

# Merchant & Black

## **Core Formulas**

Dear Friend,

First I'd like to thank you for reading this free whitepaper. What you will learn here is the exact model we use to add revenue and increase ROI for all of our clients.

Nothing here is theory. You'll soon learn that everything we do is used by the biggest and best companies in the world.

There's a reason why Amazon is taking over the retail world...

And it's because they do exactly what you are about to learn.

If you feel inclined to learn more about anything in this whitepaper please feel free to call us at 713-239-3530 and we'll answer any questions you have.

We also offer some of our services for free with no strings attached. We feel it's extremely important that we have the opportunity to prove ourselves and show you results before we ask you to work with us on any level.

If you'd like more customers, better ROI, and higher profit margins, call us at 713-239-3530 and we'll get started for FREE!

Looking forward to helping you grow your business,

Timothy Black

President

Merchant & Black

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# The N.E.C.S.T.

## Formula

The N.E.C.S.T. formula is a system of evaluating a business idea to instantly see if it is worth pursuing or not.

We encourage you to use this formula to evaluate your idea to see if it is valid in the marketplace and worth pursuing.

The N.E.C.S.T. formula is not based on theory or opinion. It is the same formula that is used by every successful company in the world.

If you follow this formula and only venture into businesses that meet all the criteria, your chances of success are as close to guaranteed as they can be.

The N.E.C.S.T. (pronounced NEXT) formula stands for Need, Entry, Control, Scale, and finally Time.

We will now go through each section one by one and talk about how it can apply to your new venture.

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# Need

In order for your idea to be valid, there must be a need in the marketplace that supports such an idea.

If there is not a need for your product/service/idea in the marketplace then one of three things will happen:

## **Your business will become commoditized**

What I mean here is that if there are 25 other carpet cleaning companies within a 50 mile radius of your location and your plan is to become number 26, you will be in a price war with the other 25 your entire career.

## **Your product or service is not needed or wanted**

This is our friendly way of saying that nobody cares. I've sat down with hundreds of entrepreneurs who thought they had a great idea but upon further research found out that they were the only ones who thought it was great! Sadly, most of these people end up spending a lot of time, effort and money on something that will at most be a hobby.

## **You'll go broke**

If there is no need for what you are offering and you are emotionally attached to the idea, you will continue to dump money into it until you are dead broke. I've seen it many times and always ugly.

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## Remember This...

- Your passion means nothing if the market doesn't want it
- You do not come up with ideas. The market presents ideas and certain people jump on them.
- Instead of "following your passion" or doing what you are good at, focus on filling a need, burning desire, or some hole in the marketplace.

## Entry

There's a very good reason why almost every person who enters into a network marketing company (Amway, Herbalife) ends up spending much more than they make.

The reason is because the barrier to entry is LOW.

I'm pretty sure that anyone, if they really wanted to, could scrape together \$100 and attend an Amway meeting. Once they do, BOOM, they're in business!

When the barrier to entry is low and anyone can get involved, it's time to scratch the idea off your list immediately.

Your idea should drive you crazy. It should keep you up for days on end. It should take you 10 or 15 tries to "figure it out". And you should hit hundreds, if not thousands, of stumbling blocks along the way.

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Easy doesn't make millionaires or billionaires. Easy is for people who people who watch 6 hours of American Idol a night then spend another 6 on the phone voting after it's over.

Hard is for the determined. The ones who don't care about "getting by". The ones who have a burning desire to not only become disgustingly rich but also enjoy crushing those in their path.

Hard is for the WARRIOR. And true entrepreneurs are the best warriors on the planet!

### **Remember This...**

- You want the barrier to entry to be HIGH.
- If you are not running into roadblocks your idea is too easy and it's likely that others will be jumping on your bandwagon and competing against you pretty soon (if they aren't already).

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# Control

You must be in complete control of everything inside of your business for at least 5 years. This does not mean that you cannot hire people, outsource, or use contractors. What it means is that you want to do everything you can to get through 5 years with no outside investment or partnerships.

Once you start to relinquish control of your business you slowly start down the path of buying yourself a job.

If you want a job then go get one. Vacations, sick time, 401K, Rolex from the streets of NYC after 30 years – it's a dream come true.

On the other hand, if you feel that spending 5 days in a place you hate with people you hate just so that you can get 2 days of free time is a little out of whack, keep 100% control.

## **Remember This...**

- You must maintain 100% control for at least 5 years
- The more control you lose the closer you get to buying yourself a job.

# Scale

Scale means reach or as I like to call it, Touch.

You can scale your business in two ways: Wide or High.

**Scaling by width** simply means that you have a very large target audience that is easily accessible. Everyone on earth who is wealthy either scales by width or is connected to someone who scales by width.

