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Interview with Joe Sugarman from BluBlocker



Adrian Bye: Why don't we talk about, for people that don't know anything about Joe Sugarman and BluBlockers and the things that you've done, why don't you tell us just a little bit about who you are and some of the things that you've accomplished in direct marketing and business?

Joe Sugarman: Well boy, I started out actually in the military – actually it started out in high school. I was a photographer and I also had a column in the newspaper and I got kind of bored with the newspaper and I decided I'd start my own magazine. And I did and I hired staff and came out with the first issue and everybody just loved it. And I never came out with a second issue because I had to graduate but that was my first venture into publishing. And then when I went to college things were kind of rough, I couldn't pay for my tuition or

my expenses, I was at the University of Miami and taking electrical engineering. And so what I did was I'd write ads for local businesses and I was so successful in doing that that pretty soon I had like an ad agency and I was, instead of getting paid for it I got like clothes or I got food or I got, in other words in kind type gifts and so I ended up with, I was the best dressed, best fed guy on campus and I had a little business there, so that worked out pretty nice. And then I had three and a half years into my electrical engineering degree and I was getting very good grades and then they put up the Berlin Wall in East Germany and I had to, the Army drafted me and despite the fact by the way that I was in ROTC, I was going to be a second lieutenant in another six months but according to their regulations I didn't register and therefore I had to go in. And while I was in basic training they gave the whole company of 2,000 men a test and I was the only one that got 100 on it and they pulled me out of the company and they said, "Look it, you're eligible for being in military intelligence." And I asked what that meant and they said, "Well you'd have to put in an extra year but we'd teach you a language, we'd send you overseas to some exotic location, we'd send you to a spy school where you'd learn

how to be a spy and learn intelligence operations and it would be very interesting. And we really want you because you're really bright and you've got a good...you did so well on the test." So I decided to do that and sure enough they sent me to Fort Halibert in Baltimore which was a spy school and I learned how to be a military intelligence operative. And then they sent me to Germany and to two different schools where they taught me how to speak fluent German with practically no accent whatsoever, I mean I was very fluent in German.

Adrian Bye: (speaking German)?

Joe Sugarman: Yeah, I kind of learned some (speaking German).

BLUBLOCKER.

Adrian Bye: (speaking German)

Joe Sugarman: Okay. Well anyway, so I spoke German and I also incidentally later in life appeared on German television selling Blue Blocker Sunglasses in German, so I did finally make use of that language besides military intelligence. Anyway that was a lot of fun, well probably one of the most interesting times in my life because although there was no war going on at the time we were always in war with the enemy because we were always looking for intelligence information or recruiting spies or debriefing spies. It was very interesting and it was at a time when the electronics that the military used for eavesdropping were very small but certainly no comparison to the way they are now and I was involved in that as well, so my electrical engineering background played a role in that too. Well I did that for about three years and had a great time and then met somebody, some people who wanted me to sell ski lifts in the United States. And I remembered I had a friend who was a civil engineer and I called him up and I told him to come to Europe, that I wanted him to meet these ski lift people who wanted me to sell their ski lifts. And he came out and we worked out a deal with them, went back to the US and we formed a ski lift company, and I did the advertising and marketing and my partner did the sales and installation. And we, I started some really great, novel mailing pieces and there was like maybe 500 resorts at the time and that was my mailing list but it was a very important mailing list and so I could spend a little bit of money on each mailing, and I did and I started getting this terrific response. People were saying, "Well look it, we love your advertising but we don't want to buy ski lifts we just want to know who does your advertising, we'd like to talk to them." And it turned out that I ended up with about four or five advertising accounts as opposed to ski lift accounts. In other words I was doing advertising for four or five of the ski resorts that liked our advertising but did not buy our ski lift. So I did that for a while and I really enjoyed it and I gave my interest in the ski lift company to my partner who continued the company and did fairly well. I decided I'd just go into advertising, I really enjoyed that and I wanted to get more accounts. And so I ended up doing a number of projects, one of which – well I did a lot of political candidates, people who were running for office from the governor's race to the state's attorney's race, this was all in the Chicago area. And I did fairly well, 85 percent of my candidates won, which was a pretty good track record, however 50 percent...

Adrian Bye: I've always wondered, I mean we see that direct response plays a big role in the political campaigns, would you say is that the best place to look at direct response? I mean is that the most competitive arena, more so than financial stuff?

Joe Sugarman: Well I think it's one of the arenas. There are times when, in political campaigns you want to get name recognition and you want to get a few points across, you don't want it to be too complicated. And so my role was getting the name across and the accomplishments and very often putting some sort of response vehicle in the message so that people then get involved and they respond and they support you. But it's not any different than any other form of advertising, other than the fact that you try to get across a picture of the individual and you try to get across their name and you try to get across their message so that people recognize them and know who they are. As I was saying, 85 percent of my candidates won but 50 percent of those 85 percent eventually went to jail, but that was Chicago politics that wasn't my fault, so.

Adrian Bye: Right.

