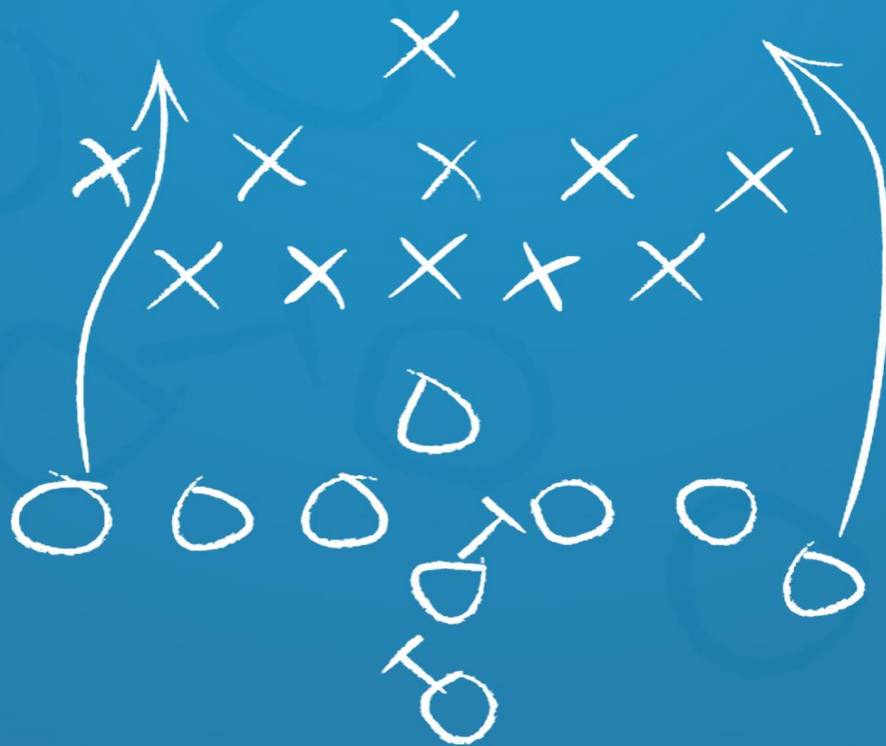


THE PASSIVE REVENUE PLAYBOOK

13 SIMPLE WAYS TO TURN THE ASSETS YOU ALREADY HAVE
INTO LARGE, ONGOING STREAMS OF PASSIVE REVENUE



BOB SERLING

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Imagine that you've just bought a beautiful, lakeside mansion. It has 14 bedrooms, each with its own bathroom, situated on a 2-acre lot with the best view of the lake of any house in the area.

The entire back of the house faces the lake with floor to ceiling glass walls. Your view out to the lake is unobscured and breathtakingly beautiful. Beyond the lake you can see a tall, magnificent mountain range.

Each room in the house is impeccably appointed. The bedrooms all have custom paint, original works of art, bathrooms featuring marble imported from Italy, and oversized walk-in closets. Each could easily pass for a master suite.

The gourmet kitchen is second to none, designed by a master chef, yet still warm and inviting. There's a fully stocked wine cellar, temperature controlled with the latest state of the art equipment. And every other room in the house is of similar opulence.

However, despite all that's available to you in this house, which you've waited for decades to purchase, you live in only one room, the front room that you first encounter when you enter the house.

There's no explanation for this, really. You just live in that one room without much reasoning as to why you've chosen this particular behavior.

Because you've never ventured into the other rooms, you have only the vaguest sense that you might be missing something. But in truth, you are denying yourself many advantages.

You're denying yourself the pleasure of pristine views and picture perfect sunsets over the lake nearly every day. You're denying yourself the comfort of well-appointed bedrooms, loaded with every creature comfort you could ever ask for.

You're denying yourself the experience of cooking in a gourmet kitchen and the meals that result from this. You're denying yourself access to some of the finest wine vintages in the world. And much more.

In short you're denying yourself the advantage of all these assets you worked so hard to build.

So what the heck does all of this have to do with your real business?

The little fable I just created is an all too accurate description of how the vast majority of businesses operate. And let me be so bold to say that I'm nearly certain this is how *your business* operates too.

You see, every business has dozens of assets (products, services, marketing, customer loyalty, business relationships, reputation, etc.) that are severely underused or not used at all.

So while all of these “rooms” of your marketing mansion are available to you, you’ve self-exiled your business to just a single room. But without any real reason for doing so.

And what this report is all about is expanding your horizons. About moving into more of those profitable “rooms” available to you. About becoming the master and good steward of all the profit potential available to you in your business.

About a very practical approach for increasing your profits exponentially by turning the assets you *already have* into large, ongoing streams of passive revenue – with no cost and no risk whatsoever.

So in the rest of this material, I’m going to guide you through four important milestones:

FIRST – beginning to see all of the profitable assets and opportunities that *already exist* in your business, but you’re currently overlooking.

SECOND – understanding why capitalizing on these assets is the fastest, easiest way to generate large, ongoing streams of passive revenue.

THIRD – why you only need to choose a small sub-set of the 13 assets you can potentially capitalize on in order to take your profits to the next level, or even up many levels.