**Scaling by height** simply means that you sell a high ticket item and can become wealthy by only selling a few each year. Remember, it is impossible to become wealthy by scaling by height unless you are connected to (selling to, servicing) clientele who are scaling by width.

## **Here's an example of Width**

A man name Bob lives in a small town in rural Virginia. One morning he wakes up with the brilliant idea of starting a painting company. There are only 500 homes within a 50 mile radius of his home. It would be impossible for Bob to survive (create wealth) in this situation because he cannot scale wide and has no connection to a width scale in his business.

After looking at the numbers Bob changes his mind. He knows painting houses is relatively easy with a little training and Bob can do it well. Instead of starting the painting company Bob puts together a 5 part video series on how to paint your entire house like a pro and launches it on the internet. He now has an audience of billions of people.

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## **Here's an example of Height**

Sidney Crosby is the greatest hockey player in the world. He gets paid 8.7 Million Dollars per year to play the game he loves more than anything. It's a pretty sweet gig. But his contract also made his agent a millionaire as well.

If Sidney Crosby was his agents' only client, the agent would still be rich! The reason is because the agent uses a scaling model of Height. He gets a percentage of his clients' contracts and therefor makes a great living.

It's important to understand that the agents' income is directly related to the players' income. The players' income is high because the player entertains tens of millions of people per year.

The agent scales by height but it only works because the player scales by width. Without that connection the agent is broke.

## **Remember This...**

- Your income is directly related to the number of people you "touch" every year.
- It is impossible to scale by height unless you are directly connected to someone (or a group) who scales by width.

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# Time

So you've evaluated your idea and found that it meets the criteria for Need, Entry, Control, and Scale. Based on this research alone you decide to start the venture and move forward. The incubation period is perfect, new customers are coming on board, and your revenue is at 5 Million Dollars after 3 years of operation.

Everything is going smoothly but you are still working 20 hour days just to keep up. Unfortunately, even though you are making a great living, you forgot about the real reason entrepreneurs do what they do – FREEDOM!

In order for an idea to be valid there must be a way to separate your TIME from the business.

There are a number of ways to do this but what we usually like to look for is a liquidation event – selling the company for a factor of 5 or more.

This is the big payday that we focus on when we are starting a new venture. We actually try to pinpoint our target buyer before we even get into the incubation phase. With our exit strategy in place we can effectively plan out 5 years and accurately target what our big payday will look like.

## **Remember This...**

- If you do not have a plan to separate your TIME from your BUSINESS you will never achieve every entrepreneur's true goal – FREEDOM.
- The separation of Time is usually a liquidation event that provide a high 7 or low 8 figure payday.

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# The Five Pillars

The iPitch Consulting '5 Pillars' are what we essentially do once a business has become a client of ours.

We've found that almost all businesses leave out at least one of these pillars. The ones who are using all 5 pillars are taking over their respective industries (Amazon, Starbucks, McDonalds).

My implementing the 5 Pillars into your business you will see an instant increase in revenue, lead generation, and of course, PROFIT!

Our goal at iPitch Consulting is to "Bring you more customers that actually PAY YOU."

The SEO guys out there just want to show you traffic or some search result on Google.

We don't care about any of that. Our ONLY goal is to increase your bottom line!

Here's how we do it...

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# Lead Magnet

A lead magnet is something that is used to capture the contact information of people who an IOI (Indication of Interest) in whatever it is that you are offering.

Most small business do not offer any sort of lead magnet and those that think they are offering a lead magnet usually aren't.

For example, you will see lawyers offering a free consultation and they will claim that as their lead magnet. This is not a lead magnet because...

1. Everyone else is offering the same thing
2. They have to come to you for the value
3. The value takes too long to be realized

For a good example of a lead magnet let's take a look at one of the most successful direct response marketing campaigns ever.

**(Example on Next Page)**



As indicated by the orange arrows, SunSetter Awnings has 2 lead magnets above the fold on their website. They are giving away a free idea kit, DVD, and a \$200 savings.

When you click on one of the two links you will be taken to a page that looks like this...

**(Example on Next Page)**

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## Get your FREE Awning Idea Kit and DVD PLUS a \$200 Savings Certificate!

Complete the information below and click on the SUBMIT button to receive your FREE Awning Idea Kit and DVD, including information on a local authorized SunSetter dealer near you. Or call 1-800-876-8060 ext. 4359, 24 hours a day, 7 days a week! There's no obligation. **We'll include your FREE Certificate worth \$200 OFF any SunSetter deck or patio Awning.**



First Name \*

Last Name \*

Address \*

City \*

State/Province \*

Zip \*

e-mail

Contact

\* - required fields

**Note:** We respect your privacy, please click [here](#) to read our privacy policy.

Reset

Submit >>

As you can see, the reason for giving away the idea kit, DVD and savings is to capture the name and contact information of the visitor.