Joe Sugarman: Anyway, so we did that for a while and then one day, and this was a very...fateful day, I was looking through *Business Week* and I saw an article about a pocket calculator that had just been developed by a company called Bomar in Massachusetts using components from Texas Instruments in Texas and being assembled in Indiana and it was just a conglomeration of different people playing a role in producing the first pocket calculator and this was, I believe it was 1971. And I read that article, cut it out and I said, "This would be a great product for one of my clients who is in the electronics business." And I brought it over to them and they looked at it and they said, "Who the hell would pay \$240.00 for a thing that added, subtracted, multiplied and divided? I don't think this product's worth anything." And so I went back and I thought about it and I said, "You know I think this product is a good product, I'm going to go for it." So I contacted the manufacturer and I decided I would sell it myself. And I didn't have quite enough funds to really do a decent campaign so I borrowed about \$12,000.00. Friends, relatives, people who knew me and supported me and so I ended up with \$12,000.00. And I sent out a mailing list after of course contacting the company and they were very interested in having me do the campaign because they were bombing at the retail level, they were not selling many pocket calculators because it just stood on the shelf for the same reason, who would pay \$240.00 for something like that? Well anyway, I decided a direct mail campaign would be the way to go so I came up with a direct mail letter and a flyer and an envelope and an order form and sent it out to about 50,000 prospects. Now the mailing totally failed, I lost half the money, but I trusted ten different mailing lists. Every order form had a different code on it, every mailing list I should say, had a different code on the order form so I was able to determine that eight of the lists that we used were not successful; two of them were and they were very successful. And just as an aside, they were the two lists that I put in at the last minute that I thought had no chance and so you never know. I mean I'll give you one example. I thought well...

Adrian Bye: So in this case you actually tested the lists? You weren't testing the copy, you were testing just the lists against your copy?

Joe Sugarman: Well yeah, I had the one message and I had ten different lists to send that message to.

Adrian Bye: Right.

Joe Sugarman: And but anyway just as an example. One list was to accountants, I thought well for sure accounts could use a pocket calculator. And then the one that I had thought had no chance was the chairman or chief executive officers of 500 million dollar a year companies or bigger...and I thought or something like that. It was somebody that I thought would probably never have the time, whose mail would be screened by their secretary, who wouldn't even respond to advertising mail, and I was kind of reluctant to send it out. Well that turned out to be the best list. So I went back to my investors and I said, "Look it, stay in, we're going to do a mailing just to this one list." And at the same time the manufacturer, at the time it was – oh, and I used the Craig Corporation name, that was the other thing I forgot to mention, they called themselves the Craig Calculator. So I talked to them and they decided they were going to lower the price to \$180.00. So here I had the best list at a lower price, sent out the mailing and it did fabulously well. And then I took that same copy and I redesigned it for a print ad in the *Wall Street Journal*, the back page of the *Wall Street Journal* and I ran it in that and that just buried me with orders. In fact it was so heavy that Sears and all the other major department stores woke up to the fact that this might be a big product and they wanted it. And so I was competing not with other manufacturers, I was competing for getting product as opposed to competing within the selling process. But anyway, I did that, we did very well with that calculator, we had another calculator, we had several calculators after that and then we started getting into electronic products, digital watches, and we became very successful in running these...

Adrian Bye: Well when you talk about, like with the calculators for example, what kind of volume of calculators were you moving?

Joe Sugarman: Oh, I would say in the thousands, several thousand, and don't forget they were \$180.00 so that amounted to a lot of money and then eventually the prices started to drop. Well in about 1973...

Adrian Bye: And this is 30 years ago as well isn't it?

Joe Sugarman: Yeah, oh yeah, it was a long time ago. Now something very interesting took place in 1973. Whenever we'd run an ad we'd have the ad in the news, in let's say the *Wall Street Journal*, we'd wait a week for all the response to come in, then we'd decide if we wanted to roll out in all the other magazines and very often we'd just test one edition of the *Wall Street Journal* and then if that worked we'd go into all the other editions in the Journal, so it was always a time-consuming process. But I also noticed that many times I would get calls on the telephone from people who would say to

me something like, "We're in desperate need of a pocket calculator. I'm going on a trip; I don't have time to wait to send in the order form, could you please send me one? I'll give you my credit card number, just sign my name." Now at that time it was illegal, you had to have a signature on a credit card voucher. Well I did that, I accepted the order over the telephone and I did this for about a year and I noticed that nobody ever ripped me off, nobody every ripped me off. So I said, "Well...this might be a really good way to test and see how much, how well I could do." So I got a toll-free



number and I set it up in the basement of my home. I was still operating out of the basement of my home by the way. And I set up the toll-free number and I sat back and I ran this ad in the *Wall Street Journal's* southwestern edition, which is the smallest edition, and went to the basement that morning and from that morning on until late in the evening we were getting phone call after phone call after phone call. We broke even before noon and we had, of course, all of our answers to that product, its success and everything, by that evening, and that was the start of the use of the toll-free number. And we did this for about a year before anybody else really figured it out. In other words I had calls from some of my competitors and they said, "Hi, how are you doing? I bet you really

get ripped off." And I would say, "Well you wouldn't believe how we get ripped off." I mean I didn't want to lie to them but the point was we didn't get ripped off. And we did this for about a year and finally everybody caught on, and it was about that time the catalogues took off too because now with toll-free numbers people could very easily order from catalogues; fulfillment centers blossomed as a result. So that one little test that we did, that one very successful test that we did eventually created not only an industry in direct marketing but also inspired the growth of catalogues, inspired the growth of many companies who heretofore did not advertise and did not use toll-free numbers. So that was probably one...

Adrian Bye: So your breakthrough there was allowing consumers to make orders without having a signed receipt?

Joe Sugarman: That's right. In other words, they just called a toll-free number and gave the order over the phone, before that that was not even allowed. And then the funny part about it was that AT&T, I think was Bell Systems at the time, used our company example as an example of a company using a toll-free number and succeeding. So we had a lot of recognition after that as well. So that was the...

Adrian Bye: Did you get any problems from the credit card companies?

Joe Sugarman: No, no trouble, no problems at all, not at all, not at all. It was one of these things where they realized that there was a hell of a lot of potential in direct marketing and that if done right...that they were going to benefit as well, so they never talked to us at all. Now one of the...

Adrian Bye: So you took all the risk by doing it, by actually taking the orders the risk was on you if customers went and complained but because they didn't it was okay?

