Health Profits Academy:
Session 4

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Introduction

Here we are for Week 4! We got a very important component to talk about. First, let's get into the fulfillment process. It's so much easier today, Buck says, eight years after he first started. The number of fulfillment companies that are out there. The capability of these companies and the technology that is used to support them and differentiate is tremendous.

The expectations, obviously, of customers are much higher. When you buy things online, what do you expect? Amazon has set the standard. Everyone expects to get packages deliver to their door two days from the time they ordered? Isn't that the expectation people in America typically have now? The bar is set very, very high. A lot of times people will spend a few bucks more to get things overnight. For example, Buck ordered the pens that he handed out at the live event from Amazon, and they came by two-day delivery. He got them on time, without a hitch.

How can you put yourself in a position where you can meet at a minimum the customer expectations of getting their orders processed and to them very, very quickly without having to make a huge investment, capital investment in terms of startup cost? Keeping that cost down, yet delivering a very high class of service is not difficult, but it takes some kissing frogs.

One thing that you want to do is leverage the process that you are going to learn in this lesson about selecting a fulfillment partner. First, you want to ask who has used them and who is recommending them. Ask why they are recommending them. Rather than going and giving some small ‘mom and pop’ shop a try and hope that they’re going to take good care of you, and your products are not going to get burned up in a fire or get stolen, or something worse happen, pay attention to Buck’s five-step bird’s eye level view of fulfillment.

Each step of this process is going to be gone through in order. Obviously, the selection of the partner is very important. There are come criteria that you’re going to learn about. For example, you are going to learn about how to get the product to the warehouse, whether it’s a product that you’re private labeling, or a product that you’re getting manufactured at a contract manufacturer. Once the product is manufactured, you’re going to send it to a warehouse that’s owned and controlled by a fulfillment partner.

There are a few things that you need to know in terms of making sure you’re prepped and ready to accept orders, and that’s before the orders go out the door. There’s also an integration process you’ll need to learn about. This is really speaking to technology. Integration typically involves your CRM system, your shopping cart, and the actual fulfillment centers warehouse management software. That’s going to be discussed to.

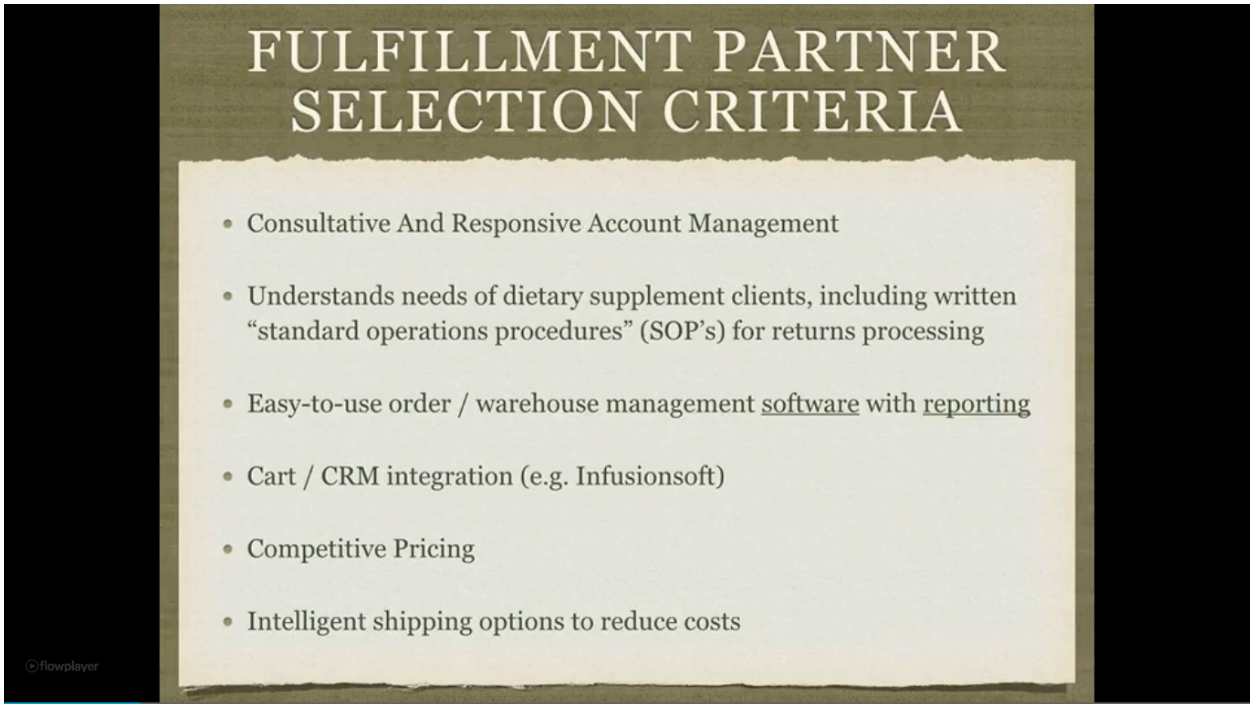
This is based on the criteria Buck put together, looking back through his experiences, and also some to the feedback that he’s gotten from his partners over the years. He broke it all down to make things easy for you. He’s got some partners that he’s using or have been recommended to people that he trusts. You got a chance to hear from Tom Behnke of Newgistics. Tom mentioned that they are a bigger company now, and for many of you, they’re not going to be a great fit because of their order minimums. He did recommend a couple of companies though. One is Webgistix, which is now owned by Rakuten.

Companies like this that Buck comes across are going to be added to the rolodex, and a new version of the rolodex is going to be added to the membership area soon. He’s also going to put a date and version number on the rolodex so that you know if you have the latest one. Again, Newgistics is going after larger clients now and not bringing in anymore small, startup clients at the moment, so take note of that.

You might look into Rakuten now or others like Planet Fulfillment. Buck says that he knows Jim Gardner at Planet Fulfillment. They work with a lot of dietary supplement companies. They’re a good option. Buck is planning on interviewing Jim. He’s the vice president of sales at Planet Fulfillment. Buck says that he’ll also be talking to the director of business development at Rakuten. That way, you can get a perspective from both companies and take into account what the plusses and minuses of working with them would be.

You’re also going to have some criteria to work with. The VIP Rolodex has been updated in the member’s area, and you’ll see a version number and an updated date so you know when to pick that up. Tom used the term 3PL when referring to third-party logistics. So, if you hear that term, you now know what it means. Buck just uses the term ‘fulfillment partner’.

Selecting a Fulfillment Partner



You want a company that has a consultative approach to working with you, and they need to have very responsive account management. If it seems like they are all over the place, where it's hard to get a callback, it's hard to get questions answered, and things are really fuzzy, especially in the prospect phase, it might not be a good idea to keep that relationship going. You shouldn't inundate them with a thousand questions either. It's recommended that you take a 'manager approach' in communicating with them. If you have a set of questions, you would need to submit them.

See what their responsiveness is to things and ask them what their customer intake process is and so on. That will give you a sense of how good the account management is. Are you going to have a dedicated account manager, someone that you can get in touch with during normal business hours? Will they be able to take care of any issues that might arise? Also, when you choose a partner, it shouldn't be their first rodeo when it comes to working with dietary supplement clients.

One of the things that is really important when it comes to compliance is this notion that current good manufacturing processes do not stop at the shipping and receiving of your contract manufacturer at the loading dock. When the truck leaves your contract manufacturer, your job, in terms of GMPs, are not done. They really continue on end-to-end from manufacturer all the way to the receiving at your fulfillment center, the shipping and delivering to the customer, and the processing of returns.

It's very important that your fulfillment understands what it means to service the needs of a dietary supplement client. They should understand current good manufacturing practices as it relates to a fulfillment operation. In addition, your fulfillment partner should have written standard operating procedures for returns processing. So, if they give you a blank stare when you ask for written SOPs for returns processing, you might want to thing "Ugh, this is not a great option for me."

Buck has had a conversation with Kevin Grimes on this subject, and it's important that they have not only SOPs, but they also should have people designated for the returns process. This will be discussed further later on in this lesson. This is a point that should be highlighted for you. It's going to be one of your criteria. Newgistics is a company that Buck uses, and they do this. You want to make sure that you subject anyone that you consider to that same standard.

Buck says that one of the reasons why he selected Newgistics (which was formerly AtLast Fulfillment) six years ago was because they had made an investment in great order management and warehouse management software with great reporting. In fact, they also had a call center. Their call center was integrated with this reporting interface, and he could see everything about his business inside of their interface. That is a very important aspect of all of this. You should ask questions like:

- What kind of software do you use to manage your outfit?
- What kind of interfaces do you give to me so that my customer care team can use it?
- Will it integrate well with the software that I'm using?
- Will I have a reporting interface?

"If they're doing everything with spreadsheets, God help you." Buck says. Now, in the 21st century, it's the norm to have order management and warehouse management software. This is the state of the practice, and if they're not working at this sort of level, that's a problem.

Another thing that you need to make sure of is that they can integrate with whatever shopping cart or CRM system that you happen to be using. Many times, these companies have out-of-the-box solutions that will integrate with yours. For instance, many of you have decided to invest in Infusionsoft. You need to find out if they support it directly or if there's a way that you can get it integrated somehow. Sometimes you can pay them to integrate so that you've got some kind of real time connection between their order management system or warehouse management software and your shopping cart.

Obviously, you're going to want to look into competitive pricing. If you're trying to shortlist some fulfillment partners, you should put out a request for proposal to more than one of them. You might do this for two or three, and get pricing from all of them. Then, do an apples-to-apples comparison. You also want to make sure that they will be consultative to you when it comes to shipping both in terms of cost and time, the time they take to deliver to the customer.

In this day and age, Amazon invests and re-invests heavily in the customer experience. They do everything they can to speed up how quickly a customer can go through the entire order process, from getting through the checkout to having their product arrive at their customer's door. That's not a bar that you're trying to meet right now, but you're certainly going to want your customers to be able to receive their products in five days or less. Three days would be more ideal.

RealDose tries for this, and they also offer the option of having an order expedited overnight as well as offering two-day or one-day options. This is a way that you can add a little extra revenue because you can charge a bit more for these options than what you might be paying the carrier. By and large, if you can get orders out to your customers in three days on average, you're doing well.

Above you'll find an example of the software interface for Rakuten. This is a pretty typical-looking one. Many fulfillment providers will use something like this. On this interface, you have a dashboard, and you have the ability to view the orders that they have received from your shopping cart. You can also track your inventory and run reports. Plus, if you have to co any kind of exception handling, maybe holding of orders, or maybe you want to get an indication of any orders that have problems, this is where you would find that. You'll also find reporting on things like returns here.

You'll need to know what it costs on a discreet order basis to ship an order and what you are going to be billed for fulfillment fees. You'll need to know what the shipping costs will be in terms of using UPS, USPS, etc., and if you're going to be billed directly for that. Basically, you need to work out all of the details in terms of running your business from a shipping standpoint. The next step in this process is going to be making sure that you get the product from your contract manufacturer to your fulfillment center that you've selected.

If you've never done this before, if this is new territory, this might seem difficult. However, once you've done this once, you'll discover that the process is very straightforward. In fact, at RealDose, they have a member of their accounting team do this. More specifically, they have an outsourced accounting firm, and they use one of the members of that team to do it because they are doing the bookkeeping for the company.

Bookkeeping and accounting is related to management of inventory. So, they've overloaded the purpose of one of the staff within their virtual team, on the accounting side. She manages inventory and handles the interface between their contract manager and their fulfillment center. She tracks inventory and takes care of the documentation as well as all of the shipping between the two places.