FOURTH – because all of these assets already exist, how all of this can be achieved with no cost and no risk whatsoever.

So let’s re-enter the real world your business operates in and I’ll show you exactly how all of this is done.

A few fundamental principles

There is a tremendous amount of money to be made in turning your existing assets into large streams of passive revenue – plus its great fun to do. But it does take an understanding of all the options available to be able to select the passive revenue strategies that are the best fit for your business.

Now, when I say “best fit”, what I mean is a small, select group of strategies for turning your assets into passive revenue will produce the most return for the least amount of effort. After all, with 13 different passive revenue strategies available, it would be counter-productive to try to implement them all.

So in this material, I’m going to start by briefly showing you all 13 assets your business already has that can be turned into large streams of passive revenue. Then I’ll give you a much deeper level of detail on leveraging these assets by using 7 passive revenue “Plays”. Together, these will give you a clear understanding of the true potential of what you can gain for a small investment of time and effort.

I'll lay out the passive revenue Plays for these 7 assets through real life examples of how I've applied them to my own business and examples from clients' businesses I've taught to do this. So within just short time, you'll clearly understand the immediate and unlimited upside potential of turning your existing assets into ongoing passive revenue. And how this locks in reliable business growth and eliminates having to chase every new "marketing tactic of the week" that lands in your inbox.

Before we look at all 13 assets that can be optimized, there are four fundamental principles to understand.

Fundamental #1 – Your customer list is the most important and most valuable asset you have. Nothing else even comes close.

Fundamental #2 – Read the first point again. That's how important it is.

Fundamental #3 – Understanding your customer's wants, needs and desires far better than your competitors do is the key to owning your market.

Fundamental #4 – Trust is an incredibly valuable asset, second only to your customer list.

Rather than explaining each of these fundamental points here from a theoretical standpoint, throughout this material I'll give you actual examples of each point being applied in real life situations.

So let's dig in and I'll show you exactly how to tap into the vast profit opportunities you're currently overlooking by turning many of the assets you already have into ongoing passive revenue. And as icing on the cake, how to do all this with no cost and no risk whatsoever.

First things first... which assets work best for generating passive revenue?

When most people hear the term "passive revenue", they think of no more than two or three assets that can be capitalized on. These are usually their products and services, as well as a limited amount of their marketing, such as membership program with consistent, recurring payments.

But those are only a fraction of the assets you already have that can be made exponentially more profitable by converting them to ongoing streams of passive revenue. So here's a list of 13 different assets that can be used to generate substantial passive revenue.

I'll start by listing them out, then I'll give you detailed examples for generating ongoing passive revenue with many of these assets:

1. Passive Revenue Center

2. List Reactivation
3. Order Size Accelerator
4. Recency Factor / Upsells
5. Product Customization
6. Private Labeling
7. Profit Cloning
8. Series Mailings
9. Results Repeater
10. Referred Bonusing
11. Distribution Channels
12. Materials Broker
13. Services Broker

That's 13 assets you can immediately leverage for greater profits. And as you'll see, with many of these assets, there are multiple ways to use them to generate passive revenue.

Now, there are actually more than just 13 assets that can be turned into passive revenue. But these 13 are the easiest to quickly capitalize on with the least amount of effort.

And even though I've limited this list to 13 assets, it's still far beyond what most people (including those who claim to be experts) think of as assets that offer a significant opportunity to turn into passive revenue.

So this list alone will give you a strong idea of why the passive revenue generation methods I'm about to show you are much different, much more expansive, and much more profitable than what you'll find anywhere else on this topic.

Real world examples of passive revenue plays

The best way to show you how using these 13 assets to generate passive revenue works, what real passive revenue plays look like, and the results some of these plays have produced is to share some of my own passive revenue projects along with some of the passive revenue projects my clients have benefitted from.

In these examples, you'll notice that the increased revenue ranges from a few thousand dollars to millions of dollars. So there is no way to state what the results of a "typical" passive revenue project may be.

More importantly, though, is that you'll also see exactly how all passive revenue plays can be leveraged to multiply their value many times over. So a project that's initially worth a few thousand dollars can be leveraged up to hundreds of thousands... and a project that's worth hundreds of thousands can be leveraged up to millions.

With this in mind, here's a more detailed look at a number of actual passive revenue plays. And for each play, I'll clearly identify which type of asset is being optimized.

Passive Revenue Play #1 – List Optimization

As I mentioned above, the paramount rule for increasing your sales and profits is:

*Your customer list is the most important and most valuable asset you have.
Nothing else even comes close.*

The flip side of this is that once you've made a sale, the worst thing you can do is ignore your existing customers while you focus on pursuing more and more new sales. Yet that is what the vast majority of people do.

Need proof?

Tell me right now, without doing any research, out of your entire email list, how many people on that list are paying customers and how many are prospects who have never bought anything? If you're like 98% of all businesses, you don't know those numbers.

Let's make it a bit easier. Again, without doing any research, out of your entire email list, what *percentage* of people on that list – rather than an exact number – are paying customers and what percentage are prospects who have never bought anything?

If you have a decent grasp of your business, you should be able to come closer on this one. But I can practically guarantee that you don't know the answer to this either.

