SPI Podcast Session #170–
The Secrets of a Successful Product Launch
With Ramit Sethi

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This is the Smart Passive Income podcast with Pat Flynn, Session #170.

Intro: Welcome to the Smart Passive Income podcast, where it's all about working hard now so you can sit back and reap the benefits later. And now your host—he wants to start an entrepreneur-related ska band, mon!—Pat Flynn.

Pat: What's up everybody? Pat Flynn here. Thank you for joining me in Session 170 of the Smart Passive Income podcast. We have a 2-time guest on the show today, today on for a third time by high demand from a lot of you. This is somebody who I highly respect. I get a lot of great advice from him myself personally, and the last two times he's been on the show he's provided massive value for all of you out there, especially those of you who have courses and are selling things, because he is sort of the master of doing both of those.

This is none other than Ramit Sethi from [I Will Teach You To Be Rich](), on for a third time again, like I said. Today we're going to talk about all the aspects of launching an online course or launching a product – what to do and what not to do when it comes to truly get the most out of that next launch that you're doing. It's how to make the most profit, but also make the most impact as well.

We're going to talk all about strategy here. We're going to talk all about what not to do as well, and also how to pull back if something's not working very well, and how to make sure you understand what it is that you have to do next.

Without waiting anymore, let's get right into the interview. This is Ramit Sethi from Iwillteachyoutoberich.com. Here he is.

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Pat: Ramit, welcome back to the SPI podcast. How are you, buddy?

Ramit: I am doing great.

Pat: Thank you so much for being here. I have a funny quick story to tell you. I've been speaking a lot lately. I go to conferences and I see a lot of people in the audience, people who are listening to the show, at these conferences, which is great. I always ask them, "What kind of shows do you like best?" and by far the #1 kind of show that people love are the shows that feature a success story from somebody they've never heard of before. I feature big names like Gary Vaynerchuk and Tim Ferriss, but they always appreciate sort of smaller people that they can relate to.

When I ask them, "Should I do more of those?" they're like, "Yeah, but make sure you still keep Ramit on. You want to bring Ramit back as much as you can." I was like, "Why?" and they say, "Because he always brings the goods whenever he comes on your show, so bring him back as much as you want."

This is kind of a great way to bring you back on because we're going to be talking about something really, really important today, but I just wanted to share that with you because the SPI Nation loves you.

Ramit: That's very flattering. Usually when you hear someone talking about you behind your back, it's usually that they hate you. This may be the first time in my history that someone's actually said something nice about me behind my back. [laughing]

Pat: Well, when you help people out, which is what you do when you come on the show, you provide so much value, people can't help but love you, and I know they're going to love you after this episode because in this episode we're going to be talking about the marketing and everything that goes into successfully launching a product, with an emphasis on that 'launch' word. I hope you're ready for the questions that I have for you.

Ramit: I'll answer anything you have for me.

Pat: Okay, we'll dive right into it with no fluff. I know the people are eager, so here you go. The first question is a big one that I see a lot of people especially in my audience struggle with because they hear about "You're supposed to build this and you're supposed to create this," and they do that. Most people spend a ton of time creating a product, and when it's done that's when they start marketing. Is that the right approach or how should it be done well?

Ramit: No, that's not the right approach. Listen, a lot of people think business is this kumbaya "Let's all hold hands, hug, dance around a fire and express gratitude to each

other," and you could do that if you want, but business is also about winning. It's winning in terms of providing massive value to your students or your clients or customers, whatever you call them. It's also about generating a profit, so when you see people doing a launch and then hoping it's going to go well, that's crazy to me.

I like to give myself an unfair advantage so I know I'm going to win. I'll give you an example. With my team, let's say we want to generate $25,000 in a launch, then I want to see the math showing how we're going to get $50,000. Why? Because I have to assume that certain things are not going to work out. Maybe somebody's not going to open their email etc.

When you're doing a launch, you never just go in there and hope and pray for the best. That's what amateurs do. The real top performers have numbers. They have assumptions that they've made. They might be wrong, but at least they've made some assumptions, and every time they go through it they get better and better.

We can talk about how we do this. In one of our recent launches we launched something to many hundreds of thousands of people, and we had estimated what our conversion rate would be and we were within 0.1%, from hundreds of thousands of people of that estimation.

That isn't an accident and it also doesn't mean we're geniuses. It just means that we have practiced and tracked our numbers over and over and over again, and that's what I want to talk about today.

Pat: Let's talk even more about that. I feel like if I were to just do a launch I would know it would do well, but I wouldn't know what numbers to pick. I wouldn't know how to get that precise with it. It almost seems like guessing, and you're obviously not guessing. How are you not guessing when you come up with things like that?

Ramit: Well, it is guessing when you start. When you first start you are guessing, but it's the discipline of at least putting some guess down on a page. That's good. What people typically are going to do is they're going to say, "I want to make $25,000." Okay, well I want to ride a pink pony into space, but that's not going to happen. What you want to do and what you're going to do are two different things. Who cares about what you want? Let's talk about what's going to happen.

So you write it down. You say, "I'm going to generate $25,000 of revenue." Okay great, so break that down. How many customers is that? How many are on your list? You're saying you're going to generate 100 customers off of a list of 1,000 people. That's 10%.

Does that sound low? High? I don't know. This is where you start going around asking your friends or doing a little research and saying, "Hey, is 10% normal? Is that high?" etc etc.

What we're doing right there is we're breaking down a launch into some basic assumptions. Now, let me just tell you point blank. Your numbers are going to be all wrong the first time, the second time, the fifth time. That's okay. You're not doing this to be right the first time. What you're trying to do is examine your assumptions.

For example, we have one person on our team who perennially under-estimates how well we're going to do, always. I'm like, "Bro, come on! Get some confidence. We're going to do better than this," but we track the numbers so each time we can go back and try to update the intuition.

That's sort of a general guideline. We can talk more about how you get into that, but the main takeaways there are, first, it is a guess when you first start but it's the discipline of putting it down on paper. Secondly, don't just pick one number like $25,000. Break it down. How many customers? How much are they each going to be worth? Break it down into two or three numbers there.

Then when the numbers come in you can actually look and say, "Whoa, I was way off on that. Now I know next time I need to do better marketing or I need to adjust my expectations."