Joe Sugarman: Oh, yeah, and the customers of course didn't complain. And...eventually you did have a few bad credit cards and you had a little bit of fraud but it was very minor, it was very minor. But for that one year that we took these orders over the phone, and who knows how many I took, maybe it was 100, maybe it was a couple of 100, but during that one year we never got ripped off and so it turned out to be a very successful, very good opportunity to expand our business. And that really expanded our business as well and we really took off and because now we were running ads not just in the *Wall Street Journal* but we were running ads in every magazine we could get our hands on and we did very well, did exceptionally well. And then one day I was driving down the 405 Expressway in Los Angeles and it was a real bright day and the friend that was taking me to see a new electronic product handed me a pair of sunglasses and he says, "I see you're squinting try these." And I put them on and I looked through them and I said, "Wow, this is really interesting and everything seems so sharp and clear and yet everything is so bright. What is this?" And my friend explained to me that these were the sunglasses that the astronauts wore and that it was from a friend of his who made them for NASA and, but the guy was going bankrupt and these were too expensive and you don't want to sell these and all the reasons why not to sell them but boy it sure seemed to me like a great product. Anyway to make a long story short, when I got back to Chicago, my home base, I was doing a catalogue for United Airlines, eight pages, and one of the products we had in that catalogue dropped out and so I had to fill it with something. So I called my friend and I said, "Please, please, send me that product that you had that blocked all the blue light and...that the astronaut..." And he says, "Yeah, but you're not going to be able to get them from the manufacturer." I say, "Well I'll get them from the Far East, I'll get them somewhere I just need a product." So he sent me the product, I wrote an ad in a couple of hours, put it in that catalogue and then arranged to get product shipped from the Far East so that we would have inventory. And the results came in after the first couple of weeks and I looked at the results and I couldn't believe it, the sunglasses out pulled all the other products completely. In other words, whatever we sold in the other products we sold much more of the pair of sunglasses. Well I saw this as a great opportunity for branding and I called them Blue

Blocker and I had the capability of rolling out nationally in all the magazines because we were doing that anyway, and I said, "I'm going to create my own brand." And so I did that and I advertised everywhere. I spent a million dollars on print advertising over about a seven-month period and I sold during those seven months 100,000 pair. Now remember, it took me seven months 100,000 pair. About the same time at the end of that campaign they had announced that they now allowed half-hour commercials, half-hour infomercials and I said, "Oh, this would be a great opportunity to sell a pair of my sunglasses." And everybody thought I was nuts because, how do you need a half hour to sell a pair of sunglasses? But I did it and produced the first show and this was 1986, and I produced the first show and it ran and in one month we sold 100,000 pair. Remember I said it took us seven months, well in one month I sold 100,000 pair. And I ran several infomercials, I ran a total of 13 infomercials for a variety of products but four of them were for Blue Blocker Sunglasses and that was over a six-year period. And at the end of that six-year period we were shipping about 300,000 pair a month, in just one month and we did that for several months, so we had a very successful program. And then we took the product to Walgreens Drug Stores here in the US and they had, oh maybe 3,000 stores at the time. And they were burned by somebody who had presented a knockoff of our BluBlockers to them and they bought 30,000 pair of them and they were stuck with them and they were really very cautious about taking on our product. But they did and within I'd say a day and a half it took and they were sold out, they were absolutely blown away. We had to ship by Fed Express; we had to ship all over the country to their warehouses so that they could keep up with the demand. And then something similar happened with QVC. We went on QVC, they gave us five...

Adrian Bye: Actually before we go onto QVC, well there's a book about the Thigh Master by the guy who brought out the Thigh Master and talked about how he branded it on TV and then that enabled other channels, like retail where he was able to sell and drive a lot more volume. Is that, that's the basic strategy you follow and did that drive a lot more volume for you, did that open those channels that wouldn't have worked otherwise?

Joe Sugarman: Well there are some products that would work very well that way because what you're doing in an infomercial is you're establishing a brand. Now I don't think you have the same power when you're on QVC. QVC is like a separate media, usually there's not as much crossover. But if a product appears nationally on let's say an infomercial or a spot commercial then you have this mass awareness of this product and that's when QVC is interested in your product because there's already the awareness, there's always the knowledge that people are already familiar with your product and so QVC then like to respond to products like that. Obviously they'll take products that have no exposure as well but if you do have a lot of exposure and your product is well recognized they want it because they know they can sell it to their clientele.

Adrian Bye: You wouldn't have got into Walgreens would you without the branding equity that you built up for...

Joe Sugarman: Oh, no, not at all.

Adrian Bye: Okay.

Joe Sugarman: Not at all, not at all, not at all. Of course we also created a lot of competition. We created people that tried to knock us off. There were cars pulled over to the side of the road with signs that said, “BluBlockers Sunglasses \$5.00.” And people were selling sunglasses out of their trunk, knockoffs of ours, nowhere near the quality or the safety of ours but they were doing it and they were doing it quite well. And in the beginning I was really annoyed because there were so many of those cars and knockoffs at county fairs and all this and it was just impossible to stop and yet the positive part about it was it solidified the brand name, people knew of Blue Blocker Sunglasses, I mean it became a very popular brand. So all of that helped...get on QVC and of course it helped on Walgreens, and both Walgreens and QVC and any retail chain appreciate the exposure because that drives sales and we certainly did it with Blue Blocker, so that worked out really well. So anyway, that’s the background of Blue Blocker. We’re still at retail and it’s been 15 years and actually 21 years since we started. We’re still with Walgreens and we’re still with QVC and for QVC that’s a real unusual feat, to be on with a single product, a single brand for 15 years. I don’t know of any other product, well there might be a few but very few, that can claim that. And the company’s been in business 21 years and we’ve been helping people. One of the things that I’m proud of is the fact that before we hit the sunglass scene people weren’t aware of the fact that ultraviolet light was bad for your eyes or that blue light caused a form of blindness or any of these things. And because of our national advertising campaign we educated the public and as a consequence a lot of people then looked for this protection and protected their eyes, so who knows how many people’s eyesight we protected and probably to this day they’re able to see properly without having to be blinded by some of these rays, but it also changed the whole industry because now the industry had to compete with us so they had to block all the ultraviolet rays. And so the benefit to the consumer was that we were educating them and we were providing a product that truly protected their eyesight. So that’s probably one of the – and another thing that I’m very proud of is the fact that we really served our community, served the public and came up with a product that really, not only worked but that helped them a great deal. And I believe that you do not, you’re not rewarded financially or successfully unless you really do provide value to the consumer, and the value of course that I provided was what I just mentioned. So anyway, that’s...