What this means is that you're leaving a lot of sales and profits on the table. And to make matters worse, if your competition is more customer focused than you are, you're actually driving sales to them!

You see, people like to buy from a source where they feel valued and wanted. But if you do nothing after making an initial sale, people will never feel valued and wanted. So the next time they're in the market for what you sell, there's very little chance they'll buy from you again.

So let me make a few recommendations for turning this around, creating customers who love you and refer business to you on a regular basis, and generating substantial passive revenue simply by focusing more attention on your existing customers.

Customer Focused Passive Revenue Strategy #1 **Making more sales to your customers is the fastest, easiest source of passive revenue**

The main reason it doesn't make sense to favor chasing new business over focusing more attention on your existing customers is that there are no easier sales to make than additional sales to existing customers.

Plus, when you establish a process to do this on a regular basis, you can immediately convert this asset – the goodwill you’ve generated with your customers – into ongoing, consistent passive revenue.

More than 50 years of studies have shown that someone who bought from you once is as much as 10 times more likely to buy from you again as a prospect is to buy from you the first time.

Most importantly, prospecting for new customers is always the most costly part of your marketing as well as the most risky. So it makes good sense to focus more attention on those sales that are easier and cost nothing to make.

Here’s why existing customers will always be the fastest, easiest source of more sales. The most difficult aspect of making a sale is gaining a person’s trust. People have been burned too many times by unscrupulous practices, especially online. So they are extremely reluctant to risk their money on an unproven source.

But once you’ve made a sale and delivered on your promise, you’ve now gained that customer’s trust. And that trust can be leveraged to make more and more sales to those customers. Of course, these sales must be for items that are truly valuable to your customers or you’ll destroy the trust that was so difficult to gain.

Creating a regular schedule of offers to your existing customers, say once every month, is one of the easiest and most profitable ways to lock in consistent, ongoing passive revenue that you’ll ever find.

One more important point. You may be wondering how this is passive revenue. Here’s the answer.

When you sell more to your existing customers, there is no cost needed to do this. And if you set this up on an automated schedule, you are creating cost-free, risk-free sales that require little or no maintenance once it’s set up. And THAT is a perfect example of ongoing passive revenue being generated on autopilot.

Customer Focused Passive Revenue Strategy #2 **Your customers would love it if you recommended other products and services to them**

Here’s another powerful concept that most business owners and entrepreneurs don’t understand: your customers are actually hungry for you to recommend additional products and services to them.

Without exception, whenever a customer buys a product or service, there are many additional products and services related to the original purchase that would be beneficial to your customer. But sorting through all the possible options available to them is a daunting task.

If you approach a customer with recommendations for products or services that help them get better results from what they purchased in the first place – or enjoy what they purchased more – you simply can't lose. You'll make substantially more sales and increase the trust and appreciation your customers have for you even more.

One of the finest examples I can give you of this is Amazon.com. Amazon knows from my buying behavior that I like historical novels. So every few weeks (about the time it takes to read a book), I receive recommendations for historical novels I might enjoy.

I'd estimate that one out of 3 or 4 times, I buy one or more of the books Amazon is recommending. If it's only one out of 4 times, that's still a 25% increase in sales, just for sending me an email. And my appreciation of Amazon and my loyalty as a customer grows with every purchase.

Any business can do this. Do you sell specialty shoes? When a customer buys a pair, why not follow up a few days later with an offer for the same shoe or a similar shoe in a different color? Or gel insoles that will make wearing the shoes even more comfortable. Or shoe racks, inserts or protective cases that will make a pair of shoes easier to store and last longer?

Selling more to your existing customers is easy and very profitable. If you aren't taking advantage of these sales, you're unnecessarily leaving a lot of money on the table.

Customer Focused Passive Revenue Strategy #3

In order to fully capitalize on passive revenue from your list, the first thing you MUST do is split your list into two separate segments:

(1) Customers who have bought something from you

(2) Prospects who have not bought anything

OK, so at first, it may look like this strategy should come before Strategy #2. However, in order for you to understand why this strategy is so critical to maximizing your passive revenue, I wanted to first show you how much value there is in selling more to your existing customers.

Now, it's obviously easier to do this when you segment your list into two categories. At minimum, you should have one list that's made up exclusively of customers who have actually bought something and a second list of prospects who have not yet purchased anything.

Makes sense so far, right? Now, here's the counterintuitive part of this. In order to maximize your passive revenue and your profits, as much as 80% of all your marketing effort should be devoted to selling more to your existing customers and only 20% of your effort should focus on converting prospects to paying customers.

Why? Because only 1% to 5% of all the prospects you attract will ever convert to paying customers. Conversely, with regularly scheduled offers to paying customers, you can often make more sales to 25% of them or more over a period of 6 to 12 months.

And, again, because these repeat sales to customers can be set up on an automated schedule, this form of passive revenue can be collected over and over with little or no maintenance.

As profitable as this strategy is, this is clearly not the way most businesses operate. They devote the bulk of their attention, usually 95%, to attempting to find and convert prospects to paying customers. This is extremely costly, highly ineffective – and to put it diplomatically, an enormous waste of time, money and effort.