Pat: Now, specifically with marketing before the product comes out or even before you actually start building the product, are there things you can do to kind of build hype or get people excited or almost validate that it is going to work?

Ramit: We do marketing before we ever create our first slide, first video, first sales page, or first email.

Pat: Everything is based off the data you're getting from your audience?

Ramit: Yeah, and I don't want people to sit there and think I'm sitting in some advanced Minority Report futuristic cocoon. I'm sitting on my couch with a laptop on my lap. It doesn't have to be as complicated as you think.

Marketing is not simply writing a sales page and sending emails. Rewind way, way back. Marketing is about who is your audience, and asking them, "Hey, tell me what your biggest challenge is," and really listening.

It's not going in there like, "Tell me your biggest challenge so I can sell you my continuity program with an average retention of 7 months." It's not that. It's saying, "Hey, tell me where you are. You're trying to lose weight? Cool. Have you tried anything else before? What's worked? What's not? Oh, you got stuck but you finally picked it up again because you have your 5-year reunion coming. Tell me more about that." We're doing marketing at the listening level.

For anyone who's kind of curious about how we break that down, just as a general rule of thumb I would say if we're building a product we would spend 50% of our time on research, 50%. That's listening, that's sending emails, it's doing surveys, it's just looking at what other people are doing and really trying to understand where we fit into all these other products out there.

We spend about 25% of the time building the product and about 25% on the last mile things. These are typically what most people think of as marketing, things like picking the name, writing the sales page, doing the emails. That's not marketing, that's just one small component of marketing, and we spend roughly 25% on that.

If there's one big thing I can tell you it's the marketing starts before you ever put your pen to paper. It starts by deciding, "Who are we going to serve? Why are we different? And what is it that they really want that we can provide a massive value for?"

Pat: I love that – 50/25/25. It's 50% on research. I think that's going to be a big eye-opener for a lot of people.

Ramit: I think so, too. In fact, let me give you another rule of thumb because these came in very handy for me when I was starting off because I wanted to understand. I would get let's say a 5% conversion rate and I'm like, "Is that good or bad? Is it supposed to be 1 or 50?" I literally had no idea, and it was very helpful for me to get some rules of thumb.

Another thing that we recommend in our Zero to Launch course is this rule of thumb that we recommend you have at least 5 hard yes's. These are people who are going to buy your product guaranteed, before you ever launch.

Let me explain what I mean by hard yes's. When you're asking people if they're going to buy your product, anything other than a, "Hell yes!" is a no. Let me give you some examples of things that people say that sound like a yes, but actually mean no.

They'll say, "Oh yeah! That sounds like a lot of people would love it." That's a no. They'll say, "Yeah, I'll think about that." That's a no. They'll say, "Oh,that sounds pretty interesting. Let me know when it comes out." That's a no.

You know what a yes is? "I want this right now. Is this available? Can I buy it today?" or "Take my money, PLEASE!" in all caps.

Pat: "Where was this my whole life?"

Ramit: "Where was this my whole life?" – those are hard yes's. So when I say I want to give myself an unfair advantage, that I want to know that I'm going to generate $25,000 if not more, one of the ways that you can do that is to have at least 5 hard yes's.

Now, the natural question is, "Ramit, where am I supposed to get these hard yes's? Where am I supposed to find these people?" and my answer is, "If you can't find them before you even have a product, how are you going to find them after you have the product?" You need to build the marketing muscle and the discipline to ask people and really understand what it is they want.

A typical research progression would look something like this. We're starting off in that early 50% research. We're not trying to sell anything. We don't even have anything to sell. We have no PowerPoints, no nothing. We're just listening.

At a certain point I start to see a lot of patterns in people. They're going to always be using the same words. They're going to be saying the same things, and at a certain point instead of just listening I can say, "You know, it sounds like what you're saying is blah blah blah" and I kind of read back what I've learned. Sometimes they'll say, "Well, kind of, but not really."

At a certain point I'll get it and they'll be like, "Oh my god, yes," and then I can start being a little bit prescriptive. I can say, "You know, if I had something that would allow you to lose that weight for your 5-year reunion" – I'm just making this up – "and it was available and it looked like this and it worked like that, would you be interested?"

When I finally nail it, and I haven't built anything yet, but when I finally nail it they're going to say, "Oh my god, where has this been all my life?" Then you could literally say, "If I were to create this thing, would you be interested?" they'll say, "I'll pay you $50 right now just to reserve a spot," that is a hard yes.

That is the hard work you should be doing before you ever sit down and start doing all these fancy sales pages and stuff like that.

Pat: Nice, and just 5. I mean 5 is a lot for people just starting out, but 5 isn't a lot for somebody who, for example, has a list of 10,000. It's still good enough.

Ramit: You would be surprised at how reluctant people are to actually engage to get that 5, because it's much easier to sit upon your ivory throne and send out all these engagement emails and all these whatever emails and just look at the metrics. This is hard because you have to actually talk to people, real people, and you have to be a normal human being who breathes oxygen.

You can't sit around saying, "Oh, well that cool internet marketer sent out this A/B tested email." We don't care about any of that stuff. We want to know what real people are doing and what will actually help them.

It's funny because the natural reaction is to say, "Just 5?" and my answer is, "Yes, start with 5. You will find it surprisingly challenging," but once you get it it's an experience like no other. If you have a list of 10,000 then scale the number up. Make it 50. It's up to you. You're the CEO, but start with 5 and I think you will find it very challenging but also incredibly rewarding when you get it right.

Pat: I love that. Thanks, Ramit. You mentioned in a previous episode that you separate yourself from everybody else by just producing the best stuff. I love that philosophy. You always put the best stuff out there so it can't compete with anything else. It's just beyond everything that's already out there. It helps you command higher prices and people actually get results, which is obviously very important.

I'm curious to know what you think about this. How do you balance that philosophy with sort of the buzzwords that are out there right now like Minimum Viable Product, a lean startup, doing these kinds of things that are just enough, which I understand that point too. You don't have to be perfect, and perfection actually holds a lot of people back, so what are your thoughts on making it great and awesome versus MVP and lean startup?

Ramit: I think you can do both. We've done both with over 15 successful products, and I'll share my psychology behind being the best and I'll tell you how we do the testing too.

