Manas J. Saloi

How to Be a Capitalist Without Any Capital - Nathan Latka

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Note: While reading a book whenever I come across something interesting, I highlight it on my Kindle. Later I turn those highlights into a blogpost. It is not a complete summary of the book. These are my notes which I intend to go back to later. Let's start!

- Tim Ferriss introduced us to the New Rich over a decade ago in his book The 4-Hour Workweek, but a lot has changed since then. Today, my peers and I are getting rich not just by starting companies from scratch, but by leveraging gold mines like Instagram and Airbnb that didn't exist in the early 2000s. We drive wealth by taking advantage of new tools quickly and figuring out how to get those tools to work for us so we can work less.
- New set of rules for joining the New Rich:

- **RULE 1: Don’t Focus on One Thing.** Your parents always told you, you’ve got to do one thing and do it well. College encourages us to do the same by picking a major. But this is a terrible strategy if you’re looking to build wealth in the new economy. Focusing on one thing gives you a single point of failure—whether it’s a job, an investment opportunity, or an entrepreneurial venture. When engineers design a bridge, they never want to have a single point of failure. If the wind picks up to two hundred miles per hour and a cable fails, the bridge still has seven other cables to back it up. Likewise, you’d never want to build your wealth around one endeavor. If that one thing fails, you’re destroyed, and you have to start again from scratch. Ignore the conventional wisdom that says it’s impossible to multitask. I’ll walk you through my Three-Focus Rule, showing you how you can always have at least three new ideas launched and brewing without spreading yourself too thin. (Most say “You’re doing too much!” because they’re jealous!)
- **RULE 2: Copy Your Competitors.** Every. Single. Detail. Have you ever thought, “Ugh, I would be rich if I’d only come up with XYZ idea that is making that other guy millions”? Are you kidding? Copy him. You don’t need your own idea. Launching a new idea is actually a terrible approach to gaining wealth—you have to pay for all the mistakes yourself. Why?! The way to get filthy rich is by aggressively copying others and then adding your own twist. Facebook very publicly copied Snapchat. When Snapchat released Snapchat Stories, Facebook rolled out Facebook Stories and Instagram Stories. When Snapchat

released disappearing messages, Facebook added that to its messaging app. Facebook was ruthless—it went feature by feature and copied every one. Copying competitors isn't revolutionary. It just seems outrageous because most people are scared to do it. In the late 1800s, newspaper tycoons Joseph Pulitzer and William Randolph Hearst were in a raging circulation war to win over New York City readers. Pulitzer published his paper, the New York World, with zero competition for more than a decade until Hearst entered the market with the New York Journal and copied every single one of Pulitzer's strategies. Hearst copied Pulitzer's newspaper layout. He stole Pulitzer's top cartoonist. Hearst copied, and then he pushed each strategy a few notches beyond what Pulitzer was doing. When Pulitzer charged $.02 for an eight-page paper, Hearst charged $.01 for sixteen pages. By the early twentieth century, Hearst had solidified his spot as the top newspaper publisher in New York City. The best (or worst?) part: Pulitzer was actually Hearst's mentor before they became rivals. Hearst clearly wasn't sentimental about that. You have to copy to win, but I get that it's hard to know what to do, whom to copy, or where to start. The key is to analyze a business and pinpoint a need it's not meeting for its customers—and then meet that need yourself. I'll show you how. Let go of the excuse that somebody is already on an idea. Unless you're Elon Musk, Jeff Bezos, or already a billionaire, every idea that you can launch quickly and commercialize has already been thought of. You're going to build yourself rich by copying one, making it better, and creating momentum. You can go invent brand-new ideas after you have a billion dollars. But it's not efficient to try doing that from the start.

- **RULE 3: Quit Setting Goals—They're Keeping You Broke.** Setting a goal is like saying, "I want that golden egg." It can be a Rolex watch, Beverly Hills mansion, $500M private jet, $2K dinner at your favorite restaurant. Whatever. If you build your life around a goal, the second you achieve it, it seems like there's nothing left to achieve. And you end up bored. You'll have to remotivate yourself to come up with another golden egg to chase. It's much better to invest your energy into creating, feeding, and nursing a system that pumps out golden eggs every day. That way, no matter where you are in the world, whether you're working or not, whether you have twenty kids or no kids, you'll have a golden goose that keeps making golden eggs for you. Systems make the rich richer, and goals make the poor poorer. Those are the culprits behind the saying you hear often: "The rich get richer, and the poor get poorer."
- **RULE 4: Sell Pickaxes to Gold Miners.** The essence of this rule is to let others cut a trail through the thick jungle so you can then peacefully walk in and capitalize on their hard work. That's what people did during the gold rush. The gold miners went west, hunting, searching, sweating, bleeding, killing, and dying just to make it out there. After they arrived they realized they needed pickaxes to mine more efficiently. Well, then others just traveled over on the paths already created to sell those pickaxes to the gold miners. They got rich without any of the risk, sweat, or bloodshed. In today's world this translates to

siphoning revenue from a hot market that others put the effort into building. So if you're creating a tool for people to use on top of Facebook, you're essentially capitalizing on the money Facebook has already spent by selling into the market they created. Pay attention to what's blowing up today. If weekly food delivery is big, don't try to compete with HelloFresh and Blue Apron. Rather, figure out the infrastructure that those businesses rely on and offer it to them. Food delivery companies need last-mile delivery from warehouse to consumers' homes. I'll help you discover your own pickax to sell to your local gold miners—the people going after the hot thing in your space, geography, or niche. When you do that, your business is much more likely to succeed because you're piggybacking off of a giant.

- Joining the New Rich has only two requirements: a desire for more free time to do what you want while making money on your terms, and ambition. I can't teach ambition, so you'll need to bring your own.

- There's also a more subtle reason you won't win big by focusing on one thing, and it's potentially the most powerful: it keeps you from ever being able to multiply your income. I'm not talking here about just adding up income streams. Multiplying is when you find the patterns that link different projects and then leverage those connections so each venture makes way more than it could have on its own. Multiplying is the epitome of working smarter, not harder. And it's what separates the round-the-clock hustlers from the umbrella drink sippers.