Once you shift to devoting a far greater percentage of your marketing efforts to selling more to your existing customers by offering them items they truly value, your sales and profits will grow rapidly. And with no cost, no risk and just a minimum of effort, this is one of the most lucrative sources of passive revenue you could ever ask for.

Customer Focused Passive Revenue Strategy #4
In order to maximize your passive revenue, you must create special offers that are available only to your paying customers

How do you get your customers to buy more from you? Two ways.

First, by being of greater service and greater value to them. Second, by creating special offers that are available only to those customers and no one else. These two things go hand-in-hand.

When you create a special offer that is available only to existing customers, you show that you are giving them the care and attention they deserve. This in itself is being of greater service.

To extend that concept of being of service even further, tell your customers precisely why this offer is only available to them. Some of the concepts you can use are:

- You are a loyal customer and I want to reward your loyalty with a special discount that isn't available to anyone but our customers
- You are a loyal customer and I want to reward you with this item that will make what you purchased more effective (or more enjoyable... or extend its life... or easier to use... or whatever the benefit may be)
- We love our customers and I want to show that. Please accept this offer of this special product at a deeply discounted price. We were only able to get our hands on 90 of these, so we are only telling our loyal customers about this. Please do NOT share this with anyone else.

- As a way of thanking you for being a loyal customer, we're making a special pre-sale offer. Since our supply of this item is limited, we want to make it available to our customers for 10 days before letting anyone else know about it.
- This special VIP package is available to our loyal customers only. Not only will you get this product at a discount we don't make available to anyone else, but you also get our concierge level service and training, which normally runs \$200, at no extra cost.

These are just a few starter ideas. Use them to stimulate ideas for offers that are best suited to your own products and services. Your customers will appreciate you and buy more. And your passive revenue and profits will grow with minimal time and effort.

At the risk of repeating myself...

Before we move on to the next Play, I want to underscore a critical point. And, yes, I know that I'm repeating myself :-).

As I've stated multiple times now, the single most valuable asset you have is your list. Nothing else comes even close. And nothing else is as easy to turn into large, consistent streams of passive revenue.

That's why I've devoted so much space to this first Play. And why I've illustrated this Play with 5 different strategies for capitalizing on it.

As simple as this point is, if you make it a major focus of your marketing efforts, you can't help but add substantial passive revenue to your business!

Passive Revenue Play #2 – Strategic Partnerships

Strategic Partnerships are one of my favorite ways to produce large streams of passive revenue. I've personally made a tremendous amount of money and added tens of thousands of people to my list through carefully selected strategic partnerships. And when done properly, strategic partnerships can produce similar results for any business.

Here's why they work so well for generating passive revenue. Please pay particular attention to this, because it's a critical concept the few businesses understand. Which is a shame, because it is incredibly powerful and extremely simple at the same time.

*Once you've built a list of satisfied customers, you have far more than just a set of sales records. What you really have is an entirely new **distribution channel**.*

You see, a customer who buys your product also has many other needs related to that product. For example, let's say you sell glasses designed to reduce eye strain for people who are on their computer for many hours each day. Those customers who buy your glasses have many other needs in addition to reducing eye strain.

And here's the important factor – not only do they have many other needs, but they would love to get a recommendation on those needs from a source who they trust. And if you've done a good job of delivering on your promise and earned your customers' trust, they welcome any recommendations you have for them.

They might want recommendations for devices to reduce carpal tunnel syndrome, back-up software, back-up hardware, anti-virus protection, surge protectors, office furniture – and on and on. This means that you can become a **distribution channel** for many of those things.

All you have to do is approach companies that make quality products in those categories and set up strategic partnerships to sell them to your list for a share of the profits, anywhere from 25% to 50%. Few companies will pass up this opportunity for free sales.

By creating strategic partnerships to offer other companies' products and services to your list on a regular basis, you can often make more than you make with your core products. Plus, this is truly passive revenue.

Since your strategic partners take the orders, process the payments, deliver the goods, and provide all customer service, your only responsibility is to send out an email notifying your list of the excellent deal you've found for them. And because you have no cost, overhead or risk to do this, the commissions you receive are 100% profits.

Here's a great example of an actual strategic partnership. Trust is a powerful factor, more powerful than most people realize. One of my favorite stories that illustrates this point is of a client of mine who was flat on his back in bed two days after surgery and as he puts it, "doped up on Vicodin".

Despite being nearly incapacitated, he was able to leverage the trust he had with one of his clients by making a quick phone call to recommend a strategic partnership between that client and another one of his clients.

Based on that call and very little additional effort, he was able to broker a deal that paid him \$8,700 in commission while he was in bed recovering from surgery. All for 20 minutes of effort on his part.

This is a perfect example of how the power of trust has the ability to let you become a **distribution channel** to your customers for a wide range of products and services.

Strategic partnerships are an exceptional way of generating passive revenue with minimal time and effort. You can do them with your own products or broker deals for other companies just like my student did and collect a great commission on each deal.

Plus, when a strategic partnership deal works once, it will always work again. This means that you can repeat the exact same deal multiple times every year. With this simple play alone, you can build automatically recurring passive revenue into your business.

