

Business Start-Up fact Finder Manual

MAIL ORDER BUSINESS

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Mail Order

Vital Information

Start-Up Investment

Low - \$1,000 home-based. owner-operated with items drop shipped by supplier.

High - \$500,000 catalogue sales, several mailings, with items shipped from a company warehouse).

Break-even time - Four months to four years

Estimate of Annual revenue and Profit

Revenue \$50,000 - \$1.5 million

Profit (Pre-tax) - \$5,000 - \$450,000

The Time Has Come

In seven out of ten households in America today, no adult has the time it takes to go shopping during the day. Consequently, junk mail isn't so "junky" anymore. People who used to hesitate before purchasing large ticket items via the mails are now ordering everything from artichokes to zip lock freezer bags and there is nothing to indicated that this trend is going to change.

People are also beginning to realise that mail order can be the least expensive way to shop. The cost of merchandise purchased through the mails can be considerably lower because the mail order distributor isn't paying a high price tag for overhead items such as an expensive sales force or a fancy showroom.

Stand out In The Crowd

one of the ways to make a profit in the mail order business is to find a way to stand out -- to get a gimmick -- find a unique product to sell -- find a product that isn't being sold in every store or on every street corner. The question is not so much "What can be sold by mail" as it is, "What can I sell by mail?"

After you've decided on a product (s) or particular line of products, do your homework. Make the rounds of stores, street fairs, flea markets and trade shows. Check out advertising in magazines and pay close attention to the "junk mail" you receive. If this product you're interested in seems to show up everywhere you look, you may want to rethink your choice. If you have a strong sense that this product will sell and there is a

market for it, Then you can begin to consider how to market your product.

Competing with the Big Boys

Now that you've decided that every household in America really wants to own one of your pink furs and you are pretty sure that not many other folks are selling pink furs, you need to decide how to go about letting all these potential customers know that you have the best pink furs on the market. How?

You could put together a beautiful catalogue with gorgeous models wearing your pink furs. But keep in mind that the cost of shooting, printing, and distributing a catalogue may be prohibitive and may require an investment of \$100,000 or more... You will also have to have enough stock on hand to meet the demand inspired by your catalogue and a place to warehouse all the pink furs you know you'll be selling. When deciding how much product to stock, remember that the Federal Trade Commission requires you to ship products within thirty days of an order so you don't want to advertise a product you can't readily supply.

You may wish to pursue a slower and less expensive path as you begin your mail order business.

Remember, the Tortoise Beat the Hare

You may want to begin your mail order business as part-time venture. You could stock just enough pink furs so that you can store them easily in your garage or basement, set up a distribution area in your basement with boxes, wrapping paper, and shipping labels so you can do your own shipping. Or, you can even have your product drop shipped. In this way you can keep your overhead low and your initial investment to a minimum. This type of business often takes two years or more to really get going, so beginning in your spare time, while you continue to bring in money, may make you one of the winners.

Putting Your Best Foot Forward

Many consultants to the mail order industry suggest you begin with a small classified advertisement, strategically placed, in a publication with similar mail-order ads. This allows you to begin selling your product and tests the validity of your product choice. This is also the place you can start to collect the names necessary to begin compiling your mailing list. Those in the know say you need at least 10,000 to 12,000 names (people who have actually purchased products from you) before you begin putting together your catalogue.

Pick your advertising media on the basis of their value in reaching the type of inquiries that would be interested in your specific offer. Go over the classified advertising sections of the magazines or newspapers that seem suitable carefully. In short,

explore any evidence to show that your ad has a good chance of producing results. Once you've decided where you are going to run your classified ad, the next step is the ad itself.. It should be specific, direct and honest. It must ATTRACT ATTENTION, SECURE INTEREST, PRODUCE BELIEF OR CONVICTION, and finally GET THE PROSPECT TO ACT. When writing the copy imagine yourself talking personally to the person at whom your message is directed. The advertising must get read - get action. Make every bit of space count. Before placing your ad, compare it with those of your competitors, and make sure that yours is better, or at least just as good if you expect to get a good response from your advertising.

