

Module 10 - Video 4 - Build A Responsible Budget

Tom: This is Tom Hitchens in Module 10 Product Creation. In this video, we're going to talk about building a responsible budget. Now, in this class what we're going to talk about is establishing your spending limit and we want you to stick to it. That's the big thing, sticking to your spending limits. We're going to talk about all the cost that go into developing either a physical product, a physical or a digital product I should say that will allow you to understand all of the elements that need to be priced out so that we can build a budget. Now, we're going to talk about digital versus physical, more of digital than physical. Physical will have a play in this because it's just as important for you to understand how to build a physical product machine and then also digital supplementation around it based on websites and so on but we're going to talk about digital in depth, building something from scratch if necessary.

Physical will have a play in this because it's just as important for you to understand how to build a physical product machine and then also digital supplementation around it based on website and so on but we're going to talk about digital in depth, building something from scratch if necessary. We're going to talk about gathering estimates and costing out your funnel elements. Now, let's talk about the funnel elements again. Here, I have our product. I'm going to use, this is the feature that we will discuss right now on this video. This is my Health and Treasure program that I spoke to you about in another video a couple of times before that is talking about how to build a digital product.

This digital product is right now selling at Clickbank or it's available, it would be sold in Clickbank. I went through this entire process with you so I wanted to use that as an example for you. You can see here the funnel elements here are on the left, the lead product or the main offer and then once we have a check out where someone actually pays for that product then they move on to the next up-sell on the right there, on the center-upper box, that's my up-sell one. If they continue on to up-sell number two over to the right side or if they decide not to buy up-sell number one, they're hit with the down-sell right under that.

I'll scroll a little bit so that you can see. These elements are all written out here in my funnel design, on my chart. You can see that on that on the left here, I have the lead product for 49 dollars, Health and Treasure, five simple steps for assured health and riches. It is a five-step video how-to course. Now, I decided to make a video because I like doing video. I'm good in front of a camera or at least I'm comfortable there anyway. I decided to make a digital product. It was easier for me to outline what I wanted to say, put it on a teleprompter as far as the top key points were concerned and then we just roll the camera.

We edit it a little bit as we needed to but other than that, it was my product based on my outline. Now, I went through the main course materials on video but then you'll see under there I have bonuses where I have transcriptions, I

have guidebooks, e-books, a video interview and then I get in here to the up-sell in the center-upper box. I have coaching sessions. I have one-on-one personal sessions with people. What I'm doing is I'm basically selling the lead product on the left with speed and automation for an up-sell on the right then I have additional bonuses where I have continuity, membership program. I have an infomercial transcription.

I have an infomercial viewing access. I have an interview that was done on video and then I have e-books. On the right side, I have the continuation of the same thing. What I'm doing is I'm basically laying all the elements of my sales funnel out so I can visually see them and then I begin to price them. As I price the production of these items, I'm going to go through the process here with you after I show you the website because I want you to get a feel. This is just a visual of what the product would look like before it was built. After it was built, this is what it looks like.

Here is the actual website. This is Health and Treasure and what I'm going to do is just scroll through here and just show you that this is a website that on the left here has different tabs and different video lessons where the people will go through step one, two, three, four and five and each of these steps has a variety of different videos in them, 1.1, 1.2, here this first step has 11 videos in it. When you get into step number two, scroll back up a second, see, step number two actually has 10 videos in that. Step number three and so on. This one has 11 videos. There's a lot of videos in here.

It was roughly six hours of videos and I think there was 48 total videos between the welcome videos and the homepage and the videos that made up the five steps. Each of these videos were put together on a budget. I knew what I wanted to do. I sat down with videographer. The same gentleman that put together an infomercial for me that I actually advertise a physical product on television, we sat down one day and I showed him my outline and we talked about how we were going to produce that outline. He gave me a price of producing these videos.

He shot the video with me in front of a green screen and he did all of this work behind. Later on, what I did was I had graphics put together for the logos, you see these, each one of these different screens on these different lessons have a different configuration to them. This is all done in the editing room on post-production after the video shoot but all of these you might think might cost a fortune. It really didn't. I'll tell you what it cost me. I've paid \$7,000 to the videographer to do the film work, the audio work and all of the editing. He actually gave me these finished videos and all I had to do was upload them to my website.

