



Selling Disruption™ Show

With Mark S. A. Smith

*Selling Disruption with Crowdfunding
Launches*

Eli Regalado

Mark S A Smith: I first met Eli Regalado via the Internet when I was doing research to do a crowd funding project for one of my clients. He taught me a hell of a lot about how to make this thing work. Unfortunately, ours didn't fund because I set my goal too high. I know that if I had used Eli directly, it would have been a different story.

One of the best ways to bring a disruptive product to market is through crowd funding, and the reason why is not only do you raise money to sell it and accumulate lots of new customers, but you let the world know how this is an important product and how it disrupts the market.

Thank you, Eli, for being part of the show.

Eli Regalado: Thanks for having me.

Mark S A Smith: I want to do just one more set-up here and that is, Eli's raised more than a million dollars in crowd funding, including \$183,000 for Adam's Express. He knows what the hell he's doing. Eli, what is the secret to bringing a disruptive product to market via crowd funding?

Eli Regalado: The big secret is your pre-launch. Everyone always has these products that they want to put on crowd-funding portal and take live, right? A lot of times, I compare crowd funding to the early days of the Internet and, actually I'm friends with one of the fore founders, guy by the name of Dr. Larry Roberts, who pioneered the ARPANET, which became the Internet.

Mark S A Smith: Oh, yeah.

Eli Regalado: In the early days, the dot com days, you'd have people that were just going out and starting Internet companies thinking that people were just going to run into these things and find them, right?

Mark S A Smith: People still believe that crap.

Eli Regalado: Still believe it, and we're seeing that same thought process. In the early days of crowd funding, people were throwing these projects on portals thinking that people were just going to magically run into them and give them money, and that's really not the case. With crowd funding, the secret is pre-launch so, really, it's amassing and building a crowd before you actually go into the launch itself.

Mark S A Smith: Great advice, How do we do that?

Eli Regalado: A couple of different ways. One is you want to start building your email list and there's a couple of different ways to do that. The first thing that I tell people to do when they're starting to build an email list is really start reaching out to your internal network, so LinkedIn, Facebook, Twitter, your Rolodex, if you will. It's just a very simple email: Hey, first name, as you may or may not know, I've been working on this project for the last year and a half, it's really important to me,

blah, blah, blah. Here's a link, would you mind taking a look at this and, if you're interested, would you sign up and tell your friends about it?

Mark S A Smith: Just that easy? Ask a favor?

Eli Regalado: Yeah, just that easy. Drive them to a landing page. The landing page is just a one-page website where you have some information about the product, you usually have some pictures or a video of the product, and then people sign up.

Then what you want to do is you want to start nurturing those people that have signed up via email and, usually use a service like GetResponse or AWeber or MailChimp, and you want to have a series of pre-canned emails written. Day One, they immediately get an email: Hey, thanks for signing up. Welcome to my world. Just want to tell you a little bit about the product. Then you have what's called a soap opera sequence. You want to tell a story ...

Mark S A Smith: I love that, a soap opera sequence. It's a story. It's a story that unfolds over time. That's brilliant.

Eli Regalado: Exactly.

Mark S A Smith: That absolutely maps into the selling disruption strategy of a customer journey that's pre-engineered.

Eli Regalado: One hundred percent the same thing, right? The only different is, is rather than selling a product, you are pre-selling a product. That's the only difference here, guys. Tell that story over a sequence of emails and that's how you build anticipation and demand. The craftsmen at this are Apple, but rather than using email lists, they're using the media. They're dropping little tidbits here, here, here, here, here and by the time they're ready to launch, they have lines hours long at the door to buy a new phone with two extra features.

Mark S A Smith: That is disruptive.

Eli Regalado: Very disruptive. Very disruptive.

Mark S A Smith: I love it. What is the secret to crafting a powerful soap opera story?

Eli Regalado: You want to have a character that people can identify with and you want to tell a story so, at the end of the day, no one cares about your product.

Mark S A Smith: No.

Eli Regalado: The only thing they care about is if it can solve their problems.

Mark S A Smith: Yeah.

Eli Regalado: You might say, well, they don't know they have this problem. Exactly, so that's why you need to tell the story. I'll give you an example. I'm launching a canoe product that folds into a backpack. It's a 14-foot canoe that will actually fold down and go into a backpack.

Mark S A Smith: Very cool. That's awesome.