Adrian Bye: Would it belong to that question then, when you’re talking about providing value, one of the things that most direct marketers are always looking for is a backend. What kind of follow on sale, like when you’re doing your 300,000 sales a month of sunglasses, did you have any backend follow-up products?

Joe Sugarman: Oh, absolutely. Infomercials today I think depend on the backend. Back then we were doing so well at the front-end that the backend wasn’t as significant but we still had a backend. We had the lens cleaning kits, we had children’s sunglasses, we had you buy one you get one free, we

had...different offers that we'd constantly tweak and that added a very nice component to our profitability. And you don't in fact...

Adrian Bye: And what products worked the best?

Joe Sugarman: Yeah, in fact it's – you must. I can't even believe that everybody doesn't realize this. If you're on television or in any kind of marketing and you take orders on the telephone, you have to have a backend or you're missing a lot of business.

Adrian Bye: Right. And which backend worked best for you, the lens cleaning?

Joe Sugarman: Well I think two for the price of one was the most effective. I think it was either the lens cleaning, it was close. It was the lens cleaning kit or the children's sunglasses, one of those two. And it was a simple offer, we had either a pair of aviator sunglasses or a pair of clip-ons for people that had prescriptions, so we covered the entire market, which is another thing about television is that you have to have a product that reaches the masses. In other words, it has to appeal to the masses. You can't have a product that, let's say for tennis players or for...

Adrian Bye: Right.

Joe Sugarman: ...yeah, it's too narrow a category; you have to have a product that appeals to a mass market. I know there's been golf products...for people who like to play golf, know there's been tennis products, but usually they're not that successful and they don't last very long; the ones that last long have a very, very broad market. For example, Guthie Ranker's acne product...

Adrian Bye: Proactive, yeah it's amazing.

Joe Sugarman: ...Proactive, I mean that thing is – and what's great about it is it's a continuity product.

Adrian Bye: Right.

Joe Sugarman: Now one of the things that Guthie Ranker does and they only do is continuity. In other words...

Adrian Bye: Right.

Joe Sugarman: ...if you buy one and then automatically every month they ship you another one. And I've dabbled in that and that has been extremely successful for me. We sold vitamins for about two years and then stopped going on TV but filled all the orders, and for the next ten years those vitamins would just keep selling; the profit made from the continuity paid our overhead and we had a couple of products like that.

Adrian Bye: Right.

Joe Sugarman: So continuity is where it's all at. If you can come up with a product that you can automatically ship every month you have got a very potentially successful concept.

Adrian Bye: So two more questions then around the BluBlockers and just in your general experience. When you'd get people calling in to order what kind of up sales would you have for them and then how did you make sure that the sales stick and didn't refund, because I imagine you did a lot of testing in both of those?

Joe Sugarman: As far as up sales?

Adrian Bye: Up sales and then, yeah, making the sale sticks and they don't refund.

Joe Sugarman: Well first of all every time we'd run a television commercial it was a test. By that I mean if for example, we'd go on one television station in one city and we'd monitor the results. If the results were good we'd continue. If the results started to fade we'd start monitoring it very closely. And so the television commercial itself, putting aside the backend and all those other things, was something that was constantly being checked and tested. The biggest mistake that many direct marketers make who went on television is they didn't monitor all the results. And so they may have been running on stations that weren't producing any profit at all and eventually that caught up with them and many of them made millions and lost millions and went bankrupt. So what we did is we monitored every, every commercial that ran on every station in every market and we knew when something was starting to fade or when there was a problem or when a commercial never even ran; sometimes a commercial wouldn't run and we wouldn't get any sales and we knew something was wrong but we'd monitor that. Now we'd also monitor and test different backend items...up sales and we'd test different ways to present the up sale. In other words, there are sometimes where you've just used a few key words and it triggers the sale, whereas if you used another few words you just wouldn't get the response. Now I don't recall exactly the test results and what words we used and all those kind of things but I do recall that we did test all of that and different products, from the children's sunglasses to buy one get one free, to the lens cleaning kit, to putting different prices on different things so that we could determine which price point drew the biggest response. And if I had to leave any important lesson with anybody it is that testing should be an integral part of everything that you do forever. And I'll tell you, I have made a mistake too that costs me millions of dollars because I didn't test. And what it was, was that after – when I ran that first toll-free number I had a coupon, dotted lines, name address and all that stuff, and then in very small type above the coupon it said, “credit card buyers call toll-free to order” and that was the little line that drew this tremendous response. Well after a while I noticed that 95 percent of my orders came in on that toll-free number and I said to myself, “Why do I even need a coupon? If people wanted to order it they can just fill out their name and address on a piece of paper and send it in, it's the same thing.” So I eliminated the coupon and I just put in the toll-free number and I put it in large of course so people could see it very easily, and I thought this was the way to go. Well anyway, I read a book; it was from Dayton Bird I believe, who is a gentleman out of England, about direct marketing and in his book he

said, "You should always have a coupon, you should always have the dotted lines." And I said, "That's ridiculous" I said, "but you know I've never tested that." So I had the opportunity because we were doing another catalogue for one of the airlines and I put in the dotted lines, I had the regular coupon; then I had it the way we normally run it with just the toll-free number, and I ran a test and it was like every other copy had a different look...in other words, half the copies had it with the coupon and half of them did not, and actually I had a few other things I tested in that as well. But anyway, the bottom line was that the coupon out pulled the way I had been doing it by 20 to 30 percent. In other words, I had been leaving millions on the table because I never tested that one aspect. And so from then on of course I always used the coupon, even though...

