

## PropertyInvesting.com 'Insider'

Discover proven tips, strategies and techniques to dramatically increase your property investing profits

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**By Steve McKnight**

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Hi,

**Read this email to discover how to download a free audio interview I did recently for Brendan Nichols about how to Super-Size your investing and business profits - details contained below**

**IMPORTANT NOTE:** Even if you normally only gloss over my monthly newsletter, I strongly recommend you read this email from start to finish. In it I'm going to provide you with private and controversial never-before-shared information.

This email is far more than a 'normal' newsletter - it's a very special and powerful report that reveals how you can super-size your profits by turning your property investing into a real estate business empire.

Let's get started...

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### Arthur's Story

Just a short stroll from home is a small yet pleasant cafe, that sells the best coffee in the neighbourhood.

On most days you'll find Arthur, the owner, behind the counter greeting people and pouring coffees. He's an honest and hard-working chap, and his small business hums along on the back of his regular customers intermingled with a steady passing trade.

A few weeks ago I decided to escape the mayhem of young children running riot at home and disappeared to Arthur's shop for a relaxing late afternoon hot chocolate (made with soy milk, of course!).

Given it was close to 4pm, I wasn't surprised to find the shop empty except for Arthur doing his final tidy up prior to locking the doors for the day. I ordered my hot chocolate and then found a sunny spot to watch life go by.

When Arthur brought over the hot chocolate I decided to see if he wanted to talk about his business. I'm a keen student of all types of business because I've found that what works well can often be applied to investing to increase profits too.

After exchanging some chit-chat I sounded Arthur out with some general questions about his business, and when he seemed happy to share his thoughts I probed a little deeper.

'Arthur', I said 'How much do you think your average customer spends each lunch time on food?'

'Steve, I reckon about \$7' he replied.

One of my business philosophies is that it doesn't take a lot of skill to earn an average return, but with a little lateral thinking you can dramatically increase profits.

For example, in Arthur's case, he could continue to live happily with a \$7 average sale, but with a little extra effort he could make a lot more money if that sale could be increased to \$8 or more.

The same is true for landlords who accept a market rent as a good return when instead they

should be thinking differently and trying to devise strategies that result in the tenant happily paying an extra \$20+ per week.

The easiest way to increase sales is to form a marketing strategy around an existing strength. In Arthur's case he makes an exceptional coffee, so if I could somehow link coffee with higher sales then it may result in a very profitable outcome.

Within a few moments I had the seeds of a strategy unfolding in my mind. While it was still forming I said 'Arthur, I think I have an idea but first though, how much does it cost you to make a cup of coffee?'

Arthur winced in thought and scratched his balding head before replying 'About 50 cents'.

'Right', I said. 'How about we try to increase your sales using a coffee incentive, so that the extra sales more than cover the additional fifty cent cost?'

'What I recommend you do is to run a week long lunchtime promotion where every food order above \$10 - take away or eat in - qualifies to receive a free cup of coffee.'

The theory behind my suggestion is to increase the overall value of the sale by more than the cost of the incentive (i.e. fifty cents in this case) on the basis that the difference will represent additional profit.

The benefits to Arthur's business would be:

- A. There would be an incentive for his customers to buy an extra 'something' to lift the amount of their purchase above the free coffee threshold.
- B. That 'something extra' could introduce a new product line of repackaged take-home coffee, a bag of lollies, some tasty biscuits etc. These are all usually low cost items that have high margins.
- C. The incentive builds goodwill in the mind of the customer thereby encouraging a positive association with the shopping experience since the customer has received something for nothing.
- D. If two or more people are dining together but one person is paying then the offer will probably work out so that one cup of coffee is free, but a second drink for the other person has to be ordered and paid for.
- E. It introduces a point of differentiation so that Arthur's shop stands out from the usual programs such as a 'loyalty card' where you get a free coffee after X visits. That is, you gain the benefit immediately if you only spend a little more rather than having to wait.
- F. The risk is relatively low since the cost of the incentive is only fifty cents and the trial period is only a week. If it works well then it can be extended.