But having a Lead Magnet like this on your website is only one very small part of the process. If you've ever seen a SunSetter commercial, the only thing they are focusing on is giving away the kit, DVD and savings.

### Key Point

**All Marketing and Advertising Efforts Must Be Lead  
Directly To A Lead Magnet!**

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Most businesses lead their marketing efforts to a website or a telephone number. That is a HUGE mistake. All marketing efforts must solely focus on getting the “free thing” instead of trying to make a sale.

### **The Numbers**

When done correctly, about 40% of the people who come to your website will take you up on your lead magnet offer. This is from cold traffic (search, social, etc.). When all of your marketing efforts are focused on the lead magnet, about 70% of the traffic will take you up on the offer.

Currently, based on what our clients tell us, without a lead magnet only about 2% of their traffic engage their business.

With the lead magnet this number can go up to as high as 70%.

### **What’s A Good Lead Magnet?**

We create all of the lead magnets for our clients because a lead magnet should have a strong subliminal sales message inside of it. It should be designed to do three things...

1. Build trust with the audience (turn a cold contact into a warm lead)
2. WOW the prospect (if they are giving this away for free the paid stuff must be amazing)
3. Subliminally sell your product or service

Lead magnets are usually either in video or PDF format and they are usually focused on moving away from some sort of pain.

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For example, a client of ours owns a plumbing company with 21 locations in 4 states. The lead magnet we created for him was a PDF and it looks a little something like this...

=====

**Stop Getting Ripped Off!**

**“Free Report Reveals The Top 5 Things  
You MUST Know Before Hiring A Plumber!”**

=====

The 20 page PDF then goes on to build trust with the audience, WOW them with the information that is revealed, and subliminally sell our clients plumbing services.

**Key Point**

**After The Prospect Takes The Lead Magnet You Are  
Then Able To Market To Them As Much As You Want**

Email marketing is extremely cheap and when it’s done correctly it works better than direct mail. When the prospect takes the lead magnet they are also giving you permission to email them legally without violating CAN-SPAM laws.

So now that we’ve created a lead magnet, built a little trust, and captured the contact information of the prospect, let’s move on to pillar number 2.

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# Segmentation Sale

Ever hear of Columbia House Records?

They were in the back of every magazine on the planet giving away 15 CDs for a dollar.

People thought they were crazy. 15 CDs for a Dollar? How could they ever make money doing that?

By 1996 they controlled 16% of the entire music market and had a membership base of over 16 MILLION people!

They understood that if they offered 1 CD for \$15 like everyone else was doing they'd never be able to compete. But by making an "irresistible offer" to first time buyers (15 CDs for \$1) they were able to segment the buyers from the "free" prospects.

Once they were able to segment the list of prospects (those who bought the dollar offer and those who didn't), they just played the numbers game.

They knew exactly how many people converted from \$1 buyers into full price buyers. Once they knew those numbers they just bought as much ad space as they could afford while still making a profit.

A segmentation sale is an instantaneous and irresistible offer that converts people into paying customers. If done correctly you should expect up to 60% of the prospects to take you up on your segmentation sale.

Using the same client as an example, his segmentation sale is...

**"We'll Unclog A Drain Or Toilet For \$5"**

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The prospect prepays the \$5 and gets a printable coupon. At any time from that point forward the customer can call and redeem the coupon.

## Key Point

**The Segmentation Sale Must Be The BEST Service You Offer! Just Because You Aren't Making A Profit Doesn't Mean You Can Be Cheap On The Work!**

This happens more often than you'd think. Companies offer an irresistible offer to suck in new business and they go cheap on the service. This is why so many companies have a problem when they do a Groupon.

For example, let's say Joe's Pizza does a Groupon that offers a large pie for \$5. By doing this, Joe's Pizza breaks even on the sale. 1,000 people buy the Groupon and Joe's Pizza is swamped with people coming through the door. The lines are long, service is slow, and the atmosphere is terrible.

The Groupon worked just like it was supposed to work. The problem is that Joe's Pizza will not get any new long term customers out of it because the initial customer experience was terrible.

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## Key Point

**Treat Those Who Buy Your Segmentation Sale Like They Are Your Biggest and Best Customers And They Will Be Customers For LIFE!**

## Main Sale

Very few companies have a lead magnet. Even fewer use a segmentation sale. But every company in the world has their 'Main Sale.'

Obviously this is the product or service that you are looking to sell to your audience. It's the main offer. For example, if you own a roofing company the main sale would be putting on a new roof.

Since we are all familiar with what the main sale is, there is really no reason to go into it in great detail. What you need to focus on though is where the main sale is in relation to the overall sales process.