- My only rule is that you're always pursuing three new opportunities at the same time. Once a venture is up and running, you're going to set it on autopilot so it only takes an hour or two of your time per month. At that point it's no longer one of your three new projects. It's just happily humming in the background, calling attention to itself only when you notice the passive income that it pours into your bank account. It's fine if whatever you're doing doesn't bring in huge money to start. The most important thing for now is that you're learning to maximize your time, your effort, and your output. If you don't, you'll never hit the next level. You'll never get the win.
- The rules of baseball allow three chances to swing at a good pitch. The same goes for your business ventures. Sometimes you'll miss those good balls because you're not looking; or you'll have other life emergencies that keep you from calculating that perfect swing. It's OK to miss, but it's important that you actually swing at those good balls. You get three, and if you fail to swing at them, it does a lot of bad things. The first and obvious one is that it decreases your chance of having three different income streams. As in baseball, an umpire is going to call a strike if you sit there and watch a good opportunity fly by. That's like letting a $5K check per month pass you by. Reach out. Capture it. Make it big or shut it down a few months after you've tried and learn from it. Another big reason it's so important to swing at those good balls is that when you swing and miss, you get to diagnose why you missed. Any venture you attempt and then shut down accelerates your learning. Swinging at each good opportunity sets you up to learn three times faster

than if you'd never tried. It's also easy to forget that some of the biggest success stories involve a lot of luck. The luck may have been random, but the people behind those successes set themselves up to capture that luck—and that was intentional. It's well documented that Thomas Edison ran thousands of experiments not knowing which would work. When some things did work, he wouldn't always know why they worked. I consider that luck. From there, he had to figure out why he got lucky. If atom one hit atom two in a certain way that made the lightbulb work, he would reverse engineer the process to figure out why it succeeded and then replicate it. We see only the working lightbulb at the end, but that success was the result of literally thousands of chances to win that Edison set up for himself. Many people don't want to admit that their wealth was a result of luck. They like to say they saw the big win coming from the start. But in a lot of cases, that's just not true. Luck played a major role. Chasing three opportunities at once is a big way to set yourself up to get lucky.

- My three biggest projects at the time of this writing are my Top Entrepreneurs podcast, The Top Inbox, and GetLatka.com. Looking at my schedule this week you can see how I batch: 10 percent is The Top Inbox related, 20 percent are podcast interviews, 40 percent are GetLatka.com sales calls, and 50 percent are miscellaneous. These projects are all well established now, but as I worked on launching each one I focused most of my time on building the infrastructure that would make each project print money. I'll show you how I did that for each one in the chapters ahead. My schedule varies each week depending on where I need to drive revenue.

- Focus on right now is learning to maximize your time, your effort, and your output. So my Three-Focus Rule is not meant to send you on a crazy multitasking stint that will burn you out. That’s exactly what I want to help you avoid. To make the Three-Focus Rule work, you’re going to leverage the 80/20 rule when pursuing new opportunities. You won’t have time to work on three huge, time-consuming projects at once. So focus 80 percent of your time on one project—the one that brings in the most money or that has the potential to be your biggest earner. Split the other 20 percent of your time between the two remaining ventures. That may mean launching them on a smaller scale or putting them on a slower schedule. Or choose ventures that are inherently more passive for the 20 percent of time you have left: invest in another business rather than starting your own, build a new income stream off one of your projects already on autopilot, etc.
- When you break up a five-day workweek, this means you want to spend about three days a week on the 80 percent idea. That could be a software start-up, consulting, hunting for real estate —whatever you want. It could even be your full-time job while you’re building up savings so you can quit to focus on growing one of your other two ventures. Just don’t try to launch three huge new projects from scratch. You’ll likely fail at all of them and kill your spirit in the process.

- The last reason I'm obsessed with the Three-Focus Rule touches on everything I've said so far: it lets you test ideas (swing, miss, learn), multiply them (find and capitalize on the patterns), and then use that knowledge to launch brand-new ventures. Your current businesses are loaded with potential for new income. Sometimes it's built into what you're already doing, like realizing you can use scrap leather from your handbag business to make keychains and bracelets. Other times new money comes from just talking to your customers and figuring out what else they might want that you can offer. I own rental units in Blacksburg, Virginia, that generate cash flow for me. I constantly talk to my renters to understand why they're paying rent and how they think about rent. At the same time, I'm an investor in a hostel where I live in Austin, Texas. One thing I'm betting on is that as we move into the next four or five years, people are going to hate the idea of paying rent. They'll much rather pay a monthly subscription fee to live anywhere they want in the world. If I want to tap into that demand, I'll have to own hostels in multiple cities around the world. People will pay me one fee of, say, $1K per month and they can choose to stay in whichever one of my properties they want, whenever they want. They'll have location freedom. I can test out that concept on my tenants who are paying a fixed rent. All I have to do is ask them, "Hey, if I allowed you to live anywhere you wanted, you'd pay the same rent, you'd have total location freedom, would you do it?" If it works out, I'll be leveraging two separate ideas—investing in hostels versus investing in real estate—to launch an entirely new venture. Then the multiplying can continue. Let's say I launch a book after my hostel idea is off the ground. What if I worked with the hostels to put a book on every bed? That could be a great distribution channel. Elon Musk used this exact strategy to launch Gigafactory. The plant exists only because his other businesses generated the demand for lithium ion batteries. Ideas beget ideas like money leads to more money. None of us have gotten rich by sticking to one thing.

- So forget the old advice. Test your luck. Open your odds to good timing. Ditch what’s not working and learn from it. Or stick to one thing and risk losing everything.

- You have to copy your competitors. Do it now. Do it aggressively. Do it quickly. And do it by spending the least amount of money you possibly can. I constantly talk to people who won’t give themselves permission to copy. They think it’s unethical and that they have to invent something new if they’re going to launch anything. That’s where they’re completely wrong. Every successful entrepreneur has copied, even if they won’t admit it. You usually just don’t notice it because they’ve taken someone else’s idea and tweaked it for an entirely different industry. Wealthfront CEO Andy Rachleff did exactly that to drive his customer base. Wealthfront uses software, not people, to manage its customers’ investment portfolios. New investors get their first $10K managed for free. For every friend they invite who accepts, they get another $10K managed for free. They’re the first company to bring this invite-a-friend model to the financial sector. As Andy and I spoke over a spotty Skype connection, I asked how he came up with his growth model. His answer surprised me: “WE JUST COPIED DROPBOX”. Dropbox gives users a certain amount of storage for free. Invite a friend who joins, and your free storage limit goes up. Sound familiar?