First of all, I love the idea of being the best, and I appreciate what you say about how we try to represent ourselves. We do try to be the best, and we spend the time and money to do that. When I think of the best I think of these iconic brands and people. I think of Rolls Royce. I think of a beautiful Gucci suit. I think of Jiro from Jiro Dreams of Sushi.

I think when you're thinking about the best, when you're in that mindset it's very clear what you need to do and who you need to see. For us, we love being the best not just for the craftsmanship, because everyone at I Will Teach You To Be Rich takes real pride in the craftsmanship and the time it takes to build the best products. Some of them take years and years. I think it's also good for business, and this is what I really want to emphasize to everyone listening.

It has become so popular, such an idea du jour that you should just throw something out there and see what sticks, that the world of online education and self-development has become just plastered with trash, with junk. I believe that there is always a flight to quality, always.

This is typically what we've seen happen. People try a bunch of stuff, and many of them waste their time and their money. At this point there's a decision to be made. Some of them will give up. They'll say, "This internet stuff is scammy," and they'll just go back to their regular lives. I feel so sorry because they've found the wrong sources of information. They didn't know. There was no way for them to evaluate it, and they're forever burned.

But some people will say, "You know what? I'm ready to take this seriously. I skipped over that expensive option because it seemed too expensive at the time, but I actually realize that I value my time more than a few dollars."

What happens to these people is they start doing their research, and a determined person can always find out who the best is in a market. When those people come to us, price is a mere triviality. They are the best customers. They are ready and they're serious. Again, let me emphasize that. Price is a mere triviality. They don't care what the price is. Is it $2,000? Is it $5,000? They don't care.

I have products that I'm evaluating right now that cost $2,000 or $3,000. They could cost $50,000 and I would pay it because they're valuable to me and I know that I'm going to be able to turn it into way, way, way more.

Let's get back to your question about testing. How do you balance being the best and spending years and all this stuff, with "I've got to get something out there"? I think you can balance them. We do it in this way. We start by really understanding our market. We're talking to them all the time.

If you're on my email list you know I always say, "Hey, write me back. I read every email," and I do. Many of the people listening, if you're on my email list you've emailed me and I've probably emailed you back. I'm doing that because I like it, and I also get a lot of value from it. I learn.

We test things a lot. We test them quietly. We don't have to make a big deal out of it, but we're constantly testing products at different stages of the game. Then when it's ready, when it is the best, that's when we release it to the public.

Anyone who comes to I Will Teach You To Be Rich and sees something launching, they can feel very confident that it's been through typically hundreds of thousands of data points of testing. I can tell you how we did that with Zero to Launch, for example, if you want.

Pat: Sure.

Ramit: Zero to Launch is a course we created to teach people how to create successful online businesses, and the research phase, if you want to really extend it, it took us years because we built our own business. We built 15+ successful products. I started helping a bunch of people – beginners to 7- and 8-figure businesses – and we really started to know what we were talking about. So then what we did was we said, "All right, we think we're pretty good at this. Let's build a prototype."

This was after we'd done a lot of listening and emails and conversations, so here's where we get into real testing. We built a prototype. This was a simple prototype in Google Docs, like Google presentations, a simple little PowerPoint doc, and we put this together and we started running people through it.

Eventually we found some holes, some things that we had not considered, and we took a small group of 20 people. I said, "I will help you go through this and I'll teach you this stuff for free, and in exchange when you are successful we get to interview you on video and you can kind of share your story."

Of course these 20 people were like, "Let's do it," so I worked with them personally and I walked them through the program, and every week they came back and they would say, "Okay, I did this. This isn't working. Ramit, what about this and that?"

Finally we found little subtle holes in our program and we patched them up, tore it up, rebuilt it from the ground up, and at that point we knew "This thing works." Then and only then did we release it to the public.

You don't have to do all that stuff. I'm telling you what happens at a certain level, but what's the key point here? The key point is if you commit to being the best, that takes you on a different route than almost everyone else. Secondly, you can commit to being the best and you can do micro-testing. You can test it by testing your ideas, by asking people, "Hey, what do you think about this?" You can challenge them a little bit more and say, "Hey, go try this technique and come back and tell me how it works."

Here's a hint. If nobody comes back and tells you how it works, that's not a good technique, or you have the wrong people. You want to be able to button all these things up right now so that when it launches it's a foregone conclusion that this product is going to work.

Pat: So that's your MVP, the Google doc and the sort of micro test with that group of people?

Ramit: Exactly.

Pat: That's cool. I love that. It's crazy because I remember following you a long time ago, and you were mentioning courses that were like $3,000 or $5,000 now. I remember when you came out with your first product, because I was reading your blog then, and it was like $4.95 for a little ebook.

Ramit: [laughing] Oh yeah, my famous "Ramit's 2007 Guide to Kicking Ass" for $4.95, and I was petrified of selling that. You know what's funny? I got more hate mail for that one and for the next $497 product I did than for the $12,000 product I did years later. That's crazy to consider. I never even expected that. Why?

First of all, when you're selling at low prices you're typically selling to a different type of audience, and you're going to get a lower-quality customer with lower prices. There's no surprise about that. But more importantly I always said, "I want to move up the value chain."

I think this is interesting for people because you see a lot of people who kind of stay at the same price point forever. You'll see these people. They're selling $50 products for years and years, or $97 or $197. It's always the same prices. I wanted to learn those price points because there are certain things that happen at those price points, but I also wanted to learn at $497, $997, $2997, and even $12,000.

By the way, for people who are wondering "Why are there 7's at the end of these?" there's really no great evidence, whether it's 7 or 9. I've looked at all the research, so just forget it. Just pick a number and move on. Stop wasting your time.

All these people email me the dumbest questions. "Hey Ramit, tell me the split test confidence interval on your 7 vs 9 test." It doesn't matter. Just pick one and get on with your life.

Pat: I love that, thank you.

Ramit: Let me give the definitive answer, and the answer is "Just shut up and move on."

Pat: I will forever reference this podcast episode when people ask me that question.

Ramit: Please. So you learn different things at different price points. For example, there's different buyer psychology at $197 vs $497, and certainly once you get above $997 or $999. I wanted to understand all of that, and therefore now that I've created products at $4.95 and $12,000 I can tell you, "Here's what you need to know when you're selling a $197 product, and here's what you're going to need to do at $497, $997 etc."