I gave him the content, I owned the teleprompter, he owned the rest of the equipment and we just set up in a small studio and we shot for two days and this is what we got. I have welcome videos, I have introduction videos and then I have content that was written. All of this content was put together by mostly me but I had a copywriter, helped me dress it up and polish up the words a little bit but this was a video course that I put together. Now, you may want to do an audio course. Maybe you want to do an e-book. Maybe you want to do just written content on a website with some exercises and things like that.

I've got exercises. I've got some bonuses here. If I go back to my sales funnel chart, you'll see that here it is the five steps and then I had bonuses. I put together a course guidebook which had exercises in there. Every time someone would complete one of my videos which would each average video was anywhere from eight to 15 minutes long. I try to keep them smaller, bite-size chunks so that people could listen a little bit and or watch a little bit and then at the end of the video, they could do an exercise and then they move on to the next one, next video.

That guidebook is what I called it and here is an e-book that I gave them, two e-books actually. I did a video interview with Dr. DeLuca, this is a product called Health and Treasure. If I go back to the website and again, the reason I'm showing you all this is that you can get a visual so that when we start talking about cost, you'll understand how to put your budget together. Here is the third, the bonus structure for Health and Treasure. There is my action plan or gift, I click on that. It will bring up the products, it's loading here. There we go. There is my course guidebook.

Now, that guidebook is nothing more than a PDF that they'll download right there and print it out but I went to Fiverr.com and had someone put together an image for me and I paid them not much at all for that and they gave me what looks like a nice, physical product but it's nothing more than an e-book. I got private label rights on the Law of Attraction Bible and the Get Out of Death 101 e-book. I put that on there as PDF file. It's just downloadable. It didn't cost me hardly anything at all to put that together. This video interview with a doctor was shot by my same cameraman. It was shot in her studio, in her office I should say.

Some of it was done in the car on the way to her office. I'll just play moment of it to see you get an idea of how this works. This is all post-production and the videographer did all this for me. Hi, everyone. I'm Tom Hitchens. You're probably wondering ... Here's the introduction ... what the world ... and then what I did was I actually then got into the studio with Dr. DeLuca and there we are set up in her shop and we're doing an interview. It was a two-part interview. We did 30 minutes for each of the two parts. That was part of my \$7,000 but I made that separate interview a bonus because that's in my bonus section here.

I also did an e-book version of the book that I wrote, Reverse The Clock and I'll show that on my funnel here. Here's the actual book itself. I had written that a couple of years ago. I just took an e-book version of that and put on the website and let people download it as a bonus that I was giving them away when they bought Health and Treasure. If I go back here to the sales funnel, you'll see it written out. There are my bonuses, my guidebook, the e-books, the interview and a copy of my book and so on. I'm just going to briefly go through some of the other elements here just so that we can see them.

The first up-sell is The 30-day Fast Track to Success, all that is an accumulation of things. My bonuses are many. I've got five bonuses here but multiple parts. I have a membership as a continuity that I sell when people buy my physical products. I did a 30-minute infomercial private viewing access of an infomercial I had already built. It's already been used on television many times. I did a transcript to that infomercial. The reason I did was because it plays in with the health aspect of this first up-sell. I did a one-hour video interview with a health expert and herbalist and then I put together three e-books. I called it the empowerment e-book series, empowerment happiness, love and spirituality.

Again, I got those e-books, the same place I got these other e-books from. Over here, The Law of Attraction e-book and the Get Out of Death. There's five e-books I'm giving away that cost me very little. Here they are again on the bonus section of this website. There's the infomercial. There's the transcription and all I did was I created a screenshot of one of the frames out of the infomercial and made it look like a book cover, an e-book cover. It's nothing more than a PDF file. I did that myself. Here is a one-hour interview with the herbalist, again, shot in studio with my, actually, no, that was a webinar that I did.

A gentleman, the herbalist and we're talking about how to use herbs not drugs, actually replacing 10 of the most popular drugs that people were taking, prescription drugs. Instead of using those, we're showing them how they could actually get the same, almost the same benefits by using herbs instead and then there are the e-books that I downloaded from the internet with PLR rights, private label rights. There they are, my bonuses and they are listed out here on my chart. I literally took this chart and made it happen in a form of a website. Now, this website had to be built, it's a Wordpress website template.

Once the template was constructed, all I did was add the content and then I locked it down because there is a place for people to log in and log out. I put some links on there that will link to my social media, Twitter and Facebook and then I have another upgrade which I won't get into here. It's just another upgrade is all it is. I call it H and T or Health and Treasure Elite where I gave some additional information, some videos and some e-books. You can see on the

chart, I sold that one for a \$199. When my people come through my funnel, they're spending \$49 then \$99 and then a \$199.

