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Interview with Brian Kurtz from Boardroom



Adrian Bye: In the beginning if you could give me sort of a one-minute sound byte about who you are, what you guys have achieved. If you can talk about revenues, impact, volume solve, whatever, that would be great. The more detailed you can be, just to kind of show the sort of scale and volume that you've done.

Brian Kurtz: Basically I'll give you some quick background. I mean I've been at this company for 26 years; it was my second job out of college. I was the film critic for my school paper and I was an English major. I had no idea I was going to go into marketing. I certainly was a personable guy but didn't know -- I thought I'd be an editor, I'd be a writer or something, so I wanted to get a job in a publishing company, and the job that came available happened to be at this little company called

Boardroom that published newsletters and books, and they happened to also have -- since they don't take advertising, you know, they had in-house list management.

Most companies, if they rent their list, they also have an outside list manager take care of that for them, but we had an in-house list management department, which is the first job that I had here. And it was a fascinating job to get as a first job, because I think learning direct marketing from the list side of things is just a fantastic education. I mean looking -- I didn't know it at the time, because I didn't know a list broker from a stockbroker, but looking back, really learning marketing from the list side is basically learning marketing from who you're going to market to as opposed to being just an idea guy or just someone who sits in brainstorming meetings and figures out what's a good idea, what's a bad idea. But really, as opposed to figuring out where the markets are, what the demand is in those markets, and then finding products that people want as opposed to finding products that you're impressed with yourself or coming up with.

So it was a very interesting early part of my career where, you know, renting, being in the list management business and dealing in that part of the business, really got my feet wet in a way that, looking back, gives me a very, very unique perspective. And not to say that a lot of other people who have come out of the list business or other media and then go into a more general marketing background are not as skilled as I am, but I think that most people who are in those areas stay in those areas because it's very lucrative if you're in a sales -- in a commission structure.

Adrian Bye: So you've got a pretty good background. Can you tell us a little bit about how big Boardroom was back then and how big it is now?

Brian Kurtz: Yes. I mean I got here in '81. The day Reagan was shot was my first day at Boardroom, and Boardroom at that time was probably about 30 employees, 35 employees maybe, and we might have been doing maybe 5 million in revenue, maybe 8 million, I don't know; I don't really remember the exact number.

We had at that time -- the first newsletter we published was back in 1971, which was about 10 years old when I got here, which was Boardroom Reports, which was a business



newsletter geared to the executive on how to run their business. Marty Edelston, who started the company, had spent ten years previous to starting Boardroom as the business manager of Commentary Magazine and was always very frustrated as a reader of business books and business magazines that none of them really told you how to run your business. They all had feature stories about IBM and what's happening in AT&T, but Fortune, Forbes, Business Week and the Wall Street Journal didn't do what he wanted, which was how do you run your business.

So he launched Boardroom Reports in '71. Then he did a series of different business books with various people that he had met over the years, and some tax subjects, some business subjects, none of them being that big.

And then when I got to Boardroom in the early '80s we had just started our second newsletter called Bottom Line Personal, which was Boardroom Reports but the personal side of the executive. And at the same time we had a big selling book finally, and the book was called the Book of Business Knowledge. And the book was -- the reason why I'm giving you this background, because it really was the precursor to what the business became, because Book of Business Knowledge was basically Boardroom Reports' greatest hits. So basically the model of taking some of the best stuff from the newsletters, putting it into a big, hardbound book and selling it for \$30 was a model that was fantastic, because a lot of people didn't want to be committed to a subscription newsletter, and yet, there are a lot of people who buy books.

So taking the same material, you know, you talk about the work repurposing editorial is in everybody's lexicon in the Internet world, but back in 1980, '79, Marty had already figured out -- I should say Marty invented hypertext before the Internet. And he understood that repurposing was just a way of life. You have this great content and some people want it in a subscription format and some people want it in books.

So the Book of Business Knowledge sold over 100,000 copies or more through direct mail only, and so a model was sort of born with that. And then when Bottom Line Personal became our second big newsletter, obviously the same model held true. And then a book that was developed shortly after was called the Book of Inside Information and that was Bottom Line's greatest hits, and that book ended up selling over 3 million copies in direct mail.

Adrian Bye: Did your model seem to publish content in the newsletter on a subscription basis. And in the breakthrough, and this happened in the '80s, was to take some of the content that was considered the best and then republish that as a book.

Brian Kurtz: As a book.

Adrian Bye: And so second revenue stream that worked really well.

Brian Kurtz: That's correct. And I think that I mean -- and I'm going to give you some of the more recent history and then the stuff that I brought to the table; you'll see it was a nice extension from that, because clearly you're going to run out of editorial at some point. You only have so much that you can put in the books. And we also had other books at the time, too. We hired an author, for instance, to do a fantastic book on estate planning, and even that book, which is kind of vertical because now we had developed a database -- this was the early days of database marketing and we weren't even doing modeling back then, but at least we had now a file of a few hundred thousand names that we could pick out the raisins in the cake and say, "You know what? These are executives, these are high income individuals. You know, if we could sell 30 or 40,000 copies of an estate planning book, we've got ourselves a business there, too."

So we did an estate planning book, we did a tax planning book. So we were able to spin off more vertical subjects that we're not going to sell as much as Book of Inside Information and Book of Business Knowledge, but they certainly were going to be able to mail to the same audience, and all of a sudden a book business was born out of both I'll call it the horizontal nature of a Book of Inside Information and Greatest Hits from the newsletters, and then developing a more vertical book business that made perfect sense.

Then we, you know, as the '80s --

Adrian Bye: Go on. How did you distribute the books?

