

The 4-Hour Workweek

BOOK BY TIMOTHY FERRISS

POWERPOINT BY [JOSEPH SPURRIER](#)

About the Author

Tim shows how you can build a business in 6 months with automation in mind as the end result by outsourcing

He's a National Chinese Kickboxing Champion

He's the first American in history to hold a Guinness World Record in tango

Creates the phrase New Rich (NR) to represent those who abandon the deferred-life plan using time and mobility

Tim is a self-made entrepreneur who focuses 100% of his time on lifestyle design

Goal of his book is: fun *and* profit

Lifestyle Design – Basic Assumptions

How do your decision change if retirement isn't an option?

What if you could use a mini-retirement to sample your deferred-life plan reward before working 40 years for it?

Is it really necessary to work like a slave to live like a millionaire?

Chronology of Tim

1983 – He almost failed kindergarten – refused to learn the alphabet just because the teacher said he had to without an explanation

1991 – Fired from his first job at an ice cream parlor when he got 8 hours worth of work done in 1 hour

1997 – Created an audiobook called *How I Beat the Ivy League* using money from three summer jobs to make 500 tapes and sold zero

1998 – Developed a speed reading seminar and plastered signs around campus at \$50 each, gets bored of his service oriented business and closes 3 months later

2001 – Lands a job at TrueSAN Networks, find out he is the second-lowest-paid person in the company (aside from the receptionist), decides to create a sports nutrition business by outsourcing everything – in two weeks, spends \$5000 and sells his first products off his website

DEAL is the Process of Becoming a NR

Talks about the importance of being a “dealmaker”

Manifesto of the dealmaker: Reality is negotiable

Outside of science and law, all rules can be bent or broken, and it doesn't require being unethical

Can you use the same principles to double your income, cut your hours in half, or at least double the usual vacation time? Most definitely.

D for Definition

Turn misguided common sense upside down and introduces the rules and objectives of the new games

Replaces self-defeating assumptions and explains concepts such as relative wealth and eustress

Explains the overall lifestyle design recipe

E for Elimination

Kills the obsolete notion of time management once and for all

Turns 12 hour days into two-hour days

Increase your per-hour results ten times or more with counterintuitive NR techniques

Selective ignorance, developing a low-information diet, and ignoring the unimportant

First ingredient for luxury lifestyle design: time

A for Automation

Puts cash flow on autopilot using geographic arbitrage, outsourcing, and rules of nondecision

Second ingredient for luxury lifestyle design: income

L for Liberation

Mobile manifesto for the globally inclined

Concept of mini-retirements

Third and final ingredient for luxury lifestyle design: mobility

D for Definition

SECTION 1 OF 4

NR vs Deferrers (D)

D: To work for yourself

NR: To have others work for you

D: To work when you want to

NR: To prevent work for work's sake, and to do the minimum necessary for maximum effect

D: To retire early or young

NR: To distribute recovery periods and adventures (mini-retirements) throughout life on a regular basis and recognize that inactivity is not the goal – doing that which excites you is

Who are the NR?

The employee who rearranges his schedule and negotiates a remote work agreement to achieve 90% of the results in one-tenth of the time, which frees him to practice cross-country skiing and take road trips with his family two weeks per month

The business owner who eliminates the least profitable customers and projects, outsources all operation entirely, and travels the world collecting rare documents, all while working remotely on a website to showcase her own illustration work

The student who elects to risk it all – which is nothing – to establish an online video rental service that delivers \$5,000 per month in income from a small niche of Blue-ray aficionados, a two-hour-per-week side project that allows him to work full-time as an animal rights lobbyist **(not sure any of us want to do this last part)**

Keep these Rules in Mind

1. Retirement is Worst-Case-Scenario Insurance

1. Flawed because it requires you to work during your most physically capable years of your life
2. Flawed because most people will never be able to retire
3. Flawed because if you do reach retirement, most people either die or go back to work
4. Note: Tim maxes out his 401K and IRA every year so he's more prepared for the "retirement age"

2. Interest and Energy are Cyclical

1. If someone offered \$10,000,000 to work 24 hours for 15 years, would you do it? No, because it's unsustainable – Why do you think 30 year olds sometimes look like 50 year olds?

3. Less is Not Laziness

1. 4-Hour Workweek is about producing more meaningful results in less time
2. Focus on productivity instead of busy

Keep these Rules in Mind

1. The Timing is Never Right

1. When is it a good time to have a baby or quit your job? Never – conditions are never perfect and “someday” is a disease that will take your dreams to the grave with you

2. Ask for Forgiveness, Not Permission

1. If it isn't going to devastate those around you, try it and then justify it
2. If the potential damage is moderate or in any way reversible, don't give people the change to say no

3. Emphasize Strengths, Don't Fix Weaknesses

1. Most people are good at a handful of things and utterly miserable at most
2. **Multiplication of results** using strengths or **incremental improvements** fixing weaknesses – focus on better use of your best weapons instead of constant repair

Keep these Rules in Mind

1. Things in Excess Become Their Opposite

1. It is possible to have too much of a good thing – this is true of possessions and event time
2. The goal is not to create an excess of idle time (which is poisonous), but the positive use of free time – to do *what you want* to do instead of doing what you *feel obligated* to do