- Finding the patterns that link successful businesses is like decoding the secrets behind a win. That's essentially what you're doing when you're copying—you're looking for the patterns that got your competitors to the top. Then you're using that information to match or beat them. When you do this, you're essentially getting a free business lesson. If you don't copy these free lessons, you'll have to do what those with less knowledge do: pay to learn the lessons yourself. If you're just starting out with a side hustle, the opportunities for copying are huge. Let's look at Airbnb rentals, or, really, any product or service you'd offer through an online marketplace. All of your competitors' strategies are laid out right in front of you. Scroll through the top-rated listings in your area and find the patterns they share. If you're doing Airbnb, start with the headline. How are the rentals with loads of ratings described? As I'm writing this, the top search results in Denver, each with more than two hundred five-star ratings, have these headlines:
  - 1880S CARRIAGE HOUSE IN CURTIS PARK
  - COLORFUL & LOVING DENVER CONDO
  - LIVE LIKE A LOCAL IN TRENDY RINO
  - FIVE STAR—2 MILES TO DOWNTOWN—FREE PARKING—NEAR ZOO
- These clearly tell you what draws people in: fun or convenient location, historic charm, lively living space, etc. Think of your property in these terms and highlight the qualities that people will want. Also look at the

pictures. How can you make the first picture in your listing stand out against a competitor's? Sometimes you'll want to copy, sometimes you'll want to do the exact opposite of what others are doing to make your listing pop. Then the description: How do they describe the Wi-Fi? Do they say: "Wi-Fi perfect for business professional," or "Wi-Fi perfect for streaming YouTube videos while you party with your friends"? Are properties that are obviously old being pitched as "rustic" or as having "farmhouse charm"? Zero in on the lexicon these top listings use so you can cater to the same market they're reaching. Any online marketplace is a gold mine for free business lessons. Another popular one for side hustlers: Etsy shops. Let's say you want to launch a new women's tank top. Go to Etsy.com → Clothing & Shoes → Women's → Tops & Tees → Tanks and see what patterns the most popular sellers share. You can quickly see that tanks with cheeky sayings are huge sellers. As I'm writing this, a tank that says FEED ME TACOS AND TELL ME I'M PRETTY has 2,941 reviews. If you search for just that phrase, you'll see the copying on this one is fierce. At least five different sellers offer a shirt with the same saying, all with more than five hundred reviews. Anything referencing coffee, wine, cats, or yoga is huge. Also look at style. As I scroll through, a lot of the bestsellers are white text on a black shirt. Keep digging as you think up strategies for your own product. If you don't already have a shirt idea, you can join the pretty taco party and do it better: lower prices, more color offerings, custom lettering, etc., depending on your capabilities. Or pull details from several of the most popular items and launch a version with your own twist: A cat sipping wine while doing a yoga pose? Find an artist on Fiverr or Upwork to create the design for you (if you can't do it yourself), crunch numbers to find an affordable vendor to print your shirts (if you don't do it yourself), and you're on your way. I don't want to underestimate the work that goes into creating a successful Etsy (or any other online) shop because it does take a ton of effort to get your products noticed and turn a profit. You likely won't become a millionaire doing it. But you can make the long road to a steady income stream much shorter through strategic copying.

- The best places to look for physical product inspiration if you're just starting out are crowdfunding sites like Kickstarter and Indiegogo. Look at the products that are doing really well and focus on understanding why they're succeeding. Is it in a product niche? Are the creator's story and video so moving that the product just naturally sells? That happens a lot. The product is crap but the story is unbelievable. People love to buy the story. If you're launching a digital product like a podcast or YouTube channel, you have to troll Patreon.com. It shows you how much creators are earning through monthly pledges and exactly what they're offering to attract those paying customers. I go there all the time to see what podcasters are doing. Some are making up to $80K a month off their podcast alone. I try to understand what content they're giving exclusively to paying members, and what they give for free, and it gives me ideas of what to make exclusive on my podcast. Patreon also lets me see how the top-grossing podcasters communicate with their fans, how they set up their payment tiers, and how many people have picked each different tier. All of the information is right there. I get to see what's working and I copy it.

- Focus on the minutiae for a brief time. They are what create the systems that make the audacious goals possible. This may sound dull—the exact opposite of imaginative, even—but obsessing over the details is the only way you can forget about them. Knowing the minutiae that go into a process lets you create systems that automate the details. It gives you flow and routines. It frees up your brain space so you can keep scaling up with minimal input. That's when the wealth kicks in. This is what the New Rich are doing that others are not. And it's the reason why billionaires like Warren Buffett tend to have blank calendars.

- Today I do fifteen to twenty podcast interviews over the course of three to four days each month. That's the only time I put into the podcast. But in August 2015 I started building the system that would keep it running with no revenue, no team, and no media experience. Today, the podcast does six million downloads and $50K in monthly revenue with one freelancer helping drive the podcast system. This frees up my time—the definition of scaling with minimum input.

- Once your system is set up it should work like a machine: put less into the machine and get more out than when you were doing something yourself. Inputs and outputs.

- When I was building my first company, Heyo, it was an agency. I sold custom Facebook fan pages at $700 apiece under the name "Fan Page Factory." Audra was one of my first clients back in 2010. After she paid me, I then did the work to build each page: the design, the coding, writing the Facebook Markup Language (FBML—that's what it was called in 2010). Eventually I realized it would be way more powerful and fun for me not to focus on actually coding new customers' pages every month. If, instead, I spent some time and money developing software that's a system, I can sell that system to other people, and they can drag and drop elements to build their own fan pages without my doing custom work. That would scale, save me time, and print me money. I'll tell you how much in a minute. I had to give up selling for a few weeks to focus on finding my technical cofounders on TopTal and start coding a system that would automate the work. I had to make a system for my system. It took a long time to build up that recurring revenue, but eventually I had thousands of people paying me $30 to $300 a month to use the system I'd built. It was an epic jump from having about one hundred clients pay me $700 one time for a professional service.

- Build systems around the things that take up most of your time. Sadly, most people don't even know what those things are. How many of us are constantly busy but can't look back on our day and say what we did? It's all a blur. If that's you (and even if it's not), spend a week documenting what you're doing. This kind of awareness forces you to be reflective and intentional, not reactive to whatever thing is in front of you.

- Drill down to the little things you have to do daily or weekly to produce what you want, whether it's saving for a house, launching an e-commerce store, getting fit—whatever. Go as small as you possibly can:

how you respond to a customer when an order comes through, how you print your mailing labels, what you eat for breakfast.