Brian Kurtz: Almost exclusively through direct mail. We were totally committed to direct mail at the time as the source to be able to get to what we call critical mass. You know, there was no way that we'd be able to sell the quantity of books like I just told you, you know, through space advertising. There was no way we were going to do it through TV, because we didn't have the funds to do that, plus there was no model out there that said that this was going to work for TV.

Direct mail had some history of selling books obviously; Book of the Month Club and the Macmillan was active back then. We did it in a way that was very interesting because we created direct mail. And this is probably the other early secret to the success is that we created what I would call state-of-the-art direct mail, and by state-of-the-art is that we didn't just do formulaic, you know, order cart brochure letter, but we created a whole technique; I mean I call it fascinations, but a lot of people call it other things.

But what it was was the idea was that there were so many great tidbits in these books. I mean our editorial was all about useful information. The newsletters were not feature magazines, they were newsletters. They were useful tidbits for either your business life or your personal life, and therefore

creating direct mail copy that talked about those tidbits with exciting what we call fascinations, and then refer to a page number where you would find the answer to that fascination, was a technique that was not invented by us. I mean --

Adrian Bye: You were using bullets.

Brian Kurtz: Bullets; well, yes, okay, there's a good name for it. We called them fascinations, but yes, you can call them bullets. But you can go back to, you know, Ralph Ginsberg in the '60s used to use the technique of bullets with page numbers. There were a variety of other writers who were out there doing it and we just mastered it. You know, we had a couple of copywriters at the time who Marty had known from previous lives who were just fantastic at pulling out the nuggets out of a book and creating direct mail that just sung; it was -- I said it's direct mail that sings.

So to answer your question, it was all direct mail basically, and to be able to sell those kinds of volumes in direct mail for one shot books at the time, I don't want to say it was unprecedented, but the numbers were astounding.

Adrian Bye: So maybe let's talk a little bit more about that. So you have subscribers on the newsletter and you're out there acquiring lists, mailing to them, and using the lists in that way. You're then using that same acquired knowledge of those lists to then sell the books, is that correct?

Brian Kurtz: Oh yes, yes. I mean less research is a universal. I mean anything we did to sell our newsletters in direct mail, we used a lot of the same techniques to sell books. Different buyers; I mean you're reaching into the barrel and pulling out different types of people, but selling books through direct mail and selling the newsletters through direct mail, you know, there was certainly a lot of overlap in the techniques that we used, yes.

Adrian Bye: And what kind of size now is Boardroom Reports or Boardroom, Inc.?

Brian Kurtz: Well, it's really Boardroom Incorporated. Boardroom Reports doesn't even exist anymore as a newsletter. We've become -- you know, as I said, after Bottom Line Personal, the next - - well, we also had a tax newsletter at the time. I think actually, yes, Tax Hot Line launched after Bottom Line Personal. And then after that we launched a health newsletter called Health Confidential which became Bottom Line Health many years later. And fast forward, health became our biggest category. While Bottom Line Personal is still our biggest newsletter, overall as a category the health category is by far our biggest.

And we've done upwards of over \$100 million in revenues. But you know, some years, you know, anywhere between 70 million and 100 million, depending on how much we nail and which products are hot. We're very, very numbers-oriented in terms of we're not looking to just brag about what our revenues are. We're a traditional direct marketer and every time we do a promotion it has to pay out and everything is measurable. So there is nothing we do that won't pay out. If it doesn't pay out we stop doing it, as opposed to general advertisers who don't play that same game.

Adrian Bye: And so that's all offline direct mail. You're not doing telemarketing?

Brian Kurtz: No, no. Well, today is a different story, so that 70 to 100 million includes a lot of other things. Obviously, by building this database as big as we have, we have many, many books and we have many newsletters now. Direct mail is still probably the lion's share, but we definitely do some telemarketing very, very selectively; that's not a big part of our business. But by selectively I mean we basically only call existing customers and cross-sell them and up-sell them to things that they'd be most interested in.



We do a lot on the Internet and our Internet model is one where we have right now two e-letters that one is in the health area, one is in the general consumer area, and the e-letters -- the model on the Internet for us is that the actual editorial product is free, but we embed ads for our other products in those e-letters so that it becomes a vehicle for selling but we deliver real editorial. So it's a content-driven e-business, and that's getting bigger and bigger every day.

that we can look at?

Adrian Bye: What would be some URLs

Brian Kurtz: What's that?

Adrian Bye: What would be some URLs that we can look at?

Brian Kurtz: Somewhere else we can look at?

Adrian Bye: What are some URLs? What are the --

Brian Kurtz: Oh, URLs. Oh, bottomlinesecrets.com is our website. On that website you can subscribe to either of the two e-letters; one is called Daily Health News and the other is called Bottom Line Secrets. They're two different e-letters which are free, so anybody can subscribe. And then also on that website we have a store with all of our products and we have some information on the company and a variety of customer service things. And we're building right now an archive that will either be a paid archive or a membership archive so we're working on that. But basically for our online business has been much more focused on e-mail marketing as opposed to website marketing.

Adrian Bye: And so you've been building up. And how are you driving traffic to build up those lists?

Brian Kurtz: Well, there are a lot of ways to do it. I mean we do try to get as many e-mail addresses as we can from people in direct mail. We offer on the Internet, we have various affiliate deals where

we'll offer free prescriptions, and we'll pay a bounty for every e-mail address we can get for a new e-mail subscriber. We have a program where existing customers, who we have e-mail addresses for, we give them an opportunity to subscribe to the free newsletters. Even though they're an offline customer we try to convert them to online, to an online customer.