A common mistake people make is they try to jump ahead too fast. I always tell them, "Don't make that mistake. You need to go through the fire." And another mistake they make is they just stay at the same level forever, mostly out of fear and lack of knowledge of how to move up the value chain.

Pat: Right. That value chain is really there, and you probably all have been a part of it and you don't even know it, with some of the products that you use every single day and some of the services you use too. Very cool.

Here's a question that's always bugged me, or not a question but it's this idea of either keeping a product open for good – and the benefits of that are when you get people through your funnel it's always there and you don't have to go through launches every

year or twice a year, which are tough and difficult. Is that better, keeping a product open for good, or having these launches that are opening and closing and there's an end date and then you kind of reopen it later in the year?

Ramit: It's kind of like asking me, "Ramit, is it better to wear black or blue?" The answer is blue.

Pat: It's white and gold, actually.

Ramit: There you go! There's no perfect answer, but there are certain guidelines that you may want to consider. I can tell you there are companies that do very, very well with both models, so don't think that one or the other is going to make or break you. It depends on a lot of things.

For example, what's your goal? Is your goal revenue? Is it getting people into your funnel? Are you doing advertising? Are you doing SEO? These have an impact on what you should do.

In general, we keep our products closed, and when they open people know that they're only going to be open for a very limited time so they act quickly. That's for us. Now, if you were to simply stop listening to this right now and go try to copy us, you'd be making a fatal mistake because what you don't understand when you start studying other companies is you need to really understand why they made the decisions they did.

For example, I used to look at other sales pages and I'd be like, "Got it! I need to use 42 bullet points, not 20, because the ones with 42 bullet points seem to be selling like way better." I'd be like, "I'm so cool. I'm such a copywriter. I'm awesome." Then what I later realized is there's actually reasons why some of those people used more bullet points, and there's actually reasons why some used fewer bullet points, and those reasons are not apparent at all. They're actually very, very, very subtle, oftentimes as subtle as what's their business strategy.

Just to give you a sense, if I were to put out a $3,000 course and just kind of say, "Oh, click here and buy right now" anywhere, it would not sell. People don't impulse buy a $3,000 course.

Look, I was going to buy a $200 iron. I love ironing. I spent like 3 hours on YouTube looking at different reviews of this Rowenta iron, and there are a lot of people like me

who want to do their research, so you need to understand the business strategy going in.

My general recommendation for you is one of the biggest determinants is your price point. If you have a lower price point, people are more likely to buy it sort of any time. The higher you go, you're going to need to change some of your marketing strategies to reach the right people. We cover a lot of the escalation strategies in Zero to Launch.

Pat: Let's keep talking about pricing. That was a big topic that we talked about last time and I want to get a little bit deeper with you. We talked about keeping the cart open or closed and that sort of debate.

What about the debate of pricing tiers? There's like 100,000 different ways to go about it in terms of one large upfront payment or monthly or quarterly. What exactly commands a recurring payment versus just a one-time fee? I know a lot of people who have great products and they don't launch because they just cannot figure this out.

Ramit: [laughing] Well, you're supposed to test every single one of them to 99.9999% statistical significance. It's fine. You only need like 8 billion tests to run to figure out the answer.

No, that's not what I'm going to tell you. I hate when people come onto these things and they're like, "Just test it." It's like, "Hey, the reason I brought you on this episode is to tell us what works the best for you. I know I'm going to test all these things, but at least give me some sense of it."

I'm going to tell you what worked for us. First of all, we went years and years and years and actually generated millions of dollars and sold thousands and thousands of successful courses before we ever did payment plans. Oops!

Pat: That's an oops. That's not good.

Ramit: That's a big oops. If you had been trying to copy us at that time, if you said, "Oh, got it. They're so sophisticated they don't do payment plans. They must have figured out that payment plans are bad," that would have been a really bad decision because we just hadn't gotten to it yet.

Part of being an effective CEO is knowing when to do something – not too early and not too late. For example, if we had tried to do it earlier, we were not technologically sophisticated enough to do it, and I can talk about some of the problems that come up

with payment plans. But if we had waited much longer we would have left millions and millions and millions of dollars on the table.

I want everyone listening to start thinking of themselves as a CEO, not some scrappy internet nutcase but a CEO. A CEO walks into the room and they think very methodically and deliberately.

I'm going to talk about payments plans and then we can talk about tiers. For most of the people listening, payment plans are not even #1 on their to-do list, not even #50. You need to get more people just buying your stuff, and you need to get them to actually value it, use it, and find success with it.

Most of their problems involve going way back to customer research and listening to people. What most of them want to do is find some fancy headline technique that they can use that supposedly is going to magically quadruple their sales. Never going to happen.

The problem with payment plans is you need a lot of sophistication to really do them well. Why? Because people are going to go delinquent. Their credit cards are going to expire. If you get to a certain scale you need to start considering things like revenue recognition. There's a lot of complex issues that we didn't even realize when we started.

But I can tell you that when you decide to do payment plans, in general it's going to boost your revenue. That's kind of a general good rule of thumb. That doesn't mean you do it today. There's a lot of things to think about, but you can rest assured that when you do it and when you make that decision, it's probably going to boost your revenue.

That's the revenue question. Any things I should talk about on that, or should I talk about tiers as well?

Pat: Let's go to tiers.

Ramit: All right. Tiers is a very common question. We've launched products with one tier, we've launched them with 3, and maybe even more tiers. Again you want to ask yourself, "What's the goal of these tiers?" For the most part you need to ask yourself where are you going to make the bulk of your revenue, and for almost everyone the bulk of their revenue is going to come from the introductory program.

Now, I'm speaking specifically for people who are creating information products. SAS and other business models are very different, so I'm not talking about that. But just to give you an example, if you have a product that's $1,000, $2,000, and $3,000, you're probably going to make most of it from people who come in at the $1,000 level. That's just a general rule of thumb.

You need to ask yourself, "How much more am I going to make from the second and third tier, and how much more work is it to actually deliver that much more value?" because you definitely don't want to make the common mistake of just creating these tiers because you've seen everyone else do it, and not offering great value in those tiers. Then what have you done? You've actually punished your very best customers.