- If you find yourself doing the same related tasks every day or every week, create a Google doc and document what that task looks like. Don’t get lazy when trying to document what you’re doing. You want to be so detailed that someone else should be able to read your document and execute the task completely, without your help. Don’t take details for granted, such as: The login info needed for a tool you use. When you pass this task to someone else, they’ll need login info, The personal details of your relationship with another person who is part of the process. This sort of thing is very difficult to pass off. Any subconscious steps. After you think you have a process documented accurately, print it off and take a trip to your local coffee shop. Then go test your system: Buy five $5 gift cards. Walk up to strangers who have a computer and say: “Your coffee looks low; I’ll buy you another one if you take my three-minute challenge. It just requires your brain and computer. You up for it?” Hand them the steps you’d printed. Ask them to follow the steps by reading them out loud so you can hear where they get confused. In the steps above, I’m assuming this task is something virtual, or done on a computer, like sending an email template to fifty potential podcast guests. If your task is not done on a computer, apply these same steps but in a different setting. Your goal is to find someone who knows nothing about what you do and watch to see if they can follow the steps for executing your process. You are testing your ability to fully document a system. After several rounds of this you should have a much fuller picture of what steps need to happen each day to get something done without taking any steps for granted. Try giving your process to a high school freshman in your neighborhood. If they can do it, good news for you: they are probably looking for a $10/hour job that will beat what they are making at their fast food restaurant gig. This is the essence of systems leverage. If you have a clear system, it can be done faster and cheaper by somebody (or even something) other than you.

- New Rich Systems are made up of the following elements:
    - Inputs: What do you have to feed the system to make it work? Your golden goose needs water and food every day to survive—among many other things.
    - Outputs: What does your system produce for you once it's set up? Keep your golden goose alive, keep getting golden eggs.
    - Feedback loops: Can an output of your system get you better, cheaper, or faster inputs to create a snowball effect? What if you could use your golden goose's golden eggs to buy Goose Protein Enhancers to add as a system input that helps your goose produce two golden eggs per week instead of one?
    - Stocks: Stocks are whatever assets pile up inside the system that then get used to generate an output. The input is food your golden goose eats for energy. The output is golden eggs. The "stock" is the energy in your golden goose. If it goes down, no more golden eggs. If stock stays low long enough, goose dies. No one likes a dead goose. A stock is a measure of change. It's controlled by how fast or slow different inputs or outputs are interacting with a system.

- Here's how these ideas play out in my Top Entrepreneurs podcast system:
    - INPUTS: Guests, Traffic, Editors, Me (Limit your "me" inputs to crank up your free time while still growing your income)
    - OUTPUTS: The Top Entrepreneurs podcast episode published successfully on my blog, iTunes, and SoundCloud every morning at 6 a.m. EST, Sponsor revenue, Influence
    - STOCKS: Downloads (Shrink and grow based on how I dial up or down inputs and outputs. If I want to dial up sponsor revenue on the output side, without changing inputs, my audience [stock] probably will decrease because more ads will annoy them.)
    - FEEDBACK LOOP OPPORTUNITIES: A guest (input) shares their episode on my podcast with their audience (input), which increases the number of downloads (stock) and enables me to charge more for sponsorship (output).
- Here's how everything works together to create a system for producing and publishing a podcast episode: PROCESS:
    - Nathan uses NathanLatka.com/acuity to schedule podcast guests in a batch format. (Red are interviews—I interview about fifty software CEOs every week.) I pay Aaron on my booking team $12 per booked guest.
    - When it's time to do the interview Nathan records it via Skype using Ecamm.
    - Nathan puts Ecamm files into Audacity, then exports audio files to Google Drive, where Sam takes over.

- Sam finalizes each audio file by adding the pre- and post-roll open loop, intro, and sponsor mentions, then uploads the final version onto Google Drive, YouTube, Libsyn. I pay Sam $7 per episode for this step.
- The release schedule is managed in a massive Google spreadsheet. When the episode goes live on Libsyn, I pay a virtual assistant to publish the guest's bio, headshot, and SoundCloud embed on my blog. This costs about $5 per episode.
- The same virtual assistant then posts the episode on LinkedIn and emails the guest that the interview went live. This costs another $5 per episode. Steps 5 and 6 come out to $10 per episode. You can see the invoice below for thirteen episodes is about $130.

- USING MY TIME:
  - Per episode time it takes me without help: ten hours.
  - Per episode money cost without help: $0.
- USING OTHERS' TIME:
  - Per episode time it takes me with help: twenty minutes (just me recording the fifteen-minute interview).
  - Per episode money cost with help: $29.
  - Aaron: $12 per guest booked.
  - Sam: $7 for editing each episode, uploading, scheduling.
  - WMM Virtual Assistants: $10 for posting to my blog, emailing guest that they're live.
- Using this system, I went from spending 300 hours of my own time each month (not possible if you do the math) to spending just 10 hours (30

episodes × 20 minutes) of my time and paying out $870 ($29/episode × 30 episodes). I saved 290 hours of my time by paying $870. Absolutely worth it. Look for time arbitrage systems like this to set up in your business. On this cost of $870 per month, I sell multiple sponsors at $10K+/month in sponsor fees.

- The sweet spot is a balance: start by drilling down to every possible detail of what needs to be done, then look for ways to minimize steps. You don't want to be doing all the work yourself, but keep your team small by reducing the number of steps humans have to take. Look for opportunities to automate tasks as soon as you can afford to. Kitchen is an Asian-inspired, fast-casual restaurant that serves wok-fried rice and noodle bowls fresh, fast, and for under $10. They were paying $9K+/month for bookkeeping services. To drive down costs, they switched to an automated bookkeeping provider botkeeper, saving them $4K/month. They now get faster data processing, more reporting, and greater accuracy than they had ever experienced when they had someone on staff doing their books. They had to spend to save, but it was absolutely worth it. After you write out a process, you can generate job descriptions by identifying the steps that one person can cover. In my podcast, I have one person, Aaron (Piper Creative if you want to hire him), doing everything involving guest bookings and Sam on all tasks audio-related. Your system has zero chance of getting more efficient if it relies on only one resource. This is even harder if that single resource is your time. Leverage and efficiencies always come from combining one resource with another and making 1 + 1 = 3.