Adrian Bye: So even though they were calling in on a toll-free number they still responded better just because it was in a coupon box?

Joe Sugarman: Well, yeah, and I think what it did is it sent the message that this product could be bought off the page. In other words, you can buy this product via mail order, whereas before even though it had the toll-free number it didn't say, 'you can buy this off the page', it basically might have just looked some sort of advertisement. I don't know. I absolutely don't know. I do know this that direct marketing is very counterintuitive and the things that you think should work very often don't work and the things that you think shouldn't work sometimes do work, so that's why testing is critical. Now, well anyway, the BluBlockers has been going on and we celebrated our 21st year last year.

Adrian Bye: Well I even saw you on *The Simpsons*.

Joe Sugarman: Say again?

Adrian Bye: I even saw you on *The Simpsons* that's what I was very impressed by.

Joe Sugarman: Oh, yeah. Somebody said that the *Simpsons* even had talked about BluBlockers.

Adrian Bye: Oh, you haven't seen it?

Joe Sugarman: No, but I heard about it and that as enough people...

Adrian Bye: I mean I was watching *The Simpsons* and then suddenly along came Joe Sugarman selling BluBlockers. I was a little bit stunned.

Joe Sugarman: Yeah, isn't that funny. I heard about that but I have not personally seen it but anyway that is funny. Anyway...

Adrian Bye: Have you made it into any other kinds of...well what other kinds of sort of off-beat stuff has happened since you made the BluBlockers like that?

Joe Sugarman: Oh, we've for example, *There's Something about Mary*, the movie, we were in there. Matt Dillon used our BluBlockers throughout the entire movie; he was a villain in the movie or whatever, and so, yeah, we had, he used that. And a lot of times I go to the movies, this happened a couple of times, where I would go to the movies, did not know they were going to be wearing BluBlockers and in the movies they were wearing BluBlockers, so yeah, we had a couple of examples like that. I've appeared on a number of TV shows, BluBlockers have been mentioned on...the *Tonight Shows* and oh, just all sorts of places. So anyway, that was...

Adrian Bye: I have two big topics I want to cover before we run out of time; we've got about 20 minutes left. Did you have something else you wanted to talk about before we go into these?

Joe Sugarman: Just the fact, if you want the full scope of my career, is after BluBlockers – gee whiz, I went into, I mean right now for example I'm into longevity and life extension and I firmly believe that within the next ten years the technology, that not only we are working on but other people are working on, will allow us to live to 120 of age and healthy, not...that we'll figure out a way to get rid of a lot of these illnesses. So anyway, that just is an aside comment. But go ahead, why don't you ask your questions and I'll be happy to answer those?

Adrian Bye: Okay. These are two fairly big topics I think. One is that a lot of the guys running Internet businesses where they've got some products that are working well online and they've got their online distribution worked out pretty well with affiliate marketing and e-mail and all that sort of stuff and they'd like to get some more and break into different channels, and so one of those channels that obviously would be interesting would be TV and whether that's infomercials or QVC or whatever. Let's say you've got your successful product and it's working online, how do you take that to another medium like TV?

Joe Sugarman: Well if you've got...

Adrian Bye: Where do they start?

Joe Sugarman: Yeah. Okay, well here's my approach to everything I do actually. What I do is I always test in print to get across all the concepts. Now testing on the Internet is pretty well tantamount to testing in print, I mean you are in a sense testing and it is a good way to test. Wait one second. Yes, it's a good way to test but what I would do is, if you have a very hot product and you've tested it on the Internet and it is very hot and it's doing exceptionally well and you're making a lot of money and there's a lot of profit in it, to me that is a great indicator that you're going to do well on TV. If it's an expensive item, over \$40.00, I certainly would do it via an infomercial. If it's less than \$40.00, particularly in the \$20.00 range, I'd certainly do it as a spot commercial. The problem with TV is it's a hell of a lot more expensive than coming up with something on the Internet. On the Internet you can come up with the background, you can come up with an environment that looks like you're a million-dollar corporation and it really levels the playing field and it's not very expensive. But when you go on TV you've got production values, you've got editing, you've got all sorts of things you've got to do

and sometimes this stuff can run up to a couple of hundred thousand dollars before you know if the thing will work. So, but if you've tested it and you've been on the Internet you should pretty well know if you've got a winner and if it will work, and I certainly would try TV because it's through TV, again it's multimedia. You can be on the Internet but you'll miss a lot of people on TV. Now you can be on the TV but you'll miss a lot of people maybe on the Internet, it's a balance. So anyway, my suggestion...

Adrian Bye: So how do you try TV? Where do you start?