If they happen to say no on the up-sell, I had a down-sell video. I had four VSLs. You can see that on the website, we've got graphics. All these graphics were either downloaded with the e-books or put together by my videographer or I did some screen capture and created these e-book covers if you will and my videos. I had some web time for someone to load the content. If we go back to our list, what we're going to do now is to establish a budget based on our sales funnel chart and our sales funnel outline. I talked about the chart and the outline in other videos in this module. Make sure you check those out.

Once you built your product, as far as the outline and the chart is concerned, now you need to start putting some prices to it. Let's look at some of those items. The first thing is you have landing pages, transition pages and thank you pages to put together. These are the pages that we've been talking about in other videos in this module on other modules where you're actually using an outside source or you're using a place like lead pages or something to put these together. My landing page, transition pages and thank you pages I build myself using the LeadPages' platform and their templates.

If I need images, I'll go to Fivver.com or my graphic designer that I use and have those put together and I slap them on top of the boxes or books and I've got all the images that I have. You can see from their website, they all look very good. It was a professionally looking website. The next thing we have to price out are any of your add-on bonuses like e-books, PDFs or reports. If you're repurposing some of your own content, you already have this stuff. As I showed you, I have written a book a couple of years ago and I already had an e-book version of that that I was selling on my website.

I decided to give that e-book version away. I just repurpose it for Health and Treasure's website and give it away as a bonus. I had written some white papers. I created a couple of PDF files, gave that away, put a nice cover on it or I did a transcription of my infomercial. Do you see what I'm doing? I'm creating my own content. That doesn't cost that much at all but it has to be part of your funnel chart and you have to figure that there got to be some time and some cost involved of putting that together. You have VSL audio track. If you have a Mac computer or a PC and you can get Audacity put on that PC or any other sound-recording software, all you have is the cost of the software.

I already owned Audacity. I had it for a long time. I've been using it for a while. It doesn't owe me anything and it didn't cost me anything to simply stand in my wife's closet with a microphone and read off a script to create my VSL audio track. I did that myself. I spent about \$800 to do my VSL video which was

matched up with the audio track. It all depends on how fancy you want to get and how long your VSL is. Typically, a person that will do VSL production for you on the video side will be charging you by the minute or they'll charge you by the job based on the complexity and how much time they think that they'll have into it.

I got this gentleman that did the VSL for Health and Treasure right off of Fiverr.com. It's very easy to find anyone that's going to do a video for you. If I go over here to the website again to my browser, yeah, I have Fiverr.com right up here right now and all I did was I went to video and animation, pick one of the categories and started looking. I found the gentleman and I gave him a small job. I gave him my down-sell to do because that was only a six-minute video, I believe. The gentleman did a nice job. I decided to give him the other three VSLs and away we went.

It's just a matter of you finding something within the range that you're comfortable for. Copywriting, I'm a writer. I do write a lot of the things myself. I write my outlines. I draft out my VSLs before I send it to my copywriter and I also do a recorded audio where I actually talk to my copywriter and let them get into my head a little bit as to what I'm trying to accomplish, the approach I'd like to take in the materials that they're going to write for me. This copywriter will go to town. No charge anywhere from typically two to three cents a word or a little bit more for your VSL, maybe double that if you're going to do a nice VSL.

You want to make sure that you have the right elements and the right wording in that VSL. That's very important. That's the typical cost for that. Some other cost are the member permissions, that site that I showed you for Health and Treasure is a log-in membership site. It's set up on a Wordpress template. I locked that down where someone can only see that content when I provide for them a link and the log-in name and password that I want them to log in with. I locked that down with a product called WishList. It's also for setting member permissions because if I go back here to that website again to show it to you.

Health and treasure has a number of membership levels. We have the standard level here which is Health and Treasure and then we have the 30-day Fast Track which is the first up-sell and then we have Health and Treasure Elite which is the second up-sell. We take you back to the chart real quick. You'll see that again, there's the main product. If they only buy the main product and don't buy the up-sells, what we have to do is give them only permission to see the website on this first level. They can't click on that 30-day Fast Track or the H and T Elite because those are the up-sells that they decided not to purchase.

WishList will give you that ability to set that up. WishList is something you can find on Google, I think it cost me around 170 or 75 dollars for that application

and it was added on to my Wordpress website, my technical guy did that for me. I had nothing to do with that. I will be lost doing something like that. I simply purchase it, gave him the access to it. He already had access to my Wordpress website and he made happen for me. That's one cost. Another cost is graphic design and I told you I use Fiverr.com and I just don't pay that much for those graphics, five dollars maybe for each one.