- To get there, make sure some of your output is "saved money" that you can use to add inputs and increase feedback loop potential. So the iterations of your system over time would look something like this:
  - Stage 1: Input = You + Fiverr freelancer.
  - Stage 2: Input = You + Fiverr freelancer + Automation software.
  - Stage 3: Input = Two Fiverr freelancers + Automation software (Your time is now free, so you use it to start building another system.)
  - Stage 4: Your system is creating cash flow as an output, which lets you go invest in new systems or invest in making your inputs and current systems more efficient.
- Stacking systems like this is like making a layer cake. The more sweetness you stack, the richer it tastes! Until you reach Stage 4 you'll always be looking for ways to decrease inputs and maximize cash flow. A smart way to do this is by negotiating down expenses that you can't avoid (versus a sole focus on driving revenue).

- Think about all of your expenses right now. Now go negotiate all of them down using hard and soft power (hard: "I'm canceling my account unless you give me a $100/month discount"; soft: "I'm trying to save money and it would mean a lot if you could decrease monthly payments for two months until the business regains its footing"). Here are some expenses I bet you have that you can significantly decrease:
  - Software: If you spend a lot on software, point out that you have choices for whom to buy that software from and ask for a lower rate from your current vendors.

    - Material Expenses: If you spend loads in China on gray form 390x plastic for the widget you produce, ask for a volume discount. Put in the work to research what you could get from alternative plastic providers so you know what your true bottom line is should you have to switch from whomever you currently purchase from.
    - People Expenses: Head count is usually a company's largest expense. It's hard to negotiate this cost down. However, sites like Fiverr, Toptal (for developers), Upwork, and others are making it very easy to replace high-dollar talent with lower-dollar talent. Freelance talent is also variable (you can turn it off and on) compared with full-time employees, which are fixed expenses (way more difficult to turn off and on). Investing in tech when you can is another smart way to drive down people expenses. Panera realized spending $1K one time to install a virtual terminal to order your food is cheaper than paying a cashier a $15 minimum wage.
- Also, look at your outputs as potential sources of cash flow. Are there ways your bad outputs can be someone else's good inputs? If a software company is losing customers every month—a big negative output—they can turn this into a positive cash-generating output by selling their churned leads' contact info to a lower-priced competitor (this helps everyone!).

- Once your system is producing golden eggs, you can shift your attention to bigger things and print more money. For me that golden egg is an episode a day, because an episode is worth several thousand dollars based on sponsorship revenue (in February 2018, I made $4K per daily episode on expenses of $29—good margin!). If I hadn't set up podcast production to run itself, I never would have had the brain space, energy, or time to reel in that kind of money. And how do I get new sponsors? Another system. Each podcast episode is a new interview with a CEO. I use a tool called Acuity that lets the CEOs pick a time from my calendar. No need for a middle person to deal with scheduling. Immediately after the interview happens Acuity sends the CEO an email to thank them and let them know when the interview will go live. The email also mentions that we have one or two sponsorship spots open and asks if they're interested in sponsorship.

- Now, because I do an interview a day, I'm inviting wealthy CEOs to become sponsors thirty times a month. If 10 percent reply and say they're interested, that's three leads. If one closes, that's a great deal, especially since one deal will start at $30K minimum and can grow to as much as $180K. Make sure the systems you're spending most of your time and money on scaling have a direct correlation to additional cash flow, whether that's downloads that translate to sponsor dollars, website impressions that convert to an increase in your average cart checkout size, if you're an e-commerce brand, or a system for marketing the newspaper that drives more people to your brick-and-mortar location. In my podcast system I used to post graphics on Instagram and Facebook for every episode. It cost me an extra $3 per episode, but I noticed it didn't drive additional downloads. I know that if I have ten thousand more downloads per episode I can charge another $500 per episode to sponsors, so there's a direct correlation to cash flow. Because that step in the system didn't work in terms of driving more downloads, I deleted it. People often get stuck working on systems that suck up their time but don't bring in cash. It's so tempting to lie to yourself because a system feels good when it isn't actually accomplishing anything. So be hyperintentional about where you're spending your time and ruthlessly kill any systems that don't have a direct correlation to growing your bank account.

- If you complicate the business version of your ladder, you're isolating yourself as an input to a system that will never grow output. The only ways to grow output are to:
    - Make the machine more efficient with the same inputs.
    - Put less costly inputs into the system so ratio of output to input increases.
    - Do the above at the same time.
- To position your overall success for the long term, you want to become a master at producing more. That means updating inputs and machines, your own time and energy (as an input) included.

- Rent a jet for a day for $5K or buy a jet for $5M? Only do the latter if you could afford to buy a new jet every month. Let's say I'm making only $3K/month and only $1K after expenses. If I'm considering spending $600 on a hotel for one night, I'd ask myself, well, can I spend this every day? $600 per night for a month is $18K. I bring in only $1K per month, so I say no to this hotel. This Decision System lets you preserve your energy on a daily basis. Simple rules. Quick decisions.

- You want to get rich. There are too many opportunities for failure, but beyond that, it's the kind of road-most-traveled thinking that rarely gets you ahead.

- If you want to defy the odds, you need a counterintuitive approach. Forget trying to appeal to the masses. Look at what the masses are going after, and then sell into the market that others have built around it. That's the beauty of what I call "selling pickaxes to gold miners." You let the gold miners do all the work and then siphon profits off the market they've created. This works in B2B selling and on the consumer side, too. So while everyone's spending money on fidget spinners, you might sell the "Fidget Spinner Sticker Kit." While Amazon pulls a profit from third-party sellers, you might create an inventory-tracking program for those sellers. Pickaxes are hiding behind every popular marketplace. They can be hard to spot at first, but the more you start thinking this way, the more they'll show themselves to you.

- VC is the gold mine everyone wants to go after. The pickax to the VC industry is data. VCs rely on great data to make sound investments. I realized that while there are many hundreds of VC firms, they actually have limited access to company data. So I decided I'd get rich off selling data to them by launching GetLatka.com. Some companies were already doing this, so I set out to learn + copy + do it better. Michael Bloomberg got rich off selling his Bloomberg Terminal to financial communities. He owned the data. Other companies competing in the VC firm data space included PitchBook, HG Data, Mattermark (dead), CB Insights, Crunchbase, Zirra, and Owler. I needed to find out if they were actually doing well to know whether this was a pickax I should build.