Eli Regalado: Yeah, it's a whitewater-tested, TV-certified, so it's really, really rugged and it's only 50 pounds. It's not like a backpack that you'd want to carry to school or around with you everywhere, but dig it out from the car and walk down to the lake, you just whip it out and it works.

Mark S A Smith: Amazing.

Eli Regalado: The founder, when we first started talking, was really, just like tell them all the things that it can do. I was like, well, let's talk about how you even came up with this thing. We talked about how he was driving to North Carolina to go on this camping trip, had to keep pulling over and ratcheting the straps down on this canoe and how much of a pain in the butt it was. Then we talked about going to the development side of things and testing it, and we had to make sure that it wouldn't puncture, we had to make sure that it was safe, we had to make sure ... and every time that we brought up a feature, we were basically answering a potential objection that was going to come up later during the close.

After a while, people started responding to these emails and they start asking questions, saying, hey, well what about this, what about that? Then those people that are actually replying and asking questions, we put them in a different list, because those are all buying signals. They're taking the time out of their day to start asking questions, we start engaging with them a little bit differently, started talking to them more one-on-one and then really prepping that team for the launch.

Just tell your story about how you're connected to the product or how it's changed your life or changed the lives of one of your clients, and then use that as the basis to build off of.

Mark S A Smith: Excellent, I love that advice. I love also the idea of identifying your hot responders and putting them into a different funnel. In the world of disruptive selling, we call that a fast funnel.

Eli Regalado: Sure.

Mark S A Smith: Those are people who are engaged, there's an emotional entrainment and it's very easy to get them as part of our tribe. I love it. What are the right type of products to consider for a Kickstarter crowd-funding type of launch?

Eli Regalado: I'll tell you the products that aren't good products, maybe that's a little easier.

Mark S A Smith: That'll work.

Eli Regalado: The products that really aren't a good fit are like anything that has to do with a lot of very technical business-driven asks, so let's just say that I'm creating a machine that's going to help cardiovascular surgeons save a million lives. That could be more of an equity crowd-funding play ...

Mark S A Smith: Sure.

Eli Regalado: But if you're going to try to put that on a platform like Kickstarter or Indiegogo in a rewards-based play, it's not really going to play well. Software services also don't do very well at all. The best products are usually consumer products.

Mark S A Smith: Okay.

Eli Regalado: Tech products, things that you would see like at a Best Buy, Radio Shack, etc. Non-profits have traditionally used crowd funding very successfully in the past and, as long as you just have that list going into it, because you're not necessarily going to get the media attention that a gadget or a tech product's going to have. It's still a very engaging and disruptive way to talk and raise money with your donors, so rather than doing all this in a vacuum or a telethon, which people have just done a million of, you can actually put prizes around it, you can do matching funds, etc., etc.

Mark S A Smith: That's a great idea, so we're using crowd funding as an accelerator in a non-profit sense. I know that we have listeners that are on boards of non-profits. Bring this idea to your next board meeting and I think you're going to find it very powerful and a way to expand what you're doing for your non-profit. Wonderful.

Eli Regalado: Absolutely, and one of the things that I always do with every single client is a feasibility study. It used to be 90% of crowd-funding campaigns failed, now it's 50%, but the average raise is only \$7,000. I don't know about you, but it can't really do a whole lot in the business world, just 7 grand.

Mark S A Smith: Nope, afraid not, that's the bar tab for most people.

Eli Regalado: Literally.

Mark S A Smith: Especially out here in Las Vegas. I know you're in Boulder, Colorado. It's beautiful there.

Eli Regalado: Yeah.

Mark S A Smith: What are some of the ways we can amplify a campaign?

Eli Regalado: Amplify a campaign, you want to make sure you have a good foundation. First thing I do is do a feasibility study. I'm going to look at other campaigns that have

done something similar and I'm going to look at how much money they raised, how many backers they raised it from, what was the average pledge amount ...

Mark S A Smith: Yeah, there's a lot of research available now. That's really a great idea.

Eli Regalado: Yeah, so rather than trying to reinvent the wheel, just model something that's already worked and tweak it and make it uniquely your own. Then I also look at all the media contacts that wrote about that campaign. I just make a list of those and I find their email addresses and now I have my short list of people I'm going to go after for media attention and, typically, we've seen anywhere between 50% to 80% of the people that we reach out to on that list were right about this.

Mark S A Smith: That's extraordinary, 50% to 80% respond positively based on your research. That's disruptive.