We've had product launches where we actually took a product and we didn't create any additional tiers, knowing we were leaving revenue on the table, but we said, "You know what? That's okay because we don't have the time or the resources to create those additional tiers. We'd rather just focus on getting more people in the door." So we took the time we would have spent on the additional tiers and we just wrote amazingly better emails or did way better copywriting or whatever.

However, why do people add tiers? Because it moves the needle. It moves the AOV (Average Order Value) needle. If you have a $1,000, $2,000 or $3,000 product, your AOV is going to be higher than $1,000 because some people are going to buy those higher-end programs.

My recommendation to you in general is tiers are good. I mean they're good for increasing AOV and increasing revenue. They're not necessary. You don't need them. Don't feel like you have to have them. It's one of those nice 'icing on the cake' things and you will want to play around with some of the pricing and stuff like that.

Just an example from my own history, when I launched Earn $1K, which is still one of our most successful courses and it's spawned literally thousands of businesses, we priced it at $497. We had another tier at $1497, and then we went crazy. Back then I thought, "Let's go crazy and just create a price that no one will buy," and I believe that price was $1997.

We had an Excel model where we all tried to guess what percentage of people would choose this versus that, and I literally thought that we would only get 2 sales of the highest tier, just 2. We sold 21 in the first hour.

That was really kind of a moment, like if you were in a movie I would have been looking up at the heavens and a spotlight would have come down and the heavens would have been singing. I was like, "Whoa, what the hell is going on here?"

Tiers were something that took us many, many years to kind of uncover, but I would strongly recommend that you don't get caught up in some of these more advanced things. They're just icing on the cake. Focus on building an amazing product and getting a lot of people in there. The tiers are something you can worry about much later down the line.

Pat: Awesome. Now, here's a question for people who are launching and they know there's people in the audience that they have that want to buy, but they're not saying yes yet. They haven't said no yet, either, but they're on the fence. How do we get the people on the fence to come to our side of the fence and actually make a decision to make a purchase?

Ramit: On Quora I used to write some answers about psychology and marketing. If you guys are interested you can look up Ramit Sethi on Quora, and there's this old Quora answer I gave where someone said, "What are some reasons people don't buy, even though the product might be good for them?" I listed off a whole bunch of them and I'd like to cover some of those right now. Then we can talk about what you can do to get people off the fence. So here's a few of them –

1. No time limit or time limited reason to take action. One of the phrases they'll say is, "I'll do it later."

2. No behavioral trigger to make it easy. "Where's the link? I have to find it in my email? Ah, never mind."

3. They'll say, "The product isn't right for me." They're worried that their reference group, like their friends or parents, will think it's weird that they're buying it.

4. Some of them have a fear of not following through with the product.

5. Some of them are scared of being scammed.

6. Some of them are scared of not being able to cancel.

7. Some of them don't think they have enough time.

8. Some of them think they need to get their ducks in a row or get everything together before buying this product.

And there are literally dozens more that we've catalogued. In a survey I did of over 35,000 people, the biggest reason that they hadn't purchased a particular product was this. They said, "I haven't gotten around to it."

Now Pat, you must see this a lot, right?

Pat: Yeah. There's always a reason to delay. They always say, "I'll get to it."

Ramit: Yeah, and you said it beautifully. There's always a reason to delay, so your job as a CEO and as someone who is creating the world's best products is to give them a reason to take action. The default of inaction rules the day, so if you do nothing or if you do your job poorly, your readers will not take action.

You could blame them or not blame them, but really you have to take one hard look in the mirror and point at yourself. You didn't do a good enough job of connecting with them and showing them why you deserve their attention. Don't blame other people.

By the way, I say this because I used to get very, very resentful of my own students. I had been writing for years and years for free, and when I finally launched something I saw the amount of people who didn't buy, and it's a pretty large amount when you're sort of unaccustomed to the law of internet numbers.

Then a lot of them would write me back, because I asked them, "Hey, out of curiosity, how come you didn't buy? What can I do?" and they would just tell me these horrible things like, "I don't know, I don't really read your emails," or "Eh, it sounded okay but I'll just do it later," or "Oh, I could probably find a lot of this stuff on Google."

I was like, "I'm going to kill you!" but really I shouldn't have taken my rage and focused it on them. I should have actually looked at myself and said, "Ramit, where did you go wrong? Why did you not reach them?"

This early resentfulness is something that you need to keep an eye on. Don't get mad at them. It's not their fault, it's your fault, and then you need to figure out how to motivate them. In general what I'll tell people is you've got to give them a reason to act now. You have to.

I wouldn't just look at people who are creating information products. I would look at other industries. There are a lot of other industries that understand this problem and have understood it for decades. They know that people in general are not going to buy a car unless there's some reason, so they do something to move them.

When I started off I created a taxonomy, a list of different ways to get people to take action, and the most common one that people are going to do is to do a sale. We almost never do sales. We almost never discount. My strong recommendation is take that off the table because it's kind of like making a fart joke at a comedy show. It's a cheap laugh. You know you're going to get kind of a cheap laugh, "Ha ha ha ha," but it's not real comedy.

The same thing is true for true beautiful connection that is marketing. You don't have to discount if you can actually reach out to people and move them in the right way.

I'm going to challenge everyone here, what are some ways that other businesses have motivated you to take action? And you're not allowed to use discounts. If that's the one rule, what are some ways that you could turn around and take the insights from other industries and apply them to your own customers?

Pat: Let's talk about some of those things really quick. Some things come to mind to me already.

Ramit: Tell me.

Pat: This whole scarcity model, like things might run out and I don't want to miss out.

Ramit: Good. What's an example in the real world?

Pat: In the real world there might be a Tesla that I might want, maybe coming later in the future for me, we'll see, but there might be only X number that are available for now, and the next run is like a year from now, so I'd want to get it now before somebody else does.

Ramit: Great. Now let's dig a little deeper into that example because I want to show people how they can either go awry or go and truly understand what's going on. What are the key characteristics of that example, that Tesla, that makes scarcity work?

Pat: I'd be an early adopter or one of the first to have one before my other buddies do.

Ramit: Good.

Pat: The fact that it would help me save money on my gas bill.

