that I think I really told you before we started this interview, is that I’m not as excited about

Encounter! With Jay Abraham and Drew Kaplan

positive mental attitude as I am actionable nuts and bolts technology. I wanted to make sure that – and if I can, can I talk to our listener for a moment?

Jay: By all means.

Drew: OK. I want you to get out of this tape some experiences from what I did, and some actionable things that I did that you can apply in your own business, your own practice, your own industry today. I don't want this to be just an interesting, I hope, story about Drew. I want this to be a real educational experience. That's what I hope for you – that's why I agreed to talk to Jay.

Jay: That's what I knew you would insist on giving to our listener. You've been an incredible interview, and I've grown personally, and been very enriched by the time we spent together. Thank you very, very much.

Drew: Jay, it's been a pleasure. Thank you for having me.