PROFIT ALCHEMY More traffic... more sales... more often

MDJV Questions and Answers

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Presentation math

In the section on the sales presentation for the Product Side you say 30% will take up an offer, but later on you then refer to a 5% conversion rate. Can you explain please?

I don't recall where I mentioned the 5%, but in actuality the two figures are quite similar. The 30% in the sales presentation refers to a sales increase of 30% over the period the product would normally be sold. So if the JV consists of two mailings, three days apart, the period of those sales will be about a week.

If the product side would normally see $10,000 in sales from their own marketing efforts, they should then see at least $3,000 in additional sales from the Joint Venture. Now, if you do the math, in order for each side to realize $3,000, the total sales must be $7,500. Each side's share of 40% would come to $3,000 and your 20% would be $1,500. (By the way, I've used the numbers in this example to make them easy to follow).

In actuality, the amount of sales will depend on the size of the list. That's why you see in the majority of the testimonials from my own clients, the sales increase – for the period the sale covers – usually ranges from 60% to as much as 400%. Put simply, if the product is good and it's being sold to a quality list that hasn't had much exposure to that product, sales will often be exceptional.

OK, now let's talk about the 5% conversion rate. I use this figure primarily for people who are obsessed with open rates, click through rates and conversion rates. Typically, a good offer to your own list will convert at somewhere between one-half of 1% and 2%. But as I just mentioned, when a quality list is exposed to a quality product by a list owner who they trust, sales usually convert at about 5%.

So using either metric, your clients come out far ahead of the game by participating in joint ventures.

Targeting the right kind of partners

I had a company decide against working with me because their profit margin was only 9%. She said there was not enough profit to split. Should we generally avoid low profit margin companies?

I've covered this extensively in the materials, but I'll be happy to answer it again. Ideally, you want a product that sells extremely well and has a high profit margin.

That said, if a product is extremely attractive and the sales volume will be high, the profit margin could be lower. But 9% is very low and I would avoid that. I usually look for a profit margin of 40% or greater.

However, don't confuse the profit margin of a product with the company's annual profit (which many clients do). For example, a company that manufactures fishing lures may have an operational profit of 15%. But if a lure sells for $10 in the stores and the store pays a "keystone" of $5 to the manufacturer, the profit margin is actually 75% because the typical manufacturing price would be $2.50 (half of what the manufacturer charges the retailer).

Business naming/selecting your title

What's a good name to use for my company if I'm starting out new? Strategic Partnership Consultant (you mentioned this) Strategic Joint Venture Consultant?

First of all, the two items you mention are titles, not business names. I prefer "Strategic Partnership Consultant" or even "Profit Growth Consultant" because many people still don't understand what a joint venture is.

As for business names, I can't give you a specific recommendation. But the guidelines I've always used have been to keep it simple and avoid trying to sound overly clever.

Company web site

Do you see any downside in setting up a small (1-2 page) website to be used to generate more potential clients and to refer potential clients for some general background information on how "deal making" processes would benefit them? These days it seems like any company that doesn't have a website is barely considered to be in business.

No, I don't see any downside at all. However, at the same time, there's no requirement to have a web site in order to broker joint ventures. Many of my successful students didn't have a web site to start off with. And even on my own web site, I didn't include any material for years on joint ventures even though brokering them was a significant part of my business.

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So it's really up to you. If you can put up a web site quickly without it taking much time away from the core process of doing your joint venture deals, then by all means, go ahead and do so. But don't feel that you must have a web site before you can start brokering JVs, because it certainly is not a requirement.