Almost every company in the world has focuses their marketing material on the main sale. Car dealers try to sell cars through the mail. Roofers talk about being the "most affordable". Accounting services offer a discounted price as April 15<sup>th</sup> nears.

This is one of the main reasons why 80% of small businesses don't survive the first 5 years. They are only picking up the 'NOW' customers.

When you move your main sale into the third box of your sales process it allows you to pick up the 'maybe' prospects or what I like to call the

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'testers'. Testers will look at your free offer because, well, it's free. But 99% of testers would not have purchased your main sale when you opted to take your lead magnet.

## Profit Center

The 'Profit Center' is where almost 90% of your profit will come from. The Profit Center is the extra services or add ons that you offer in addition to the main sale.

For example, when you buy a computer at Best Buy, 100% of the profit comes from the Geek Squad protection and the warrantee. If you don't buy a protection plan and/or a warrantee Best Buy breaks even.

Amazon loses money on every Kindle sold but they make a killing on the books.

McDonalds loses money if you just buy a burger and a Coke but they make Billions on the meal.

I could go on for hours with example after example of how the biggest and the best companies in the world lose money or break even on their main sale.

The only reason they are able to do this is because they know that they are able to convert a certain number of customers in the 'Profit Center'.

One of the main things we do when we are working with a client is we develop the profit center. Most companies either don't have them or they aren't using certain products or services in the correct way.

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For example, we have a pizza franchise that is one of our clients. They had no profit center at all. All of their profits came from selling slices or pies of pizza.

We came in and started offering a plan where the customer would pay \$19.95 a month and would get 3 pies, a dozen garlic knots and 3 bottles of soda a month.

Originally the client thought we were crazy for suggesting this but within 3 months of launching it we had just about 5500 people on the plan across all the stores.

After a year we had just over 15000 people on the plan and the average customer on the plan would actually take full advantage of it once every 3 months. What's even better is that those who took full advantage of the plan ended up buying more than the plan offered.

For example, someone would redeem their 3 pies, knots, and soda, but they'd also buy an extra pie, more soda, a few sandwiches, etc.

The plan added about 3 MILLION DOLLARS in revenue to the franchise in the first year with a profit margin of about 60%.

It literally took us 20 minutes to think of it and another hour or so to set it up!

This is a real profit center and we can come up with something similar for any company on earth regardless of what your services or products are.

The Pizza Franchise now simply focuses on working the pillars. They have a lead magnet, segmentation sale (\$5 pie), main offer (\$12 pie), then the profit center.

The sale of the profit center is simple because the pie is \$12 and about 62% of the people who buy a pie buy something else. So the pitch is

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simply “You are spending \$17 on this pie, knots and soda. For \$19.95 we have a monthly plan where you get 3 pies, knots, and 3 sodas. So for \$2 more you’ll get all of that.”

The conversion rate on people who spend over \$12 (a pie) is right around 30%. This means that for every 100 pies sold 30 new people get on the plan!

## Customer Retention

We usually try our best to combine the profit center and customer retention into one offer but sometimes it’s hard to do that.

For our pizza franchise client, customer retention is built in to the profit center because of the recurring revenue. The customer continues to pay so they continue to come back.

Another example of customer retention would be a referral or loyalty program. We use this a lot with our car dealer clients. If someone buys a car they get 10 business cards with their name on them. They send a friend back and the friend presents the card. Whoevers name is on the card get a check for \$250.

This model works in three ways.

1. It brings in super warm leads that close at a very high rate.
2. It also almost guarantees that the person doing the referring will be buying a new car from you again in the future.
3. It makes closing the car deal easier (send 1 friend to use a month and we’ll pay half your car payment...send 2 and your car is free)

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This form of customer retention (like everything we do) can be used in any business if it's structured correctly.

## Key Point

**Your Current Customers Are Your Number 1 Source For Revenue Generation. They Are Also Your Number 1 Source For NEW BUSINESS.**

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Now you've got the plan. The exact plan that Amazon uses to take over the retail world. The exact plan that Best Buy uses to take over the electronics retail world. The exact plan that McDonalds uses to own fast food.

And the exact model we use for every one of our clients.

Remember we believe in providing results before asking you for anything at all. Because of this we are willing to start working with you and increasing your revenue for FREE!

What do you have to lose?

Give us a call now at 713-239-3530 and we'll answer any questions you have and if all goes well, we'll get started helping you for free!

Be aware though, we do not work with everyone that comes along.

In order to work with us your company must..

1. Be in business for 5 years or more
2. Have an annual revenue of \$500,000 or more

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3. And have a database of current and past customers and prospects.

If you meet that criteria call now and we can help you for free.

I look forward to helping you grow your business and making this year your best year ever!

Timothy Black

CEO

Merchant & Black

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