Sadly, despite my suggestion Arthur seemed disinclined to even try, mentioning that 'he'd trialed other things in the past but that they hadn't worked all that well.'

Rather than pressing the point, I went back to my hot chocolate and left Arthur alone to finish up for the day.

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## Stop! Read These 3 Powerful Learning Outcomes...

While it may seem a little abstract, there's actually a lot that can be learned from both Arthur's business and my suggestion. In particular, I'd like to draw your attention to the following three points:

### 1. Automatic Profits Are Unreliable

I'm currently putting the finishing touches on my third book, and in it (Chapter Eleven) I introduce the idea of 'Automatic' and 'Automated' profits.

An 'automatic' profit is one that is driven by general market forces. In Arthur's case it is the money he makes each day and week from his regular customers and the normal coming and going of a

steady passing trade.

That is, each week Arthur would know that all he needs to do is open his doors and he'll make a 'normal' amount of income that may be +/- 10% in a good or bad week.

In the same way, property investors can benefit from automatic profits on the back of general real estate market increases which indiscriminately lift the value of all dwellings higher.

The problem with automatic profits is that they rarely act to significantly super-size wealth. For example, my research on the movement of median house prices over 20 years in Australia sees that prices boom for about a third of the time and then remain flat (or slightly down) for around two-thirds of the time.

Therefore, from my experience, automatic profits will only build significant wealth for a relatively short period.

Returning back to Arthur for a second, if his business slows down - like over the Christmas holiday period - he has two choices: do nothing and hope that things pick up in the new year, or otherwise become proactive and think up strategies for creating new sales and/or enticing customers to make higher value purchases.

## **2. Automated Profits Allow Supersized Returns and Significant Wealth**

It's no coincidence that property investors are faced with the same choice in a slowing real estate market - namely, to wait around for the tempo to pick back up again or else adopting a more hands-on strategy to manufacture profits.

An automated profit is different. Instead of being market based it is dependent on the action an investor partakes to:

- A. Identify an opportunity
- B. Find a customer
- C. Discover what the customer wants
- D. Entice the customer to buy
- E. Supply the customer's need in a cost-effective manner
- F. Bank the profit.

Understanding and implementing these six points is ESSENTIAL to achieving above market profits - not just in business but in property as well.

For example, let's look at the danger associated with a typical renovation and then compare it to my suggested 'smart' approach:

### ***Normal Renovation***

1. Buy a property that might make money
2. Complete a renovation, hopefully on time and within budget
3. When finished engage an agent to sell it
4. Hope a buyer comes along and pays a good price
5. Bank a profit

I see this approach as very uncertain, as there's a huge risk that the renovation won't be appealing to the next buyer, and that should this happen then the profit outcome is compromised and there's an increased possibility that the property may sit for sale for quite a while in a slowing market.

A saying that I quite like is 'the more things you leave to change, the more chance there is that things will go wrong.'

My preferred option when doing a reno (or any other investment project for that matter) would be as follows:

### ***1. Research to understand the market***

Rather than jumping in and buying a property that I thought might make a good investment, I'd go and interview several agents and ask them about what kinds of homes are in demand.

Specifically I'd want to know what features are desirable to the market and at what price points.

The last thing I want to do is convince the market it needs what I am trying to sell. A much better approach is to find what the market is asking for and then to change your approach to supply

what it desires.

### *2. Buy a targeted property*

It does NOT matter what kind of property you want to own, all that matters is what kind of property do you need to buy in order to make your expected profit.

For example, if the market wants units then invest in units, if it wants houses then buy houses, if it wants inner city apartments then start building them.

Be very careful to avoid a bias with your investing. All too often I see and hear people who only want to own properties they would consider living in. That may be fine and dandy, but unless you are representative of how the general market feels then you will be setting yourself up for an expensive lesson.