So you know, the problem with outside lists in the e-mail world is that the lists aren't very good; they're not that qualified. A lot of list owners in the e-world are trying to charge a CPM in the 200 to \$300 per thousand range, and frankly, that would never pay out for us. I mean we can't pay that for an offline list, and at least on an offline list we know what the sales are. With an online, we're putting them on a free e-letter list and it takes us, you know -- could take us three, four months to get our money back. So without kind of a CPA deal, cost per acquisition as opposed to a CPM deal on the list, it's very difficult to prospect to get new e-mail subscribers in the traditional way that we do from direct mail.

But I'm seeing a lot of progress in the online world as a whole, to figure out ways to do a lot more cost per acquisition that make sense for both sides, and I'd like to see more of it and that's kind of what we're pushing for.

Adrian Bye: The people listening to this are some of the best in the -- and they probably are -- in fact, they are the best in the Internet in terms of driving commercial traffic on a CPA or CPL, cost per lead, basis, so if you're interested in having any of them contact you, just now is the time to say it.

Brian Kurtz: You know, if they thought that there was some -- I mean my problem is that we have a lot of people contacting us all the time and many of the -- it sounds like your group is a lot more sophisticated and they know more than a lot of the people who are knocking on my doors to date. But sure, you know, we are always open to new ways to increase our e-mail list with qualified subscribers who will buy other products from us.

Adrian Bye: Well, they do all kinds of stuff. I mean as an example, your Alexa rank is 85,000, so that's actually fairly good; that means you're in the top 86,000 sites on the Internet for traffic so there is some volume going to your site. One of the guys who is involved with this, he drives 300,000 signups a day to his site and his Alexa rank is 120.

Brian Kurtz: Oh my God.

Adrian Bye: Constant, like 2 billion impressions a month from there.

Brian Kurtz: That's amazing.

Adrian Bye: So there are some guys driving a fair amount of volume.

Brian Kurtz: No, that's very impressive.

Adrian Bye: It's a different crowd but it's, I mean --

Brian Kurtz: Yes, no, look, everything with us is a direct marketing model so, you know, driving traffic and getting names is a great first step. But I'm also interested in -- you know, everything's got to pay out so --

Adrian Bye: Exactly, so I agree completely. So let's move on now. I know that your expertise is in list management and so then acquiring new customers. I would just love to hear about how do you go about looking for a new list. I mean where do you start? How do you test it? How do you know it works or what stuff --

Brian Kurtz: Well, business has changed a lot. I mean I would say that the first ten years of my career I would consider myself a list expert. I'm not saying I've become a list dunce, you know, in the last ten years, but I'm not as directly involved in the list business as I was, and frankly, the list business has changed a lot in terms of quality names that are available. A lot of -- you know, with postage increases and the cost of direct mail only going up, most mailers who used to have 100,000 new names a month now have 50,000 new names a month, and that changes everything, because it's a volume-driven business from a profit standpoint for the list brokers and managers.

But as far as -- you know, I've taught a lot of basic courses in direct mail, and the first thing that I teach in the list part of that is really trying to understand what is the right list for your product and there is a lot of different research that needs to get done. I mean clearly, if you have the volume to back it up, to be able to work with a qualified list broker who can do the research for you, bring you the list that they think is right for your product, and then you analyze them based on who else has used the list, how many new names they're putting on this list on a monthly or a quarterly basis, so you have to really analyze what they call the hotlines of the list.

And I think a big thing for me has always been, and there's a rule of thumb out there that says, you know, looking at the promotion piece that got the name onto that list is probably the single biggest thing that will tell you if it's a fit for your product. For example, I have a product, Bottom Line Health, which is a health newsletter. You would say, "Okay, well, what would be a great list for that?" Well, the Harvard Medical School Health Letter should be a great list for Bottom Line Health. Well, I'll tell you that the Harvard Medical School Health Letter list doesn't work for Bottom Line Health. Why? Well, there are a bunch of reasons. One is that Bottom Line Health happens to be more integrated medicine, whereas the Harvard Health Letter is more just traditional; we're traditional and alternative.

In addition, even more important is that the control package or what Harvard Medical -- and this is not a criticism of Harvard Medical, by the way; they have a great newsletter, and I know the marketing people there, so maybe I shouldn't even, you know, single them out because it's a fine list, it just doesn't work for us. But it's a very good example, because their control package that they use to get new customers is a number 10 envelope; it's not very I'll call fascination-driven, and therefore it's a whole different approach.

And the kind of person that would subscribe to a package like that is going to be very different than our package, which our control package for Bottom Line Health is an 8-1/2 x 11 magalog, meaning that it's a self-mailer, 16-page promotion piece with a lot of color and a lot of photographs and a lot

of big headlines and a lot of hyperbole that we can back up, of course, and it's not, I'll call it, a direct fit so that the kind of promotion that we're doing -- I mean the average person would look at those two lists and say they don't work because they're not synergistic because Harvard is traditional health and Bottom Line Health is integrated health and I'd say to them that may be one of the reasons. I would maintain though that it's even more important that if Harvard was using a format and approach to get new customers like we were, there would probably be a better chance of that list working for us even though it's only traditional medicine.

So that's the kind of thing. To me, that's advanced list -- I cut right to the chase, because I skipped over all the basics of list selection and went to something that's a fairly advanced concept.

Adrian Bye: What's interesting about that is that -- because that may tie over to behavioral targeting for us. One of the things that I don't see in targeting on the web right now is it's not easy to find out, well, okay, we've got profiles of users that have done a specific thing or are signed into a specific offer, but we don't get to see landing pages that cause them to sign in or --

Brian Kurtz: Or subject lines, and yes, what landed in their inbox that got their attention.

Adrian Bye: And what you're saying is that in your experience in offline direct mail, and obviously there's a fair amount of volume behind that given the revenue guys are doing, that that's in fact an extremely important predictor of what's going to happen. Are you suggesting that that's more important than other predictors such as demographics?