- I couldn't just call the CEOs and ask, "How much money did you make last month?" So instead, I cold-emailed them asking if I could feature them on my podcast. On the podcast, I'd ask them how much money they were making and other business metrics so I could reverse engineer their business and then fight like hell to beat them. Mattermark did $2.4M in 2015 revenue, had forty-seven employees, $18M in funding, and was doing about $275K per month as of April 2016 (dead now in flash sale to FullContact for $500K). Owler was pre-revenue but had raised $19M. CB Insights did about $8M in 2015 revenue and $14.4M in 2016 revenue. This pickax was hotter than a mouthful of wasabi if I could avoid Mattermark's mistakes. They were selling only to VC firms at a price point of a few hundred dollars per month. Eventually they ran out of VCs to sell to and had already anchored to a price that was way too cheap. By the time they realized this, they tried to pivot to selling to sales teams but it was too late. GetLatka.com needed to stand out if I was going to aim for a higher price point. I didn't want it to be a data dump wrestling for attention among the established competition. That's where my podcast came in. It was like my golden goose gave birth to another golden goose—only this one was even bigger and more fertile. My podcast system creates two assets for me. I monetize golden goose number 1, my podcast, by selling sponsor spots. These are big, six-figure deals, and I have several running throughout the year.

- Then there's goose number 1's golden child: GetLatka.com. Once I interview a CEO on my podcast, I put the numbers he or she shares into a database. The output is a bunch of private software companies' revenue data, growth data, etc., which I sell back to VC firms that want to connect with those CEOs so they can invest in their companies. If VCs aren't constantly making deals, their big $500M fund dies. They have to find the top entrepreneurs, and that's why the biggest VC firms and private equity firms are paying me between $5K and $15K a month to access this data set. I increase prices every month, so more today as you read this. In addition, I'm doing fifteen to twenty-five new calls every week with new B2B software CEOs. Most analysts at these VC firms scrape by trying to get four to six calls a week.

- What makes my data so valuable, and worth the expense, is that it's straight from the CEO's mouth. Nobody has more accurate revenue data, customer count data, team size data, average revenue per user (ARPU) data, or churn data, with a source that is as reliable as the CEO him- or herself. My competitors get their data by scraping websites and blog posts for relevant metrics and customer counts and they're never accurate. Many of them don't even have revenue numbers. They just can't find them. Technically the VC firms could get this same information by listening to every episode of my podcast. But they don't have time for that, so they pay for the database. I'm ultimately making it easier for them to consume the content that my podcast publically puts out for free.

- Short of looking at these companies' bookkeeping, no information on them is more reliable. And it's exactly what VC firms need to hit their investment goals. So while my friends dream of joining a VC firm to strike gold, I'm selling the firms the tools they need to be able to look for gold at all. My database made $100K in the first three months of being live, and has made multiples of that figure to date—output that I invest into other business ideas. It's a glorious cycle of profits and investing.

- Talk to customers but don't actually do what they say. If customers tell you they want food delivered to their door weekly, don't go compete with Thrive Market, HelloFresh, and Blue Apron. Rather, go figure out what those business models rely on and build that. Last-mile delivery from warehouse to consumer's home is one of them. Onfleet.com is doing this and has just passed three hundred customers, $2.1M in 2016 revenue, and $4.5M raised. It's a B2B software product that helps delivery companies manage and analyze their local delivery operations. HelloFresh is a customer.

- This is like the part of the iceberg that floats above water—it's big, it's shiny, and everyone talks about it. You know the rest of this story. The bigger part of the iceberg is the part people can't see, underwater. That's the part you can win, the part that will bring you cold hard cash. It's also the part that's completely off consumers' radar, so you'll never hear about it from them.

- This strategy has worked for generations. Remember—the wealthiest people during the gold rush were not the gold miners. They were the people who sold pickaxes to the gold miners.

- If you don't have access to a customer base, or just don't want to go that route, there's still plenty of opportunity to uncover pickax ideas:
    - Sell add-ons for massively popular items. Any top-selling item offers an audience that you can sell to. It's why Amazon shows more than fifty thousand search results for the term "iPhone case." It works. Ride a whale (Apple) and sell into it (iPhone cases).
    - Read news headlines each morning in a new way. As I write this businesses are talking about hacking; consumers are obsessed with drones, ride sharing, and on-demand food delivery; and nearly everyone is talking about cryptocurrencies. So instead of buying into cryptocurrencies, or doing your own ICO (initial coin offering), maybe you can create a dashboard for people to track ICOs. That's taking advantage of a hot market—the crypto token gold rush. Your pickax is basically a data set that tracks ICOs, kind of like what the New York Stock Exchange does for companies when they go public.
    - Coinbase was built so people could manage their cryptocurrency and convert it to dollars to use in the real world while the company takes a transaction fee. Coinbase was founded in 2012 and its growth is directly tied to the media's current obsession with cryptocurrency buzzing valuations. Coinbase raised $100M in 2017 at a $1.6B valuation.
    - Look at other marketplaces. If you offer consulting services to salespeople you might go into the Salesforce AppExchange or HubSpot—big software companies that service salespeople—and look

at what's trending in those communities. As I write this, GetFeedback, Dropbox, and HelloSign are apps trending in Salesforce. GetFeedback is software that lets companies survey their customers and then sends the data to the company's sales team. It's a top-ranked app, so it's clearly making a lot of money. Well, you might launch a consulting service focused on helping salespeople understand survey results. Perfect for salespeople training. So you're not joining the gold miners by competing directly with the software; you're piggybacking off the market they created by offering professional services that help people use the product more effectively.

- Your hack for finding clients: click on GetFeedback in the Salesforce app, see who's left a review, and reach out to those people as the first potential customers for your new consulting service.
- Leverage online learning platforms. See what courses are hot on e-learning platforms like Udemy. You can launch similar courses with a twist (if you have the skills people want to learn) or start a stand-alone company that serves a similar need. Mark Price did a little of both with his company Devslopes. Price started out teaching people how to code through his Udemy course. After teaching more than 40,000 students, Price launched his own learn-to-code SaaS company in 2017, Devslopes, and got 130 students paying him $20/month in the first month, for a total new recurring revenue of $2,600. Within three months that had scaled to $10K in monthly recurring revenue.
- Eavesdrop on the influencers. What are celebrities and people with 1M+ social media influencers talking about? You'll often see them

posting from their private jets and exotic Airbnb locations. Guesty feeds off the back of the whale that is Airbnb by offering property management software for your rental property. AirDNA does the same by giving you rental data on Airbnb listings. JetSmarter tapped into the private jet community by creating a hub where people can rent out their jet or ride in someone else's. Both companies service high-net-worth clients in an already-established marketplace. Brilliant.