Joe Sugarman: Well there are a lot of companies who – well first of all you produce your spot and there are a number of companies that actually produce these TV spots and also the infomercials, that's their specialty, they produce them for other people or ad agencies that do this. Once you produce it then to test it they give you the guidance. You basically go to the media buying agencies who specialize in buying infomercial time, and a lot of times they'll buy in bulk and then resell, and so you go to those people and you just test. They'll tell you, for example, that you should spend about \$20,000.00 testing to really get some good numbers to determine whether or not you've got a saleable product or a good infomercial. And so you test with \$20,000.00 and if it's successful you don't go out and spend a million dollars, you take it to the next level, you go and instead of spending 20 you spend maybe 100 if you feel pretty confident. And the reason for that is you never bet the farm. Too many people – and this is really, really good advice – too many people have gotten such a success with \$20,000.00 that they blow caution to the wind and they spend a million and then what happens, maybe a 911 takes place or some dramatic event and then they lose everything. So it's always best to ramp up and it's always best to play with the money that you've already earned as opposed to the money that you're using to possibly pay the mortgage on your house. So anyway, those are some of the tips. Are there any other questions?

Adrian Bye: So just for getting started, let's say if you're already doing most of your ordering online and you're getting maybe 5 to 10 percent of your orders coming in through a phone center, you could have an outside company create one or two infomercials for you, 30-second spots or longer spots to run as infomercials and you could direct those calls into your existing call centers to handle the volume as a small test. So in fact getting started on TV, doing it that way, building into your existing infrastructure, is probably not going to be a high additional cost; I mean 30 or \$40,000.00. Does that sound correct or am I missing something?

Joe Sugarman: Yeah, that's close; I mean that's about right.

Adrian Bye: Okay.

Joe Sugarman: Okay.

Adrian Bye: What then about – oh sorry, is there – you were going to say something?

Joe Sugarman: No, go ahead.

Adrian Bye: What then about if someone wants to get on QVC?

Joe Sugarman: QVC, first of all it's a great medium, as I've said we've been on QVC for 15 years, it's just a great media. Now how do you get on QVC? Well if you've got a product that is, again nationally advertised and is a big success, you're way ahead of the game. All you have to do is go to QVC and present basically the fact that you have been successful and how successful you have been and they'll recognize the value of what you've got. But they have – the way to go about this though typically without any connection at QVC is you go there and they have a vendor request form or – I forget what they call it – where they'll take submissions from new companies that aren't currently on QVC. It's called Vendor Relations. You call up QVC, you ask for Vendor Relations, they're located in Westchester, Pennsylvania, and you get a hold of QVC's number and you ask for Vendor Relations and then you give them your name, address and all the information and they'll send you a kit. And the kit will ask you a lot of questions, many of which involve the media that you've been on, the exposure that you've had, what the product does; you don't send the product with the presentation but you make a very nice presentation. And then they look it over and they decide whether or not that product makes sense for QVC. Now there are some products that are ideal for QVC. I know, for example, cosmetics are a great product for QVC because most of the viewers are women. And I know that children's sunglasses, for example, aren't very popular, it's a very difficult sell. So these are the things that they know after many, many years of having products tested and on air, and they sell billions of dollars worth of merchandise a year. When you go on you have to be successful, you have to sell at least, I would think, 8, \$9,000.00 a minute in retail value of your product in order for it to be considered successful. So anyway, you send in the Vendor Relation thing, they then arrange for you to come in and present your product. You have to have either a spokesperson go on the air or you take a small course. They put you through a course where they train you how to be a spokesperson on QVC. In other words, the person that presents the product. They have a host who guides you but typically you have to go to this school that teaches you how to present on TV and then you go from there. If you have a hit then they cautiously ramp up; they'll order 'X' amount. If it looks like you have an incredibly good product they might do what is called a TSV, which is 'Today's Special Value' and that's where they'll bring in and you'll go on the air several times a day presenting your product and you often move millions of dollars in product. Typically you might move 10 million dollars of a single item. I know one time we moved 250,000 pair of sunglasses in one day on QVC.

Adrian Bye: Really?

Joe Sugarman: Yeah. So anyway, it's a powerful medium. If you have a product that's suited for them you're going to do exceptionally well.

Adrian Bye: How are they in terms of negotiating on profit margins and that kind of stuff? Obviously it's still worth your while but I meant...

Joe Sugarman: Yeah, I think they're very reasonable. A lot of products are generally around – it depends on which category of course because some products have tremendous margins and other products do not and they recognize that. I know the electronics area, the margins that they expect are not anywhere near as great as the jewelry or the cosmetics, and they work with you, they're usually pretty good. The negative, if I can bring up a few negatives, is one is if you don't sell the product that you're presenting on QVC you get it all back. And before you can sell a product on QVC you have to package it, you have to put their bar code on it, you have to do a whole number of things to prepare that product for shipping and of course if you don't sell enough you get all that product back as well. So there's a risk and it's like I mentioned before, you don't bet the farm once you think you've got a big success; you try to ramp up carefully and slowly unless of course they're giving you a Today's Special Value and then it's up to you to determine whether or not the risk is worth the reward.

Adrian Bye: Right. Would it be correct to say that you do more QVC than infomercials today?

Joe Sugarman: Oh, yeah. I actually stopped doing infomercials, although I'm tempted to get back into that as well, but we do primarily QVC for our television. Occasionally we've run spot commercials for certain products to test them but primarily it's QVC, it's Walgreens our drugs chain that we have here in the US that is in practically every city, and we've more or less created a franchise for both QVC and Walgreens. So that if you want to buy our product at retail you simply go to Walgreens, and if you are watching television on QVC you know that the latest styles for women are available on QVC. QVC primarily now sells style, whereas Walgreens sells more style but also practicality, practical products that fit both men and women or look good on both men and women.

Adrian Bye: Is there a reason why you stopped doing TV?

Joe Sugarman: Not really. I guess the main reason is we were at retail with Blue Blocker and I had done the TV thing for several years and I was just, I just got tired of it. I'd just been there, done that, and being in Walgreens and being on QVC were self perpetuating and didn't require my efforts and I was onto maybe some other concepts and other ventures and just went from there. And also, the fact that TV constantly changes and if I was to get back in I'd have to probably go through a little learning curve again myself and I might do that. I'm getting kind of antsy because we have some exceptionally incredible products through this new anti aging company that I'm associated with that I feel it might be time to go back on.