### *3. Complete a targeted renovation*

Once again, your preferences about colour, toilet types, lighting etc. do NOT matter. All that matters is finding and supplying what the market thinks is appealing.

For example, some people I know were recently agonising about what kind of lighting to put in their reno project. I encouraged them to talk to the agent, and when they did they were told to put in inexpensive downlights as more elaborate feature lighting would be a waste of money since it would not cause a likely next buyer to spend any more money.

### *4. Make a targeted sale*

A huge mistake is to try and sell to 'anyone', rather a much better approach is to try and sell to 'someone'.

This someone needs to be identified in terms of age, background, income, preferences, etc. In fact, the more you know about the person that you think will buy the property (or rent it), the more you can do to make the dwelling attractive for them from an emotional viewpoint, since the more emotion you can build in the higher the perceived value and therefore potential profit.

### *5. Bank an expected profit*

When deciding on a profit I would encourage you to come up with three profit figures: the profit you want, the profit you'll take, and the profit you won't accept.

Identifying these three profit figures will help you to price the investment to determine whether there is enough of a return to warrant the risk.

The alternative is to hope for an unspecified return, and, like most things, when you don't know what you want then you end up getting what someone else will give you.

Can you see the difference between the two approaches? As the property market becomes more and more uncertain it is critical that you become more discerning with your investments.

### **3. You have to be open to new and different ideas**

Arthur is a fantastic guy and he is very good at the service he provides, but in my opinion, his business could be much more profitable without a lot of extra effort. He's not unique - we ALL make the same mistake from time to time.

My recommendation to you is to always be on the look out for new ideas and experiences that will allow you to apply fresh techniques to your existing investments.

This is particularly important in a market that is experiencing increased competition and declining profit margins. A prime illustration of this point is the real estate market where I see a lot of builders are now starting to compete in the home renovation market thereby making it more difficult for DIY investors.

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## Controversy! Steve's Very Bold Statement

With all this in mind, I'd like to make a very bold statement: I've been far more successful at business than I have been at real estate.

For instance, well before I bought my first property I was extensively trained in business affairs through my accounting degree, my post graduate study to become a chartered accountant, and

also the superior internal training given by one of the world's largest accounting practices.

This theory was then galvanised with years of practical experience working in audit and business consulting where I had unrestricted access to see and learn the accounting, marketing and business systems of many highly successful businesses - from large multinational organisations to small yet very lucrative private companies.

One week I'd be watching cars whiz around the assembly line, next I'd be studying how duty free stores operated, and soon after I'd be reviewing the costing of jet fighter planes and attack helicopters... the list of my amazing clients goes on and on and so too does the incredible insights and business secrets that I was privy to.

As you know, for several years now I've been sharing information about real estate, but what I have rarely talked about has been the business methodology behind my investing and how this unique approach has allowed me to excel while others struggled. Until now that is.

How would you feel if we could rewind the clock back to 2001 and you could have been amongst the few at my first ever seminar where I shared how I turned the concept of vendor financing into an investing system that created massive income streams. I know several people who attended that event went on to buy 50+ properties on their way to making a fortune.

Or what if you could have attended the seminar series I ran in 2002 that revealed, for the first time, my proprietary system for finding and buying positive cashflow properties. Those attending who acted on the information had an incredible inside running on being able to find and buy deals that have now long since vanished.

Well, another similar pioneering opportunity is unfolding and I want you to be amongst the first to know about it. Already there has been unprecedented demand given that the few people who I've shared the concept with made me promise that they can have first rights to attend.

For the **FIRST TIME EVER**, over two comprehensive days on 18 & 19th of November, I'm hosting what I'm calling the 'Road to Riches Business Building Seminar'. If you're lucky enough to secure a seat then you'll discover original and exclusive information that will dramatically improve the success of your business and property investments.

Better yet, I'm teaming up with close friend and recognised business building expert Brendan Nichols, and together we'll be working as hard as we can to deliver a life-changing chance to be at the forefront of something truly special.