Eli Regalado: Yep, we're not showing them something that they've never written about or know anything about. We say, hey, we know that you wrote about blank blank blank campaign. This takes it up a whole other notch or this is addressing the problem in a different way because, da, da, da, da, da. They've already done a story on it, they've already had the research in their head, so now it's very easy for them to draft something and put something out there for their readers.

Mark S A Smith: Excellent. One of the strategies in selling disruption is pretty simple, align with somebody's motivation and expand the value that they get, that they haven't gotten before. You're doing exactly that. It's brilliant, Eli.

Eli Regalado: Amen.

Mark S A Smith: Really, really, good. What was the most surprising campaign that you've been involved in, where you said, dude, I didn't expect for that to happen?

Eli Regalado: We had a movie that I was doing with the Dali Lama, Tony Robbins, just an A-list of actors, literally the Who's Who of like the personal development space, the spiritual space, business leaders like Dwight Howard, NBA players, just this all-star cast, and I thought we were just going to knock it out of the park. We did okay, we raised \$325,000 on it. I was really hoping for a million or more. What surprised me, when you're doing movies, it's different than a consumer product in the sense that all the media people would say, hey, cool, let us know when it's done.

Mark S A Smith: Oh, yeah. Right.

Eli Regalado: The value proposition for a tangible is very easy to get your head around, right? I show you this case in a video and I say, you give me \$20 and I'll give you this case. Movies start getting a little bit different, right? You can do digital downloads, you can do some other stuff, but you really have to get really creative and it's a whole different animal. Despite having all those A-list names, it

still didn't do as well as we hoped. It still did great for probably most people's standards, but for the amount of talent we had in that, it just didn't do as well.

Mark S A Smith: Interesting, why do you think that was the case? Why didn't it punch it out of the park?

Eli Regalado: There were some qualms between the production team and the marketing team, so we were handling the marketing and the production team was handling the other side of stuff. They had a message that they wanted to get out. On the marketing side of things, what I always do, is I say, listen, it doesn't matter what you think, it doesn't matter what I think, it matters if the customer likes it, is willing to pay for it, that's all I care about.

Mark S A Smith: That's right, how can we connect with people who have money?

Eli Regalado: That's it. If no one's going to pay for it, it doesn't really do me any good or do you any good, right? We're not a non-profit at the end of the day.

Mark S A Smith: No kidding.

Eli Regalado: I need people to pay for this thing. The message that they wanted to put out wasn't resonating. We were testing it a million different ways, million different ways, million different ways, and it wasn't resonating, but they still wanted to keep that message. Rather than changing the message and changing the audience, they kind of wanted to just trod down it and see if they could actually get it to snowball and it just wasn't catching on.

What I always do is say, okay, we're going to start with that message but, if we're not converting people and we're not getting people to sign up and we're not hitting our metrics, we're going to tweet that message to find an audience that can and is willing to pay you money in advance for the product that you have right now.

Mark S A Smith: Absolutely true, people will let us know what doesn't work and we have to pay attention to that.

Eli Regalado: Right.

Mark S A Smith: It's interesting that some marketers decided to ignore the signs and ended up with a campaign that didn't do as well as it could have done. That happens frequently.

Eli Regalado: Yeah, at the end of the day, the dog's going to eat the dog food or it's not, period.

Mark S A Smith: Really simple outcome there. How can a business owner use crowd funding to accelerate their business? Is there a way that we can do this? Is there a way for us to invent a product to expand a company's penetration, to crack into a new

market? What is a way that a small to mid-sized business company can do this effectively?

Eli Regalado: Especially in the small to mid-market sector, there's usually capital constraints.

Mark S A Smith: Yes.

Eli Regalado: There's capital constraints in any business, but especially so in the small to mid-market. We've done a bunch of line extensions for companies. This canoe that we're talking about getting ready to launch, they're an established business. They've been around for the last 10 years. They make products for the outdoor industry, wet suits and bags and gear and all kinds of stuff, right?

This canoe is a newer product and for them, they had two options. They could either go out and raise a few hundred thousand dollars and give away a good chunk of their company, or they said, hey, let's just take the money that we have in-house, develop our prototype, do the R & D, get it to the point where we're ready to go to the manufacturing facility and go to Kickstarter and pre-sell these things.

What you're really doing is you're building a community. You're saying, hey, listen, these are the problems that we had and this is why we came up with our boat. These are the features that it has and this is how it's going to enhance your life. This is how it's going to enhance your life if you live in an apartment but you always wanted to have a canoe because there's a little river or stream right down from your condo or whatever, right?