Passive Revenue Play #3 – Profit Cloning

In any business, the more you know about your customers, the better you can serve them. And the better you serve them, the more your sales will grow.

You should create as complete a profile of your ideal customer as you can. What percentage of your customers are male and what percentage are female? What age range do the majority of your customers fall into? How much education do they have? Do they own their home or rent?

What industries are the bulk of your customers from? What are their job titles? How much do they earn?

What do they get from using your product? What problem does it solve for them or what important goal does it help them achieve? Plus whatever else is pertinent to customers buying your products or services.

Once you know exactly who your customer is, you can tailor your marketing messages to them... you can more easily identify the best sources of more prospects just like them... you can create new products and services that fit their needs perfectly... and much more.

Here's a powerful example of how to use this knowledge to generate substantial passive revenue that any business can duplicate. I've changed the industry somewhat to protect my client's advantage in that industry, but that doesn't change how this was used and the results it's produced.

I have a client who sells a unique, highly effective and high-priced set of exercise equipment. After reviewing his customer records to determine if there were any traits of his customers that could be used to optimize his passive revenue and profits, my client reported that the bulk of his business came from two different customer types.

The first type was females from 18 to 45 who wanted to stay model slim without developing bulky muscles. The other type was just the opposite – male power lifters who wanted to pack on the muscle while dramatically reducing the risk of injury from lifting extremely heavy weights.

The problem was that the specific appeal to each of these markets was very different. And because my client's marketing focused primarily on weight loss, he made twice as many sales to the female segment of his business as he did to the male power lifters. At the same time, he was leaving a lot of sales on the table.

So I suggested that he clone what he was already doing to create a separate division of his company to sell the same product to male power lifters, but with different messaging, specifically targeted to that group. We even gave each division its own distinct name.

Now when people visit his website, they choose from the options of, “Looking to stay model slim without looking over muscular?” or “Want to pack on layers of highly defined muscle without any risk of injury from lifting heavy weights?”

Based on which option they click, they are taken to the web pages for that division of the company. And while the equipment is identical, the benefits that the web pages for each division focus on are completely different.

So how well did applying this customer knowledge do? In its first month, simply by cloning what they were already doing to create an additional division of the business, each with its own copy appeal, profits increased by 40%. And that increase has been maintained for six years running.

And since the only cost to do this was a bit of time to create the new copy and web pages, the majority of the proceeds from these sales are cloned, passive revenue.

Passive Revenue Play #4 – Private Labeling

Private Labeling is a method of licensing the use of your product or service to licensees where it is repackaged under their company name and branding. The repackaging can be done by your licensee or by you, whichever is more convenient for you.

This can be done with any product or service. A great example is vitamins and other similar supplements. Except for large name brands, the majority of vitamins and supplements you see being sold in stores and online are private labeled.

For example, CVS has its own line of vitamins and supplements. But they don't manufacture any of them. Instead, they have them manufactured by a large company that Private Labels for hundreds of drug store chains.

The same goes for grocery stores and health food stores that sell their own lines of vitamins and supplements. Those lines are actually manufactured by a large company that specializes in Private Labeling.

I've personally Private Labeled a number of my training programs for other companies with excellent results. It's an ideal way to increase your reach and sales into markets you wouldn't normally serve.

For example, years ago, I offered a training program on advanced methods of direct marketing. The program started with a live, 3-day immersion training, followed by six months of coaching and support.

At the end of the 3-day training, I offered to private label the training material for a fee plus a percentage of all sales. The start-up fee was relatively high, around \$15,000, to make sure people who bought the offer would be serious about following through.

Attendance at this event was limited to just 30 people, to make sure everyone got a deep level of personal support from me and my team. When I made the offer to purchase private label rights, 14 of the 30 people enrolled in the program purchased Private Label rights.

This included a member who wanted to customize it for the computer software industry. That spurred another sale to a member who wanted to customize it for the computer hardware industry. And others who purchased included a company that offers sales training, a company that sells replacement parts for large manufacturing companies, a company that specializes in helping other companies in the commercial food supplies industry, and more.

Now, at \$15,000 plus a continuing percentage of sales, I did quite well financially on this deal. And all of the fees and commissions I collected were passive revenue, since the licensees did all the work to market and sell their customized versions of this program.

Here's another example. This is one of my favorites!

One of my clients manufactures CBD infused dog treats that are sold in stores and online. They also create the exact same dog treats for other companies, which are bagged and labeled with the other companies' branding.

By Private Labeling dog treats for a number of pet product companies, my client's company brings in \$60,000 per month in passive revenue from this source that's secondary to their main business. And that \$60,000 in passive revenue comes in every month like clockwork, with little more than 15 minutes of maintenance for each account each month.

Not too shabby for baking dog biscuits!

Passive Revenue Play #5 – Services Broker

What one of my clients in Australia did to turn his standard sales process into a passive revenue generator demonstrates how quickly and easily an existing asset can be used to produce substantial profits – additional profits you wouldn't see without applying this strategy.

His business offers SEO and other website analytic services to small businesses and relies on inside sales (sales made by someone sitting at a desk inside the business rather than an outside sales force), so he understands the inside sales process very well.