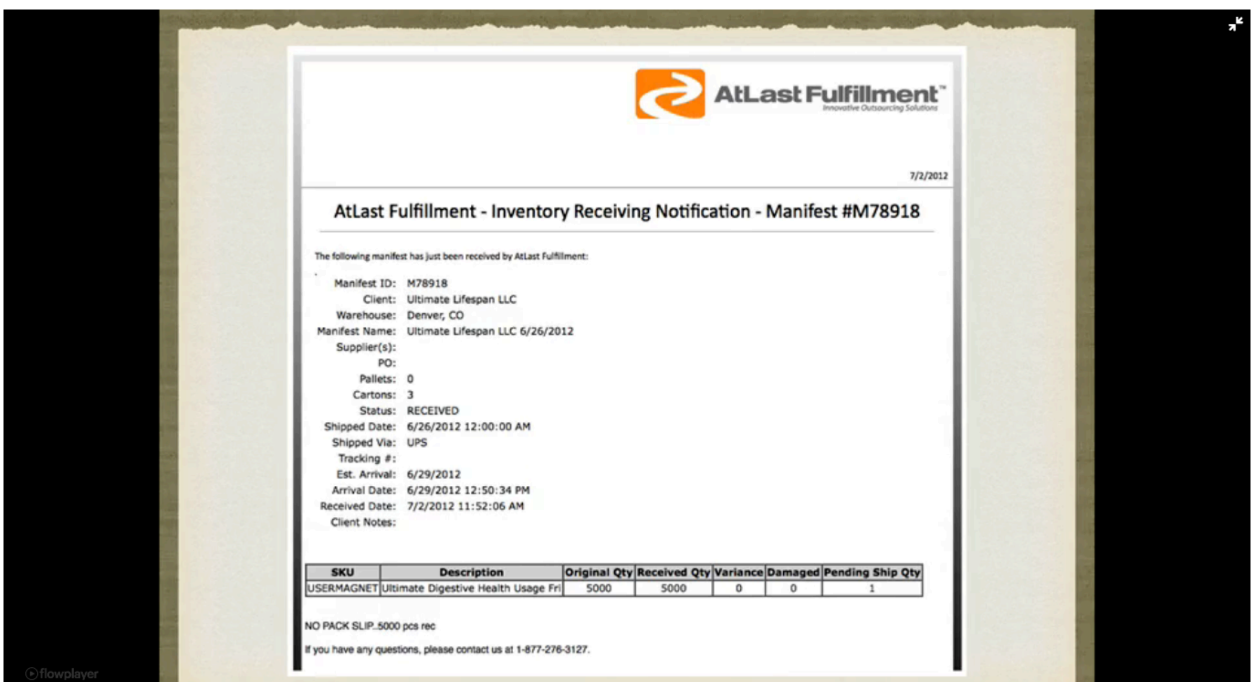
This is one little trick you should really take note of. Once you have found an accounting firm that you can work with well, you could potentially work with them to handle this aspect of your business. You'll want to do this after you get up and running though; that's because you need to be familiar with this process and how it's done yourself first. Furthermore, you'll need to document the procedures so that you can then systemize things and put them on autopilot. A really great resource that will help you learn how to do this is *Work the System* by Sam Carpenter.

Buck has used a variety of shipping companies over the years. Some are great, and some are not so great. Thus far he's never had a truck roll over and lose all of their inventory. Typically, if you're shipping a custom formulation, you'll ship only about 1,000 units and do so by freight. The terminology in this space is called LTL or less-than-truckload. That means that your shipment's going to take up just a few pallets. It's going to be sharing the load with some other customer's pallets, in other words.

Surely you have seen some tractor-trailers before, and you know how big they are. If you've ever been inside one, it's deceiving. There are actually massive amounts of storage inside of these full-size trucks. The beauty is that by sharing that less-than-truckload space, you're getting a great economy in terms of shipping it from one place to the other. Buck recommends using Freightquote.com because they do a great job in terms of customer service and rates. You will want to make sure that you get insurance in case the driver falls asleep at the wheel, and the truck rolls over, and all of your product is damaged.

Not every trucking company is going to give you hazard insurance that you need for that shipment by default. So, make sure you include that in the mix. If you're doing anything smaller than 1,000 units, then you're probably dealing with carton quantities or case quantities. In that case, you could use UPS, FedEx, and maybe FedEx freight. FedEx freight is more of an LTL provider, but you could use FedEx Ground as well as DHL. That's just a matter of looking at the dimensional weight cost. You'll get a quote from them based on the weight and size of what you're shipping and then find the best carrier.

All of these rates will vary over time. Buck says that he tends to use UPS because he has a business account with them and gets great rates with that account. So, he kind of defaults to that service, but he's not meaning to say that you have to use UPS all of the time. No matter what you use, you'll want to get insurance. Typically, things will be fine, but it's better to be safe than sorry.



AtLast Fulfillment
Innovative Outsourcing Solutions

7/2/2012

AtLast Fulfillment - Inventory Receiving Notification - Manifest #M78918

The following manifest has just been received by AtLast Fulfillment:

Manifest ID: M78918
Client: Ultimate Lifespan LLC
Warehouse: Denver, CO
Manifest Name: Ultimate Lifespan LLC 6/26/2012
Supplier(s):
PO:
Pallets: 0
Cartons: 3
Status: RECEIVED
Shipped Date: 6/26/2012 12:00:00 AM
Shipped Via: UPS
Tracking #:
Est. Arrival: 6/29/2012
Arrival Date: 6/29/2012 12:50:34 PM
Received Date: 7/2/2012 11:52:06 AM
Client Notes:

SKU	Description	Original Qty	Received Qty	Variance	Damaged	Pending Ship Qty
USERMAGNET	Ultimate Digestive Health Usage Fri	5000	5000	0	0	1

NO PACK SLIP..5000 pcs rec

If you have any questions, please contact us at 1-877-276-3127.

One term that might be new to some of you is 'manifest', which is a fancy way of saying 'purchase order'. A manifest is basically a purchase order that indicates what it is that you have going onto the truck and what to expect when you receive it. Above you'll find an example of a manifest that was from AtLast Fulfillment. There are very simple data points on this manifest.

Again, this is something that your bookkeeper or accountant could fill out for every shipment that leaves your manufacturer.

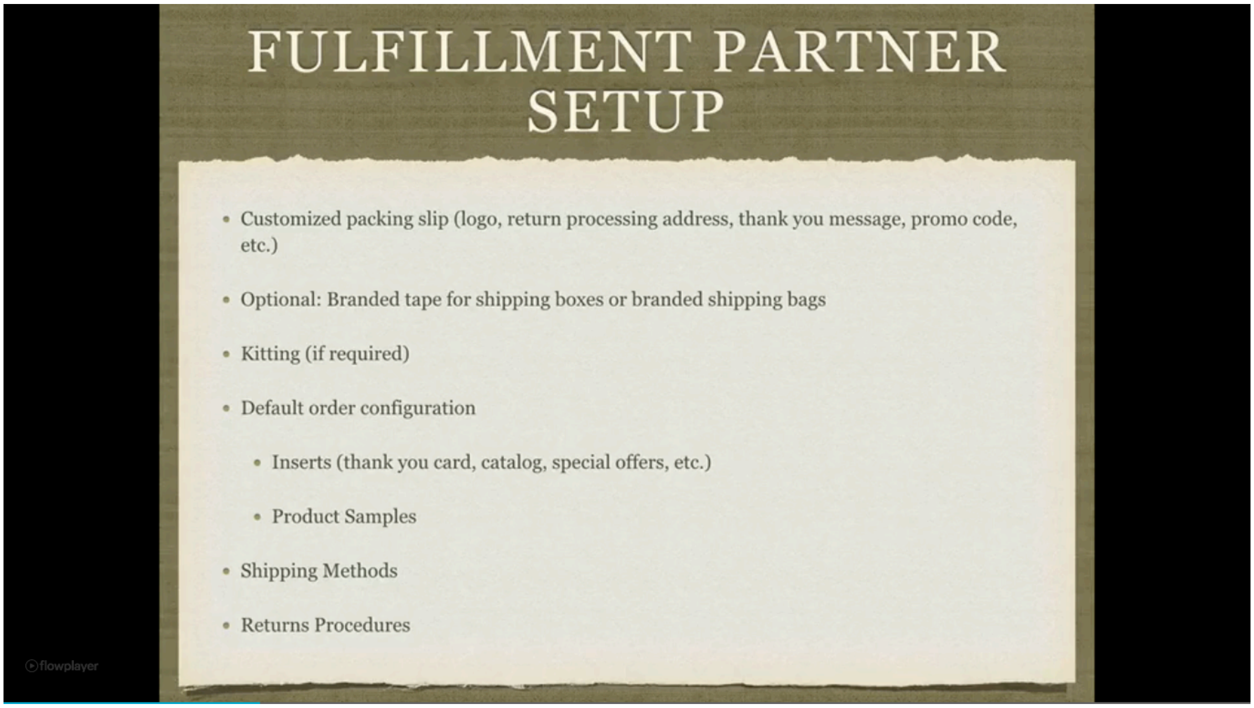
Each manifest will have a 'manifest ID' number that is used to identify a particular shipment. A manifest should also include the client name, the name of the warehouse it's going t , and what's being shipped. It will specify how much is being shipped like whether it's two pallets or three cartons, and when it is estimated to arrive. At the bottom, there will be a place for any notes that you might have associated with the shipment.

You can put something like this together in just five minutes or so once you know what's being shipped from your contract manufacturer. So, this is very basic, but it's also very important. You don't want to make the mistake of saying "Oh, I'll ship it now and tell you later what's arriving." You want o make sure that everything is taken care of, that they're expecting it, and that this manifest number is on the shipment. That's the key. It's important that they have the manifest, it's in the system, and that your fulfillment company knows what they should expect to receive.

Typically, you should be able to get your inventory into stock and make sure it's available for shipping in a couple of business days. It doesn't take very long, but you want to take that into account when you're dealing with when you're going to light up your marketing for that product. If you're worried about things like stocking out, you'll need to work backwards, not only in manufacturing but the shipping time as well as the time that it takes to actually bring the product into inventory. Also, there may be other things to take into account, such as the time it takes to kit certain products.

This is very important but also a very simple thing to do. It's critical that you understand that this is one step in the shipping process. There's another very vital step that you want ot pay attention to. This is something that only has to be done once a periodically adjusted. Many of you will be starting out with one product, so this is greatly simplified for you. Buck recalls that when he first started out, he launched a product that had four items in it. There was an instruction manual, a retail box, and all these other components that made thing very complicated.

Fulfillment Partner Setup



Here are the basics that you need to know when you're setting up with your fulfillment partner. First, they're going to have a standard packing slip. Normally, this will be a template that they send to you asking "What would you like to have on this packing slip?" Other than having what the customer orders, the customer's name, and the items they ordered. You'll want to provide the artwork for your logo. You'll have had your logo designed by then and it will be on your website. You could put a black and white version on your packing slip.

Also, you'll want to have a return processing address on there. This is usually not going to be the same as your corporate address. The last thing you'll want is to have 1,000 items returned to your house or your place of business that's not set up to handle returns. That would be a pain. Yes, at times customers will make the mistake of going to your website, looking up your corporate address, and using it as the return processing address. That's why, if you go to RealDose.com, you'll notice that on the 'Contact Us' page, there's a returns processing address in addition to the corporate address.

One thing that you can do, which is optional, Is use branded boxes. They've experimented with a lot of things to improve the out-of-box experience for their customers at RealDose. They try to make sure that their customers are happy and that they know they've receive the product from them. There are still companies that do this, like Zappos. The boxes that RealDose used were white and they had their logo on them. They looked great, most of the time. However, Buck found that white boxes tend to get dirty and look beat up or grungy. There's definitely an advantage to using brown boxes and maybe putting branded packaging tape on them.

At RealDose, they are using branded shopping bags. You've probably seen the white polybags before. IT's pretty easy to get those branded and silkscreen your logo on it, which is kind of nice. Again, this is optional, not mandatory. So, don't think "Oh my God, I have to get this done too…" You can just start with the basics for now and move onto this later if you like.

If you do decide to do a complex system out of the gate, one with multiple components in it that comes in a retail box, then you've got to consider the kitting step. This is probably one of the criteria you want to ask your fulfillment provider for. Usually they will provide kitting on an hourly basis. Newgistics does this for RealDose, and they know approximately how long it takes to kit up a certain number of items. They stay within this brand of time, so the cost stays reasonable. They'll calculate it over time, and then they'll say something like, "Okay, why don't we just charge you 50 cents or 75 cents, or whatever it is per system we kit, now that we know how long it takes."

That's just the cost of doing business. Typically, it's not feasible for you to have your contract manufacturer do the kitting for you because you're bringing the finished supplements in from one place and bringing the retail box in from a service like Box Co-op. You might also be ordering inserts such as instructional manuals from a printing company.