Ramit: Okay. That is true about Tesla, but that doesn't really relate to scarcity. What else?

Pat: Just the fact that I'd run out of time, or if I don't act now I'm going to miss out.

Ramit: Okay, so first of all it's a physical object. There literally are not going to be any more of them, so that's true and that's authentic. It's difficult to do scarcity with an ebook where you say, "Only 150 copies," because it's obviously not. This was a challenge we ran into years and years ago, and we had to understand how that model can actually apply.

Another thing that's interesting about the Tesla example is that it's a high-end product, so scarcity makes a lot of sense when you're talking about a high-end product. It doesn't make as much sense if Wrigley comes out and says, "We're going to come out with 1,000 packs of this red Juicy Fruit." Okay, I don't really care.

Pat: Well, the Twinkie thing – everybody went crazy for Twinkies when they said they were leaving.

Ramit: Really? Maybe we're in different markets. I'm not familiar with that example, but in general you can see that there are some characteristics that are relevant, and you want to ask yourself do those characteristics match your business? It would not make sense to say, "This ebook, we only have 150 copies left." That makes no sense, but there are other ways to exercise scarcity besides the number of copies are running out.

It's very subtle, and you want to get into this. This is stuff we cover in Zero to Launch. You don't want to just stay at the surface level, which is where most other people are, and then when they do a launch they try to ineptly apply all these cool scarcity strategies and it doesn't work, and they don't understand why because they didn't go into the level of rigor that a true CEO would.

Pat: I wanted to go deeper on this because the most common things are that false scarcity – "Oh, there's only 150 left" – or there's a time-based scarcity on access to something. Everybody I know is like, "We've got to do the discount."

Ramit: [laughing] If I ever find out one of my students is doing a discount I'm going to find them and I'm going to hurt them, because I tell them, "All the work we do up front and all that research and all the hard work we do, that's the price we pay to create the world's best product."

And we don't just say that. It's not just a tagline. It's not something we are really arrogant about. We genuinely believe it because we've seen the results with our students before it ever launches. So because we know it works, we don't have to discount it.

I see these coaching programs and these ebooks and stuff and they're like, "This is the world's best whatever! We're going to solve all your problems," and then it's like, "By the way, it's 50% off until Friday." I'm like, "Are you kidding me? If this truly were the world's best whatever, why would you give it away for 50% off? That doesn't make any sense." Automatically when you use these things inelegantly or ineptly, you automatically will detract the best buyers because they can smell it from a mile away.

Pat: So how do we elegantly sell an ebook?

Ramit: You tell me. What's a product you've bought that moved you to take action using scarcity? Did you ever buy any of my products? I'm asking the elephant in my room here. I actually don't know if you've bought any of my courses.

Pat: I bought your book but not your courses.

Ramit: You bought my book, with no scarcity whatsoever. [laughing] This is the worst example I could have possibly brought up, but it's also hilarious. Look, let me take the one example that every person who's listening has used or has experienced. "The course is closing on Friday. Must buy now!" so you're like, "Oh god," and what happens on Friday?

Pat: There's a barrage of emails from the person who produces that product to get as many people in there as possible, and then it closes.

Ramit: And then what happens the next day?

Pat: Then people want to continue to go in who haven't gotten access to it, and they get upset.

Ramit: And what do they do?

Pat: They have fits and start leaving nasty comments begging to get in, or they just leave forever.

Ramit: Typically what happens is these relatively unsophisticated business owners will try to use scarcity and they'll say, "It's closing on Friday," and then miraculously it will re-open on Saturday.

Pat: "Oh, we're sorry. There was such a big uproar. We will do you all a favor and open it up again for one more day."

Ramit: Yeah, and these things happen in fads. It used to be, "There was so much traffic you guys collapsed our server." That became sort of like ridiculous, so now they do, out of the goodness of their heart, "Oh, there were so many people that I don't want to deprive you of access to this life-changing experience, so I'm going to open it up for just one day," and then there are like 5 emails that were pre-written and are sent.

The first time I launched Earn $1K I mentioned to you that it was $497 at the introductory level, the pro level, so we were selling really, really well. It was actually the best launch we'd ever had until that point. I believe it was a Monday through Friday launch. Around Wednesday I was like, "Wow, we're doing a lot better than I thought. In fact, we're doing a little too well."

I told people in the subsequent emails that week, I said, "Look, I'm not making any promises, but I'm pretty sure based off these numbers that I'm going to raise the price."

Back then that was the first sort of serious launch I'd ever done, and a lot of people on my list had seen these other launches and they thought they knew what was going to happen. I said, "It closes Friday." They didn't believe me. I said, "I'm probably going to raise the price." They didn't believe me.

What happened was I closed it, and the next day I woke up and I had dozens of emails in my inbox. "Hey, I decided to join. Can you let me in?" and I wrote back to every single one of them and said, "No. I'm very strict with my deadlines," and they went absolutely ape. They were like, "This is ridiculous. Why are you turning down a customer?"

It's a very un-American thing for people to be told they can't spend their money, and yet I don't care. I told them, "These are my rules and this is what I expect. I expect excellence from everyone, including my customers," so they were really pissed.

Well, guess what? The next time my course opened they were right there to sign up. They didn't miss it. Similarly, the next time it opened I had raised the price and people learned that when I said something I meant it.

My key lesson for everyone listening is if you are going to use scarcity in the sense that your course closes, then you need to truly be authentic with it. That means that you need to accept the fact that the next day you will have people emailing you saying, "Hey, can I get in?" The answer is no. Why? Because you set a rule and you expect excellence from every single person who you're serving.

Pat, I'll give you an example from just the other day. I woke up and I had overnight – this is a totally automated product that we have – I had sold $10,000 for this combination product that we have, $10,000 automatic. I woke up with $10,000 in the bank account, and I looked at this guy.

He actually wrote me an email saying, "Hey, Ramit, I wrote you several rude emails a while ago and I apologize and I'm going to be better." I was like, "This is weird." First of all, you don't get a $10,000 order overnight too often, and second, what the hell is he talking about.

So I looked up this guy's emails and he had sent this barrage of rude emails to us and to our team, and in every email, the next one he would apologize and say he's going to be better, and then he would do it again. So I took his $10,000 and I immediately refunded him and I banned him from our entire account. Why? I don't need his money and I expect excellence from everyone.