When a client on one of his sales calls mentioned that he was having a new website designed for \$6,000 (a service my client's business does not normally offer), my client offered to do the same job for \$2,000. At a discount of 66%, his client accepted the offer and made a deposit of \$1,000 on the spot.

Next, my client went out to a couple of websites for freelance designers and found a designer with an excellent portfolio who would do the job for \$500. Once the job was done, everybody was happy with the work, everybody benefited, and my client pocketed \$1,500 for about two hours of work.

What makes this strategy work is that while designers are very good at providing their services, they are horrible at selling them. So anyone can leverage their sales skills to act as a broker like this and generate a lot of business.

Here again, every penny made in this deal is passive revenue. All you're doing is acting as a connector between a client who needs a service and a service provider who delivers that service. And as this example demonstrates, you can often make more money just for connecting the two parties than the service provider makes.

Taking this to the next level. Now, \$750 per hour is a great rate, but by applying a more expansive mindset to this, the profits from this passive revenue could be increased substantially.

For starters, I recommended that my client charge \$3,000 for the job, not \$2,000. That's still a very attractive discount of 50%, but it takes his profit from \$750 per hour to \$1,250 per hour.

Next, I had him run ads in local media offering "Web design at half the cost delivered on time every time – or your money back". One of the big problems with designers is they frequently fail to meet their deadlines. So I had my client screen designers for top ratings on the freelance sites and *only* work with designers who had 5 out of 5 star ratings for quality and delivery.

I would also recommend giving the designer a \$250 bonus for delivering the job on schedule – and penalize them \$250 for not making the schedule. And I'd have a stable of 5 or more designers I could depend on all of the time.

By making these simple additions, my client now has a “passive revenue factory” and his staff runs the entire process, rather than my client doing the work himself.

Expanding even further. So let’s apply our passive revenue mindset again and take this up another level. The next thing you could do would be to use this “connector process” for other types of services.

Just go to the websites that broker freelance services, such as Upwork, Guru.com and Odesk, and browse all the service categories. You could easily come up with another dozen categories to use this same process with. And just about every penny collected would be pure, passive revenue.

In addition, because this works so well at a local level, you could then roll it out to as many cities as you like. You could do this using your own staff or you could create alliances with other companies similar to yours in other cities to use your system by licensing it to them for a retainer plus a percentage of the profits. Yep, yet another form of passive revenue!

Or you could create a training program showing other companies similar to yours – or even the freelance service providers – how to use your system to generate highly profitable projects.

Here again, you could use your own staff to lead the training, license it to training professionals, license it to other business similar to yours, and much more. And the majority of the proceeds is passive revenue, since your staff sells the program and leads the training.

And we’re still not done. Take a look again at the list of the 13 different types of assets I gave you above. This exact same process can be used with many of those assets to create new divisions for your business with no cost and no risk.

Are you beginning to see how there is an unlimited number of ways to turn the assets you already have into large, ongoing streams of passive revenue?

The truth is, the sky is the limit once you adopt the passive revenue mindset I’ve recommended here to spot opportunity after opportunity.

Passive Revenue Play #6 – Distribution Channels

This is a very innovative play, but at the same time, not everyone will be interested in it. However, I want to show it to you to demonstrate just how expansive passive revenue strategies can be, whether or not you choose to use it. And if you do choose to use it, this play is a great way to add a lucrative new profit center to your business.

Any time you've established a strong business relationship with distribution channels such as vendors, associations, large corporations, organizations or agencies, you have a valuable asset that can be leveraged to produce substantial passive revenue.

For example, one of my clients is a former high-ranking military officer with certification to do business with various arms of the military. This type of certification can take years to be approved for, which prevents most companies from doing business with the military.

My client has leveraged this distribution channel by becoming an agent for companies with good products that fit the military's needs. This currently includes a massive opportunity to place consumer products in the military's retail outlets on all bases, commonly called a PX.

By acting as an agent, my client receives a commission of 20% to 30% and generates millions of dollars in sales for his clients that they wouldn't see without this. While it requires some set-up time for each deal, once a deal is completed, a company will continue to supply their product to military outlets for years, or even decades.

Because my client receives their commission for all sales made to the military once per quarter from clients he's placed there, he continues to collect passive revenue year after year. And because the size of supply contracts to the military are significant, his clients are more than happy.

In just about any industry, generating this type of passive revenue can be done part time or as a highly profitable business on its own.

I have another client who just signed a deal to provide a branded food product to the National Hockey League. That contract will be worth millions, but they could double or triple those millions by acting as a consultant or agent for other companies who would like to place their products with the NHL but have no idea how to navigate the process.

Here again, once a deal has been set up, nearly all the commissions are paid on a regular basis, usually quarterly. But since you have little or no maintenance after the initial set-up, nearly all the proceeds are passive revenue.

Want to apply this strategy as a consultant? All you have to do is find companies that have these types of distribution channels that they use in their own business and help them broker deals to bring other companies into the sales process. In exchange, you get a nice up-front retainer and an ongoing share of the profits for bringing your knowledge to the deal.

As you can see, once you apply a passive revenue mindset to this, the opportunities are practically endless.