Mark S A Smith: Yeah.

Eli Regalado: Then we say, to buy this, you have to pre-order but by pre-ordering it, we're going to give you a discount and we're going to make you part of our family, part of the community.

Mark S A Smith: Yes.

Eli Regalado: At the end of the day, people back people, they don't back products. It's being very transparent and very authentic in that story line. If you're just trying to hawk product, you might have a campaign here and there that makes it through but, really, the people that have done this and done it effectively, they're selling themselves or they're selling their company, they're selling their brand and what their brand stands for and they say, hey, we're going to bring you these new and exciting things and by pre-ordering it, we're going to give you discounts, we're going to give you these experiences, we're going to let you come and tour the facility, we're going to get on Skype calls, we're going to have you on planning sessions. Think of it like this: I'm an entrepreneur, a lot of my friends are entrepreneurs, most of the world isn't entrepreneurs.

Mark S A Smith: People who listen to this show are business owners.

Eli Regalado: We're always creating. Ask how much creativity usually comes from some of your friends that just have nine to five jobs and the answer is probably not a whole lot.

Mark S A Smith: No.

Eli Regalado: What you and I think is very commonplace every day, looking at different designs and coming up with color schemes and brand books and marketing strategies, da, da, da. It's just kind of like the norm. For most people, they just think it's fascinating, they just want to be involved with it. By involving people and giving them that glimpse into how these things actually come to life, it's a very rewarding experience for you and your community because they now feel more connected to you.

Mark S A Smith: That's a brilliant insight, Eli. The idea is to give people who don't normally have exciting jobs like you and I have the opportunity to get connected and be part of that excitement, as part of the Kickstarters, so a way of creating community in a whole new way. That's absolutely brilliant, and I also love the idea of using Kickstarter as a way to fund a line extension without having to bring in capital, where somebody's going to start to tell you how to run your business. That's brilliant.

Eli Regalado: Yep, exactly, and what you can do then is you just take that dream directly to the consumer and then you have your consumers who are going to become your customers, start telling you what they want, what they don't want.

Mark S A Smith: To summarize some of the things we've talked about here, use crowd funding as a way of rolling out new products. It allows you to test it in a safe way because you know very quickly if this is going to work or not, without a huge spend. This is truly a gorilla marketing strategy for rolling out and funding new sales, especially of disruptive products, in a whole new way. I love it, and you are the master of that.

Eli Regalado: Yeah, we've done it quite a bit.

Mark S A Smith: How long have you been doing this particular aspect with Mad Hatter Agency?

Eli Regalado: We've been doing crowd funding for about five years. We initially started as a video production agency that did crowd funding films. The problem was is that we were making these really good videos, but people didn't how to raise money with the video.

Mark S A Smith: Right.

Eli Regalado: I said, okay, we'll do the PR and the ads on top of that, and then they needed somebody to still project manager for them, so we just basically said, hey, it's

just easier if we just do everything. As soon as we started just doing everything, our success rate went over 90%, so it was good.

Mark S A Smith: That's the secret, is you provide people with everything they need to know, the intelligence, the insights, the methodology and the execution to make it happen.

Eli Regalado: Yep, most of my clients that have crowd-funded, we either become their agency of record or we consult with them as they're doing different extensions and what not. Everything that you learn in crowd funding is directly relatable to your business elsewhere. You might have maybe two or three different products, maybe you're only crowd funding on of them, but everything you're doing for crowd funding, you can do for your other products, building your sales funnels, building your email nurturing sequences, PR, influence or outreach, building ambassador channels. All of that, just copy and paste and put it over into your other lines.

Mark S A Smith: That's a brilliant idea. We're using crowd funding as the template for what works for your crowd. Love it, so good. Lots and lots of great ideas in this conversation. What would you like to offer to our listener?

Eli Regalado: Yes, if you guys want to hear more about crowd funding, if you have a line extension or you have a product launch that you want to get some advice on, feel free to contact me. You can go to MadHatterAgency.com or you can email me directly at eli@madhatteragency.com.

Mark S A Smith: There are oodles and oodles and oodles of resources that you've put up on your website. That's one of the ways that I got educated rapidly, was just digging into your videos and all the other really great things that you provide. If you want to look for a way to raise some money, if you want to launch a new product, if you want to develop a new marketing strategy, consider crowd funding the way to do that. Great ideas. Eli, it's been a delight to hang out with you, my friend, and we'll look forward to a lot more together in the future.

Eli Regalado: Absolutely.