2. Nibet Akibve us Bit tge Sikytuib

1. This is what happens when you type with your fingers in the wrong position

3. Money Alone is Not the Solution

1. By using money as the scapegoat and work as our all-consuming routine, we are able to conveniently disallow ourselves the time to do otherwise
2. Pretending money is the fix-all just prevents you from seeing how pointless spending the majority of your life doing something you don't enjoy
3. The problem is more than money

Keep these Rules in Mind

1. Relative Income is More Important Than Absolute Income
 1. John makes \$100,000 a year and works 80 hours per week
 1. Absolute Income: \$100,000
 2. Relative Income: \$25 per hour
 2. Steve makes \$50,000 a year and works 10 hours per week
 1. Absolute Income: \$50,000
 2. Relative Income: \$100 per hour
 3. Salary doesn't ultimately matter, it's how much you make per hour that matters in the long run: money AND time are equally important
2. Distress is Bad, Eustress is Good
 1. Distress makes you weaker, less confident, and less able
 2. Eustress pushes us to our limits and helps us grow our potential

I want you to call Kevin
Plank. Would you?

Fail Better

Challenge: Contact a famous person or celebrity and ask them a question.

Tim: I participate in this content every day. I do what I always do: find a personal email through their little-known personal blogs, send a two to three paragraph email which explains that I am familiar with their work, and ask one simple to answer but thought provoking question in that email related to their work or life philosophy.

Conquering Fear = Defining Fear

Start by defining your nightmare, the worst-case scenario

You'll realize that on a scale of 1-10 (1 being nothing, 10 being permanently life-changing), most of your worries will be 3 or 4

At best, a life-changing 9 or 10 😊

Realization: There is practically no risk, only huge life-changing upside potential

Ask yourself: What is the absolute worst thing that could happen from this decision? What steps could you take to repair the damage? What are you putting off out of fear? What is it costing you – financially, emotionally, and physically – to postpone action?

What are you waiting for? If you say it's not good timing, the answer is simple: **You're afraid like the rest of the world.** What will change that? **Take action.**

Doing the Unrealistic is Easier than Doing the Realistic

99% of the people in the world are convinced they are incapable of achieving great things, so they aim for the mediocre

It's easier to pick up the one perfect 10 in the bar than the other five 8s because the level of competition is fiercest for "realistic" goals

Do not overestimate the competition and underestimate yourself

Having an unusually large goal is an adrenaline infusion that provides the endurance to overcome the inevitable trials and tribulations that go along with any goal

Fishing is best where the fewest go and the collective insecurities of the world makes it easy for people to hit home runs while everyone else is aiming for base hits

There is just less competition for bigger goals

What Do You Want?

Most people will never know what they want

The question is too imprecise to produce a meaningful and actionable answer.

Same with “What are your goals?”

Say you accomplish 10 goals, what do you get: happiness?

Tim no longer believes this is a good answer. Happiness can be bought with a bottle of wine and has become ambiguous through overuse

What is the opposite of happiness? Sadness? No. It's boredom.

When someone tells you to follow your passion or your bliss, they are probably referring to the same singular concept: excitement.

The question you should be asking yourself is: What would excite me?

Adventure Deficit Disorder

This is how most people work until death: I'll just work until I have X dollars then do what I want.

If you don't define the "what I want" the X figure will increase indefinitely to avoid the fear-inducing uncertainty of this void.

This is when both employees and entrepreneurs become fat men in red BMWs.

Just look at those who are 15-20 years ahead of you on the same track – do you see it?

What would you do if there were no way you could fail? If you were 10 times smarter than the rest of the world?

Dreamlining

It's much like goal-setting but differs in several fundamental respects:

1. The goals shift from ambiguous wants to defined steps.
2. The goals have to be unrealistic to be effective.
3. It focuses on activities that will fill the vacuum created when work is removed. Living like a millionaire requires doing interesting things and not just owning enviable things.

IN 6 MONTHS I DREAM OF:	STEP 1: HAVING		STEP 3: COST		STEP 5: COST
	* 1. Aston Martin DB9		1. \$2,003/month		
	2. Go Board from 1800s		2.		
	* 3. Personal assistant		3. \$5/hr. x 80 = \$400		
	4. Full Kendo armor		4.		
	5.		5.		
		A = \$2,403			
STEP 2: BEING		STEP 4: DOING			
1. flexible →		1. full side splits		1.	
* 2. best-selling author →		2. sell 20,000 per week		2. \$0 (3 free interns for media calls & own time)	
3. fluent in Greek →		3. have 15-minute conversation w/native		3.	
4. excellent cook →		4. make Thanksgiving dinner for six people		4.	
5. →		5.		5.	
STEP 3: DOING		STEP 5: COST			
1. sell a TV show		1.			
* 2. visit Croatian coast		2. \$514 roundtrip airfare, \$420 rent			
3. find smart & gorgeous girlfriend		3.			
4.		4.			
5.		5.			
		C = \$934			

