

Dial 1-900 For Profits

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Dial 1-900 For Profits

Would you like to start a business in which you don't have to make anything and your product is information, but can earn profits of more than 95 percent? Of course you would. Such a business does exist and is predicted to be a 20 billion dollar a year industry by the year 2000.

New technology in the telecommunication industry, now offers hundreds of ways that entrepreneurs can make huge profits operating a "Pay-Per-Call" business. This business will make hundreds of fast-track entrepreneurs rich during the 1990's. Why not you?

Several Information Providers (nicknamed "IP's" in industry circles) are now grossing between \$5,000 and \$50,000 a month by providing information on a pay-per-call basis. For a very select group of IP's, monthly income exceeds \$100,000. And for a few (mostly in the provocative sexually explicit field) monthly income has reached upwards to half a million dollars!

This very hot new business opportunity is, the fastest growing, most exciting, money-making opportunity of the 90's.

This business is the 900-number telephone information service. In this business, unlike toll-free 800 numbers, every time someone calls your 900 number, a charge appears on his phone bill, and you make a profit. The caller pays for the information or service he receives via his phone and the phone company acts as your collection agency.

The per-minute charge makes this business interesting and profitable. Charges range from as low as 50 cents to as high as \$50 per minute; during his lunch hour, a stockbroker in New York charges \$50 per minute to give hot stock tips to 900 number callers.

You may already be familiar with some types of 900 number services; sport updates, weather and traffic updates, romance and dating lines, and so forth. However, these common services only scratch the surface of the fascinating information you can provide through a 900-number program. Consider these two successes: Surf line and Alaska Men's Magazine. The former is a local Malibu, California-area, number that provides instant updates on surfing conditions. Surfing fans, who live for that perfect wave, often call this number several times a day and spend about \$1 a minute for the privilege.

Alaska Men's Magazine's 900 number sells information about eligible bachelors who live in Alaska. It is an instant

personal/mate wanted advertising service. It is successful because few women live in Alaska, so many Alaskan men are looking for spouses, and many women in the lower forty-eight states are looking for husbands.

America's Funniest Home Videos invited the nation to help select the winner of the \$100,000 grand prize for the funniest american home video. One announcement made by the host, Bob Saggett (lasting approximately five minutes), resulted in another \$250,000 program grossing, by my calculations very nearly enough to pay the the \$100,000 grand prize. This next example is the cream of the crop.

The Wheel Of Fortune ran a 21 day program. Each week Pat Sajack invited callers to call and play Wheel Of Fortune. The cost of the call was \$2.00 per minute. Through the course of 21 days The Wheel Of Fortune received 4.7 million calls. That's 4.7 million calls, not minutes. The average number of minutes each caller was on the line was five minutes and the average cost of a call was \$10. Forty-Seven Million dollars was grossed in less than 30 days.

This is only a small sampling of the many uses a 900 line can be used for Dozens of categories for 900-number services exist, but they boil down to four basic concepts: romance, financial, maintenance, and entertainment.

"Romance" line- that is, true confession, dating, and similar topics--now earn about 80 percent of all industry revenues. However, like the video industry, that situation is changing rapidly as the business becomes more professional and offers stronger concepts to consumers.

"Financial" appeals to people's urges to make money, save money: stock and bond price lines, sports updates for gamblers, and horse racing lines.

"Maintenance" refers to technical support lines. A computer operator, for example, must call a technical support number because they are having problems with either there software or hardware.

"Entertainment" refers to everything else, mostly for recreational purposes: miscellaneous products and services, soap opera updates, rock stars, and contest.

FIVE SERVICE METHODS

To satisfy these four basic concepts, you can offer one of the five methods which your target market can call:

* Interactive auditext--pre-recorded messages responds

to caller's choice.

- * Live audio: an operator or group discussion interacts with a caller. Obviously, this is more expensive for you to operate than pre-recorded messages.
- * Interactive video: a caller's personal computer retrieves text and graphics from an on-line data base.
- * Facsimile: sends pre-stored faxes of printed information in response to caller request. News reports, stock reports and so forth can be made available through pre-programmed computerized fax services.
- * Messaging: callers leave recorded messages, such as their name, address, product specifications, order information, etc.

TWO TYPES OF SERVICE

Once you choose a method that suits your concept, you have to decide whether to market it locally or nationally. A national line uses a 900 number offered through one of four national common carriers. Telesphere Information Services 900, AT&T, Sprint Gateways, and MCI. Or, if you want to start locally, you can contract with your local telephone company for a local or regional 976 line.

T. Harv Eker, a young California entrepreneur known as the "Biz Opp Wiz," said in a recent report on 900-number service business, "I recommend that a small "infopreneur" start with a local 976 number to learn the ins and outs of this risky business. You can study your target market and test your advertising and your service idea for far less than it costs to start a 900 service."

Experts show that eight or nine out of every ten 900 services fail. However, if your concept hits big, you can make phenomenal profits. And you can reduce your risk by following the experts' advice about how to choose and market the best idea.

Russ Blackwell, an executive with Microlog Corp., a major 900 service bureau explains, "In 90 percent of the lines, call volumes do not reach anticipated levels. The services may still make money, but they often do not make as much as the infopreneurs expected."

The reasons this occurs are numerous.

First, people's profits fall short of their expectations because they got overly excited about this business and forecast profits far higher than any they should reasonably expect.

Second, people try to sell bad ideas. For example, Blackwell says, "One service tried to sell insurance to the elderly. It was a legitimate application, but hardly anyone called because senior citizens rarely use 900 numbers. They think it has a stigma, and they prefer to make toll-free calls.

Instead, Blackwell asserts, the largest target market research young people between the ages of fifteen and twenty-five--in short, impulse buyers.