What are you hearing when you listen to me saying all this stuff – the customer research, the really going deep? It's really hard if you want to be the best, but this is what it takes.

Scarcity can work. It can definitely drive conversions. There's no doubt about that, but you need to really believe it. That means you need to close your cart, no exceptions. You also need to not re-open it next week or two weeks later, because people are very smart. You have to believe that. They're really smart and they will detect what kind of business owner you are. Are you an authentic one or are you not?

When people come to our stuff and the cart closes, they know it's closing and that's it. Many times the course doesn't open again for years, so they know "I better get this thing now while it's open, or who knows when I'm going to have another chance."

I'll stop there with scarcity. I think it's one of many things you can use. Let me say that. Scarcity is one of many techniques. Don't just think that scarcity is the only one because that's what you see other people doing. Most people don't know all the other techniques. You can learn them, but don't just depend on discounts and don't just depend on scarcity.

Pat: I love that. A dose of reality for a lot of people out there listening right now, so thank you. A couple more questions here. You launch and you see that the results aren't near what you thought they would be. How do you figure out and pinpoint what the issue is? Do you go back to your customers who you've surveyed before, or your audience and say, "What the heck happened? Why aren't you purchasing?"

Sometimes a lot of people don't want to believe it's not paying off. Maybe they hope tomorrow will be the day, or tomorrow will be the day. How do we kickstart a bum product launch?

Ramit: The inability to be honest with yourself guarantees that you will never be truly successful. I see it over and over again where people have an unsuccessful launch, they don't know why, and they don't take the time to truly look inside and analyze where they went wrong.

What do I mean by that? When I say they had an unsuccessful launch, most of them don't even know what success is or not. The first time they don't write down the numbers, and I don't blame them, but what I'm trying to do is elevate everyone to be a little bit more rigorous about their business.

When you have a launch, you look at the numbers and you look at your projections and you can see right there in plain black and white, "Was I successful or not?" because our minds play tricks on us. We will always convince ourselves, "Oh, it wasn't so bad. There was Hurricane Sandy last week, and the White Sox were on," or whatever. There's always some reason that we excuse our failures, but I don't allow that. I expect us to write it down and be clear about what is it a success or not?

Now, if it was, we're going to spend time analyzing that, and if it wasn't, we're going to analyze that. So how do you analyze a launch that didn't go as well as you wanted? If you start from right now and I wrote down what I project that we will make, even if it's

totally wrong, and I wrote down how many people on my email list, what's the expected conversion etc, now you can at least have what we call a chain. Like links in a chain, you can analyze those links.

If you don't have this, then all you see is, "Wait a minute, I only sold like 50 copies and I was thinking I would sell more like 500," and you have no idea where to start. For those people I'm going to tell you something that you're not going to want to hear, but I'm going to tell it to you anyway. Other people are going to tell you, "Hey, write a new headline. Do this long copy technique that I saw Ramit doing or somebody else." Don't believe it. Don't do it.

My honest candid feedback to you is start over. Start over from ground zero. Go back to the market and listen to them and really listen. I'll tell you an example where we did this and it generated millions of dollars for us. I'll tell you that in a second.

If you have that chain, then you can actually analyze what worked and what didn't. For example, one of your chains might be "I planned to have 1500 people on my email list," and when you launched you had 1492. Perfect. That's pretty much 1500, so that part of the chain was gold. Move on, what's next?

"My conversion rate I expected it to be X and it was a little bit lower. Why is that?" and you can start to kind of dig into that. How do you dig into conversion rate? You can talk to people who didn't buy. You can ask them why. You can look at Google Analytics. You can do a whole bunch of stuff.

Same thing with AOV, your Average Order Value. If you expected it to be $1400 but it was only $1200, then obviously your top tiers didn't perform as well as you thought. You can break that down. You don't have to do all this stuff. I'm just showing you how granular you can get.

I'll tell you an example where we did this for one of our products. We had a product that, oh man, this was a great product. I knew it was good because we had done a lot of testing and we had seen it actually live in the market, so the product was good. I launched it on a webinar and, man, it was crazy. I was going through it and explaining a little bit about this, and people weren't even asking the right questions.

Typically they're asking questions like, "Hey, does this work for my specific situation?" They weren't even asking that at all. They weren't even conceptualizing themselves as buyers so I knew something was wrong, and we ended up converting about 3% on that webinar. It was not a good performance.

We watched them go through the product. It was crazy. We had people who started asking for a refund within 3 hours of joining the course. We've never had that happen, never, so I put an immediate stop to this product. Immediately we pulled it off the market and I put together this tiger team on our team and I said, "Go find out what happened."

We started off at ground zero. We started back and looked at the research and it took us about two weeks and we discovered that we had missed a couple of really, really subtle things in the development and the marketing of the product, so check this out. We fixed up the product. We kept the webinar deck exactly the same. We did not change one word, same webinar deck.

We got another group of people, the same size as the first one, and I went on the webinar. Again I'm basically doing the exact same webinar except I changed a few sentences in the way I presented it. Our conversion rate jumped to I believe 26% – the same slide deck, did not change one word, and the product was better.

We had made changes to the product, so there were no more cancellations within hours. There should never be cancellations within hours, and we have secured those benefits forever because that product is still live in the market.

Now, that's a lot of work. Yeah, that's the answer, it is a lot of work. None of this is easy, and I hope for people listening if they want an easy out then there's plenty of other people to go listen to. They're going to recommend split testing this and that and blah blah blah. We're talking about doing the really tough work. That's why most people don't do it, because this stuff is really hard to do, but once you do it the rewards are massively disproportionate.

My recommendation for most people if you have a launch and it just didn't work out, I hate to tell you this but I'm going to tell you the truth – I'll always tell you the truth – start over. Start over. Go back to the research phase. You may not have even done research, so go back – we show you how to do the research in Zero to Launch – and build the links of that chain.

The next time you launch it I can tell you your performance is going to be better, and in the areas where it's not better you're going to know exactly what part failed and how to fix it going forward.

Pat: Speaking of Zero to Launch, I know you've had like thousands of students in there. Can you share one of your students and maybe how they went from a really big struggle to a really great success with the launch of a product?