One of my greatest missed opportunities. When my partners and I sold our testing and assessment software company about 10 years ago, one of the factors that made our company so attractive to those looking to acquire us was that we had contracts or meetings with many Fortune 500 companies, including Ford Motor Company, Deloitte Consulting, McDonalds, Amgen, and IBM.

The market for our software was the online learning space, a multi-billion dollar industry. In addition to more accurate testing, all of these Fortune 500 clients had many other needs in the online learning space.

I could have easily surveyed them to discover what their most important needs were, then found companies with solutions for those needs and acted as an agent to get those companies sales appointments. In exchange, I would have received a retainer plus an ongoing share of the profits.

But I was so involved with other new ideas I had at the time that I didn't even consider this opportunity. I hate to think how much money this error cost me!

Passive Revenue Play #7 – Upsells

Now we come to one of my absolute favorite Passive Revenue Plays. That's because upsells are probably the easiest way possible to build predictable profit growth into your business, year after year. And they are so easy to use, that you could have an upsell working for you within 30 minutes of finishing this material.

But let me be very candid with you. As easy as they are to implement, almost no one uses upsells! And because upsells are so easy and so reliable, I've never understood why more companies don't take advantage of this exceptional way to generate passive revenue and grow your profits immediately.

So let's put an end to that. I'll show you here exactly how upsells work so you can start using them as soon as you're done reading this.

Here goes!

The strategy behind using an upsell is simple: a person is never more inclined to purchase again than when they are holding their credit card in their hand (physically or virtually) and already buying something.

There's a principle that drives the success of direct mail called RFM, which stands for "Recency, Frequency, and Monetary value". Simply put, decades of studies have proven that the person most likely to buy again is someone who has made a *recent* purchase.

The second person most likely to buy again is someone who *frequently* purchases from you or *frequently* purchases products similar to yours. And the third most likely person to buy again is someone who has purchased a higher priced product (*monetary value*) than other customers.

The important point for applying this principle to upsells is leveraging the fact that THE PERSON most likely to buy again is always someone who has recently made a purchase. And you can't get any more recent than when a customer has just made a purchase and they still have their credit in their hand.

So that's the first principle in effectively using upsells. Understanding this hierarchy of "Recency, Frequency, and Monetary value" can generate substantial passive revenue for your business, every day of the year.

The second principle of effective upsells (and there are only two principles) is that once the purchase has been completed, you immediately offer your customer a great deal on a second item. Easy, right?

Now, this can be done in person in a brick and mortar store, online, over the phone, with sales in the field – anywhere a sale is being made.

The nearly magic word for doubling the success of your upsells

There is one simple word that will have an almost magical effect on how many people choose to accept your upsell. And that word is... drum roll please... *because*.

In his landmark book “Influence – The Psychology of Persuasion”, Dr. Robert Cialdini reports how an extensive study his team conducted discovered that when a researcher asked a stranger for a favor, the stranger was far more likely to grant the favor if they were given a reason why. And it almost didn’t matter what that reason was.

But here’s the real shocker. When the reason was accompanied by the word “because”, the favor was granted as much as 70% more often! And this remained consistent over the entire period of time that the study was conducted.

So here’s how you can apply this knowledge to your upsells. As soon as your customer has completed a purchase, your offer should sound something like these options:

“Because you’ve purchased one of our most popular lines of shoes, we’d like to offer you a second pair in another color for 30% off the normal price.”

“Because we’re celebrating our 14th year of being in business, we’d like to offer you a second pair of shoes in another color for 30% off the normal price.”

“Because we’re conducting a special market test, we’d like to offer you a second pair of shoes in another color for 30% off the normal price.”

As you can see, the reason why doesn’t have to be of massive importance, it just has to be there. And when it’s this easy to use and you can increase the number of people who accept your upsell by as much as 70% by giving a reason why that incorporates the word “because”, there’s no excuse for not taking advantage of it.

Keep in mind that all additional revenue generated from your upsells is passive revenue. All that’s required is to make an additional offer driven by a “because” statement. And there’s never any cost or risk to do this.

More examples of upsells in action

As I said, upsells can be used in any business and in any buying environment. Here are a few specific examples to get you thinking about how to best use upsells to generate passive revenue for your business.

- A manufacturer of heavy machinery could offer an extended warranty with deeper discounts on the price of the warranty for each year added to the warranty. Or a pre-purchased card for replacement parts such as filters and fuel lines that aren’t covered by a warranty.

- A company that offers leadership training for business managers could offer additional training programs on related topics at a discount, group or one-to-one coaching at a discount, a special networking or private social network with other managers, and much more.
- A restaurant should always offer appetizers, dessert, or beverages as an upsell. For example, many people would love to order dessert but feel guilty about the additional calories.

How about offering half portions of all desserts with your wait staff using this pitch, “Because we know so many people are counting calories these days, we now offer half portions of desserts. So you get half the calories at half the cost, but 100% of the enjoyment”. I can guarantee you that any restaurant making an offer like this can count on seeing their dessert sales soar.

Also, as I mentioned earlier, any upsell can be offered in any buying situation. You can offer upsells in your store, on the phone, online, or through your sales staff. Because upsells are so easy to incorporate into the sales process, they are ideal for any buying situation.