TARGET MONTHLY INCOME	
A + B + C + (1.3 x monthly expenses)	
=	
TMI: \$3,337 + (\$2,600) = \$5,937	
+ 30	
=	
TDI: \$197.90	

STEPS NOW	
1. Find showroom, schedule test drive	
2. Post bullet-point job description on 3 major sites	
3. Send top 3 questions to five best-selling authors from 2-3 years ago	
4. Visit Virtual Tourist and determine best season and to-do top 5	
TOMORROW	
1. Take test drive	
2. Assign 1- to 2-hour task to top 5	
3. Formulate plan around responses (marketing/PR)	
4. Research tickets & housing for 3 weeks and invite friend to go	
DAY AFTER	
1. Decide on desired details & extras	
2. Choose top 1 for 20 hrs. per week	
3. Send intern recruitment e-mail to nearby college English departments	
4. Reserve tickets (for yourself even if friend refuses)	

E for Elimination

SECTION 2 OF 4

Time Management

Forget all about it

You shouldn't be trying to do more in each day, trying to fill every second with a work fidget of some type

Being busy is most often used as a guise for avoiding the few critically important but uncomfortable actions

Examples: Call a few hundred unqualified sales leads, reorganize your Outlook contacts, play with your phone when you should be prioritizing

Being Effective vs. Being Efficient

Efficient – performing a given task (whether important or unimportant in the most economical way possible)

Effective – doing the things that get you closer to your goals

Remember:

1. Doing something unimportant well does not make it important
2. Requiring a lot of time does not make a task important

Most importantly: *What* you do is infinitely more important than *how* you do it.

Pareto: 80/20 Principle

Summarized: 80% of the outputs result from 20% of the inputs

80% of the income comes from 20% of the customers

80% of your time is spent on 20% of the issues

Ask yourself:

1. Which 20% of the sources are causing 80% of my problems and unhappiness?
2. Which 20% of sources are resulting in 80% of my desired outcomes and happiness?

Look at everything you're doing during the day. The goal is to find your inefficiencies in order to eliminate them and find your strengths so you can multiply them.

Don't expect to find you're doing everything right – the truth often hurts.

Parkinson's Law

Definition: Work expands so as to fill the time available for its completion.

Perfect Example: Do you get your paper done in less time when it's due tomorrow or when it's due in 1 month?

Quote: "If you wait until the last minute, it only takes a minute to do."

Point: We have a 9-5 workweek which means, overtime, we will naturally fill our day with things to fill the 8 hours we are there.

We all do this because of habit and imitation. It's what the world does so we do it and because we do it, the world does it – Cyclical

How is it that everyone in the world needs 8 hours a day to complete their work?

PAUSE

A solid orange horizontal bar at the bottom of the slide.

Fixing the Problem by Inverse

1. Limit tasks to the important to shorten work time (80/20)
2. Shorten work time to limit tasks to the important (Parkinson's Law)

Basically, identify the few critical tasks that contribute most to income and schedule them with very short and clear deadlines.

1. If you had a heart attack and could only work 2 hours per day, what would you do?
2. If you had a second heart attack and could only work 2 hours per week, what would you do?
3. If you had a gun to your head and had to stop doing 4/5 of activities, what would you remove?
4. What are the top 3 activities that I use to fill time to feel as though I've been productive?
5. If this is the only thing I accomplish today, will I be satisfied with my day?
6. Do not multitask

Tim's Low-Information Diet

Never watches the news and bought a single newspaper in the last 5 years – to get a discount on diet Pepsi

Checks business email for about an hour each Monday and never checks voicemail when he is abroad.

“But what if someone has an emergency?” It doesn't happen. My contacts now know that I don't respond to emergencies so the emergencies somehow don't exist or don't come to me.

Problems, as a rule, solve themselves or disappear if you remove yourself as an information bottleneck and empower others.

Reads 1 magazine per month for a total of 4 hours.

Read an hour of fiction before bed for relaxation.

Cultivating Selective Ignorance

You need to learn how to ignore or redirect all information and interruptions that are irrelevant, unimportant, or unactionable. Most are all three.

The modern man consumes both too many calories and calories of no nutritional value

Most information is time-consuming, negative, irrelevant to your goals, and outside your influence.

In five years, Tim hasn't had a single problem due to selective ignorance.

This gives you something new to ask the rest of the population in the form of small talk.

If it is important, you'll hear people talking about it. You'll also retain more than someone who reads about all of it

Tim Example: How did you vote last election?

I decided in a few hours.

1. Sent emails to educated friends in the U.S. who share my values and asked them who they were voting for and why.
2. I judge people based on actions and not words so I asked friends in Berlin how they judged the candidates based on their historical behavior.
3. I watched the presidential debate

I let other dependable people synthesize hundreds of hours of work for me. It was like having a dozen personal information assistants and I didn't have to pay a cent.

What if your friends don't know? Like how to sell to the world's largest publisher as a first-time author?

1. I picked one book out of dozens based on reader reviews and the fact that the authors had actually done what I wanted to do. No speculators or wannabes are worth the time.
2. Using the book to generate intelligent and specific questions, I contacted 10 of the top authors and agents in the world via email and phone, with a response rate of 80%.