The next thing you'll want to take note of is what a default order will look like. Hopefully, everything will be straightforward for you while you're just starting out. You can sit down with your account manager and say "Well, fr every order that goes out, I want to have the product that they ordered, obviously, but maybe I'll print up a 'thank you' card, and I need you to insert that by default." Buck has a catalogue that they throw in there, which doesn't really apply in your case. However, you may want to consider having a special offer page. This could be just a single page that's printed in black and white. You could start with that and give your customers some motivation to repurchase, refill later, take advantage of a promotion, or something like that.

Those are some examples of inserts you might have, which would be the standard configuration for every order. There are also companies that have small two or three-day samples put into their packages, and there are some that do custom bars, like protein bars. You might consider doing something like that yourself at some point. This might be a good way to go about making some cross-sells.

Next, you'll want to look at your default shipping method for your international shipments. Typically, RealDose doesn't specify whether something is going to be shipped UPS, FedEx, etc.

This frees them up to use whatever shipping method that is best based on their partners location and the cost. First and foremost, you want to try to get your customers orders to them as quickly as possible. That's first priority. That means that you need to make sure that it gets there too. So, you need to know that your fulfillment partner has some expertise related to processing international shipments. They should know how to fill out the customs paperwork correctly. Typically, when it comes to supplements, they will mark it for personal use.

A lot of these partners will have tricks up their sleeves that they can use to minimize the friction that might occur on the receiving end on these international shipments. You want to have a conversation with your account manager about what they can do for you to minimize shipments with overseas shipments. Another thing you'll want to know is what they do when it comes to returns. When you get a return, you need to be able to identify which order that was that you processed so that you can notify the customer that their return has been received and you can credit them back. This is important because you don't want any delay in taking care of your customers and refunding them.

If for some reason there's a delay and your customer doesn't get a refund, they'll get ticked off. Then, they won't be able to ring you up because it's late at night and you're not doing an afterhours phone service. Before you know it, you'll get a black mark on you because they've submitted something to the BBB saying that you haven't taken care of them. After that, you'll have to follow up on that to make sure that you not only took care of the customer, but you also have to tell the BBB that you took care of the customer so that they dn't take you from an A to an F rating.

What's even worse than that is when a customer goes to one of those ambulance-chasing review sites like Ripoff Report and files a complaint. There's Consumercomplaints.com and others like this too. Basically, it's a pay scheme where immediately you show up if someone searches for anything bad on your company. The only way to get that stink off of you is to go and pay something like $5,000 to Ripoff Report, or whatever report company it was, and prove that you took care of the customer. In other words, you have to pay for protection from these companies, and it's a scam.

The way that you avoid this is to pay attention to any communication from your customers, whether it's by white mail, phone, live chat, or your help desk. Be very, very vigilant when it comes to processing returns. Buck advises that if a customer requests a refund, it's worthwhile. Yes, tell them to return any unopened product, but go ahead and refund them immediately. Don't wait for the product to get returned. Get the acknowledgement that the product was returned and then wait for that signal and refund them because stuff happens.

Why apply this kind of risk to your business just over 3 in terms of hard cost? It's not worth it. Buck recommends that you make sure and let the customer know that you expect them to return the product in order to get the refund, but then go ahead and refund them immediately anyway. They're going to go out and ship the product back to you, but then they will find that their money has already showed back up in their bank account and everyone's happy.

Above you'll find an example of the branded tape that RealDose uses on their shipping boxes. They don't use this particular box anymore. This is just a plain white box that they used to ship Weight Loss Formula #1. Now they just take the items loose, and put them into a brown cardboard box with this branded tape. It's likely that you have seen this style of tape before.

Below you'll find an example of a couple of inserts they put in the boxes. They use the same printing company that Buck put inside of the VIP Rolodex. One is a fast-start guide that's included with every order of Weight Loss Formula #1. Buck believes that the lady on it looks a bit like Julia Roberts.

There's also a thank-you cart that they send. Basically, there are two pages inside that just remind them what a great move they made in buying the product, why RealDose is different, why they adhere to science as well as how they do third-party testing and how they adhere to good manufacturing practices. It also goes into how they apply the Mom Test to everything that they do. If you don't remember, this means that if you aren't going to let your mom see an offer or buy a certain product, there's no way you should do it in your business. Buck highly recommends that you apply this to everything that you do in your business.

You don't have to be a rocket scientist to understand how CRM integration works. The basic concept is simple. You have a shopping cart, whether it's Infusionsoft, Ontraport, UltraCart, etc, and you're processing orders through your cart. And you're accepting payments. If a person selects what they want and go to checkout, the order is assembled, but it's not in the cart as an order. Something needs to happen to get that order over to your fulfillment center. That something should be an integration layer which is a third part solution that your fulfillment partner is going to provide you.

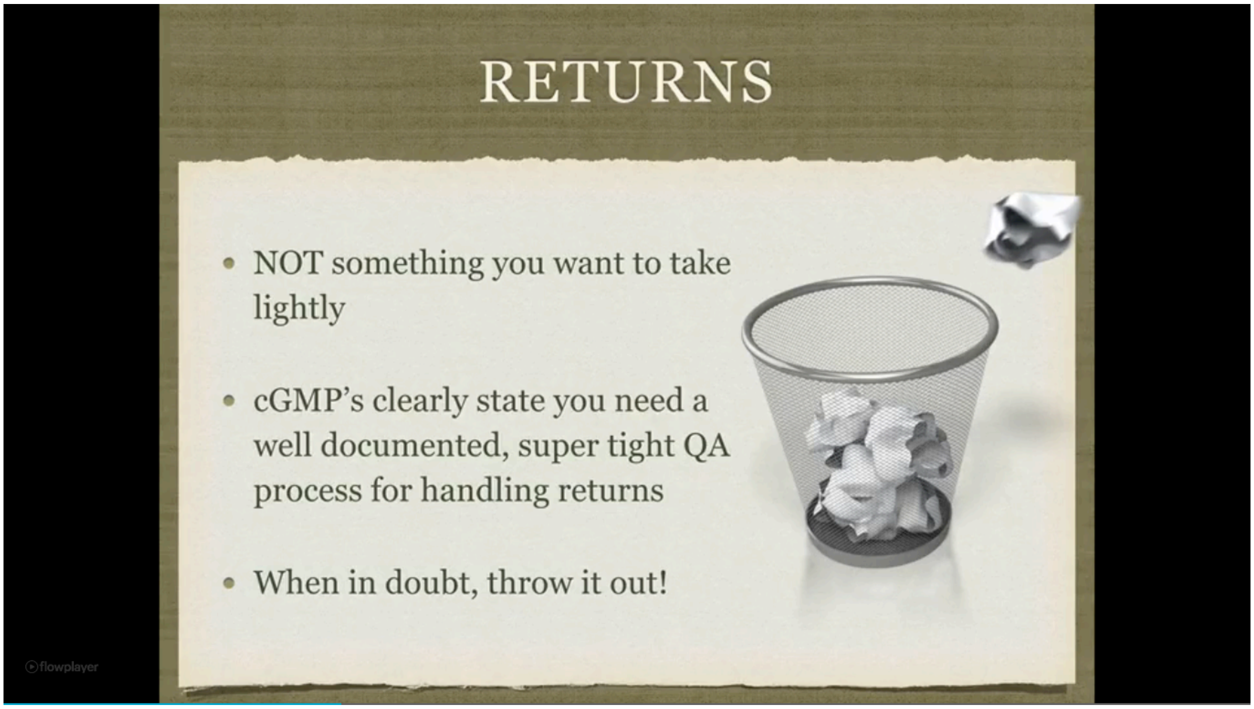
There may be an additional fee associated with doing that integration, but in many cases, this integration layer has already been prebuilt, especially if you are using one of the more popular carts listed above. Rakuten, for example, has an integration layer to Infusionsoft, and they support Shopify, UltraCart, and some others. Buck believes they do anyway. He says that he doesn't know how often these orders are pulled out of your shopping cart and taken into the order management system, but it's going to happen automatically.

Buck recalls having a fulltime staff that would do this manually. They would go into UltraCart and approve the orders. One thing that you want o make sure you do is have fraud controls and things like that on your shopping cart. That way, you can look at any orders that have been flagged as being potentially fraudulent. You don't want to ship to certain African countries, for example, or certain places in Eastern Europe or China. It may not make sense for you to ship there because of the costs associated with doing so, or these orders may be fraudulent.

Once you have someone disapprove those, then you could take the approved orders and move them into the approved stage. Then they will get picked up automatically by this integration layer. After that, you want to have any updates that the fulfillment center makes, with respect to tracking links or tracking IDs, get sent back and are stored into your CRM system. That is, if you have a CRM system that can do that.

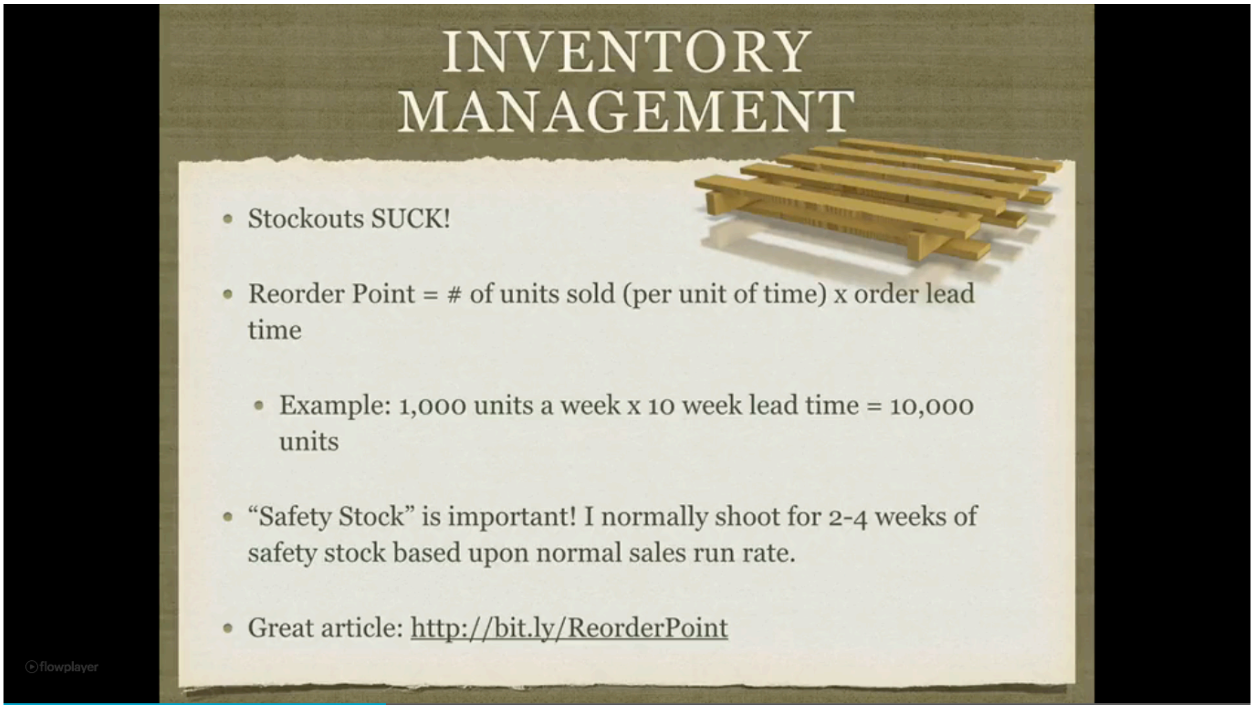
With Infusionsoft, for example, you should be able to push that tracking information back for that order, back to the customer's record inside of Infusionsoft. This allows your customer care agents, or you to go back in and see. You should be able to look at the order, its status, and the tracking ink. That way you can look to see where it is as it's being shipped, if there is a problem, etc.

You can give your customer service agents access to the shopping cart you are using so that they can look up orders. Most carts give you the ability to have additional users as well as certain access control levels, meaning that you can limit what other users can do and what they can't. Buck says that he is extremely careful about what financial controls he gives to personnel. There are only a very, very limited number of people that have access to anything financial in the company or systems. The rest of the people, such as customer care agents, can see information, look at it, and annotate it, but they cannot manage anything financial.