The bottom line is this. Whatever product or service you sell, you can offer more of that same product at a discounted rate as your upsell or other complimentary products. The upsell items you offer are only limited by your imagination.

The eye-opening math of upsells

Still not convinced to start using upsells in your business? Then let’s take a look at some simple math that should change your mind.

I mentioned earlier that upsells are the easiest and most predictable way to generate passive revenue and consistently increase your profits. I’ve already demonstrated how easy they are to implement, so now, let’s take a look at how you can use them to create predictable passive revenue year after year.

Upsells are a function of the numbers. For every 100 customers you offer your upsell to, a certain percentage of them will take you up on your offer. That percentage can range anywhere from 25% to 80% depending on how appealing your upsell item is.

For this example, let’s use a number toward the lower end of the range and assume that 30% of your customers accept your upsell offer.

Here’s what the math looks like – and I’ll use round numbers to keep this easy to understand. If 30% of all buyers purchase your upsell item, then for every 100 sales you make, 30 of those sales will include the upsell item.

Next, let's say that your upsell item sells for \$50 and \$30 of that is profit. Then for these 100 sales, with 30 people taking your upsell, your additional profit comes to \$900 (30 sales X \$30 profit).

That means that for every 100 sales you make, each sale has an average profit increase of \$9 (\$900 / 100 sales). So if you make 2,000 sales each year of this particular product line, with 30% of those buyers also purchasing your upsell item, you've automatically increased your profit by \$18,000.

In additions, it didn't cost you a penny to do this. So all of that additional revenue is passive revenue.

Now, let's extend this even further...

Next, if you have a total of 6 product lines and you generate this same increase for all of them, you've now grown your profits by \$108,000 per year. Nearly all of which is passive revenue. And this can be repeated for many years to come like clockwork.

Once you grasp this simple math and also recognize how easy it is to incorporate upsells into your sales process, why would anyone even consider passing up such a predictable way of growing their passive revenue and bottom-line profits?

Why you have no cost, no risk and nothing but upside potential when you apply passive revenue strategies to your business

With nearly all 13 of the passive revenue strategies I listed above, you never have any cost or risk involved. That's because every asset you're going to optimize – whether they are your own or the assets of other companies – already exist. So there is no cost to develop them or to pay outside vendors to develop them for you.

In addition, these assets already have a proven track record. So the risk of them not performing when you use them to create passive revenue is eliminated. But even in the few cases where a passive revenue strategy doesn't work as well as planned, you really haven't lost anything other than a small amount of your time.

So I want to make sure that you understand the immense power of adding ongoing, passive revenue to your business where there's nothing required other than a small investment of your time. And as you can see from the examples I've given you, even the amount of time you invest is kept to the bare minimum.

I'll close here by summarizing two critical points that will serve you well for years to come:

FIRST – Without any cost or risk, the majority of the proceeds you generate with passive revenue are *pure profit*. Your overhead costs are already covered by your core business. And since you are leveraging and amplifying assets you already have, but in new and highly profitable ways, you don't have to buy traffic, pay for new marketing pieces, hire additional staff or pay for anything else that's normally required to start a new project from scratch.

SECOND – Because you aren't required to invest heavily in any project, you can have multiple passive revenue projects running or in the works at the same time. The only real limitation is your time or your staff's time. So this is a much more efficient way to increase your profits than constantly focusing on the next new "big thing".

Conclusion

The strategies I've shared with you in this material are just some of the ways passive revenue can be generated for any business. I also showed you why the overall concept of generating passive revenue is such a valuable way to add new profits to your business with no cost and no risk.

I hope this has opened your eyes to dozens of opportunities that exist right now within your business. Opportunities that take just a small amount of time to capitalize on.

And what I hope most of all is that you will begin to take advantage of these opportunities right away. As you've seen, this is easy to do. Just take one or two of the examples I gave you and apply them to your own business. I know that when you do, you'll be surprised by your results in the best way possible.

About Bob Serling



Bob Serling is a 30-year marketing veteran and the founder of LicensingLab. His innovative take on marketing has helped thousands of businesses and entrepreneurs produce exceptional results.

Bob has been the monthly marketing columnist for Success Magazine... invented a skateboard toy featuring Tony Hawk's branding that was sold in toy stores and department stores all over the world... co-created and licensed advanced assessment software currently being used by many Fortune 500 companies... created a one-and-a-half page prospecting letter for a client that landed an agreement for a \$25 million project by being sent to just one prospect – then licensed that same letter to 14 different industries... and much more.

He's perhaps best known for having pioneered the use of generating substantial, ongoing passive revenue by leveraging the assets you already have in your business. Because you're using assets you already have but aren't fully capitalizing on, his strategies let you quickly create new, passive revenue streams with no additional cost or risk. Bob's clients find that leveraging their assets this way not only increases their profits, but balances cash flow so there's a steady, reliable stream of income every month.

Bob welcomes any questions or comments you may have on this material. Feel free to send them to:

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Would you like to start generating ongoing passive revenue this week? In most cases, this can be done in just six days. To get more details, send your request to:

6days@LicensingLab.com