I only read sections of the book that were relevant to me which took less than 2 hours.

Took 4 hours to develop a template email and call script.

Actual emails and phone calls took less than an hour.

Learn how to rediscover the power of the forgotten skill called: talking.

Once again, less is more.

Read 200% Faster in 10 Minutes

1. **Use a pen or finger to trace under each line as you fast as fast as possible.** Reading is a series of jumping snapshots and using a visual guides prevents regression.
2. **Begin each line focusing on the third word in from the first word, and end each line focusing on the third word in from the last word.** This makes use of peripheral vision that is otherwise wasted on margins. Move in from both sides further and further as it gets easier.
3. **Once comfortable indenting three or four words from both sides, attempt to take only two snapshots per line on the first and last indented words.**
4. **Practice reading too fast for comprehension but with good technique for five pages prior to reading at a comfortable speed.**

Policy in School

If I received anything less than an A on the first paper or non-multiple-choice test in a given class, I would bring 2-3 hours of question to the grader's office hour and not leave until the other had answered them all or stopped out of exhaustion.

This served two important purposes:

1. I learned exactly how the grader evaluated work, including her or her prejudices and pet peeves.
2. The grader would think long and hard about ever giving me less than an A. He or she would never consider giving me a bad grade without exceptional reasons for doing so, as he or she knew I'd come a knocking for another three hour visit.

Types of Interrupters*

1. Time wasters – those things that can be ignored with little or no consequence. Common time wasters included meetings, discussions, phone calls, web surfing, and email that are unimportant.
 1. Easiest to eliminate – turn off the alerts, set up out of office messages, check email twice a day
2. Time consumers – repetitive tasks or request that need to be completed but often interrupt high-level work. Common ones are: reading and responding to email, making and returning phone calls, customer service, financial or sales reporting, personal errands – all necessary repeated actions and tasks. 28% of your day is taken up by these.
 1. Batch the tasks – do the same task in groups,
3. Empowerment failures – instances where someone needs approval to make something small happen. Commons ones are: fixing customer problems, customer contact, cash expenditures of all types.
 1. Give people and yourself the ability to complete tasks – people are more than capable

A for Automation

SECTION 3 OF 4

Outsourcing – Story

AJ had an Indian remote executive assistant complete his first project: research on the person Esquire has chosen as the Sexiest Woman Alive.

When he received it, the report has charts, section headers, well-organized breakdown of her pets, measurements, and favorite foods

He started delegating: paying bills, getting stuff from drugstore.com, finding his son a Tickle Me Elmo, called Cingular to ask about his cell phone plan – by the 4th morning, his inbox had a bunch of email updates

He had the virtual assistant send one of the nicest rejection letters to the Colorado Tourism Board

Even had the virtual assistant email his wife an apology just to see if she would do that – it was wonderful

Outsourcing

Virtual assistants cost between \$4 – 10 per hour

His domestic outsources are paid on performance or when product ships – which means negative cash flow is impossible

Getting a remote personal assistant is a huge departure point and marks the moment that you learn how to give orders and be commander instead of the commanded

It's small-scale training wheels for the most critical of NR skills: remote management and communication

If your time is worth \$20-25 per hour, and a virtual assistant can get it done just as well for \$10, it's simply a poor use of your own time

If you make \$25 per hour and you pay a top-notch assistant \$30 per hour to save you an 8 hour shift of work so you only have to work Mon-Thurs, would you be willing to pay the \$40 difference?

Outsourcing – Golden Rules

1. Each delegated task must be both *time-consuming and well defined*. If you're running around like a chicken with its head cut off and assign your VA to do that for you, it doesn't improve the order of the universe.
2. On a lighter note, have some fun with it. Have someone in Bangalore or Shanghai send emails to friends as your personal concierge to set lunch dates or similar basics. Harass your boss with odd phone calls in strong accents from unknown numbers. Being effective doesn't mean being serious all the time.

Outsourcing - Abilities

Most common tasks: scheduling interviews and meeting, web-research, following up on appointments, errands, and tasks, online purchases, creation of legal documents, website maintenance, publishing comments for online discussions, posting job vacancies, document creation, proofreading and editing, updating databases, managing recruitment processes, updating invoices and receiving payments, and voicemail transcription.

Other tasks are: market research, financial research, business plans, industry analysis, market assessment reports, preparing presentations, reports and newsletters, legal research, analytics, website development, search engine optimizations, credit scoring, managing procurement process

Others: daily reminders, apologizing and sending flowers, charting a diet plan, getting a job for the person who lost their job, fixing broken windows, finding a parking spot, ordering trash cans for home, getting a weather report for a time 5 years ago to hear with a lawsuit, personal chef for \$5 a meal

Outsourcing – Local or Remote?

Indian and Chinese's VAs run \$4-15 per hour

Lower end for simple tasks and higher end performs equivalent of Harvard MBA and Ph.D.