If there's any chance in your mind that there is an opportunity for an error to be made because of the way the packaging is done on your particular product, and you're concerned that an open bottle would be shipped to another customer, when in doubt, throw it out. Don't take any risks when it comes to this. It's just not worth the headaches. You want to have a process. In fact, it needs to be a well-documented, tight QA process. Then, be very liberal when it comes to it if there's any doubt whatsoever. Buck says that he has seen people return products where they did not remove the neck ring but were able to open the lid.

One of Buck's products is a probiotic, and it has a child-resistant lid where you have to push in, twist, and pull off. Customers have returned that type of product without removing the neck ring. For some reason, they were able to get it open, break the inner seal, take some product out, put it back on, screw it on, and the neck ring's there. In these kinds of cases when you have packaging like that where there could be a problem, you probably just want to say, "My QA process says, any of those returns get thrown out," because there's no way of really knowing if it's safe. If you look at companies like Amazon.com, they just completely punt. They will not bring any dietary supplements back into inventory on returns. That's the safest way to go about it.



Inventory management may sound scary to you, but it's actually not that bad. You don't have to be a math whiz to figure out how to do this. This is another one of those things that you need to be aware of. You need to know that there's some mathematics involved. The good news is that when this becomes something that you're really sweating over, it means you actually have a business. You're moving a lot of product. That's a great problem to have. You don't want this though. It's no fun having empty pallets and orders coming in.

This kind of disaster is pretty common in this industry. Buck says that he has stocked out more times than he wants to admit. You'll have experiences where your campaigns that have just gotten wind in their sails, their getting all the love from Facebook and Google, and now you've optimized them, and everything is great, and then suddenly you say "Oooh" because you're made the wrong move. You lose power. You lose the winds in your sale, and then suddenly the winds gone. Starting up again, you can't find your groove for some reason right away. It's really, really frustrating. Try to avoid stock-outs as much as possible.

You don't have to be an accounting whiz, but this is another area where your accountant can assist you. You can have your CPA, or a bookkeeper, do this kind of periodic monitoring and calculation so that you know what your re-order point is. That's one metric that you want to keep track of. It's very simple math. It's the number of units sold per unit of time. Buck recommends using a week as the unit of time. You would look at the number of units sold per week. In this case, times the number of weeks because you're using the same unit of time that it takes to get more products manufactured into your fulfillment center.

You're going to make sure that you include all that time in there. Let's say if your normal lead-time for manufacturing is eight weeks, plus it takes maybe a week to get the product shipped and batched into inventory. Then, that's nine weeks. Now, let's say that you are selling 1,000 units a week. That's your run rate. It would take 10 weeks, including the time for shipping and accepting inventory after you've filled out the manifest. That would mean your re-order point would be 10,000 units. So, at 10,000 units, you would need to reorder. This is important to note.

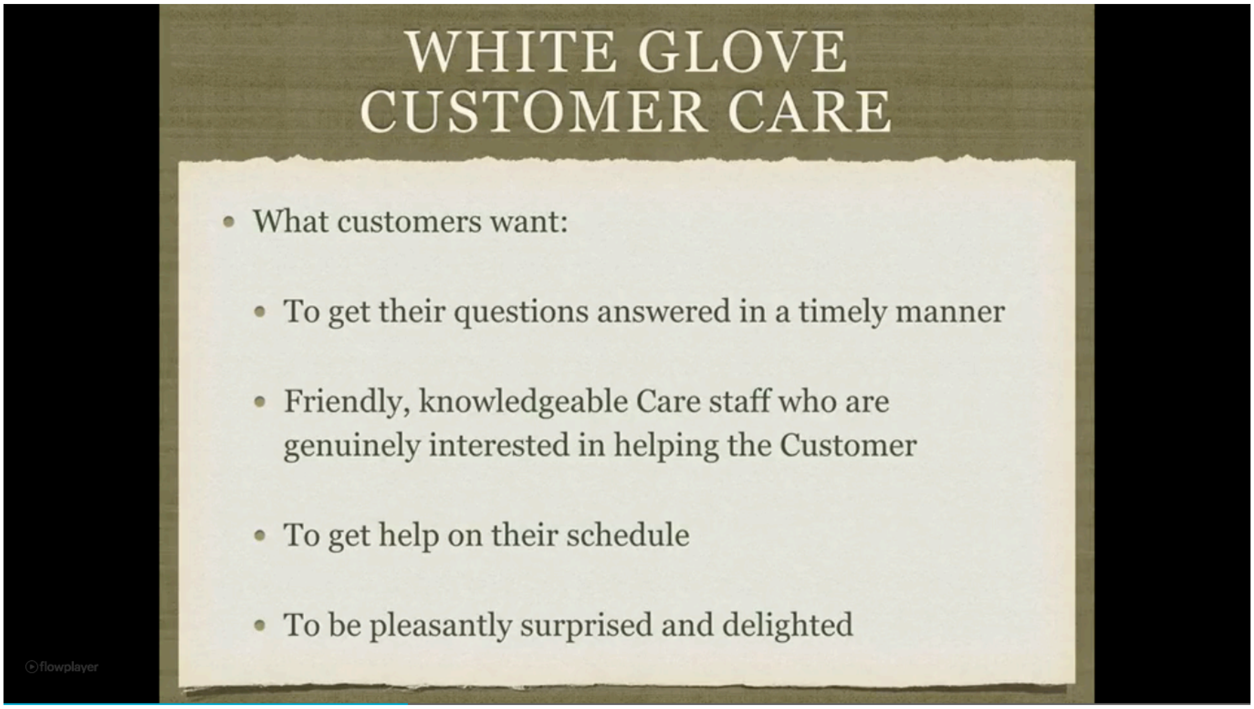
You also want to make sure that you have enough product on-hand to not only account for the lead time, your sales order rate that you're running, but also you want to have something called safety stock. That's extra that you're going to bring into inventory. The amount of safety stock that you need is going to vary based on the promotions that you're running, your own gut feeling, and those kinds of things. It's always better to have more than less. Buck say that two to four weeks' worth is a great thing.

The good news is that just because you're re-ordering, and it's going to take 10 weeks for that to arrive, it doesn't mean you're paying for that re-order now. This just means that you're going to pay when the clock starts ticking, especially if the ne-30 terms. You're going to pay 30 days after they ship the products. That's going to be 10 weeks down the track, plus 30 days; that's when you would pay for the inventory you're ordering today.

This isn't complicated. Typically your bookkeeper and CPA firm are going to understand this. Buck wants you to be aware of this. He's not an expert at this, he admits. He just knows that there's simple math involved. There are ways to calculate this based on your run-rate. He likes to do a little sales forecasting. Let's say that you know that Q1 is here. January 1st is the kickoff of weight loss season. December, on the other hand, is a dead month for weight loss. So, January comes and things pick up. So, you'd better make sure that you forecast how much product you need for Q1, Q2, and a little bit of Q3. This is what Buck refers to as 'making hay while the sun shines time for weight loss.' This is especially true for Q1 and Q2. You want to make sure that you have plenty of inventory; you don't want the winds to come out of your sale. You want to make sure that you don't stock-out.

You're probably going to do all of this, but you're still going to stock out. That just comes along with experience. It's not fun, but if you take this advice about your re-order points and safety stock, then the chances of this happening are going to be diminished. Buck recommends that you check out an article about re-order points at bit.ly/ReorderPoint.

White Glove Customer Care



Now, it's time to discuss white glove customer care. How do you do that? How do you make yourself feel like you're in Nordstrom or like you're at Zappos? There are probably other companies that you really admire when it comes to how they get their product out and how they treat you. That's what you need to think about? When you think about what you love about customer care, you'll have a better understanding of what your customers want. That being said, it's likely that your expectations are low because so many companies out there treat customers like crap.

Let's say that you're about to make a purchasing decision, but you want to get just those last couple of questions you have answered. Maybe you're taking medication, and you just want to know if it's safe to take this supplement with that. That's a problem. As a business owner, you don't want your customers to have to deal with this. You want to get their questions answered in a timely manner.

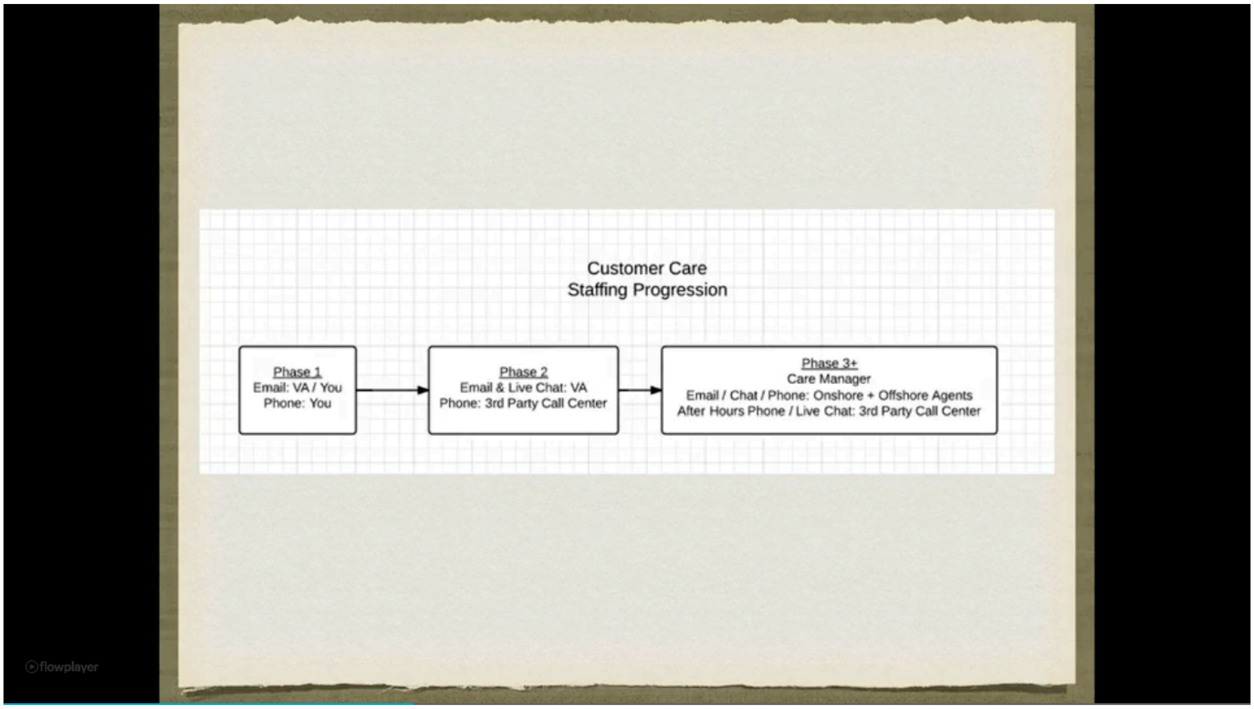
It goes without saying that you want your care staff to be knowledgeable, friendly, and show that they care. You want them to be empathetic and care about your customers. Buck shared a story about how his mother-in-law wears dentures, and her dentures cracked. So, they bought her some really nice premium dentures in Colorado. When they went, however, there was a girl assisting with the adjustment of those dentures, but you could tell that she didn't care about Buck's mother-in-law. She was just going through the motions, making adjustments, and not doing too good of a job at that.

Buck's wife and her mom had to go back for adjustments, and they were saying "I don't want that girl." There was another one that they interacted with that was really listening and showed she cared though. She took the extra time and did a great job. That's what people want. It's not different in the online space. They want to get help on their schedule, not necessarily yours. There are some ways that you can do that without really breaking the bank too. Unfortunately, most people really don't expect this. Everyone wants it, and people are usually pleasantly surprised when they actually get it.

Good service happens so infrequently that when it does happen, it really does take you by surprise. It's like "Whoa!" Buck calls this the 'wow factor'. Darin Adams talked about this when he gave the presentation of Infusionsoft. People are thrilled when they get wowed, and there are ways that you can do that.

Now let's take a look at the staffing progression. Buck had to go back into his memory banks to remember what he did before to teach you this. One of the things he remembers doing is answering the phones and really listen to what the customer said. He took time to pay attention to the customers' objections, to their concerns. He listened to all the different aspects of what they cared about before making the sale.

That information is gold. You can take that information and use it for your FAQs, or your knowledge base. You could use the information to modify your support process. You can also use that feedback in your sales messages or use it to overcome objections. The only real way to do that is for you to be inserted into the process, especially early on.