Tracking Your Advertising

You will want to be able to easily ascertain which of the advertising media you've chosen get the best results. The simplest way to track your advertising is to "key" your ads. Put an indicator in the name or address that will immediately alert you to the publication which elicited the positive response, i.e., Suite 1-A (1-A indicated which publication the response came from). By this means, you will be able to eliminate your advertisements from unproductive ad media, and reinvest the savings in more fertile publications.

The Secret to Success

There are six words that pack a terrific wallop in mail order copy. These words are "Free," "New," "Amazing," "Now," "How=To," "Easy." All successful classified advertisers use one or more of these words in almost every advertisement they write. The first few words in any advertisement are all-important. Give this matter Careful study. If your ad gets off to a good start, you are on your way to success.

While the word "Free" has been greatly abused in the past, it still is mail order's biggest drawing card.

Always remember to incorporate that magic word "guaranteed" into your sales literature. It gives the prospective buyer confidence to know that he can get his money back if he is dissatisfied with his purchase, and consequently makes the order much easier to obtain.

Other Alternatives

Mailing Lists or direct mail offer a convenient method of securing business quickly by reaching a concentrated audience within a very short time. This method features broad coverage at low cost, but like any form of promotion, it should be used smartly and the pit-falls must be avoided. Only when the campaign is well thought out, and when the selectivity of the prospects or "mailing list" is such that each name

represents a potential customer, can direct mail be considered an economic form of promotion. The mail order industry considers a 1% response rate average, 2% to 5% is amazing. This equates out to just 500 orders from the first 50,000 names you contact via a mailing list.

Newspapers: Although the most widely read publications in America are the local daily newspapers, this medium has decided limitations for mail order use, especially for the small operator. A newspaper is usually only kept for one day unlike a magazine which may be saved for months, possibly gone over carefully by other members of the family, loaned to friends, or is on file at the public library.

And Sundries

Find out about postal rates and services. You may be able to send your products via third class or bulk mail. A postage meter may be of use to you.

Finding a good printer is another area where you should really watch your pennies and the quality of the service provided. The quality of your sales literature is a very important factor, and can easily determine the difference between success and failure. You can't very well expect poor quality literature printed on cheap paper to produce satisfactory results. And, not only will you need a printer for you catalogue, but you will need to have brochures, business envelopes, letterhead and a number of other basic supplies. Shop around, get the best possible price.

Don't Drop the Ball

To build up a really successful mail order sales operation, it is smart to have a well organised and planned follow-up system. Once a customer has been established, you have a valuable asset that should be utilised to the fullest extent. The easiest person to get a sale from is someone who has already purchased your product.

...it's an Adventure

Yes, it does take a while to get the ball rolling, but once a mail order business hits its stride, it can be much more lucrative than a retail store. It's not as labour or capital intensive as a retail store and should net 15% to 25% after taxes.

While the mail order business is not a walk in the park, it is a great adventure calling for initiative, integrity, good judgment, lots of courage and determination. You probably have some or all of these qualities or you wouldn't even think about starting your own business. There will most undoubtedly be some ups and downs, but if you stick with it, you could find yourself with a truly lucrative enterprise.

Resources

Industry Associations

Direct Marketing Associations, 6 E 43rd St., New York, NY 10017 (212) 689-4977

National Mail Order Association, 5818 Venice Blvd., Los Angeles, CA 90019 (213) 934-7986

Regional Associations (check with Direct Marketing Association, above for a group in your area.)

Publications

Direct Marketing Magazine, 224 7th St., Garden City, NY 11530
(516) 746-6700

NonStore Marketing Report, The Catalog Marketer, The Business to Business Catalog Marketer,
all at 731 N Cascade Ave., Colorado Springs, CO 80903 (303) 633-5566

Direct Response, The Digest of Direct Marketing, 25550 Hawthorne Blvd., Ste 114, Torrance,
CA 90505 (213) 373-9408

Consultants

Michaelson Direct Marketing, 307 E Chapman Ave., Orange, CA 92666 (714) 538-2368

J. Schmid & Assoc., 3209 W 68th St., Shawnee Mission, KS 66208 (913) 236-6699

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Siedlecki, 2674 E Main St., Ste C170, Ventura, CA 93003 (805) 658-7000

For additional information helpful in setting up your new business, information about licenses,
permits, the legal structure of your business, taxes, insurance and much more refer to the

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