Business plans for \$2500 to \$5000

US and Canadian VAs run \$25-100 per hour

The important metric is cost per completed task, not cost per hour

Biggest challenge is language barrier

When working with a VA, make sure you set an hourly cap per task

Test out each VA with smaller tasks first to make sure they are good, if not, request a new one

Recommends hiring from a VA firm with backup teams instead of sole operators for protection

Outsourcing - Security

Outsourcers will know a lot about you, but there are a lot of security precautions taken by the VA firms

Employees get background checks and sign NDAs to protect confidentiality

Centers have electronic access for entry and exit

Credit card information keyed only by select supervisors

Removal of paper from offices is prohibited

VLANS are setup to restrict access between teams

Reporting on printer logs

USB ports are disabled

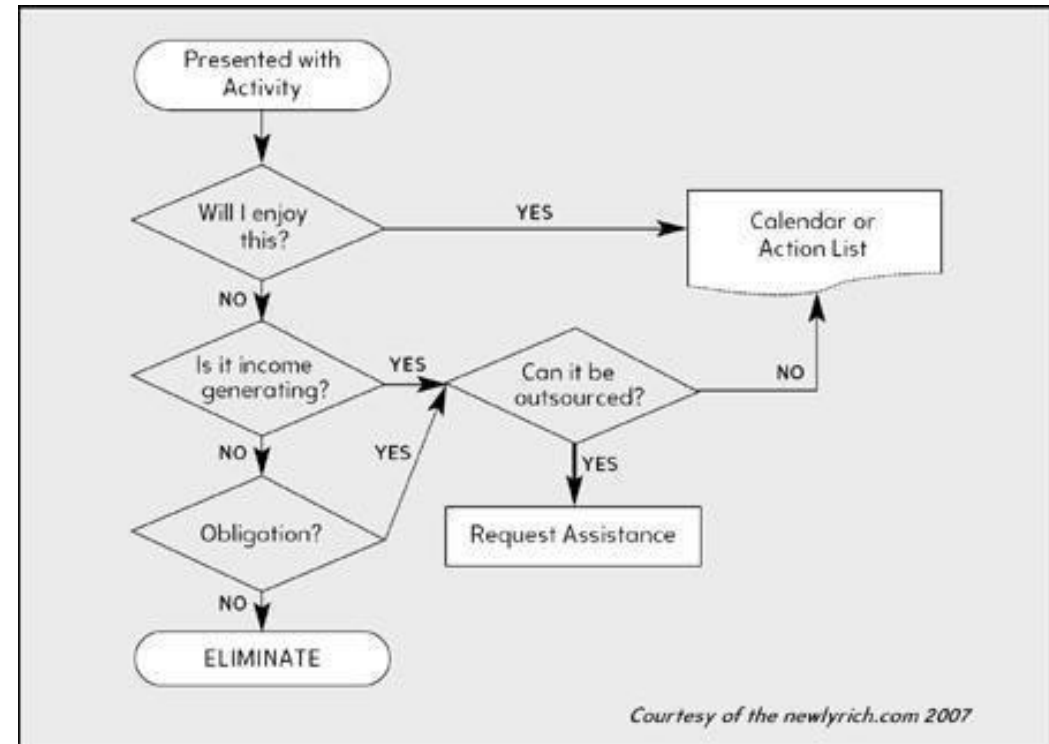
Encryption for all data exchange and a secure VPN connection

Outsourcing – Tips

Never use debits cards for online transactions or with remote assistants

If your VA will be accessing websites on your behalf, create a new unique login and password to be used on those sites

Emails with tasks should be short, sweet, and to the point – clear writing and therefore clear commands – Think simple



Income Autopilot – Finding the Muse

There are a million and one ways to make a million dollars – most of them are unsuited to our purpose – this is not for people who want to run businesses, but for those who want to own businesses and spend no time on them

People can't believe that most of the ultra-successful companies in the world do not manufacture their own products, answer their own phones, ship their own products, or service their own customers

There are hundreds of companies that exist to pretend to work for someone else and handle these functions, providing rentable infrastructure to anyone who knows where to find them

Microsoft and Kodak outsource engineering and manufacturing to Flextronics which has \$15.3 billion in annual revenue

Before we create this virtual architecture, we need a product to sell

Muse Goal

If starting from scratch, ignore service businesses for now, as constant customer contact makes absence difficult

To narrow the field further, our target product:

Can't take more than \$500 to test

Has to lend itself to automation within four week

When up and running, it can't require more than one day per week of management

Goal: Create an automated vehicle for generating cash without consuming time – “muse”

First things: **cash flow** and **time** – with them, all is possible; without them, nothing is possible

Ed “Mr. Creatine” Byrd

Mr. Creatine started a company called MRI and had the top selling sports supplement in the US from 2002-2005 called NO2

He did it through smart testing, smart positioning, and brilliant distribution

Before even making it, he created a ¼ page advertisement in men’s health magazines

Once there was a large amount of orders, NO2 was priced at an outrageous \$79.99 positioned as the premium product on the market

Sold exclusively through GNC stores nationwide

No one else was permitted to sell it (competing resellers make products lose money quicker)

Ed now drives a Lamborghini down the California coast when not traveling

Income Autopilot – Steps

1. Pick an affordably reachable niche market
2. Brainstorm (do not invest in) products
 1. Resell a product
 2. License a product
 3. Create a product
3. Micro-test your products
4. Rollout and Automation