In the first phase of your business, you're going to hire a virtual assistant (VA). They can certainly provide email support for you. If this person is offshore, is a non-native, and you're not going to have him or her answer the phone, you can answer the phone. This is a great opportunity for you to learn from your customers and listen to them. Imagine how excited you'll be when your phone rings for your dietary supplement business, and you say something like, "Hi, welcome to RealDose Nutrition. How can I help you?" Then, you start answering their questions.

Even if your VA does speak English well, you should be answering as many calls as you can early on because you're going to be the most empathetic to your customers and you're going to have the most energy. You're going to be the person who is the most excited about your business at this point. Buck say that he thinks his close rate was close to 100% because he was so passionate and excited about his product. He was learning a lot, and he was feeding that back into his FAQs and his sales process. He highly recommends that you answer your own calls in Phase One because this opportunity is so great for you.

In Phase Two you could have more of your email and live chat handle by your VA, and you could move your phone to a third-party call center. One of the calls centers that they use at RealDose is TMS. Buck has put this into the rolodex. IF for some reason that changes, he says that he will update the rolodex. It's very hard to find a great third-party call center; most of them suck at one level or another.

At this stage of the game you may not be in a position to hire additional staff that are going to be there to answer the phone during normal business hours, let alone 24/7. It's a lot easier to pay by the minute for someone to answer the phone and provide both customer care and order taking. Early on, Buck says that he kissed a lot of frogs. He used a small mom and pop that had agents right there working out of someone's house.

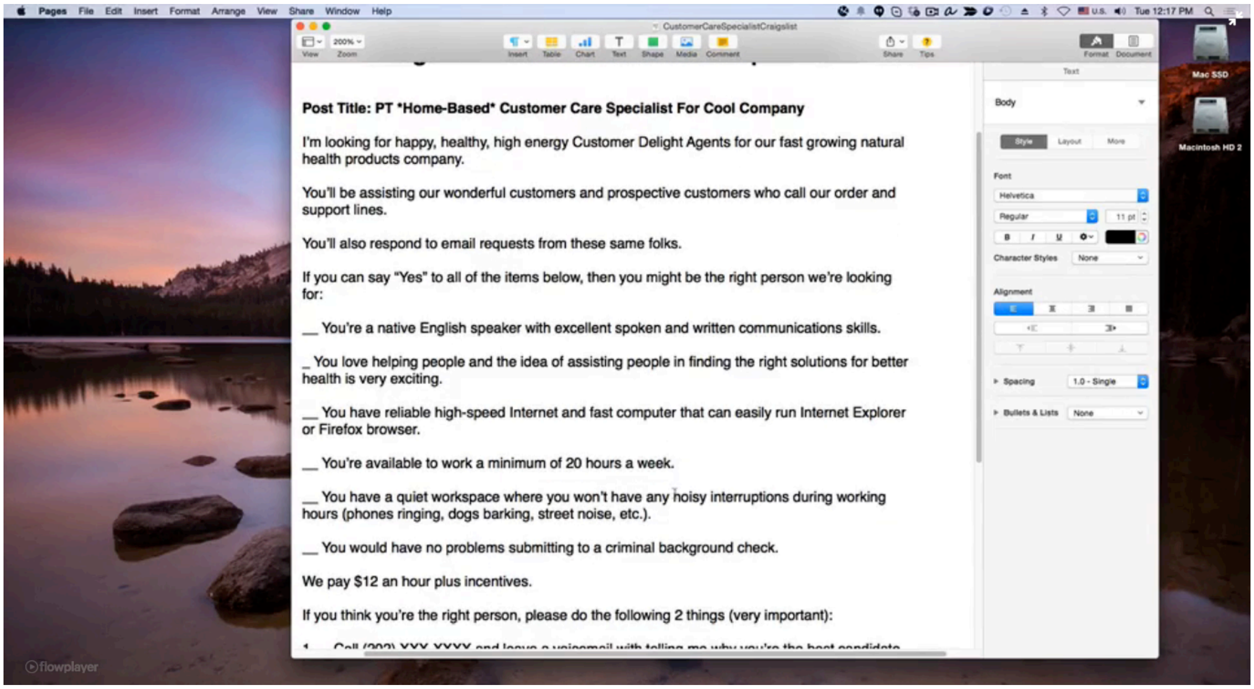
He also used the contact center that was part of Newgistics, formerly AtLast Fulfillment. They've stopped offering that service. Companies like Planet Fulfillment do offer some in-house customer care and order taking. If you wanted to use that service, you would want to check with Gardner who's the VP of sales currently over at Planet Fulfillment. As previously mentioned, he's using TMS so that's an option for you in Phase Two.

At Phase Three, you'll finally be hitting your stride. You're at scale, and you're moving towards a more formal care organization where you have potentially a care manager who's really passionate. He or she is recruiting and developing a team that consists of a mixture of potential onshore and offshore agents that are doing everything from email, live chat, and phone. At RealDose, they don't do after hours live chat. They offer afterhours phone customer service on a third party call center.

It would be ideal to have someone answer the phone from 6 am to 10 pm. That would be business hours. No matter what the time zone in the United States, it would be 6 am to 10pm. People want to get their questions answered on their terms, remember, not on your time. Let's say that you are working a fulltime job, but when you get home you're hunting for answers. You hunt around Facebook and Google. You see an ad for RealDose, and you click on it. It may be 8:00 at night, your time.

You're sitting there with you iPad, you click on that ad, and you go to it. Then you see that there's a number that you can call. Not only that, but there's a live chat available too. How nice is that. Do you see how opening the window a bit more than just closing off at 5 or 6 pm can be advantageous? Do you see how it could help you to increase your sales conversations? When one might transition from phase one, to two, to three would obviously vary based on the velocity of your business as well as how you want to make investments in your business. At RealDose Nutrition, they are at Phase Three. A big part of that involves the importance of hiring stars.

Hiring stars cannot be overemphasized. It's going to make your life so much easier. Buck actually found Ana and Rachel through a Facebook ad. You may have gotten to meet them at the live event. When he put out the ad, he really pumped himself up first, saying to himself, "Gee, if I'm passionate about this, how can I show through my passion about my company and what this opportunity is to this person so that I attract the right person for this job?"



The ad that he used to hire his star customer service manager is shown above. It's going to go into the member's area. As you can see, it's titled "Part-time, home-based customer care specialist for a cool company." It goes on to say "I'm looking for a happy, healthy, high-energy customer delight agents for our fast-growing natural health products company. You'll be assisting our wonderful customers and perspective customers who call our order and support lines. You'll also respond to e-mail requests from these same folks."

You may notice that Buck is using some personal language and some conversational language in this ad. It goes on to say, "If you can say yes to all the items below, then you might be the right person we're looking for. Number one, you're a native English speaker, you love helping people, and the idea of assisting people to help in finding the right solutions for better health, if you think that's very exciting. You've got reliable Internet and a fast computer. You're able to work at least 20 hours a week. You have a quiet workspace, and you have no problems submitting to a criminal background check." The last statement Buck just uses to knockout anyone that might be shady.

It's up to you if you want to check people's background every time, but in any case, this makes an excellent filter. It's going to stop some people from applying. You really do need to have people that you can trust. Right now, Buck is paying his customer service manager $13 an hour. That's gone up a bit since she started, but she's been growing with the company for years now. Anyway, the ad continues on as follows, "If you think you're the right person, please do the following two things." Then, the applicant is asked to do two things.

This is really a test, but they don't know it. Buck has set up a voice mail. You could use a Google Voice mailbox for this or something like that. He says, "Call this number. Leave me a voicemail telling me why you're the very best candidate for this position, and say your full name, city and state you live in, best phone number, and your e-mail address." This gives him some indication as to whether the person pays good attention to detail and follows instructions well.

The second task they are ask to do is send an email to a certain email address, and they have specific instructions for that as well. He asks, "Pretend like you're looking up information for a customer whose name is Jane Austin, and you saw that her orders are scheduled to be delivered by UPS tomorrow." Basically, these candidates are pretending like they are doing a follow-up for a customer via email. Then, he closes saying, "Good luck and I look forward to hearing from you." Do you think that he could get a good set of candidates this way and be able to tell pretty quickly if the person were right for the job? He just begins by eliminating anyone that doesn't follow these two steps correctly, and then he simply chooses the best from the people that do.

As he listens to the voicemails he gets, he thinks about a number of different factors such as whether or not they followed the directions well, how their voice sounded, whether they sounded cheerful or not, whether they had a good energy level like, etc. Of course, he would also consider things like their use of language in their email and how friendly they were. If they seemed like they would be a good fit, he would follow up with them.

In the member's area, you'll find the exact process that the team goes through when they hire virtual team members for customer care positions. It's much more complicated than the process previously discussed. However it's a great example of an ad, and you can use it as a swipe file to go and find someone right away. Originally, Buck used this on Craigslist to find a US-based native speaker. You could use a variation of this to find a local VA if you wanted to, or a customer care manager. You could even modify it to go and find someone on OnlineJobs.ph. You get the idea. This is a very powerful mechanism and tool that you can use to find your stars. Consider it a gift.

The other thing that you want to do is you want to make it easy for the customer to find the answers that they need. That mean you'll need to create a knowledge base with answers to frequently asked questions and feeding more and more information into it on a regular basis. Buck says that he likes the idea of a self-service knowledge base for customers. The Help Desk software that they use, Help Scout, has an optional feature that adds on what they call 'Docs'. This is a knowledge-based feature that you can use to put customer-facing on your website. This add-on costs around $25 a month.

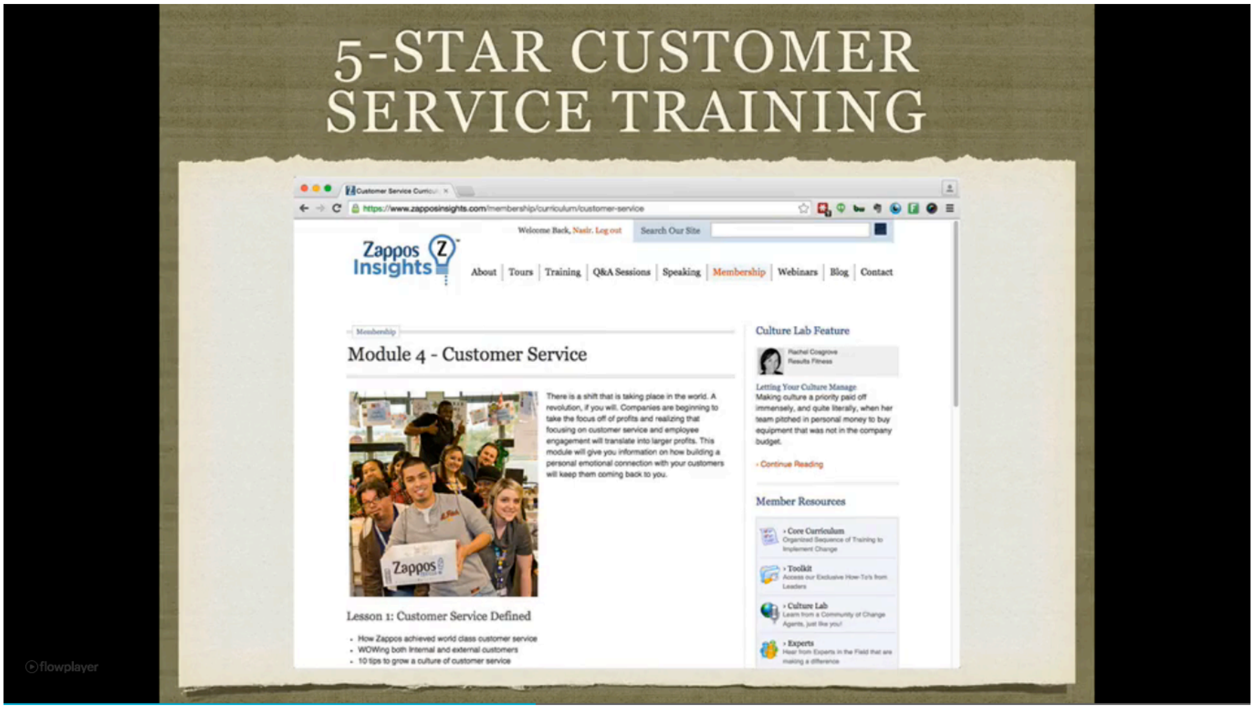
As you encounter questions that are coming up again and again, you can categorize them and publish them as articles that can be search with your search widget. This makes it easy for someone to come in and ask, “Can I take this with medication?”, or “How do I return my product?”, or “Is this okay for someone that has Celiac disease?”, or “Where does your fish oil come from?”