Brian Kurtz: I don't want to say more. I think it's dangerous to say more. I think that when we look at list selection it's a package deal. In fact, I developed a worksheet way back when I was doing list selection as more of my full-time job, and we developed a worksheet that basically asked a ton of different questions. So someone recommended a list to me and I would ask all of these questions. I'd say, "What is the kind of mailing piece that got the names?" Then I would find out who else has used the list. Then I would find out what the demographics are to see if that's a fit. I would take a look at what the subject matter is; if it was a newsletter, for instance, and so the editorial content.

Then I would even do things like, you know, what is the price, you know? Is it a \$30 newsletter or is it a \$100 newsletter? It could be a big difference. How did they sell it? Did they sell it with a bill-me offer, or cash for the order? Much bigger difference between those two.

So I can say that one thing is more than another, but I will say that the promotion that got the name is as important as any one single thing in many, many cases. I will tell you that there are lists out there that use very similar promotions to us, but if it's for auto supplies, forget about it. And it could be for auto supplies, but it could also be our demographic. It could be auto supplies for people over 60; it still -- the list probably won't work, because the subject matter is just too far away, but it's a real critical factor.

But I think the point that I'd like to make for your listeners and your readers is that it's really -- it's a snapshot. You know, a list universe is not -- see, there are no unique names, there are only unique lists. So what makes that list, that compilation of those names in that grouping, what are the things that make them different than people who are in the same demographic? What makes the subscribers to Money Magazine different than the subscribers to Smart Money Magazine? Now, there may not be a lot of differences in how the list performs, but there are incredible aspects. If Money Magazine has moved their editorial to a 30-plus, that's important, a 35-year-old, and Smart Money is geared to the 55-plus, that demographic is very important. But I maintain that if Smart Money went to a magalog format from a number 10 format, that's going to change the behavior of the names on the list much more.

Adrian Bye: All right.

Brian Kurtz: So you know, I can't give you a quick sound byte that says, you know, one thing is the most important, but I think the most important thing to know is that list selection has a lot of science to it, it really does.

Adrian Bye: Fair enough. And so when you're conducting a test, what for you is a valid test?

Brian Kurtz: Well, when we test creative panels in a direct mail, we're doing 25,000-name panels. When we're testing a list, usually you can test in quantities. The rule of thumb is 5,000 names if you want to see if a list is going to work or not. The rule of thumb that was always used by one of my mentors who is a direct mail pioneer, Dick Benson, he used to always say you want to back into a number, because if your response rates -- based on what response rate you generally get, you want to get about 100 net orders; to kind of have a group of people that tells you that I learned something.

So the reason I think why -- I'm trying to -- let me back into why. I don't know why 5,000 became the number, but if you mailed 5,000 names and got a one percent response that would be 50 orders. On a soft offer -- on a bill-me offer you probably can get as much as two percent response, so that would give you 100 orders; I think that's where a lot of the 5,000 came from.

I find that because we have a bill-me offer I want to also see how many net subscribers or as net buyers I get out of a particular panel, and to do that I want to do five times the amount, because I may only get 20 percent pay-up, 25 percent pay-up, depending on if it's a newsletter. On books I get 60 or 70 percent pay-up. But I want to have enough net orders to be able to read the test.

So to answer your question, you said how many names do you test, it's really you kind of back in and say, "How many responses do I need to make this a valid measurement and something that I can roll out to with confidence?"

Adrian Bye: Yes, and I get that. And so what you're saying is 100 orders is the number you aim for and you'll back that out to how many would likely generate 100 orders.

Brian Kurtz: A hundred net orders, yes, and that's on the low end. I mean these days, you know, I will say that I wouldn't mind having 150 or 200, but sometimes it gets costly, and direct mail has gotten incredibly expensive. I mean postage just went up again, you know, in a big way.

So I mean I think the interesting thing, when I think about offline versus online, you know, the good news and the bad news, I mean the good news about online, of course, is how cheap it is to test. The bad news about online is how cheap it is to test. Because the cheapest of the testing means that everybody can be in the business, which means you've got a much crowded -- the inboxes are more crowded. The ability to get response rates that make any kind of statistical significance are much harder to get.

And frankly, you know, I've been, over the years, frustrated with our online testing and I have much more confidence still on our offline testing in terms of creative, in terms of everything that we do, even to the tune of, you know, finding out what the best package is to go then use for the online version. I'd rather test offline if I can, but it's expensive, but I feel like I can hang my hat on that data much better.

Adrian Bye: Well, you're an offline company; that's in your genes and so --

Brian Kurtz: It is, but you know, I will tell you that everything that we do offline we transfer to online. So for instance, the best direct mail packages we have we then create online versions of those direct mail packages. And we don't shorten them; they're really long still. If they're 16 pages offline, they're going to be 16 pages online, and that works the best. And so it's rare that we make changes because we think online people are going to be different and that they actually beat what the offline best package was.

So I go back to people's behavior and a lot of that doesn't change and the emotions that you need in promotion copy, there are still many, many universals as we know.

Adrian Bye: Sure. One of the guys listening to this call is doing 60 million a year online, just 100 percent online, no offline, and that's all just Internet sales. So there may be some differences that maybe don't translate, which our guys would have a tough time, unless they picked it up from someone like you.

Brian Kurtz: Yes. You know, I think that you never want to say -- if you make blanket statements about online and offline, I have one situation now which is very interesting. One of my best direct mail packages for our health newsletter had beaten the previous control by a significant margin and the previous control was a 6x9 envelope. The current control is one of these 16-page magalog self-

mailers. And interestingly, when we tested, you know, the version of the 6x9 that was the online, we had an online version; it was one of the few times where I took the 16-page new control, that one significantly in the offline world, put that online, and it did not beat the previous control, the 6x9. That's the exception not the rule.