1. Niche Market

Start small, think big

Creating demand is hard, filling demand is much easier

Don't create a product then seek someone to sell it to

Find a market – define your customers – then find/develop a product for them

Be a member of your target market and don't speculate what others need or will be willing to buy

It everyone is your customer, then no one is your customer

Selling a dog or cart product is too expensive to advertise to such a broad market

If you focus on training German shepherds or a restoration product for antique Fords, the market and competition shrinks making it less expensive to reach your customers and easier to charge premium pricing

1. Niche Market

Low media cost and lack of competition can enable you to dominate with the first product in these niches

It's more profitable to be a big fish in a small pond than a small undefined fish in a big pond

Look at different groups you belong to or understand: dentists, engineers, rock climbers, recreational cyclists, car restoration, etc – look at products and books you own – What groups of people purchase the same? Which magazines, websites, and newsletters do you read on a regular basis?

Which groups you identified have their own magazines? Visit a Barnes & Noble and browse the magazine rack for smaller specialty magazines to brainstorm additional niches. Use *Writer's Market* to identify magazine options outside the bookstores. Narrow the groups to those that are reachable through one or two small magazines – groups must be willing to spend money. Call the magazine, speak to the advertising director, tell you are considering advertising, ask them to email their current advertising rate card and include both readership numbers and magazine back-issue samples. Find direct-to-consumer via 800 numbers or websites – the more repeat advertisers, the more frequent their ads, the more profitable the magazine is for them...and will be for us

2. Brainstorm

Pick the two markets that you are most familiar with that have their own magazines with full-page advertising that costs less than \$5000 – there should be no fewer than 15,000 readers

Goal is to come up with well-formed product ideas and spend nothing

The main benefit should be encapsulated in one sentence – Apple sold the iPod with the tag: 1,000 songs in your pocket – keep it simple and do not move ahead until you can do this without confusing people

It should cost the customer \$50 - \$200 – the bulk of the companies set prices in the midrange because that is where most competition is – pricing low is shortsighted, someone else is always willing to sacrifice more profit margin and drive you both bankrupt

Reasons to Charge More than the Competition

Higher pricing means that we can sell fewer units – and thus manage fewer customers – it's also faster

High pricing attracts lower-maintenance customers (better credit, fewer complaints/questions, fewer returns, etc.) It's less headache – This is HUGE

Higher pricing also creates higher profit margins. It's safer.

Aim for a 8 – 10x markup. A \$100 product can't cost me more than \$10 - \$12.50

High has its limits – if the per-unit price is above a certain point, prospects need to speak to someone on the phone before they are comfortable enough to make the purchase

Tim found that a price range of \$50 - \$200 per sale provides the most profit for the least customer service hassle

2. Brainstorm

It should take no more than 3 to 4 weeks to manufacture – this is important for keeping costs low

How do you know it take to manufacture something? Contact contract manufacturers who specialize in the type of products you're considering: <https://www.thomasnet.com>

Call a related manufacturer (toilet bowls) if you need a referral to a related manufacturer you cannot find (toilet cleaning solutions)

Google different synonyms for your product in combination with “organization” and “associate” to contact the appropriate industry organizations – ask them for referrals to contract manufacturers and for the names of their trade magazines which contain advertisements for contract manufacturers and related service providers we'll need for your virtual architecture later

Request pricing from the contract manufacturer to ensure the proper markup is possible – determine the per-unit costs of production for 100, 1000, and 5000 units

2. Brainstorm

It should be fully explainable in a good online FAQ

Even though ingestibles have enabled my NR life, I would not wish them on anyone. Why? You get 1000 questions from every customer: Can I eat bananas with your product? Will it make me fart during dinner? On and on...

Choose a product that you can fully explain in a good online FAQ

If not, the task of traveling and otherwise forgetting about work becomes very difficult or you'll end up spending a fortune on call center operations.

Product Options

1. Resell a Product

1. Purchasing an existing product at wholesale and reselling it is the easiest route but also the least profitable
2. It is the fastest to set up but the fastest to die off due to price competition with other resellers
3. Reselling is an excellent option for secondary back-end products that can be sold to existing customers or cross-sold to new customers online

2. License a Product

1. Some of the best brands have been borrowed from someone else – Red Bull came from a tonic in Thailand, Smurfs were brought from Belgium, Pokemon came from the land of Honda, KISS made millions in record and concert sales, but the real profit has been in licensing – granting others the right to product hundreds of products with their name and image in exchange for a percentage of the sales

3. Create a Product

1. It's not hard, you can find engineers and designers to build anything
2. If you can find a generic or stock product made by a contract manufacturer that can be repurposed, it's even easier – it's called private labeling

Create a Product

It is true that we'll be testing market response without manufacturing, but if the test is successful, manufacturing is the next step

We need to keep in mind setup costs, per-unit costs, and order minimums

Innovative gadgets and devices are great but often require special tooling, which makes the manufacturing start-up costs too expensive to meet our criteria