Adrian Bye: Yeah, right. Okay, so then the next topic I'm really interested to understand your thoughts on is, you've obviously seen television evolve since the beginning of infomercials to where it is today. How does a medium like that evolve in terms of costs and competition? I mean in the Internet we're in very early days, and what's a good thing for people on the Internet who are building businesses now to know so that they can do and ensure their business is still around in 10 and 20 years like yours has been?

Joe Sugarman: Well I think first of all, when you're on television, infomercials or spot commercials, it is not the margins that you're making from the sale of your product, although of course that's important. What is key is how you buy the media, how effectively you buy it. For example, let's say that we were on CBS in New York, it was \$100,000.00 typical spot commercial but something fell through and they needed somebody to fill it in and they were willing this offer to us for \$20,000.00 and we saved \$80,000.00, and our profits had we paid 100,000 for that spot we probably would've lost money but as it was we did make a very nice return. So it's how you buy the media, you have to negotiate, TV media, radio media, it's all negotiable. And if you're dealing with media buyers who typically buy spots – and by the way they specialize, there are media buyers that buy spots and there are media buyers who buy infomercial time – and if you deal with them generally speaking they want you to succeed and they'll want you to buy there in the media that they can offer you and at a reasonable price and they'll do the best they can to assist you so that you make money. I mean you're all in it to win and it's a win/win when everybody can make money on that commercial. So it's how you buy the time that's critical and everything else is secondary.

Adrian Bye: Right, okay. Have you noticed how the market's changed; I mean is media more or less expensive today than it used to be? I know one of the things that obviously now you obviously have to have a good backend in place and preferably a continuity program like Guthrie Ranker looks for, any other comments on that?

Joe Sugarman: Now on the fact that – repeat that again; there's a very good point that I wanted to bring out. You just said something...

Adrian Bye: Can we expect that media prices are going to increase...

Joe Sugarman: Oh, okay, yeah. Yeah, that's what I was going to say. One of the reasons I got out of the game was that I knew that media prices were going to start to rise; this was back in '92. I just knew that they were rising, they were starting to rise. And when they rise it's very difficult to get deals, then your profit margins really shrink, and so I felt this would be a good time to get out. However, when is the best time to buy media? It's when the economy is down. When everything is rolling and everybody is trying to advertise and there's a lot of competition for time, again because it's negotiable you're not going to get the best deal. So what you look for is during a recession, during when times are tough, then you can really negotiate. Now right now, I would say it's not a bad time to negotiate now. I think that we're feeling the effects of some change that's going to take place in the media, excuse me, in the economy and I think people are becoming a little cautious about it. I don't know though it's difficult to predict. And that's the other thing, sometimes I've been in situations where I thought the economy was going to go up or down and – or let's say I thought it was going to go down and it went up; and I thought it was going to go up and it went down. You can't really judge by that, except in general the trends; if the trend is towards a very poor economy you know you can start negotiating and getting pretty good prices.

Adrian Bye: Right. Okay. So the last topic I wanted to ask you about, which is maybe not your favorite but I think it's an important one to talk about, is your experiences with the US Government and particularly the Federal Trade Commission?

Joe Sugarman: Yeah, we had a little adventure with those guys.

Adrian Bye: That's how you now call it?

Joe Sugarman: Well it was over six years. What happened, I was operating out of Chicago, we had a beautiful office building and everything was going really great for us, we were top of the heap, everybody had a lot of respect for us because we were a really upstanding company and really with great pride took care of our customers. And then one day we had three major snow storms, one right after another, and that buried us and our employees couldn't get to work. And about the same time they had passed a regulation that you had to ship within 30 days or notify your customers, and we couldn't because our computer broke down, partially as a result of the storms, and we couldn't get people to fix it. Then finally after two weeks of what was like hell we finally got everything fixed, we finally notified all of our customers, gave them all gifts if I recall, and apologized and went on. Well the FTC found out about it and they came over and they said, "Look it, you have violated our 30-day rule." And I looked it over and I said, "Well we had these circumstances that we didn't expect." And we tried to negotiate with them, they wouldn't negotiate. We, I had such a good reputation that I thought to myself, I just couldn't let the FTC smear us like this, I'm going to fight them and I want to explain exactly what happened and what they're trying to do, and I did. I did a major national ad campaign; I had a newsletter, I...

Adrian Bye: So you took on the US Government?

Joe Sugarman: I took on the US Government and I had a tremendous following. The Libertarian Party wanted to run me as their presidential candidate, which I refused to do. I was giving speeches all over the country. I was talking about what the government, what they do and how they go about doing it. And I determined from my experience that they lied, they cheated, they did everything in their power to screw you if they wanted to go after you and they used means that even to this day are illegal. And I demanded through my ad campaign that we have an Oversight Hearing in Congress which we did and there were – I remember several television cameras and I was there and it was one of these things you see on CSPAN where I got up and I testified and then I got questioned by some of the staff. And what had happened is they had literally laid a trap for me. They, like Al Gore got up, he was holding 12 complaints, he says, "Mr. Sugarman I understand you are very good at advertising and marketing but I've got 12 complaints here that say you do not deliver product on time." Now 12 out of millions...that's kind of ridiculous but he did get up there and say it. But I took the first part by the way, where he said 'you're very good at advertising and marketing' and I used that as a quote and as an endorsement in my book, but the rest of it...

Adrian Bye: I noticed that on the back of your book, yeah.

