

Principle 33

Making Money Through Loss Leaders

*A great strategy to get
customers through the door*

Now that you know what the back-end is, let's talk about the front-end, and how some savvy entrepreneurs use it to make money. Sometimes called a 'loss leader', a product is sold at such an attractively low price, it draws in large numbers of buyers. The seller may only break even, or perhaps takes a slight loss on each sale. The strategy is, however, to make up for that loss with a back-end sale or sales, which we just talked about above.

The Loss Leader strategy must be well thought out or you could lose money

Does it work? Yes, this strategy has worked extremely well for lot of smart sellers, but it's not for the feint of heart. You have to be willing accept the fact that some people will take your loss-leading item and scam. And you have to be very well prepared not only with a second and third product, but be ready with a well-thought-out sales strategy to make the additional sales you need to realise a profit.

A studio photographer offers his services free to more than a dozen local schools in his region. He takes the pictures for each school's yearbooks or annuals. It's a lot of work and a lot of pictures, not to mention cost of film and processing. Why does he do it? Because doing so gets him 90% of all individual portrait business from the students attending those schools. It also gets him work from the parents of those students.

It's a terrific deal for the schools - they get a free photography service - and it's a great deal for the photographer because he corners his region's richest market.

One final note: Your loss leader doesn't necessarily have to be a product, or a widget, per se. It can be an informational e-book on your Web page which people can download for free. In the book, you provide the valuable information promised, but also work hard to include copy in that e-book which will lead to sales.



The same concept works for traditional special reports or newsletters which you send by mail. As long as you use the lead offer to sell your back-end product and offers, this is a strategy that can, and continues, to work well.