So that's one of the few times where my online control now is actually a previous offline control that beaten handily. It happens, you know, and that's the beauty of direct marketing, and that's why direct marketing -- you know, anybody who says online marketing is not direct marketing is nuts.

Adrian Bye: Oh sure.

Brian Kurtz: You know, it's just as measurable if not more, and you get immediate gratification; you don't have to wait for the postal service to deliver it, assuming your emails get delivered --

Adrian Bye: I think we probably have more deliverability problems than you do but --

Brian Kurtz: Yes, for delivery, do it, but you certainly get your response rates faster and you get your results faster, so you can move on things, you can test things faster. But again, my confidence level, because we're an offline company to start, I don't have the same kind of confidence that probably some of your CEOs do.

Adrian Bye: I mean we can have answers back on a test in one hour.

Brian Kurtz: Exactly, and we do too. Our online business is run like that, but that's not what we grew up with, so we have both sides of that.

Adrian Bye: So I've actually got some quotes from an interview that I heard of you before on my wall. And I found some of the stuff you're talking around split testing fascinating, where you talk about the control is your enemy and don't have tiny tests.

Brian Kurtz: Right.

Adrian Bye: When you're making a test, what are the elements that you guys aim to test first, that have the big impact?

Brian Kurtz: That's a good question. I mean that don't make tiny tests was from Gordon Grossman, who was one of our consultants. Because in our early days of direct mail we -- you know, if you read some of the classic direct mail books, they'll tell you you have a sales letter, you change it from white to blue, or you change the envelope from white to blue, and you can get a 58 percent lift. And I'm not saying that those people weren't lying, but frankly with the cost of direct mail as it is today I'm not making that test any more. I mean maybe I did at one time.

Adrian Bye: There are a lot of people on the Internet in the sort of the lower level Internet marketing circles that still spend quite a bit of time testing colors.

Brian Kurtz: Well, you know what? On the Internet though it doesn't cost you as much, so I can see -
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Adrian Bye: In theory, the big guys don't, but it's the little guys spend time testing stuff like that. The three things that I've found in my experience in working with clients that have made the biggest difference is the headline, the offer and the price. Would that be some of your --

Brian Kurtz: Yes. Not necessarily in that order, depending on which of our products. You know, once we find a sweet spot on price it's very hard to find a new price point for the same product. Getting to that sweet spot of price is a lot -- there's a lot of testing that goes into that.

The offer, we're always playing with that; adding premiums, taking premiums away, combining premiums, you know, adding -- premiums is a big one for us. I mean discounts, not as much. And in the premium area you have free bonuses, you have gross and net premiums; there are a lot of things you can do there.

And then headlines we have had some breakthrough results with certainly a lot of our self-mailers, the idea of changing covers of a self-mailer, which is in the realm of changing headlines; we've seen some dramatic results there too.

But when we say don't make tiny tests, you know, this idea of changing color on a particular page or changing font sizes or moving a picture from the left to the right and adding a photo here or there, in the olden days, when direct mail was a lot cheaper, we could afford to do stuff like that; I have to believe we didn't get a lot of breakthroughs then either. And I think the beauty of it is the cost has now prevented us from making stupid tests, or tiny tests as I call them, and we do untest bigger things.

Adrian Bye: So what are the five or ten things you care about testing now?

Brian Kurtz: Okay, well, you mentioned headlines, covers, outer envelopes, price, offer, premiums, working more timely. I mean timeliness is a tough thing to test, because when gas prices were going through the roof and you do a cover that talks about gas prices and it stays the control for a year, who knows where gas prices are going to be in a year. On the other hand, a lot of mailers like to do the timeliness stuff and it is certainly worth testing.

I think figuring out ways to create more perceived value; and there are a lot of ways to do that, whether it's adding up premium that's a lot bigger, taking a premium and breaking it apart from one big book into 50 special reports, things like that. What are some of the other things we like to test?

I mean the biggest breakthroughs you normally get, too, is if you're working with the best copywriters in the world or in the country, once you put yourself in the hands of a great copywriter, it's sort of like not just a fresh pair of eyes looking at the current control that's your enemy. The control is your enemy; you get a world-class copywriter looking at that control, understanding why it is working, and they understand what they have to do to beat it, and I think that the biggest breakthroughs do come with an A-plus copywriter coming up with a completely new approach.

And so the unique selling proposition and underlying thing, now you're not testing elements anymore, but you're testing a whole new concept, and frankly, our biggest breakthroughs are usually that. Another thing we'll test a lot of is --

Adrian Bye: Before you go -- actually, a really interesting point. So you'll find an A-plus copywriter. I mean where would we find one of those guys, and then how much would we pay someone like that?

Brian Kurtz: Well, most of them won't work for new clients too quickly because of what they charge and what they expect to be paid. The best copywriters in the country -- there is a retired copywriter -- I don't want to mention names on this call, but I'll mention one who is retired, probably one of the best copywriters of all time by the name of Gary Bencivenga. And Gary Bencivenga would charge anywhere from 30, 40, \$50,000 upfront, and then he would get a mailing royalty so that a lot of those writers would get upwards of \$50 per thousand or 5 cents per piece mailed, no matter how long the piece was a control, and they were basically getting a royalty on every piece you mailed with their copy on it. Now, that's on the very -- I give you the highest end possible to scare your folks off the most, but there are writers who are up and coming who might charge less than that who are really --

Adrian Bye: No, no, and I think -- but that's a good case. I mean I know a lot about Gary Bencivenga, I'm on his list, and he's got to make some interesting points. So you're suggesting your point of view as, in this case, in our terminology, you're an advertiser. So there's a guy who is running an offer and you want a higher conversion rate, you're saying that the best approaches for you have come when you've brought in an outside advertiser, paid them 30 to \$50,000, plus a percentage of revenue generated; that's been what's been the biggest breakthrough for you, is that correct?