These are the types of questions that will come up again and again. Instead of having to answer them daily, you can just put them in your knowledge base, which does two different things. First of all, it makes your customers happy because they can get the answers they need faster and make a buying decision sooner. Secondly, you’re reducing the customer service workload, which means that they can actually support more customers with less common questions and your overheads going to go down. So, don’t underestimate the power of having that knowledge base.

A lot of times Buck is asked if there’s a knowledge base that they can get from him, but unfortunately this isn’t a plug and play kind of thing. It’s all product-dependant. You’re going to have to gather questions and answers for it by talking to your customers, answering their questions, and getting feedback. If you’re using Help Scout, you actually have the history of all your email interactions, so what you might do is go through them, categorize them, and put tags on them.

Better yet, have your virtual team members tag them so that you can quickly know what they are about, you can organize them, and you can start creating articles from these interactions. Or, you could train someone to do all of this and periodically feed your knowledge base. This can be part of the support system that you deliver to your customers.

One of the things you were asked to do was go and grab a copy of Tony Hsieh’s book, *Delivering Happiness*. Part of what the book teaches is that five-star customer service training starts with your attitude towards your business and your customers. Let’s say that you are paying lip service to the idea of taking great care of customers and delivering great customer service, but the language that you use inside your company is indicative of the fact that you just want to make money from them. You just want to make money from them and keep it, and are not at all concerned about whether or not they have a great outcome. Guess what’s going to happen with your customer service personnel when they catch wind of that? They’re going to have that kind of attitude as well.



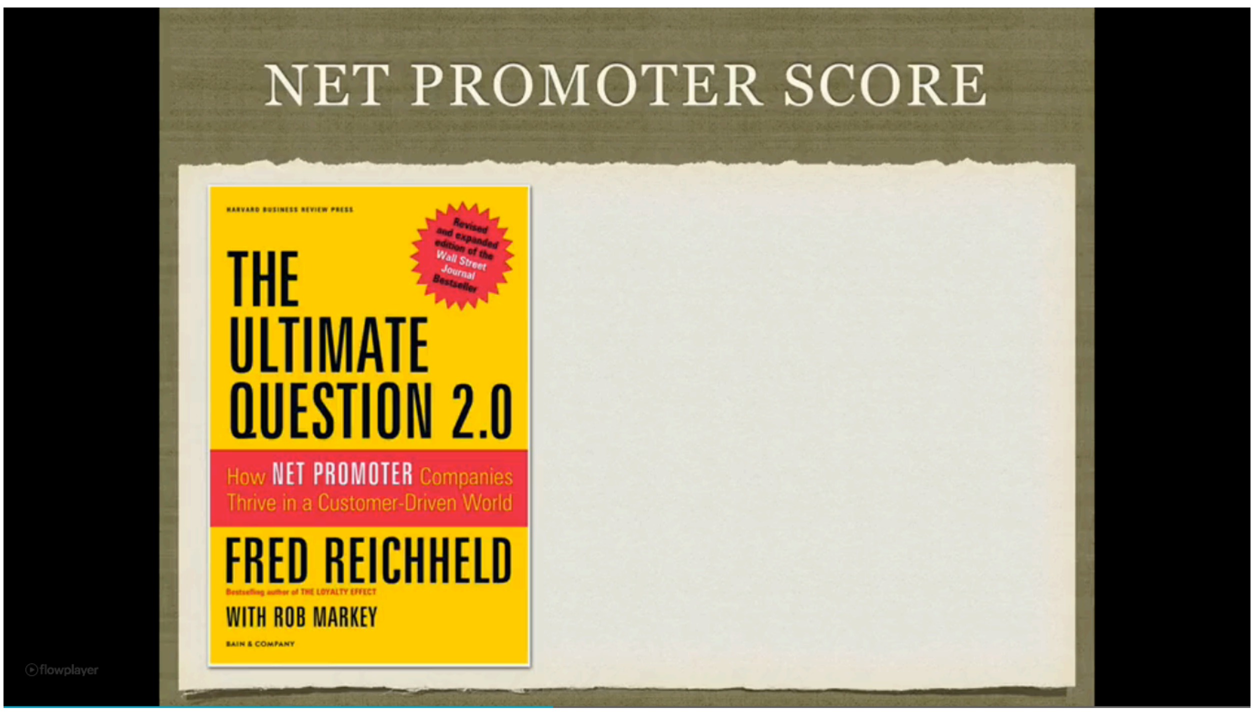
Buck says he hates to pick on them, but Comcast has a legendary reputation for providing bad customer service. Hopefully they are getting better, but this is never the type of status you want to have. You can't afford to be there; you're a multi-billion dollar company. One of Buck's secrets to customer service can be found in the book *Delivering Happiness*. You see, if you have read the book, then you know about a service called "Zappos Insights". You can go to ZapposInsights.com if you would like to know more about it, and you can find the site just by looking up the name on Google.

They subscribe to Zappos Insights at RealDose. It only costs around $39 a month, but it's amazing. You see, within Zappos Insights there is customer service training under Module 4. You can download it and run your customer service training through it so that they can have the same kind of attitude, capability, and techniques that Zappos on customer service uses. As Buck has stated previously, he thinks that Zappos is a five-star company when it comes to customer service.

You don't need spend a ton of money flying people in to meet the customer service managers at Zappos in Las Vegas, Nevada to get this kind of training. Just go ahead and sign up for this low-cost membership and get their customer service training for literally pennies. It's not that expensive. They incorporated this into their internal intranet environment at RealDose. Every new customer service agent goes through this customer service training, and Buck highly recommends that you look into doing it as well.

Buck is in a mastermind group, and when the members of that group get together, they often talk about customer service. Believe it or not, many health business owners do care deeply about these kinds of issues. Buck and his business associates don't just talk about what the latest conversion technique is what new trick they can use on Facebook. They actually sit around and discuss problems that people are having with their companies. Problems like this, they refer to as a broken window.

Buck explains this further, saying "If there's a broken window in your business and you don't fix it right away, guess what? Your customers are going to notice, the neighborhood's going to go bad, suddenly your employees are going to notice, and then you're going let other windows get broken, they're not going to pay attention, things are going to fall apart. As opposed to if you're vigilant and you're paying attention, everyone's going to have that attitude that's going to shine through on your business."



Above you'll find a book titled *The Ultimate Question*. It presents a very simple concept and teaches you about calculating what the book calls the "new promoted score" for your business. This is something that they do at RealDose. This just involves a simple survey that you send out to your customers. By the way, there's actually a little app plug-in that you can get for this that automates the collection of this metric from customers. Anyway, the idea is that you send out a communication to your customer and you say, a simplified version of the question is, "How likely is it you would recommend us to a friend?" It's real simple. On a scale of 0 to 10, how likely is it? If they give you a 0 to 6, then that is not likely.

The book refers to a score that in the range of 0 to 6 as a detractor, and a score of 6 isn't that good either. Scores of 7 or 8 aren't considered great; that means that you barely met expectations. However, a score of 9 or 10 is excellent. This type of score is called a promoter. The basic calculation presented in the book is simple. You send out a message to your customers collect a statistic, which is really just 0 to 10. Now, there's also a follow-up to this question to this, which is "What would it take for us to get to a 10?" Usually, that answer's delivered in a free-form format.

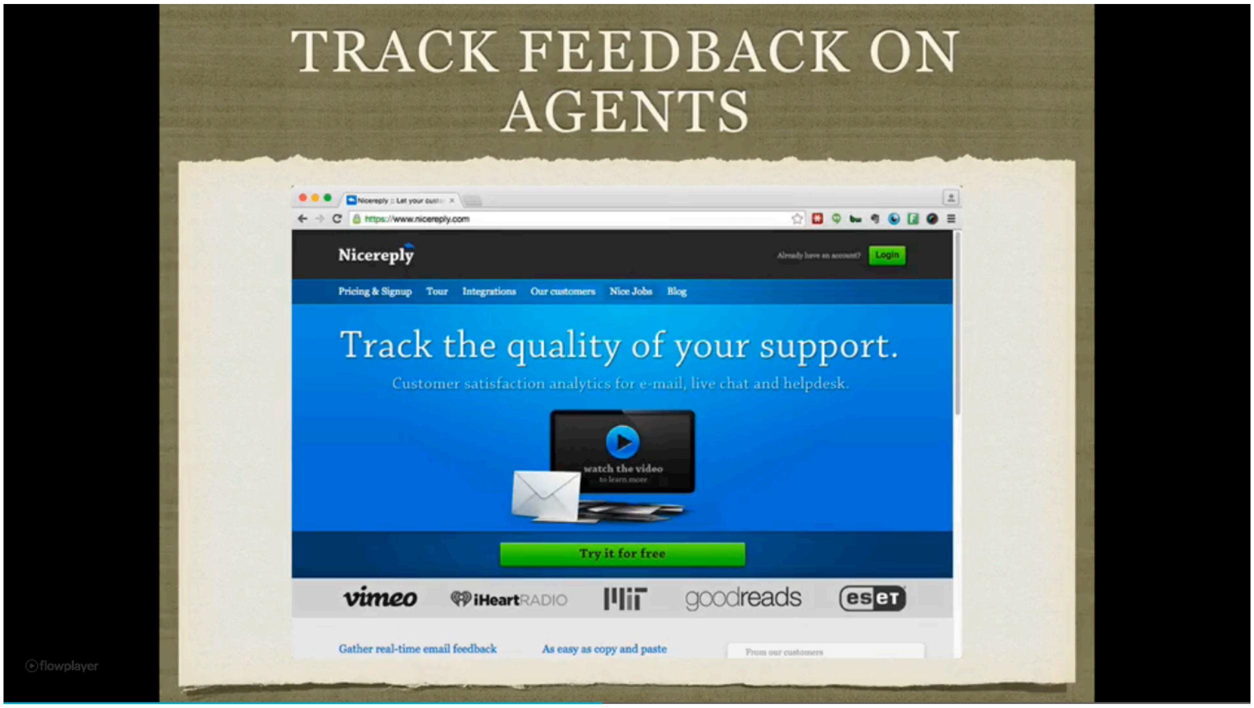
This free-form answer is where you'll find the real gold that you need. The scores are what let's you know that you have a broken window, and these written answers are indicative of where the problem may be. One of your agents might be part of the problem, or maybe your customer return process isn't customer friendly enough. It could be that there's something confusing about the sales process and your customers have misunderstood what was supposed to be included. Anyway, using this sort of a system can help you to catch problems and really optimize your business practices.

Now, if you take the number of promoters you got, scores of 9 or 10, and subtract the number of detractors you have gotten, that's your NPS. They track this score each week at RealDose. They will have a quick dashboard meeting and one of the things they will look at is their NPS, and they do this on a per-product-line basis. For example, they will have a score for their weight loss product, and they will have a different score for their protein powers.

You don't have to do all of this, but Buck does recommend that you do start by taking one overall score. This gives you a way of measuring your company's performance. Plus, you can get truly golden feedback this way. If you don't have scores of 9 or 10, what would it take to get their? This is the kind of thing that great companies do, and it's not hard. Again, you can automate the process with services like Ontraport and Infusionsoft.

You may recall that Ronald Reagan used a statement that is now famous. He advised that we "trust but verify". They practice this at RealDose. One way in which they do so is through third-party testing. They batch test and make sure that they are getting what they expect. Each batch should have no contamination and the proper actives at the right dosage.

Another thing they do is keep track of what customers are saying about their agents, but in a way that really heralds them. They give customers a way to submit feedback and rate their agents from 0-10, and they provide a narrative too. One customer, named Geraldine, left the following comment about an agent named Susan. She said, "Your agent, Susan was very professional, pleasant, and patient with an 87-year-old woman. She needs to be commended for her manner in dealing with your customers." Comments such as these are collected, and the team shares them with each other.