There is one class of product that meets all of our criteria, has a manufacturing lead time of less than a week in small quantities, and often permits not just an 8 – 10x markup, but a 20-50x markup:

Information Products

Information products are low-cost, fast to manufacture, and time-consuming for competitors to duplicate

A brand new Callaway golf club or Nike shoe can be duplicated and on eBay without a week of first appearing on shelves in the U.S. – this is not an exaggeration, I'm not talking about a replica, I'm talking about an exact duplicate for 1/20 the cost

Create a Product

These three of the most successful television products of all time are:

- No Down Payment (Carlton Sheets)
- Attacking Anxiety and Depression (Lucinda Bassett)
- Personal Power (Tony Robbins)

One of these moved more than \$65 million worth of information ... in 2002

Their infrastructure consisted of fewer than 25 in-house operators, and the rest of the infrastructure was outsourced

Their annual revenue-per-employee was more than \$2.7 million

There is also a guy who created a low budget hot-to DVD for less than \$200 and sold it to owners of storage facilities who wanted to install security systems – he made several \$1000s with no employees

But I'm Not an Expert

If you aren't an expert, don't seat it

Expert in the content of selling product means that you know more about the topic than the purchaser – no more

It's not necessary to be the best – just better than a small target number of your prospective customers

If you want to make \$5000 for a trip and there are 15000 readers and even 50 (.33%) can be convinced of your superior expertise in skill X and spend \$100 for a program that teaches it, that is \$5000 – those 50 customers are what I call the **minimal customer base** – the minimum number of customers you need to convince of your expertise

Expert status can be created in less than 4 weeks if you understand basic credibility indicators

If you read 3 of the top-selling books on your topic, you will know more than 80% of the readership of a magazine for the topic

Information Products

Am for a combination of formats that will lend itself to \$50 - \$200 pricing, such as a combination of two CDs (30 – 90 minutes each), a 40-page transcription of the CDs, and a 10-page quickstart guide

Digital delivery is perfectly acceptable – in some cases, ideal – if you can create a high enough perceived value

How can you tailor a general skill for your market? Or add to what is being sold successfully in your target magazines? Think narrow and deep rather than broad.

What skills are you interested in that you – and others in your markets – would pay to learn? Become an expert in this skill for yourself and then create a product to teach the same.

What experts could you interview and record to create a sellable audio CD? These people just need to be better than most.

Consider problems you've overcome in the past, both professional and personal.

How to Become a Top Export in 4 Weeks

1. Join two or three related trade organizations
2. Read the three top-selling books on your topic
3. Give one free one-to-three-hour seminar at the closest well-known universities or companies
4. Offer to write one or two articles for trade magazines
5. Join ProfNet

Now you are an PR termed “expert” who has published articles in magazines, spoken at prestigious universities, and media mentions.

Testing the Muse

Fewer than 5% of the 195,000 books published each year sell more than 5000 copies. The problem? No one wanted them.

The moral is intuition and experience are poor predictors of which products and business will be profitable – focus groups are equally misleading

Ask 10 people if they would buy your product – then tell those that said “yes” that you have 10 units in your car and ask them to buy. Initial positive responses become polite refusals as soon as real money is at stake.

To get an accurate indicator of commercial viability, don't ask them if they would buy – ask them to buy. The response to the second is the only one that matters.

3. Micro-Test Your Products

Micro-testing involves using inexpensive advertisements to test consumer response to a product prior to manufacturing

It's illegal to charge customers prior to shipments so we won't do that

In the pre-Internet era, this was done using small classified ads in newspapers or magazines that led prospects to call a prerecorded sales message. Prospects would leave their contact information and based on the number of callers or response to a follow-up sales letter, the product would be abandoned or manufactured

In the Internet Era, there are better tools that are both cheaper and faster – we'll test the product ideas on Google Adwords - the largest and most sophisticated Pay-Per-Click (PPC) engine – in five days for \$500 or less.

3. Micro-Test Your Products

Process

- **Best:** Look at the competition and create a more-compelling offer on a basic one-to-three-page website (1-3 hours)
- **Test:** Test the offer using short Google Adwords advertising campaigns (3 hours to set up and 5 days of passive observation)
- **Divest or Invest:** Cut losses with losers and manufacture the winner(s) for sales rollout

How Doug made \$10,000 per month

Market Selection

- He chose music and TV producers as his market because he is a musician and has used the products

Product Brainstorm

- He chose the most popular products available for resale from the largest manufacturers of sound libraries and arranged a wholesale purchase and drop-ship agreement with them - many of the libraries cost well above \$300 up to \$7500