Brian Kurtz: I wouldn't say advertiser, I'd say copywriter. You said advertiser. You said hire in advertising.

Adrian Bye: In our terminology, you're an advertiser on the Internet terminology.

Brian Kurtz: Okay, so I'm an advertiser and I'm hired, but I'm still -- I'm hiring a copywriter.

Adrian Bye: You're hiring a copywriter to write your advertising for you.

Brian Kurtz: Right. I'd say overall we've had more breakthroughs there than anywhere else. You know, format is a big one I didn't mention either; you know, going from a number 10 package to an oversized magalog or tabloid or bookalog as they call them. You know, there are a lot of different -- we've had some huge breakthroughs with format changes, but usually the format coincides with copy changes as well.

Adrian Bye: That is really interesting. Yes, that is just really interesting and that's -- because some of the guys who do the most volume on the Internet, they do some testing, but they don't even do that much split testing, let alone bringing in outside copywriters to have a look at --

Brian Kurtz: Oh gosh. Then I would think that that would hold true with copywriter -- with online as well as offline. The interesting thing though is that, with all the other things that I mentioned that we like to test, maybe you get a new copywriter and in one fell swoop you get a 40 percent lift or a 30 percent lift. But you know what? You know, I always have the expression, you know, what do they call the guy or woman who graduates last at Harvard Medical School?

Adrian Bye: They call him doctor.

Brian Kurtz: Doctor, absolutely. So there is a real need to keep doing what we call tweaks. And it sounds like you're not making any headway, but we get a lot of 10, 15, 20 percent lifts from premiums and headlines and all the things that it sounds like your guys are doing, and I don't want to minimize that; that stuff is really important. But yes, I mean I think that getting a fresh look and a completely new selling proposition is certainly a way to get a huge breakthrough.

Adrian Bye: Yes, all right. And I mean these are sort of breakthroughs that have generated millions and millions of dollars. I mean these are products that you're driving at least \$10 million a year in revenue through in offline direct mail, is that correct?

Brian Kurtz: Not all of them, but yes, a lot of them, sure. I mean not every product is -- they're all doctors, but some are brain surgeons.

Adrian Bye: Sure. You know, you raised some really interesting stuff in the beginning, where you talked about books, and effectively you're talking about back-ends. And so your front-end, as I understand it, would be your newsletters which people pay a monthly fee to receive. Would it be possible to talk a little bit about some of the back-ends that are behind those newsletters?

Brian Kurtz: Well, I mean the back-end of the newsletters, the biggest thing is renewals. The beauty of any subscription business is if the editorial is good and, you know, it's fun, one of the great expressions that my mentor, Dick Benson, used to say is -- and it took us marketers off the hook -- it's "Editors sell renewals, marketers don't."

So you know, I can bring them in the door and I do all this great stuff with the great copywriters and the great promotion pieces, but ultimately, if people aren't going to stick around, you know, that's one way -- you know, there are a lot of businesses that don't have a renewal business, but they usually have advertising, so that you just have to keep replacing the people that fall off the file.

In our business, because we don't have advertising, it's critical to have -- you know, we move our renewal point one or two points, it's a make or break sometimes, and a lot of that is the editorial product. If you're a subscriber for nine months and I'm trying to renew you and you're not happy with the publication, I don't know what I can do to get you to re-up.

So that's where editorial and marketing have to work together a little bit more. Being in a smaller company like ours and being a newsletter as opposed to a magazine who doesn't have to worry about advertisers, I think we can have a little less separation of church and state, and it makes our

business not simpler but certainly more synergistic on both the editorial and the marketing side. So renewals, to me, are the ultimate back-end for a newsletter business.

Now, the book business, as I said, the early book business for us was Newsletters Greatest Hits, but you run out of stuff. And one of the real epiphanies that I had through one of my consultants, Gordon Grossman, he had a quote to me one day and he called me up and he said, "Your book business is doing great, but you only have a few titles that are working really well, because your best titles are the ones that are your Greatest Hits books. So what makes you think that every one of your books has to be your own editorial stuff?" And I said, "That's a good point."

So then I took that piece of information and I literally took one of my marketing people one night, we went to Barnes & Noble, to the bookstore. We took a hand truck -- literally, we took a hand truck from the storeroom; I asked them if I could borrow a hand truck -- and we went to every part of the store that had a category that was an element of our database, meaning people on our database of interest areas.

So I went to the tax area, I went to the health area, I went to the business area, I went to the consumer information area, I went to the retirement area, the, obviously, finance and money management area. And I think we bought that night, I don't know, 50 or 60 different books off the shelf; soft covers, hard covers. Most of them had quite a bit of dust on them, because as you know, most authors get paid in advance for a book and then never see a dollar of royalty, because once the book is released and it has a little fanfare it sits on the shelf and you sell a few here and a few there.

And what I did was I started looking at all of these books and started figuring out which of these books would make for a good direct mail book, what is a good direct mail book. From the Boardroom perspective, it was a book that we could pull fascinations out of.

So I was going to use the same philosophy that I used in our newsletter business becoming a book business, to take books that already existed and sort of reverse the funnel and decide which books might have a flare or at least a better chance of selling in direct mail.

And then I weeded those down and then I started sending a few of those titles to some of our best copywriters and said, "What do you think? Could you write one of your whiz bang packages for one of these?" And basically a whole new part of our book business was born.