Joe Sugarman: Yeah, yeah. But anyway to make a long story short, they really let me have it and the final outcome, although it was very subtle at the very end when all the reporters had left, they admitted that there were some mistakes and that they'd correct them and they wouldn't do them again and all that kind of stuff. And then later after that I testified in Congress to help small businessmen if, for example, the government went after them and then if the government lost that the government would reimburse the small businessperson for his legal expenses, so to avoid the harassment that I'd got and so forth. So anyway, that was an experience that lasted six years, I practically lost my business. I never took contributions, although people sent me a lot of money I sent it all back. I tried to do this all on my own. Eventually near the end I had to use some of that money but I eventually repaid everybody, and I almost lost my business. Sales went down; people, when they had the products to present they didn't present them to me anymore, they presented to my competitors; and my staff was whittled down and it was really tough; I had to work really hard to get back on my feet. And it was after that period of time that, well it didn't take too long and then Blue Blocker came around and of course that lifted our company dramatically and the rest is history. But that was my battle with the Federal Trade Commission and I'll tell you, when you're a pioneer in a lot of different areas you get the slings and arrows from the FTC as well. I know when we did infomercials they came after us because they said our infomercial looked too much like a regular TV show. Well, yeah, that's the idea of an infomercial is you want to follow a particular format; it's a form of entertainment and you want to follow that format, a format that people are familiar with as far as entertainment. So we changed it. We announced in the beginning it was a commercial at the end and in fact we called our program 'The Making of a Commercial' so there wouldn't be any confusion whatsoever. So anyway, that's the story about the FTC; they've got a job to do but at the time I was involved with them they were doing it – they weren't very nice.

Adrian Bye: And in hindsight then, for someone if someone gets taken on by the FTC today, you wouldn't be suggesting that they fight them the way you did. If you had that situation over you would've just settled and moved on. Is that correct?

Joe Sugarman: Oh, I never regret anything that I've done. I really can't answer that. There are times when I said, "Boy, if I had not fought them for those six years." That was during the period of the big computers and in fact a little company around the corner of my company, the guy that was renting space was a company called CDW, Consumer or...

Adrian Bye: Consumer Discount Warehouse.

Joe Sugarman: ...Computer Discount Warehouse and it had a small little company and he was one of my admirers...he'd come over and he was so proud of the fact that he had an office near me and though during those six years that guy grew and grew and grew and we were just busy fighting the government. So very often I've said to myself, "Had I stuck to my business and settled with them I could've been a lot bigger and a lot more successful." But I can't complain, I've had a wonderful life, I've never been lacking for any money, other than that one period of time I was fighting the

government, and I felt I provided a really good service for other business people. I got letters from people that I inspired that went on to greater things because of the fight that I fought. So anyway, it's a mixed bag but I don't regret anything that's happened. Everything that's happened in my life has happened for the best and that's the way I view things, and even at the time I may not have realized it, it's I just believe that, so.

Adrian Bye: All right. Any closing advice you'd like to give to any of the entrepreneurs listening?

Joe Sugarman: Yeah, yeah, actually a couple of things. One is that you should all do what you really enjoy. If you're really enjoying what you're doing you'll be successful. And the second thing is never give up, never give up. Because...it's like we're all given a bucket of oysters. If you've ever opened an oyster you can cut your fingers; they're really difficult to open, but in that bucket there's a pearl in one of those oysters and you've just got to keep opening them. And you might have to deal with failure after failure after failure and it might be the last oyster in that bucket but it's always there. And so it's a matter of persistence and if you just don't give up you'll get there. And I mean look it, I'm – I haven't told you all the failures I've been through. I have been through so many failures you'd be amazed.

Adrian Bye: It sounds like you've just had success after success, listening to this call.

Joe Sugarman: Well it's true but it's funny, because when I give a speech or a talk to a group of people and I'm introduced and they have some idea of who I am, I get up there and I talk about my failures and they're funny and there are a lot of lessons to be learned through those failures. So I'm not, I'm a much bigger failure than I am a success, let me put it that way.

Adrian Bye: But you had a couple of decent successes along the way.

Joe Sugarman: Yep.

Adrian Bye: Fair enough. So for anyone that's interested in contacting you, what are you interested in hearing from people and how can you help people and how can people help you?

Joe Sugarman: Well I'm always...happy to give a little advice. I do not consult, I do help people. When I say I do not consult, I don't do anything for money because I just don't, but if people want, if they have a specific question or something I'm more than happy to answer.

Adrian Bye: Is there any way any of these guys can help your interest in any kind of Internet stuff?

Joe Sugarman: Not right now, eventually. But there is one area that if you're interested in learning a little bit more about what I've talked about there's a book that I've written for Ad Week, it's called [*The Ad Week Copyrighting Handbook*](#) and it's available on Amazon.com under my name and I think it's like \$15.00, it's very inexpensive. And I've also written books, one book called *Triggers*, it's no longer in print, I've got to actually revise it and get it back into print but *Triggers* is also in this Ad

Week Copyrighting Handbook. In other words, I go into the various triggers that prompt a sale. So this is really a good value to get right now and Amazon.com is where to get it. If you're interested in going deeper into my books or my courses or I have a CD course, I'll be happy to give you the information about it.

Adrian Bye: And actually I could add on that your books are – you've got the book on mail order and on TV advertising and on advertising copyrighting, that set of three are outstanding. I'd judge those books as some of the best books I've read.

Joe Sugarman: Yeah, I was just going to say, that's right, if you're interested in TV I talk about spot commercial, infomercials, all those things you really need. In fact, *How to Get into QVC*, it's really a valuable book and that's also available on Amazon.com as well.

Adrian Bye: Cool.

Joe Sugarman: I think that Barnes and Noble also, I believe, carries this as well but anyway, you just check them out and I'm sure you'll find them.

Adrian Bye: Okay. So that's it for the interview. Thank you very much.