The website design is done by a website designer or you can get things done at Fiverr.com. When I go back over here and show you Fiverr.com. Again, you can go to the graphic and design and you can find web design, web and UI right there, user interface. You click on that, you can find all kinds of people doing that type of work for you. I also work with the web designer. That web designer is a graphic designer but they don't build the webpage. I would need to have web builder, someone that can actually take the design from the graphic designer and then slice it up into HTML codes so that it looks like I wanted to look on the website.

The resulting product is what you see right there. There's Health and Treasure broken up into HTML code. This look and feel was designed by graphic designer before it was ever put together and then all they do, the web person does is take these hosted videos and place them on to the website. By the way, I use a website called Wistia.com, W-I-S-T-I-A dot com for hosting all my videos. I complete the videos and upload them to the website and I'll manipulate them a little bit as to how I want them to appear on the website. Here on the website, I wanted people to be able to control when they turn the video on and off or just skip ahead or skip backwards, jump backwards whatever they wanted to do, you have the ability to control that.

I wanted a big button in the center so that they knew they had to click on that to get it started. You have all of those options on Wistia once you upload our videos and then you just simply take the code from the Wistia website for that each individual video, give it to your web designer or your web builder and they will put it on the page, there you go. You see what it looks like. That's the cost. Now, we also have a cost of hosting your website. Depending on where you were getting hosting for your websites now if you have any or if you don't have any hosting, you can find them online anywhere by just typing in web hosting on Google and see all the different things that will pop up.

Some of the ones that I've used in the past are hostmonster.com or right now, I'm using liquidweb, L-I-Q-U-I-D-W-E-B dot com, very inexpensive like three, four dollars a month for hosting depending on how many pages and how much bandwidth you actually use. There is your cost for that. Video and audio production, if you're good at video and audio and I'm pretty good at it myself, I do my own personal videos that I'll host on Wistia and put a link into some of my

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e-bills when I send out to my email list. I do those all myself and I can actually produce them and edit them on my own.

I use either a iPhone or I use a regular camera on a tripod or I'll use simply the camera on my Mac laptop computer, believe it or not, I shoot the video and then I can load it into a product called, what is this called here, VideoPad. It's actually an application that I have on my Mac and I'll download or upload the videos into this application and then I can edit them. If I make a mistake on something or I want to add something in or I want to do some transitions between frames, whatever I want to do, I can do that. It's very easy. I learned how to use this. If I could learn to use this so could you.

That was already on my Mac when I bought it. How much do you have in producing video production if you're doing it yourself, it's just a cost of your software and some of your time actually. If you're recording your own audios using Audacity or some similar-type voice capture application, what do you have involved in that? Now, if you're going to outsource, that's a different story. Now, we also have some cost for website HTML coding which I talked about. You have to take that graphic design from your designer, give it to a web builder. Actually, it's an HTML coding programmer and they will make your website look just like the graphic designer had envisioned it.

If you're going to have a digital product and place it on Clickbank, as a side note here, Clickbank does not allow you to sell physical products there, only digital products. Clickbank has a fee, a one-time application fee of \$49.95 for you to activate that product. Once you get it approved and you load everything into their platform. There's also fees for them to process the sales for you because they're a merchant processing platform. They will process and display all of your VSLs and then display your sales pages which you will build and provide for them and then they will collect the money when someone decides to click the button and enter their credit card information.

Once they do that, they will keep a little bit for themselves as their fee and that's the fee that you need to account for and then the rest of the money comes to you. If you want to sell your product through affiliates, they will actually, you know how Clickbank works if you've been selling off at Clickbank as an affiliate, you get a hop link for any product that you want to sell and you simply take that hop link and put it in or embed it into your materials, your creatives that you're sending out to your list or using as advertising or social media or blog post. When someone clicks on that and goes to the VSLs and buys, you owe the affiliate a commission.

Clickbank will actually divide all that money to the various places it has to go and then send the rest of the money to you any way you want it, in a form of a check

or they'll deposit it right in your bank account which is the way I like it. It's like money from heaven. A merchant account is something you need to do on your own if you're going to host your own checkout page or your own sales funnel, not going through a Clickbank-type platform so then you'd need to have a merchant account where you then can collect the credit card information and then all of that money goes into your bank account.