And we now have a whole bunch of titles that were former trade books that may or may not have sold well, and "well," again, is relative. I mean if you talk to a trade publisher and they tell you they sell 50,000 books, I think they'll tell you that was a pretty big seller. Meanwhile, if we don't sell, you know, 100,000 a year in direct mail, given the way we do direct mail, I won't say it's a failure but it's not a book we're probably going to stay with for very long. So we've had a lot of trade publishers who have been very, very happy with their royalties on these.

Adrian Bye: So you're taking existing books. So you went to the bookstore and took existing books and then weeded those down until you had a set of books that you wanted to sell, or did you rewrite those and then they became your books?

Brian Kurtz: Well, what we did was we didn't rewrite them. The idea was to try to make it as turnkey as we could, because, you know, and then nothing -- we have another expression here: Nothing is turnkey. But what we did was we took like a book that was a trade book, like a big soft cover, and we might have either taken -- we might have taken some stuff out, we might have added some stuff in. We always put a hard cover on it.

And then the thing that we do best is add premiums so we create other books. So that even if, let's say, the book is sitting on a -- say it was a hard cover book in the trade, so it's a hard cover health book sitting on the shelf in Barnes & Noble at 29.95. We take the same book -- better yet, it's sitting on the shelf at Barnes & Noble at 19.95. We take the same book, we add some material to it, we update it, we put Bottom Line's logo on it since it's going out a lot to our database, we put a hard cover on it, we put a different cover. We add material through premiums that you can't get anywhere else; I mean they're worth something, although they're free bonuses, and now you've got a book and a package that you could sell for \$29 instead of \$19, or \$29 instead of \$24 or whatever.

So the problem is you do need a little bigger margin, because direct mail is expensive, so we're finding that it's very hard to get the margins unless we can get the \$29. I'm giving you way too much detail I think here.

Adrian Bye: No, this is what we want. So getting the price up and then you negotiate the royalties down; that gave you enough room to make it work on direct mail.

Brian Kurtz: Yes. I didn't have to negotiate the royalties down, I just had to negotiate a fair royalty. You know, it's not so much the royalty that would hold us back, it would be the production cost of the book, it's the bad debt. I mean you do direct mail for a book and you're offering it as a free trial, you know, you have to do a lot of bad debt screening and you're going to have 30 percent of the people maybe that aren't going to pay you. So that means you're sending out 100 percent of the books, you're only getting paid on 70. The 30 percent of books that you've sent out; that's a real cost, it goes right to the bottom line.

So there are a lot of other things involved in the risk reward in the direct mail world, but the key here was, the epiphany was, you know, you have the machinery to do direct mail, you know the formula, it doesn't necessarily just have to be greatest hits in your own books, and you know, we're good at it, so we were able to find a lot of books that we found some great partners.

Adrian Bye: And you just stayed with books, you didn't try anything else?

Brian Kurtz: On the Internet we're trying -- like there you can do maybe special reports, which to me is just shorter books, and charge a lower price point, and that's something we're trying more and more of, because your promotion costs are so much less.

Adrian Bye: It's fascinating what you're talking about, because it's some similar to a lot of the models people are using actively on the net, where the front-end is some kind of an e-book and putting people into a continuity program which is built around the e-book. So there is the monthly subscription exactly like you have in the newsletter and then to that same list other offers or related

offers are sent which are related affiliate programs which then the advertiser keeps a commission for.

Brian Kurtz: Yes, I see the analogy.

Adrian Bye: Very interesting, all right. Anything you want to add in closing?

Brian Kurtz: No. I mean I got into some real detail there on only probably a fraction of what we do, but I think that what is interesting, as we were talking and you just kind of summed it up well, that online, offline, yes, I mean it's very, very different and the models are different and the economics are different and all that, but I think what we're always talking about is direct marketing, and which means that everything is testable, everything is measurable.

I think that anybody who is working on the Internet -- I think it's easier to get sloppy on the Internet because everything is so cheap to do, so you won't lose a lot of money, but you're certainly going to waste a lot of time and you're also going to clutter up peoples' inboxes.

I mean there's another theory in direct mail, and I don't know if this is true in online because I haven't explored it enough, but there's a theory that says every time you send something to someone you may reduce the response to something else, and it's a concept in direct mail called contact strategy. So that in the ideal world if I had 12 -- if you're on my customer list, you're a subscriber to one of my newsletters, and I've got now 12 more products I want to sell you, we know that there is probably an ideal order to send you those products, 1 to 12, at an interval of when to send them to you.

Adrian Bye: Right.

Brian Kurtz: Do we ever get there? Absolutely not. I don't know any direct marketer -- if they tell you they know how to do that, they're full of it. They might though have done enough testing to start figuring out a bunch of patterns; that I know the three best of the 12, I know that I'd better get those three offers to you in the first six months of when you're on my file, because then you're going to fall off, and that's where I can maximize my income.

And I'm just wondering if online, because people have gotten so -- my word is sloppy, but I don't mean it to criticize anybody, except for the fact I look in my inbox every day and I see the same crap from the same people over and over again without any regard for why they're sending me that at that particular time or in what order. And I think that direct mail cost has disciplined the direct mail people in a way that I think if the Internet folks were disciplined in the same way there might be a little higher response rate. On the other hand, it doesn't really matter since it's so cheap anyway. And I just ask that question.

Adrian Bye: And, well, here are some thoughts on it. Have you heard of the book called Drilling Down by I think it's Jim Runn?

Brian Kurtz: I have heard of that book; I've not read it.