- Also study blogs in a space you want to go after. Which companies are they writing about?
- Look at what's trending on Kickstarter campaigns and other crowdfunding sites. If something gets overfunded you know that's a hot space and things are trending generally in that direction. Consumers gave Liberty+ Soundbuds more than $1.7M via Kickstarter. Combine that with Apple AirPods, and all the other companies playing in the sound/voice space like Google Home and Amazon Echo. The upward numbers are a strong signal that sound/audio is a thriving market. All of these agencies help you build Alexa Skills to deliver your audio content to consumers with Alexa devices in your home. Their consulting agency is the pickax to the voice/audio gold mine.
- Scan Patreon.com to see which digital products are hot. Creators in everything from comics to podcasts publish how much they're making each month. This will give you a sense of what's working and what's not. At the time of this writing, I could see in Patreon's podcasting section that Chapo Trap House is making more than $100K per month. Go to their creator page and study why their patrons are donating to

them. Listen to their content and figure out why it's so popular. This will help give you ideas about things you might build to help them serve their audiences. If you want to do something in the tech space, watch which ProductHunt.com products get the most up votes.

- Ask yourself: What are these business models dependent on? All artists on Patreon have to deal with patrons who churn every month. So what if you built a Patreon add-on that helps them manage churn? You can say, "Hey, podcaster, each month one hundred of your patrons paying $50 a month churn, so you lose $5K a month. If you use our little tool it will help you save 20 percent or 10 percent of that lost revenue. Do you want to try it?" That's a potential pickax to content creators on Patreon because they're all selling to digital subscribers who churn. It's a universal problem.
- When you look at industries through this lens the ideas will start flying. Your task is to validate the ideas that others say they want—that tip of the iceberg. Once you know it's legit, start building the hidden part that will keep the whole operation running. Or sell add-ons that ride the whale. You want to grab a market that's already proven and sell into it. It should be dead obvious—gold miners need pickaxes; iPhone users need cases; Keurig owners need coffee cups. Here are some ways you can suss out whether an idea or industry is generating solid revenue:
- Use Siftery.com to see what tools companies are paying to use inside their own businesses. You can spot winners before everyone else knows about them.

  - Use app store "top gross sales" lists to see if consumers are paying for apps.
  - Use liquor license sites to get revenue data for the bars around you (liquor, wine, beer).
  - Use investor relations links on websites to see sales of public companies.
- The beautiful thing about this business approach is that once you've validated your idea, you don't have to jump through hoops to convince people it's worthwhile. Others have already done the hard work of building up the market. Now you're just building on that whale and enjoying all the upside.

- Another powerful way to find your pickax idea is to apply successful business patterns from the past to today's hot markets. DroneDeploy did this when they started selling drone software. Since launching in 2013 they've raised $30M, passing one thousand customers and $1M in annual revenues. Although they're in a new market, they're essentially doing what app developers started doing a decade ago: printing money off software that runs on the hottest new gadgets. Study the greats to find history's lucrative patterns. Read biographies of successful businesspeople and identify the behaviors and strategies that got them to the top. You can also turn to documentaries—like American Genius and The Men Who Built America—to learn how pioneers built businesses.

- Anyone today can copy the patterns that Turner leveraged to build his empire. He did two things on repeat:

  - He grew his business through acquisitions. Turner understood that it's much easier to buy up companies than it is to build one from scratch.
  - He figured out what pickaxes he could sell (advertising) to the gold miners (advertisers) who were eager to profit from a hot, growing advertising space (TV).
- Whatever your business or industry, remember that the gold mine is the hot trend. That's the part of the iceberg above the water that everyone sees and wants. The pickax is the part of the iceberg below the water—the part nobody can see but that the hot trend relies on to function.

- If you're in the fast food business, or food or processing in general, read McDonald's: Behind the Golden Arches or watch the movie The Founder. It's incredible to see how Ray Kroc and the McDonald brothers got McDonald's laid out so they could deliver a hamburger every few seconds with the smallest possible footprint. They would actually map out their restaurant layout on a basketball court with chalk to perfect their process of getting a burger from the point where the consumer orders it at the front counter to delivering it to them, as fast as possible. Their obsession with setting up this system and being so maniacal about saving consumers time was a pattern that they went all in on.

- The pickax to the restaurant industry is systems. Every fast food restaurant's biggest expense outside of humans and food is typically renting the space. So you have to figure out how to do the most in the smallest amount of space. Today there are armies of software, tools, and consultants that sell restaurant layout plans, restaurant systems, and machines that consolidate the griddle and the fryer with the malt machine and the soft-drink machine to make it more efficient and take up one tenth of the space.

- Use your persuasion muscle for things that directly correlate to freeing up your time. Think about it: freedom is what most of us want. We want control over our own lives. The quickest and easiest way to get that freedom is by persuading others to do things that free up your time. Once you hit the sweet spot of having others doing the time-consuming stuff, you can focus on generating more cash flow for yourself. There you'll need the art of negotiation. Then things really get fun and lucrative. Calendar free, big wins negotiated, you'll start valuing your time more because it's all yours. That's when productivity kicks in. Once you've put a higher value on your time, you'll realize you're worth $X per hour, or $Y per week. You'll know what amount of money gets you out of bed. This clarity will help you see what you should focus on today, and why it's where you should be spending your time.

- I will share the specific persuasion techniques I used to build incredible wealth at a very young age. I target one thing: fear. I do this because our emotions drive most of our purchases, and fear is the strongest among them. When we fear something, we'll do anything to fix the worry. The most profitable salespeople know this and they feed off our fear by selling the fix. Think about it: the reason you bought renter's insurance, car insurance, and even insurance for your laptop is because you're afraid of what could, in theory, go wrong. A lot of people still try to persuade using reason, and it puts them at a major disadvantage. Look at Hillary Clinton. She tried to use rational facts—real facts—to win an election, and lost to someone who used and said what appealed to people's emotions. You have to go where the emotions go. This may sound slimy, but it doesn't have to be. People today are less rational and more emotional than ever, but it's your decision whether to use that opportunity for good or for bad. Sell a great product and you can profit off fear without the moral dilemma. The key is to tell a story that taps into fear—one that says, "This could happen to you." Then sell businesses or consumers the vitamin.