Over two days we'll work with you to open your eyes to sales and marketing opportunities that will unearth new and amazing ways of doing business resulting in substantially increased profits.

So convinced are we that our information is certain to transform your business that we're underpinning our claims with the following can't-lose guarantee: if you follow what we say and don't make an extra \$25,000 in sales over 12 months then we'll either happily refund 110% of the cost of the seminar OR personally work one-on-one with you for at least 2 months!

Honestly, this is as close as you'll ever come to a risk-free proposition because if you don't get a great result then we'll pay you!

Please note - we are not selling franchises or network marketing - our goal is to dramatically improve YOUR business acumen so YOU can drive YOUR profits higher.

The event will also be backed up with 12 FREE monthly webinars where Brendan and I will provide ongoing support and clarification. This is our way of not only giving you the information to begin with, but also staying with you for the long-haul as you test and tweak it to your exact requirements.

I expect tickets to this event to be snapped up in record time. Because I know this event will provide those attending with an unfair strategic advantage, I'm going to be as fair as I can with the release of the tickets.

At this stage I'm ONLY offering you the chance to pre-register your interest on a no-obligation basis. Then, at 3pm this Wednesday, I'll email everyone who has pre-registered and provide them with a secret web address where they can have 24 hours advance notice to secure a seat before I open them up to the general public.

Please note that I will send out the notification email in the same order as people registered their interest. Therefore, be sure to register as soon as possible so that you're as close to the top of the list as possible.

Furthermore, pre-registering entitles you to the following two additional benefits:

1. An incredible \$500 discount per ticket; and
2. You'll be given access to an audio interview I did a month or so ago for Brendan's exclusive inner-circle private mentoring students where I talked about my approach to business. Brendan's students paid quite a lot to have access to that recording, but it's my gift to you to thank you for your interest and trust. Please note this is NOT hyped a up sales spiel - it's content rich and full of tips.

The web address to pre-register your interest is: <http://propertyinvesting.com/go/139>

Remember, you are only expressing an interest, it is not a commitment.

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## Summary

[FNAME], in running this 'Road to Riches Business Building Seminar' I'm offering you an exclusive and limited opportunity to be the first to know and apply new and exciting business focussed profit-making strategies in a way where if you don't make a lot of money then you won't end up paying a cent.

Make sure you get on board and pre-register at: <<http://propertyinvesting.com/go/139>>

NOTE: This seminar is not only ideal for those already in business. All you need is a business concept - we'll show you how to turn it into a cashflow opportunity!

If you were Arthur, what would you have done with the business idea I offered? It's always easiest to do nothing, yet we all know that fortune favours the brave.

### APPLICATION

- What can you do to gain a better understanding of what the market is telling you it wants?
  - How do you gather new and exciting ideas that you can apply to your investing?
  - Anyone can buy a property and make an average return. However it takes investing skill to gain superior profits, particularly when competition is increasing.
  - Have you pre-registered for the seminar? If not then, honestly, why not? Register now at <http://propertyinvesting.com/go/139>
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## Final Words

This has been a special once-off extended version of my newsletter. With the release of my third book I expect to be swamped with huge demand and a very busy schedule in 2007.

Therefore, I invite you to join me in the calm before the storm and enjoy what may be a once in a lifetime opportunity come late November.

I hope you have enjoyed and will profit from the information I have shared. Until next time, remember that success comes from doing things differently.

Regards,

- Steve McKnight

P.S. Remember that all you need to do is pre-register and you will gain access to that special audio recording as a free gift. Get it now by going to: <http://propertyinvesting.com/go/139>

P.P.S. If you have any questions about the event then please email [jeremy@propertyinvesting.com](mailto:jeremy@propertyinvesting.com)

**Disclaimer: This newsletter is not intended to be a substitute for investment or accounting advice. It is a broad discussion to provide a general understanding. Before acting, you should seek specific advice for your unique situation.**

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