Micro-Testing

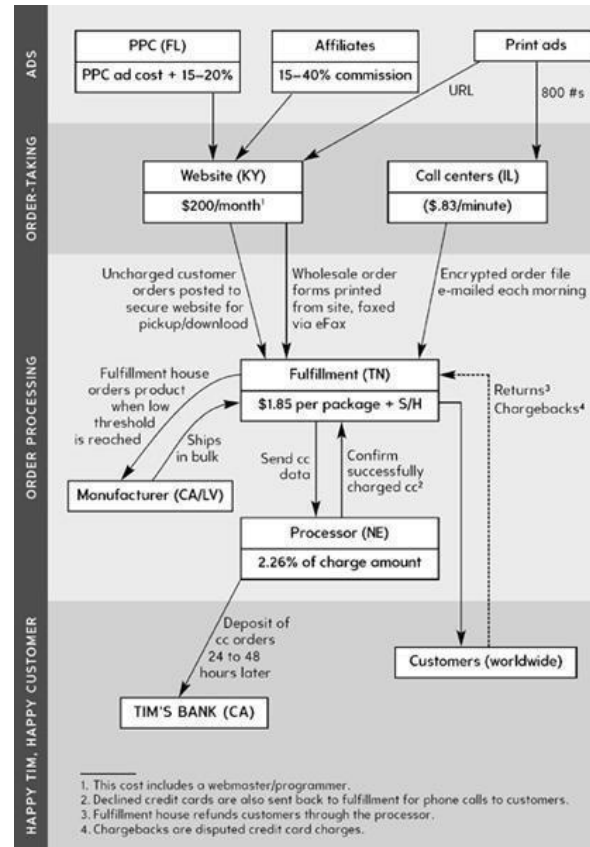
- He auctioned the products on eBay to test demand (and the highest possible pricing) before purchasing inventory. He order product only when people placed orders from him, and product shipped immediately from the manufactures' warehouses. He created a Yahoo Store with the products and began testing Google Adwords and other PPC search engines

Rollout

- Upon generating sufficient cash flow, Doug started advertising in print and trade magazines
- He streamlined and outsourced operations to reduce his time requirements from 2 hours per day to 2 hours per week

Doug created ProSoundEffects.com and makes \$10,000 per month

Anatomy of Automation – Virtual Architecture



Phases of Growth

Phase I: 0 – 50 Total Units of Product Shipped

- Do it all yourself – put a Google Voice number on the site for both general questions and order-taking
- Take customer calls to determine common questions that you will answer later in an online FAQ
- Answer all emails and save your responses in one folder
- Personally pack and ship all product to determine the cheapest options for both

Phase II: > 10 Unit Shipped Per Week

- Add the FAQ to your website and continue to add answers and common questions
- Find local fulfillment companies – narrow the field to those who will agree not to charge you setup fees and monthly minimums (usually the smallest) – ask for 3 references and net-30 payments so you can pay them 30 days after the services they provide you

Phase III: > 20 Units Shipped Per Week

- Call the end-to-end fulfillment houses that handle it all – from order status to returns and refunds
- Setup an account with one of the call centers your new fulfillment center recommends with toll-free numbers
- Reevaluate your customers

Not All Customers are Created Equal

Once you reach Phase III, it's time to reevaluate your customers and thin the herd

There are good and bad versions of all things: food, movies, etc

Decide now to do business with only the good customers

Look at the customer as an equal trading partner and not as an infallible blessing of a human being to be pleased at all costs

If you offer an excellent product at an acceptable prices, it is an equal trade and not a begging session between you and customer

Be professional, but never kowtow to unreasonable people

Instead of dealing with problem customers, I recommend you prevent them from ordering in the first place

Customer Options

Remember the classic 80/20 rule

Avoid the 10-15% of customers who create 40% of the expenses and eat 40% of your time

Those who spend the least and ask for the most before ordering will do the same after the sale

Cutting them out is both a good lifestyle decision and a good financial decision

Low-profit and high-maintenance customers like to call operations and spend up to 30 minutes on the phone asking questions that are unimportant or answered online, costing – in Tim's case - \$24.90 (30 x \$0.83) per 30-minute incident, eliminating the minuscule profit they contribute in the first place.

Those who spend the most, complain the least

Good Customer Policies

Don't allow Western union, checks, or money order

Raise wholesale minimums to 12-100 units and require a tax ID number to qualify resellers who are real businesspeople and not time-intensive novices. Don't run a personal business school.

Refer all potential resellers to an online order form that must be printed, filled out, and faxed in. Never negotiate pricing or approve lower pricing for higher-volume orders. Cite "company policy" due to having had problems in the past.

Offer low-priced products instead of free products to capture contact information for follow-up sales. Offering something for free is the best way to attract time-eaters and spend money on those unwilling to return the favor.

Offer a **lose-win guarantee** instead of free trials

Do not accept orders from command mail fraud countries such as Nigeria

Make your customer base an exclusive club, and treat the members well once they've been accepted

How to Look Fortune 500 in 45 Minutes

Don't be the CEO or founder

- Give yourself a mid-level title of VP or Director to increase negotiation power and not appear to be the ultimate decision maker

Put multiple email and phone contacts on the website

- Create separate email addresses for HR, sales, general inquiries, media/PR, investors, order status, etc

Set up an Interactive Voice Response (IVR) remote receptionist

- Set up one for fewer than \$30

Do not provide home addresses

- Use a PO box, but remove the PO Box from the name and just include the street address of the post office itself

Perceived size does matter – project professionalism with a well-designed image

Figure out what do with your free time

Take mini-retirements

Quit your day job

Sit on your butt

Create more companies

Take up a few new hobbies

Become an expert in something else

The End