There's actually a report that they create. It's put together by a customer service agent, and they only put out the really positive one. They take the times to read the great customer reviews that come in. This shows your staff that you're watching, and it shows them that you care. They do this manually at RealDose, through their own IT staff. There are several tools that third-party companies use that are relatively inexpensive that you could use as well. One is called Nicereply. It integrates with your Help Scout and other help desk systems. The way it works is a link is sent along with any email communication that allows people to rate the experience they just had with a customer service agent.

You don't have to use Nicereply for this. There are tools like this that you can just plug right into Help Scout though. These tools make it really easy for you to keep track of things. Also, don't forget about the plug-in that you learned about for the net promoter scores which plugs into Infusionsoft. These types of little add-ons can really make the process of collecting stats simpler because it all happens automatically. You'll have a dashboard or a report that you can just go and look at, instead of having a IT staff go figure all of this out for and record it manually with spreadsheets. Using these types of plug-ins will allow you to do the same kind of things with just a quick login and a few clicks of a mouse.

All of these suggestions are just that; this isn't meant to imply that you should drive up your expenses in terms of starting up and running the business. Little things like this can really add up. These aren't necessary right out of the gate, but they are things you might consider adding as you move forward. As you move from Phase One to Phase Two to Phase Three of that customer service team progression, it may start making more sense to implement some of these plug-ins. There's really not much of a reason to start any of this in Phase One. At first, just concentrate on your interaction with your customers and getting that initial feedback.

You might want to start looking into these things when you get to the point that you have three or more agents. After learning how to deal with the customers well yourself, you can start hiring potential star agents, monitoring their performance, and giving them feedback. Speaking of which, Buck recently found a cool tool as a result of being part of the Verne Harnish ecosystem. It's their Gazelles Program. The team uses their rhythm software to do corporate planning and move along towards their goals.

This involves software applications that are all point solutions and easy to deploy. You've probably eaten in a corporate lunchroom before, where you'd see a little box in the corner that has a little slot at the top and says "Suggestion Box." This isn't the way it works any more. There's a solution that they use at RealDose that you might want to try. Again, this would be more of a Phase Three solution rather than a Phase One. Still, it's good for you to know about it.

The program that they use is called TINYpulse. If you're a good leader, you're going to walk around a lot, and if you have a virtual team that means you'll be walking around a lot virtually. You're going to check in with people, and you're going to see how things are going. You're going to get their feedback and show them empathy. Furthermore, you are going to listen to what they have to say. The problem is that no matter how open you are, there are some things that people would never say to your face, especially if you're the CEO or leader of the company they work for.

TINYpulse gives you the ability to send a survey to them that they can answer anonymously. Normally, you would want to send this out weekly, and it would be a different question every week. This gives them the opportunity to answer questions that might otherwise be touchy like "How happy are you right now in your position?", and "How valued do you feel?", and "How good do you feel about your opportunity for advancement?" Usually, these are "scale of 1 to 10'" types of questions.

There's also a free text option that gives your staff the ability to narrate any issues that they might be experiencing. Again, this is all completely anonymous, and you, as the leader, can respond anonymously as well. This is something that you might consider implementing when you are moving from Phase Two to Phase Three.

Right now, you may be feeling like your being thrust ahead with all of these suggestions. That's not the intention at all. This course is about building a great company overall, so you need to know about some of the tools you can use in the future to make it better. However, that doesn't mean that you need to do any of this right now. Remember, a successful company starts with your internal attitude. You want to start out by establishing your core values and basic goals for your company. That's going to help you flow from step to step and build a firm foundation as you do so.

RealDose actually won an award from TINYpulse, by the way. Apparently they are one of the happiest companies out there. They've got the happiest employees. This comes back to their core values on how to treat each other. They take this even further by soliciting feedback and responding to it well too.

It's not difficult to deliver a product to someone on time. It's not hard to deliver great customer care to them either, or to surprise and delight them with that care. If you have some basic systems and processes in place, along with the right attitude of how you treat others, all of this is going to shine through.

Another aspect of all of this needs to be pointed out, and that is the fact that the RealDose team doesn't expect its customer care agents to hang up fast or try to get off the phone as fast as possible. They don't grade them on how sort their calls are, and even if they are paying by the minute or if there's a little more of an overload, RealDose still gives its agents the breathing room that they need to respond, empathize, listen, and respond to their customers. This allows them to have great interactions with their customers, and the team believes that this has served them well.

At Zappos, Tony does this too. It's highly recommended that you have the same attitude, even if you're paying by the minute for your phone calls. They aren't going to be on the call and just being chatty for an hour. You don't want that, but you can certainly talk about keeping things professional and moving ahead. However, you don't necessarily want to use the metric of keeping every call under four minutes long either. That's going to put very unusual pressure on them, and it's going to show through to your customer and make them feel slighted.

Questions & Answers

As far as locations that are flagged as fraudulent, what do you currently have on your radar?

Buck says that he doesn't want to pick on anyone, but he's had some bad experiences with China. He had signed up through Commission Junction to find affiliates when he had this trouble. Luckily, he had good fraud detection filters turned on for his cart. He ships to places like EU, Canada, UK, Australia, New Zealand, and South Africa on a regular basis. Also, he ships to Singapore and some Asian countries. Other countries he doesn't really ship out to. The cost becomes too prohibitive. One thing that he typically does is charge enough shipping and handling for overseas shipping to deter people that he wouldn't want to ship to anyway.

Do you mean that we should have our own operating procedures to provide to the fulfillment company?

Ideally, they should. If they know how to work with dietary supplement companies, they should already have written SOPs. If you have something unique about your product, such as a pull tab that needs to be inspected, then you might want to look into their procedures and make sure that the issue is dealt with.

Should the fulfillment company, like the product manufacturers, also have some sort of a GMP certification in itself that we can look at and verify?

The contract manufacturers do. They adhere to GMPs and they're inspected by the FDA. The notion of GMP is to go end to end. There's legal language as it relates to GMPs when it comes to returns processing. The key thing here is just about having those procedures, and having them written down, and having people trained to use those procedures.

Can fulfillment centers log into my shopping cart system and print out custom inserts?

According to Buck, they have done some things where maybe they'll print up some inserts in bulk ahead of time. For example, they've given the fulfillment center the soft copy, and they took it on as a service and charged for printing it and inserting it into the order. This is definitely worth having a conversation with your account manager about, he says. They may provide a service like that to people on a general basis anyway.

You were talking about someone returning a product and being able to get into the product, take some out, and seal it back up so that nobody knew. How do you avoid that?

When it came to that particular type of container, the safety lid was child resistant. It wasn't conducive to pass a visual inspection. Because of that, that type of product could never be returned to inventory.

The issue was that particular type of lid. It was causing the problem. The other standard lids, like the one on Weight Loss Formula #1, didn't have that problem. The same thing goes for their Omega 3 product. In those cases it's very easy to verify that the neck ring is intact and the bottle has never been open. So, sometimes it just comes down to your packaging.

When you did your Craigslist ad for your customer support people, did you target a particular geographic area?

That's a great question. Buck targeted St. Louis, actually. The first reason for that was because of the time zone, and he knew that the Midwest accent works great when it comes to customer care. In other words, there's no regional accent associated with that region, really.

Is there a way to track these people to make sure that they're working?

Buck says that he never has employed a system that watches them like Big Brother, but there is call software that they use which has a mechanism that shows when the person has logged in and logged out. He bought this from 8x8. The live chat service, which is SnapEngage, also has that log in/log out kind of traffic, which is almost makes it like clocking in and clocking out. You could also go and run the reports of the agent's usage of SnapEngage as a way of double-checking that the person's on. At RealDose, their custom support manager will go in and check these things from time to time. Again, Buck looks at all of this from a "trust, but verify" point of view.

Are your customer service agents W-2 employees or 1099 contractors?

That's a loaded question. It's really tough for employers because there's a lot of sensitivity around the full-time and part-time statuses of their employees. That makes it hard for small business owners to hire people. There's always a push to try and move people to full-time status so that they can get extra money collected, which is a bigger financial burden for the company.

If you can, with a straight face, hire people to work for you part-time, try to keep it closer to 20 hours a week. If someone's working 30 hours or more a week, you'll be in the danger zone of being construed as being full-time. In that case, US-based employees would be W-2 employees.

An employee that's truly part-time would be working less than 30 hours a week. That's a great place to be in because you don't have to be concerned with full-time status issues. For example, if someone goes and files for unemployment, you're could potentially be subjected to audits and those sorts of things. That can be a tough place to find yourself in.

Buck says that he prefers to work with contractors when it comes to customer care. There are a number of reasons for this preference. There are people that he has moved to full-time status though, like their customer care manager and other key stars in the company. So, it can be a mixture, but you definitely want to start out with part-time contractors.

What do you think the pros and cons are about using Amazon as opposed to a third-party fulfillment center?

Buck says that he really doesn't have much feedback about this. Some of RealDose's products are in FBA, so they have a presence there, but it's not a big presence. According to Buck, there have been some issues there about shipping internationally from an FBA fulfillment center in the US. Third-party fulfillment centers can often work around issues when products are shipped internationally, and do so without there being too much friction or without you being overcharged in fees. Plus, there's more flexibility when it comes to kitting products. These are the reasons why Buck tends to recommend non-Amazon third-party logistics companies.

That being said, there are a lot of advantages to using Amazon. They have great prices on virtually everything they do, and you can use them for video delivery and a number of other things in your business as well. RealDose uses Amazon and plans to continue using them. Amazon is a great company that provides awesome services.

Starting out, you're a small fish. Do you recommend using Amazon until you become a big enough player to get good attention from fulfillment houses and go international?

Yes, you could do that, but again, you'd want to ship only in the US. There are many reasons to stick to that audience at first anyway. For instance, it's easy to target the US market through Facebook. SO, starting out in the US can be a strong thing to do because it's so large and easy to access. During the training, Kitty committed that she was thinking 3PL should be a phase two or three thing. Buck said that he believed that was a good way to look at it, and he didn't have anything against that.

Using FBA is definitely viable if you know the restrictions such as shipping to US customers only, settling for just one insert, and things like that. You'd have to kit items before you ship them, if you were going to do something like that. Plus, there's the issue that customers won't have the same customer service person supporting them every time.

Is it difficult to find Filipinos with US accents to answer phones?

They're out there because some formal call centers will put them through that training. You could certainly put this down as part of your criteria when you search for people. Just say something like, "I'm looking for somebody who's been through accent neutralization, or has a mid-west style accent, and I need you to leave a voice mail as if you're a customer service agent following up on a customer's call and give me this narrative." It's really easy to filter through people this way.

Do you hire offshore customer care personnel also? If so, where do you go to find people with the right language skills?

Yes. A good place to go OnlineJobs.ph. In the membership area, there's a whole documented process on how virtual assistance are hired. There's also another ad that you can adapt and place onto OnlineJobs.ph as your won. Either way, it all comes down to giving them a test that includes a voice component. The processes provided apply to offshore agents as well.

Do you absolutely have to have a US entity in order to conduct business in the US?

Buck talked to a friend of his named Rob who is an attorney. This is one of the things he mentioned. From Rob's perspective, the short answer is no. It's not mandatory for you to have a US entity to work with a US contract manufacturer or a US-based fulfillment center. You could, in theory, have your own, let's say UK business, UK bank account, UK merchant account, and take payments from US customers. From his perspective it seems to be fine to do so. You could even go a step further by having a US address that's basically a forwarding address.

Buck has an office in Boulder that's really just an address. They don't even answer the phones because they use a 800 number and a call center. However, they do accept mail and packages. Buck isn't a tax expert, but according to Rob, having a US address it shouldn't create any kind of tax liability for non-US citizens. Just the very fact that you have an address here shouldn't, as long as you have no personnel, or in other words, no full-time employees working in the US.

There may also be some options pertaining to getting a merchant account in your own home country and potentially using that to take orders. You'd want to make sure that if you're taking orders from US customers that you let them know that these orders are being fulfilled from the US and that they are going to get their order delivered quickly. You might also get a US mailing address that will give people a warm, fuzzy feeling on that front.

If you want to get a merchant account set up, Buck advises that you contact Keven Parlin first and see what he has to offer. He does require that you have a US business though, as well as an Employee Identification Number.

How many merchant accounts do you guys rotate through right now? Do you have a handful of them, or do you just have a couple that you deal with? I know that some people in the health space have up to 70 merchant accounts that they're rotating through for load balancing. Is that really necessary?