Other seemingly good 900 information ideas that flopped include quilting information and gardening information. Why did these ideas fail? They did not meet the essential criteria that experts have learned make a 900 number successful.

1. **PERCEIVED VALUE:** People must believe they receive a high value from the information. They must think that the information is worth the price of 95 cents a minute, \$25 a call, or whatever the service charges. If people can get the information for free or cheaper elsewhere, they will not use your service.

Jim Coffee, General Manager of Audio Communications, Inc. (ACI), insists, "You must carefully identify your target customer and offer very significant value." By target customer, he means you must analyze the demographics and buying habits of your potential callers.

He adds, "The success of your program depends on two elements: first, your content, which is measured by the average hold time (AHT); and second, the quality of your marketing or your advertising measured by the number of "connects" or calls.

AHT means that your callers are willing to stay on the line and listen to the entire message or to interact with the program or the operator. Your content must encourage them to stay on the line and increase their charges.

2. **IMMEDIATE VALUE:** Furthermore, your callers must perceive that they need the information you offer right now--**IMMEDIATELY**. This factor is why Surf Line succeeds--surfers want to hit the perfect wave right now-- and Quilt Line failed--quilters can mosey over to the library and lock up the right stitch when they feel like it.

3. **REPEAT CALLS:** Once your callers reach your information service, they must call back again and again. Your content must repeatedly satisfy a continuing need. Stock prices change every day, the weather changes every hour, traffic conditions change often during rush hours, people often want to make contact with potential dates. Repeat calls make or break this business.

Eker notes that your 900 service must also make the information convenient and easy to reach. It must be far more convenient than any other method or medium. A caller should only push a few buttons to reach the desired information, or go only through one operator.

SECRETS OF STARTING UP

Your first task is to think of a concept that meets these criteria. Second, you must identify an easily reached target market. Eker advises that you start with a tried-and-true category at the local level. This could include sports line or "conditions" line--local beach, skiing, vacation, traffic, or similar line that affects people's leisure or driving time.

Most important, you must develop a highly targeted marketing plan to reach you audience. To do this, find out from your local media--newspapers, radio, TV, cable, magazines, etc.--about their audiences. Then, select the media and develop advertising that will reach your audience.

As one example, a traffic line will be most popular in the mornings and afternoons during prime drive times, so a local radio advertisement targeted at young workers who listen to a rock station may make sense. Unfortunately, in the radio business, "drive time is prime time," and you pay higher rates. You could explore placing some less expensive radio ads just before prime drive times begins (about 7 a.m. and 3 to 4 p.m. in most markets) to reduce your costs. You should blend a series of ads, some before, some during, and some after drive time to reach the greatest number of people.

On the other hand, Eker says, sharing a little known secret, "The best place to advertise a 900-number services may be your local cable TV channels. Although most people don't know this, you can buy local cable TV ads placed on national cable channels very, very inexpensively--as low as \$1 per minute for local broadcast TV. Each local Tv company receives two minutes per hour for local advertising on each channel. So, for example, you could advertise a Sports Line on ESPN, WTBS, TNT, WOR, or WGN and reach almost all the sports fanatics in your area. And do so for as low as \$12,000 a year.

In short, you must thoroughly, search for the best marketing alternatives and have the available financial resources to buy advertising.

Once you think you have a terrific, saleable idea, getting started in this business is very simple. Although you could buy your own equipment to hook up to the common carriers, that equipment can cost tens of thousands of dollars. Instead, use what is called a service bureau.

A service bureau handles all of the operational details. You simply pay its start-up charges and on-going fees and make your information available. You either provide cassette tapes or call in to change the information as you need to do so. It takes as few as two or three days to get your service on line.

Or, in an interesting variation, you can work with another information provider (IP) in a joint venture to sell a service that the other often larger IP cannot do. Many major newspapers and magazines are using joint ventures and partnerships to establish line services. In this case, you may receive a percentage of the profits, usually 25 percent, a royalty, or a continuing fee.

Coffee's ACI and other service bureaus that double as information providers also offer joint ventures and partnerships. If you don't have the money to carry a marketing program, this may be a good way to go and reduce your start-up costs, yet lets you get started in this lucrative opportunity.

Another secret to this business, says Eker, is that you must be prepared to cut your losses--FAST. You should also plan a to test a range of program concepts through various media. This business works like the direct mail and catalog business. You must test your services, prices, and advertising again and again to find the right formula. When you hit it big, you then should run with the winning combination. But if an ad doesn't draw many callers, or even if the call volumes are just not high enough to make the profit you want, discontinue the service quickly and try something else. Or better, have another services already underway.

PROFIT POTENTIAL

When you hit, you can make amazing high profits. On average, 900 numbers charge \$1 for the first minute and 75 cents for additional minutes. The average call lasts three to five minutes, so your revenues per call average \$2.50 to \$4. If you invest \$40,000 you only need 10,000 to 16,000 calls to break even.

Your cost on each call will equal \$1.50, giving you a profit margin of about 40 percent per call before you deduct your overhead, operating costs, and taxes.

Here is what a typical month's revenues, expenses, and resulting profit might look like:

Monthly Revenues: \$100,000 (25,000 calls at \$4 per call)
Fees to the Carrier: \$40,000 (average 40% of gross)
Fees to service: \$3,000

Marketing: \$40,000
Overhead: \$10,000
Total expenses: \$93,000
Monthly profit: \$7,000

If you invest \$60,000 in the total start-up, your return on your investment per month would equal 11.7 percent. More likely, Eker notes, a national start-up that would generate \$100,000 per month in revenues would realize 8 to 13 percent per month. "The goal is to realize between \$1.08 and \$1.13 for every \$1 you invest," he notes.