There are some fees associated with that and you need to check that out on your own. You could also use PayPal. You need to get some technical assistance. I strongly recommend you get someone that could help you with your web building and helping you do the things I've been mentioning here like setting up WishList, I'd never be able to do that. I would never try to build a webpage because I just don't like doing it. I'm sure I could learn how but I'd rather focus on what I'm good at and what I like to do. I'll hire someone else to do the things I don't want to do or I'm not good at or can't do.

Transcription cost is probably the final cost here on the digital product side. I spoke about that before when I actually transcribed my infomercial and made it an e-book and use that as one of my bonuses on my first up-sell. There is the cost. Basically, 15 different costs that I had listed out here for you on the digital product side and these needs to be a consideration for you to put together in a budget right before you start your product. On the physical product side, those costs are typically the same as the digital except there's a no Clickbank cost because, again, you're not selling the physical product on a Clickbank platform.

You need to have other cost like shopping carts and storefronts that you would pay for. You can use like volusion.com or any of these other shopping carts. There's tons of them out there and they're not very expensive for like nine dollars or 10 dollars a month, you can set up a shopping cart using their website set up and build wizards that they have. It's very easy to do. For a while I was actually selling my physical product that I advertise on television. I was selling it through a Volusion shopping cart. I had my own merchant account and I was selling it that way. There's the cost that you need to anticipate.

You have the cost of the physical product itself which is not very much if you're going to drop ship it because you'd never have to warehouse it. You just decide on buying something. You buy it for a certain cost, you resell it for a higher cost, you have it shipped directly from the manufacturer to a fulfillment center. You send them the orders. They will drop ship for you. You've never touched the product, never have to see and all you have involved is shipping and handling cost. It's wonderful. There is your additional cost if you have a physical product. If you go back and review those costs, what you have are costs that when you break it down should be put together on a budget.

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I want to do that. I'm going to pause this video just for a moment so I can get back to those slides for you. Here we're back on the slide where I want to talk about these individual cost so that you could build your budget. What I do is I use a spreadsheet and I start listing out all of these items that I need to price out. I'm going to list out all of the different parts here. I think I have 15 different items that needed to be put on the list. I'm referring all the time to my sales funnel chart because that shows me the individual element. I list all of them out onto my spreadsheet.

Once they're listed out then I'm going to go through those and figure out what I'm doing on my own and if there's any cost involved. I have columns for outsourcing. I have columns for do it yourself. I have columns for graphic design, web, all of the things that are listed here and then I'll start putting together anticipated cost. Based on what I'm telling you, you should be able to do the same thing and I'll go out and I'll start bidding. I don't accept anyone's work yet until I get some bids and then I can take those bid cost and put them back into my spreadsheet and it starts to form a budget.

You've got to do a budget. You can't just start building this thing and keep throwing money at this with no plan, no idea what you got into. Altogether, I told you I spent for Health and Treasure I spent \$7,000 for the video, everything else that I put together on that product cost me three additional thousand dollars. I have \$10,000 into Health and Treasure. My budget was pretty close to that because before I started building that, I wanted to know what my cost were going to be and I build a budget and I stuck to that budget pretty tightly. Sure enough, I came out real close to that.

Naturally, some cost are a little higher and some cost were a little lower and I was able to eliminate some things but overall what averaged out that my budget worked out to be just about what I thought it was going to be. I want you to do the same thing is to list out these various items and price them individually based on the things that I've given you here in this video and then go back and just fill in the blanks and keep updating that spreadsheet and stick to your budget. You can't build a \$15,000 product if you only have \$5,000 to begin with. In that case, you can't commit to spending \$7,000 on video so maybe you ought to have an audio product.

That's easy to do. You could do that in your wife's closet or in your husband's closet with Audacity and a Mac computer and a microphone and then your cost were practically negligible and you'll save a lot of money. You could put together a digital product for just a few thousand dollars if you really think it through and plan. When you're planning your sales funnel chart and your outline, keep in mind what you think the costs of these items are going to be. If you look at this then one day and you say, you know, I just don't have the money to do video

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and I don't have the time or I don't have the talent to do it then don't make it a five-step video course.

Make it a five-step audio how-to course and just save yourself the money. That's what I'm talking about. Build a budget and then build the product around that budget. As we continue to go through these, all of these items are becoming part of your spreadsheet. To review what we talked about, we've established your spending limit and you are going to stick to it, right? You're going to either do a digital or a physical product. You're going to gather your estimates and you're going to cost your funnel elements based on all of that research.