It's good that you answered this question. If you're the type of dietary supplement provider that has to rotate merchant accounts, it means you're doing something very wrong. Therefore, you should not be in the Health Profits Community. Anyone that wants to operate a business like that can contact Buck immediately, and he will refund their money. That whole model is usually associated with free shipping kinds of offers that aren't very transparent.

Kevin would be more than happy to set you up with multiple merchant accounts. Buck doesn't go there though. He says, "Maybe I'm naive, but I have one merchant account which is my Payflow Pro. That gives me the PayPal as well with the express checkout. I have the Amazon payments account."

When you're picking a manufacturer, this was brought up during the conference was, how do you know you're picking a real contract manufacturer versus a broker or a coordinator that is quote unquote, pretending to be a manufacturer?

They should tell you if you ask them directly. Ask," Is do you own the manufacturing facility? Is it your name on the sign out front, right? Or, do you work with a number of manufacturers that actually manufacture the finished good?" If you ask the questions directly and on record, they will probably give you a straight answer. Buck recommends getting it from them via email. That being said, it's not that brokers are bad, necessarily; it's just that you would prefer to work directly with a company so that you know who it is you're working with end to end.

Do you think that probiotics would work well with direct response marketing?

Yes, those would probably make a good candidate for direct response. All the things that were covered about creating a differentiated formula still apply. If you were just coming out with something generic that's similar to what's available at Walmart, it would be harder to tell a direct response story.

Buck says that he knows people who are selling probiotics via direct response. They tell a very unique story and have differentiated strains. These have very powerful science behind them. There are new studies coming out every day concerning probiotics for weight loss, for example. They are used to promote a healthy digestive tract sometimes.

I noticed that you were pricing your products somewhere around $67. That seems like a higher price point. Would you price a private label probiotic that way?

Buck recommends testing to see if you've got the margin to do that. Private label products are more costly than custom formulations because A) they're private label and B) you're getting them in a smaller quantity. Gathering market data is really the name of the game when you're private labeling. You need to validate a market and then move as quickly as you can to doing your own custom formula. He also advises that you test price points from $29 to $89 for a single bottle formula of something. More if you can.

Don't worry about charging people a lot more than the cost was. After all, if you do a great job of reaching that person, delivering a story, delivering extended value in terms of customer service and bonuses, and that product is a solid product that does what you say it's going to do, then it's all about value not cost. It's really just a value-based equation. If you've done your job, they aren't going to be able to walk into a CVS or Walgreens and pick something up and feel like they're getting the same value.

Try different segments in the range you were given and see what happens. Obviously, as you test higher and higher prices, your sales volume is going to go down. Here's the thing. At some point, you're going to want to bring in more customers than trying to extract maximum profit per customer. It's sort of like this trade off of the dials here because if you can make a good profit and bring in enough customer volume that now you can sell to them and again and again, then that's better than bringing fewer customers in on the frontend. There are tradeoffs there.

Can you provide the script we would use to find out about off the shelf supplements from Vitaquest?

You don't need a script to inquire about them. All you need to do is email Steve Krasnomowitz, who is in the rolodex, and just say, "Hey, could you send me the data sheet on the products you have available?" Buck points out that he isn't a broker or a go between, by the way. He's just trying to give you criteria that you can use to go and find a different contract manufacturer if you want one, or if you want to select a private label product, trying to give you some guidance on how to do that.

Buck is hesitating to advise that you use private label products because he's not really sure what direction to send you in. He's currently talking to a company that they have sourced their products from before. Their products have great science behind them, but there is an issue involving marketing. They say that they only work with doctors. So, Buck's trying to go in the backdoor and talk to the CEO of that company, but he can't promise anything right now.

How do you run your price testing?

10 Minute Funnels actually has a built-in feature for doing AB testing. So, you can literally create one offer page that has one set of pricing and set up links to your cart and then have another exactly the same offer page but different price links. What 10 Minute Funnels does is rotate which page is delivered as the traffic hits your landing page. It will deliver one to one, high price point to one, low price point to other, and so on and so forth. You can then look at the reporting to see how many people took Price A over Price B, etc. From there, you can make a decision on what will yield the best profitability.

Another thing that you can do, what they do at RealDose, is to use a platform like Optimizely, or Visual Website Optimizer, or Google Content Experiments. Google Content Experiments is the free tool from Google that you can use to set up AB split tests. It does require more webmaster knowledge than the others though. In other words, you'd want to have a webmaster that can set up the test for you and then run it. Tools like Optimizely and Visual Website Optimizer are more expensive, but they're easier to use.

During my research on merchant accounts, I found out that some people say they can take a couple of days to process a payment. So, how do I time the shipment of my product?

The interface to your merchant processor, in terms of authorizing the charge, should be in real time. So, if they issue you and authorization that the credit card is a go, then there should be no delay in shipment. For example, the RealDose team will send a batch of order to their fulfillment center multiple times a day, and if the orders come in the morning, it's likely they are going to ship out the same day. At worst, they will ship out one business day later.

If I live in a different time zone, outside of the US, should I go ahead and go straight to Grasshopper and use them starting out?

Ring Central is one alternative you can use, but Grasshopper is great too. Buck has used Ring Central before, but the pricing on Grasshopper looks very attractive and would probably be good for a starter.

Do you think that the 2,000-hour package would be the best one to go with?

When you don't know exactly how many minutes you're dealing with on a daily basis, I would gravitate towards a lower risk, lower cost. You might pay by the drink initially. Set your baseline so that you kind of know what package you'll need without overspending.

How do we do background checks?

You can just Google 'background checks'. Buck doesn't have a company to recommend per se. There are a lot of different ones out there that can pull quite a bit of information on people if there's anything in the public record about them, like a DUI, arrest records, etc. At RealDose they may do it for certain hires, but not for everyone. However, if it's only $35 to $50, and it's a key hire or somebody that you're going to have touch your financial systems, then you probably would want to know.

Do you do background checks for people that are taking orders by phone because, obviously, they're taking credit card details?

That's a good question. There are all kinds of shenanigans that can go on when it comes to taking order by phone. For example, there have been stories of agents coming in to their company and scribbling down credit card numbers as they work. Then they file them away somewhere to use later, or to sell, or to do all kinds of other stuff with. So, this could happen to you; there's no denying that.

TMS is what Buck and his partners use. They are a third-party contact center, and they do a good job of vetting their employees. They have the computers there in the facility that they monitor with. Is there a chance that something could happen? Yeah. Typically any cards used would get flagged, and then they would figure out where that transaction emanated from, or what the source was, and that person gets outted.

Buck hasn't had any trouble with this personally, and he knows he's very lucky not to have. Still, he says he wouldn't worry too much about it. He recommends just telling the person that you're interviewing that there will be a background check. This usually puts the fear of God into people that have records, and they will usually self select out.

If I sell multiple bottles of the same product in my upsell that I did in my frontend offer, how do I need to go about presenting those additional bottles?

If they've already purchased one, you could dynamically change what upsell occurs for one versus three versus six. They see a different upsell offer based on that. That's one way to do it. The other thing is, you could do an upsell that could be used no matter how many they bought. For instance, you might say something like "Maybe you want to have an extra 6-pack or extra 12-pack in addition to what you've purchased." This really just involves using a cart configuration type of mechanism. The main thing to remember is to keep it simple. If you over engineer it in the sales process, it probably would be hard to explain. Always remember, a confused mind buys nothing.

Do they have to figure out the math in their head quickly to figure out if it's a good deal?

No, you simply let them choose on. Simply ask them something like, "You've already bought six, how would you like to upgrade to a full year's supply?" In other words, just let them answer yes or no, and if they say yes, you've doubled their order for an additional fee.

What percentage of your sales is from overseas?

Buck says that he thinks it's in the 20% range, but he isn't sure. He knows that it's a significant amount. RealDose is adding another fulfillment center in Canada. You don't want to do this right out of the gate, but he wants you to know about this now. They wanted to get the product to their Canadian customers without friction, and they wanted a lower cost and faster delivery as well.

In your cart, can you just say that you don't sell to a certain company?

Yeah, you can exclude countries.

What am I supposed to tell people to keep me out of hot water legally? Short of having a doctor as a partner, do you have any suggestions of what I should do in terms of giving medical advice?

Obviously, you're not a physician and you're not in a position to prescribe anything. You're not a health practitioner. If they have an adverse reaction, you're required to make note of that. You have to report any adverse reactions to the FDA, which isn't a big deal. It's just sort of making sure that your agents are capturing that kind of information and then periodically sending that in.

If they have a bad experience, rather than trying diagnose and correct the problem, say "Okay, well can you drink milk with it, or do this or that." After that, Buck says that he typically just apologizes after that. Sometimes people have an upset stomach, and it may be better for them to take supplements with a meal or shortly before. Telling them that doesn't put you into medical territory.

If they are having a true adverse reaction, such as feeling nauseous, having a headache, or getting a rash, you have to say, "Stop using the product immediately and let me process your refund. I'll take care of you, and I very much apologize this is not working for you." That's all you can really do.

Do the bottles need to be disinfected? If so, do the fulfillment companies typically handle that , or is this an off the wall question?

No, this isn't an off the wall question. In fact, it's a great one. It's not a requirement. You just need to make sure that they are intact, and that all of the safety seals are intact. As long as there's no chance that the bottle has been opened and its contents contaminated, you're okay.

In understand AB testing, but don't both funnels lead to the same store? How do you make different pricing in the checkout procedure?

You use product links on the page on your landing page. Normally, the RealDose team does their price testing on the direct response funnel, not necessarily on the browse and buy side. They put different pricing there so that when the order options drop down, different order links are presented to one versus the other.

How and where do I report adverse effects to the FDA?

Buck says that he will put a link to the reporting mechanism for the FDA in the membership area.

Is there any advantage to setting up a shipping account through your account representative?

Buck says he doesn't have any special account manager for UPS or Fedex, although he wishes that he did. He has a special rate because he got a sub account under a very good friend of his who was shipping at a high volume, but they don't do that for anyone anymore. You just have to go through the normal channels to get set up with a business account.

Can you get tens using offshore customer support personnel, like with folks from the Philippines?

Many of the tens that Buck has are Filipino agents. Employees from this region are generally very dedicated, and you can't beat having an employee like that who you only have to pay $500 a month for full-time work, and without the additional overheads of all the withholding, and tax, and unemployment insurance, and everything else that goes with a fully baked employee in certain respective countries. That's a bargain.

Is there a difference between building a company you plan on selling one day and one you want to keep as your lifelong passion-based business?

There's a great book that you should read if you're seriously thinking about that subject. In fact, any entrepreneur should really take a look at it. It's called *How to Sell Your Business and Get What You Want* by Colin Gabriel. This book walks you through a bunch of transactions and gives you the insights as if you were there, a fly on the wall. It goes into the seller's thinking and the buyer's thinking and a lot of other things that go into getting what you want and facilitating a great transaction.

As far as creating a passion business, one that doesn't make you want to pull your head out and doesn't cause you to die of a heart attack at an early age, the secret is to setting it up to run autonomously. You need to have systems in place and people you trust. You need to have good managers and stars in place to make things happen. You have to handle any exceptions or disaster recovery kinds of scenarios, but other than that, you need to spend a good amount of your time on product development, business development, and the development of good distribution channels. Use strategic initiatives that can help to grow your business continually and make it impervious to threats.

If you do these things, you'll have a business that has multiple products and tens of thousands, hundreds of thousands, and even millions of customers. RealDose isn't quite there yet. They have hundreds of thousands of customers right now. One important factor is that you need to have documented procedures in place so that it's not just you doing everything. You don't need to be the one spinning the plates all the time. All of these things are going to make your business very attractive and saleable as well. Also, keep in mind that you'll need to have more than one sales channel, a good lifetime customer value, and good backend revenue.

Buck goes on to say that you shouldn't have a business that's solely dependent upon affiliates because suddenly your business could go to zero, and you won't have any media buying or other types of customer acquisition that's scalable without you being there. That wouldn't make you a very attractive business. You've got a list, and there's some inherit value in that list, but the value of your business would have gone down substantially.

You should also have more than one product and you should always be adding products. Have a brand with a large loyal customer base to sell to, and have multiple channels to acquire customers from. Successfully acquiring customers goes hand in hand with having an attractive, saleable business.