Adrian Bye: Jim Novo. Some great stuff there; he worked with the Home Shopping Network in applying limits to things. So you've had a buyer that's come in; what's the limit when they're considered no longer a buyer? That's obviously a big question, but at what point do they stop responding? And he puts triggers on things and they determine then what those limits are and then try to send their customers down a funnel. We're starting to do that stuff online and it's also being used for targeting as well, so a lot of this offline --

Brian Kurtz: Do you think that he's come up with conclusions that are really actionable, or that they're just theories?

Adrian Bye: They seem pretty actionable in the book, but I have --

Brian Kurtz: Okay.

Adrian Bye: But it is a very good book. Do you want me to --

Brian Kurtz: Yes, I will definitely get it. I'm always open to this type of thing. I think that I remember one of my first years in the business -- this was in the early 1980s -- I was pitching our list to a mailer of direct mail books. And I said, "Let's do a list exchange. I'll mail your list, you'll mail mine," and the response I got was, "Well, we're really careful about how many exchanges we do, because we've calculated" -- this is in like, what, 1982 -- "we've calculated what we think" -- think; I don't think they drilled down -- "what they think the average person will buy on books in a particular year, and therefore we can't rent to this many people, because once we get to that limit they won't buy any more books from us." Now, to me that's a theory that has no founding in anything.

Adrian Bye: Right.

Brian Kurtz: Because if you give somebody a great offer at a great price, I don't care how much you've tried to sell them before, you can still sell them something else. But I do believe that there are optimal contact strategies that can be employed that can maximize income in the shortest amount of time.

And there are a lot of models. I mean we do lifetime value models all the time of our customers on our database. And I can't say that they are 100 percent accurate, but I do know that they're actionable, because we test them against each other. You know, we test -- new customer comes in on this offer and then we test -- the next offer we send them, it's A versus B, which one responded better and at this time interval, and then we know that for that type of customer with that profile we should be going in this order with this product line.

Adrian Bye: And so on a related question then, have you guys ever done any testing with Taguchi or design of experiments?

Brian Kurtz: No, no.

Adrian Bye: Fair enough. It's an area that I experimented with and spent about a year or so on and came to the conclusion that it doesn't work very well.

Brian Kurtz: So there you go. So you just saved me all that money.

Adrian Bye: Well --

Brian Kurtz: Although some day you've got to meet me. I've got to go buy a book now because of you.

Adrian Bye: Yes. I mean the reason I ask is because the Jim Novo stuff -- and I've heard his stuff works, I've heard the Taguchi stuff works as well, but it never worked reliably for me. Drilling Down stuff looks as intriguing to me as Taguchi did, but I haven't tested it so --

Brian Kurtz: Right, so I'm glad I asked that question, but I will look at it. I think that, just like in database marketing, you know, there are a lot of people that claim that they can calculate the lifetime value of a customer to the penny, and I have not seen any one model that I would trust my life on.

Adrian Bye: Yes.

Brian Kurtz: But there is a lot of good stuff out there. It's only going to get better, as we both know. I mean there's only going to be more data, more technology, more ability. But you know what? I go back to another side of it. Now I'm going back to my mentors of 20 years ago; that people are still people and human behavior is still human behavior.

And one of the best books that I would ever recommend was a book that was written in 1966 that we reprinted called Breakthrough Advertising by Gene Schwartz, and that book, that's about human behavior, and that hasn't changed.

Adrian Bye: And actually, anybody listening on this call, you want to pick that up; you guys probably haven't heard of this one: Eugene Schwartz, Breakthrough Advertising. It is one of my all-time favorite books as well, particularly the chapters on the sophistication of markets.

Brian Kurtz: Yes.

Adrian Bye: It's fascinating. And Broadroom are the guys that publish it and it's a really, really good book.

Brian Kurtz: Yes, the book was out of print. We saw it on eBay for \$950. Somebody paid \$950 for an out-of-print copy. So I went to Gene's widow. Gene was a very good -- Gene was actually one of those early fascination writers, by the way. And Gene was known for basically -- he didn't write books per se, but he did, because what he would do is he would go to an author and he would get all of their material, and then he would pull from their material what he wanted to put in the book, because it was the stuff he could write the best fascinations for. He basically wrote a book kind of

backwards, starting with the direct mail, and then built the book based on what he could write the best copy for, which, to me, basically underlines a lot of the things that I was talking about in terms of creative development.

But anyway, the thing about that book is that so we went out of print and we saw it on eBay for \$950. And we had once reprinted it in a small volume well after 1966, probably in the mid-1980s, and we printed, I don't know, a few hundred copies, and then those went out of print. And so I went to Gene's widow, Barbara, and I said, you know, "I'd like to get Gene's book back in circulation and I don't think people should be paying \$950 for it," and she agreed, and that's when we republished it, and we have a new version which Marty Edelston wrote a forward for. We're charging I think a very reasonable price of \$95 for it, and that is available on our website. If you go to the store page or the buy-it-now tab or whatever it is, it has a list of all of our books, and it includes that book, it includes Gordon Grossman, who wrote a fairly new book, Confessions of a Direct Mail Guy, and also we have Dick Benson's book in there, Secrets of Successful Direct Mail.

So we're kind of republishing classics as sort of a hobby. I mean we're not making a lot of money on these books, believe me, but we felt that these books really needed to still be in print. And I'm really glad to hear that you've read Gene's book and that you're a fan of it. That tells me a lot about you, Adrian. Good stuff.

Adrian Bye: Well, I think I read the other ones as well, but the one that really impacted me was the Eugene Schwartz one. When I saw the sophistication of markets and how they evolve over time, that was a real light bulb moment for me, so good stuff.

Brian Kurtz: Well, I tell you, the book was written in 1966 and we haven't changed a word so --

Adrian Bye: Very good. Well, thank you. Let's leave it there, and again, thank you for spending time with us.

Brian Kurtz: All right, great. Thanks, Adrian.