Ramit: One of my favorite students is a young woman named Selena Soo. There's a bunch of stuff about her publicly. There's a video interview we did with her at ZeroToLaunchSystem.com/selena. She's been on Mixergy. She's been all over the place.

Basically she was doing a lot of business coaching, and she was amazing at what she did. I met her and I was like, "Wow, one of the best coaches I've met. She really knows what she's doing," and she would connect people with influencers, like she got me in Oprah magazine with just a couple emails. That's amazing, so I knew she was good.

But she would work with these clients who were like really over-demanding, you know what I mean? They would be taking up all of her time. They wouldn't pay on time. They were just a hassle, so she started to try to do this thing. She'd offer her services for like $10K a month, and nobody really wanted to do that. It didn't quite work. She picked up this side client work for lower pay. She was discounting and it was not working.

So what happened? First of all, we taught her how to do guest posting. She did a guest post and that guest post resulted in $30,000 of direct revenue, so that's pretty amazing. But one of the things we taught her in Zero to Launch was not just how to guest post with anyone, but how to write amazing guest posts that generate subscribers.

So her newsletter doubled overnight, which is amazing. There are some very specific things you can do that we teach in Zero to Launch as to how to write guest posts that will drive subscribers to you.

Then she launched a new program, and this was pretty cool. She had her own coaches and her coaches were telling her, "Launch this program at like a $200 or $500 level," and she was like, "No. I know how to create a massively valuable product," so she created a $3,000 product with what she learned in Zero to Launch.

Now, that is a very high-end product. We actually typically recommend starting off at a smaller level because there's a lot of things you can learn, but at this point Selena had kind of been in that world for a little while.

The first time she ran it, 50 people signed up and she made $150,000. In 2014 her revenue was over $300,000. I think it was $315,000, and she learned much of this through Zero to Launch. We taught her how to build amazing products. We taught her

how to target the right people – not people who you have to constantly say, "Hey, here's why it's $3,000 and other people cost this, and okay, I'll discount it 50%." You don't have to do that when you do the hard work up front.

I think for a certain type of person who heard those examples like Rolls Royce and Gucci and Jiro, they want to create the best and they're willing to spend the time because they know once you create the best, like Selena did, people know there's one place to go if you want to learn about building important relationships, and that is you go to Selena. If you want to know about creating an online business, where are you going to go? You go to the people or the person who's done it for 10+ years.

So for those of you who are listening to want to create the best, you have to know that it's difficult. It's very challenging, but once you get it right the rewards are disproportionate and they come in for years and years to come.

Pat: That's awesome, and I've had a few of my own audience members go through ZTL and they've had nothing but great things to say about it, which is awesome.

Gosh, there's so many opportunities out there for a lot of people. You mentioned something earlier before we got on the call, a video that you wanted to share with everybody. Can you talk about that real quick?

Ramit: One of the things that is pretty interesting is going from a $4.95 ebook, which I did in 2006, to a $12,000 course. Going through each of those steps you have to master different things at different levels.

I put together a video showing the differences of what I mastered, and what you can do as you build your products and go from just one product into a business. I put that video together and I put it up at this site – http://www.zerotolaunchsystem.com/smartpassiveincome.

Pat: Awesome. Ramit, dude, you blew my mind. I have a lot of things going on later this year which are going to involve launches, and this was very much a show for not only my audience but myself as well, so thank you so much for coming on again and just really always delivering the value.

Ramit: My pleasure. I love your listeners and I love your readers. Thanks for the opportunity.

Pat: Thanks so much. We'll talk to you soon.

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I hope you enjoyed that interview with Ramit. It's always a pleasure to have him on. He always brings actionable content, and I can't wait for the future of Smart Passive Income because I'm going to be using a lot of these strategies and tactics and putting them into action.

I also want to reiterate the link he mentioned there at the end to get access to his free video that shares proven tactics, decades worth of insights, and case studies you can use to create a successful online business and launch and automate your next course. If you want to check that out, head on over to http://www.zerotolaunchsystem.com/smartpassiveincome.

Of course, that link and all the other links mentioned in this episode will be available at SmartPassiveIncome.com/session170. Again, thank you all so much for listening in today. I really appreciate it.

I also want to thank today's sponsor, 99Designs.com, helping everybody out there who has a business with their graphic design. Whether you're at that point in your business where you are simply starting out and designing a logo and need things like that, or maybe you've been in it for a while and you need to do a website upgrade or build new custom landing pages just for you.

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Go to 99Designs.com/spi and you'll get a $99 Power Pack of services for free that you can put towards your next design project.

Thank you for listening in today. I really appreciate it. One more time I want to reiterate that link for Ramit's free video. That's http://zerotolaunchsystem.com/smartpassiveincome.

One more thing before I let you go. I just want to thank many of you for the time you've spent to fill out the SPI audience survey. I haven't run a survey for you guys in over four years, which is pretty much a no-no in online business, so hopefully you're running surveys for your audience as well.

I'm running one right now, so if you have a moment for the next couple days this will be available for you to do, and if not, if you go to this link you'll see either the results of it or a link to where I mention it in the future and talk about what has happened since then, so wherever you're at in the future go ahead and go to www.smartpassiveincome.com/survey. That's it.

The survey still is live so please take a few moments to share that and also fill it out, because this will determine the future of SPI and how I best can serve you, so please if you're listening to this podcast right now, or you can also go to the show notes for this episode as well to get that link, but again it's www.smartpassiveincome.com/survey.

Go ahead and fill that out. It just takes a few minutes and I appreciate your honesty. It's all done anonymously.

Cheers! Thanks so much. I appreciate you guys and I'll see you in the next episode of the Smart Passive Income podcast.

Outro: Thanks for listening to the Smart Passive Income podcast at www.SmartPassiveIncome.com.

Links and Resources Mentioned in This Episode:

I Will Teach You To Be Rich
Selena Soo interview
Smart Passive Income Podcast Episode 92: The Psychology of Selling and How to Price Your Products with Ramit Sethi
Smart Passive Income Podcast Episode 120: How to Create the Ultimate Flagship Product – From Research to Launch and Beyond with Ramit Sethi
Free Video from Ramit on launching a successful online business

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