- I've found seven fear principles that are most directly tied to driving sales and cash flow. This is not a definitive list of persuasion tactics. There are plenty of other things you can do to, say, convince your partner to stay with you, or your kid to do his homework. The focus here is on getting people to buy from you, or getting them to do what you want as it relates to cash in and out of your pocket. When thinking about how your business ties into these, it's not so much about how you can blatantly use one of these fears to sell your product. Rather, if you understand which fear you're catering to, you can make sure your messaging reflects that. So if you were selling into Fear of the Unknown, you'd use words and phrases like "hidden," "clever," "never before seen" versus selling into Fear of Missing Out with words like "too late," "few left," "regret it later," etc.
    - Fear of Missing Out: I mentioned earlier that the quickest way to free up your calendar is to get others to do the time-consuming stuff for you. When I'm recruiting someone to join my team I'm subtly using

fear-based persuasion—in this case the fear of missing out—to persuade them to work with me. The pitch sounds something like this: “Hey, the company is growing really fast. We launched three months ago, we’re now doing $100K, and we’re going to do a million by the end of the year. I want you in on the ground floor, but in exchange for getting in early we don’t have a huge budget. Can you do this for a little bit cheaper? Can you take this part of my system and handle it so I don’t have to handle it anymore (e.g., podcast editing or data entry on GetLatka.com)?” The message is, “Don’t miss out on this big company I’m building. Get in early.” It’s the same concept when you’re using fear-based persuasion to drive sales. You see this a ton with conference organizers who say, “There are only ten tickets left, buy today before they’re all out. . . . Buy today before prices go up.” Many digital products will use the “open cart” technique, saying, “Hey, we have an open cart, it closes Friday. Make sure you buy before we close the cart. We don’t know if we’re ever going to open it again.” You can use this tactic on anything that won’t be around forever—an event, an online course happening on specific days, or services you may be offering for a limited time.

- Fear of the Unknown: There is huge earning potential when you tap into people’s fear of the unknown. Look at everything from insurance to Band-Aids. Let’s even ignore health insurance for now. Billion-dollar industries have been built around selling insurance for things like your car, home, and phone. Businesses pay for general liability insurance, board insurance, workers’ compensation insurance. Stores offer add-on insurance for everything from toys to refrigerators. Insurance aside, we buy flashlights and batteries in case of blackouts. We stock our bathrooms and glove compartments with first aid kits. We spend tons of money triggered by what-if thinking. And companies love to heighten those what-if scenarios, those fears. The best advertisers are masters at planting "what if" questions in our heads that we never would have thought of. Once we hear their message, it feels urgent. A Tylenol ad might say, "Heading out on that beach vacation? Don't forget Tylenol in your pocket to make sure headaches don't ruin your trip." Current events are fodder for new what-if fears, too. Look at security software alone. Vladimir Putin and Russia have been the number one reason that KnowBe4.com has grown revenues of its hacker prevention software. Before Russian hacks took center stage in the 2016 election cycle, KnowBe4 did $20M in sales. They broke $60M in 2017 and saw direct correlations between their revenue growth and any widespread hacks like Target credit card breaches, Chipotle chip reader intrusions, or Russians hacking the US government.

- Fear for Your Life: Think every life insurance policy ever sold. Every lawyer offering services around writing wills. Companies today are getting more creative about tapping into this fear, too. Forever Labs sells the ability to store your stem cells for $2K up front and $250 a month. They'd just launched when I interviewed them and had already made $400K in sales. They're alleviating customers' fear for their lives by saying, "Hey, if you ever get cancer, we can use your stored stem cells to grow new, clean cells outside of your body and then use them to help you heal." Tons of products also tap into our fear for our life: Tracking devices that skiers and snowboarders carry so searchers can find them in a life-threatening situation. Fold-out window ladders in case of fire. Second parachutes designed into skydiving backpacks. Oxygen masks in airplanes. What's the first thing you do when you find a spot on your skin and think, "Oh my God, it's cancer"? You Google it, and sites like WebMD.com pop up. They're swimming in cash by preying on people's worry that something is wrong with their body. They also overlap with the next fear. . . .

- Fear for Your Health: Many Fear for Your Life ideas also tie into Fear for Your Health. Health insurance speaks for itself. Why am I paying $800 a month for a plan that covers only catastrophic events when the deductible is $1,500 and the out-of-pocket cap is $5K? Because: What if I get cancer? What if I get in a car crash that leaves me debilitated? Millions of us pay to alleviate that what-if fear. That's why health care is a trillion-dollar industry. Vitamins and supplements, gym memberships, gym trainers, and protein bars—all tap into our fear for our health, and our life.
- Fear of Losing Freedom: The entire market of productivity tools feeds off this fear. Best-selling books like Tim Ferriss's 4-Hour Workweek and David Allen's Getting Things Done also tap into it. We're afraid of somebody else controlling us—controlling our time, making us work eighty-hour weeks, putting a cap on our earning potential. We want our time back, and we want our freedom back. That's why you're reading this book.

- Fear of Loneliness: This is why social networks have taken off. They prey on your fear of being lonely by arbitrarily making you feel important with those little red notifications. They make you feel other humans are thinking about you, and it’s been widely argued that those little dopamine hits are not helpful at all. Selling off the fear of loneliness goes beyond social media, too. Think of all the dating apps. Every one of them taps into our fear as we think, “I’m never going to find a friend,” “I’m never going to find a partner,” or “I’m never going to go on another date.” Then we fire up our apps, hoping to meet someone. Looking at physical products, one can even argue that makeup companies prey on people’s fear of loneliness. Most people wear makeup to look their best and feel confident. What if you walk out the door not feeling that way? Would you worry that people won’t be as attracted to you or your energy? Makeup companies rely on that fear when they market to you. Pfizer absolutely makes bank on men’s fear of loneliness by selling Viagra. The same goes for any product that promises to help us physically connect with others, or feel confident and create sexual energy—colognes and perfumes, hair products, lingerie, teeth whitening kits. . . .
- Fear of Failure: This is such a universal feeling that everything from software to shoes can tap into our fear of failure. Say you decide to run a triathlon with your friends. You want to make sure you have the right shoes so you don’t get blisters or twist your ankle while running for eighteen miles. So you just do it—you buy the best shoes out there. If you’re launching a business you might spend thousands to alleviate

your fear of failure: coaching services, online courses on how to pitch investors, top lawyers.

- Your odds of success spike if whatever you're selling taps into multiple fears: People will pay for gym memberships out of fear for their health, fear of failure, and fear of loneliness if they worry they'll never meet someone unless they get into shape. They'll shell out on an expensive business conference out of fear of missing out, fear of losing freedom, and fear of failure if they believe the conference will help them make connections and take the next step with their business.

- Fear is a powerful, powerful persuader. It's obviously not the only persuasion tool out there, but it's the most powerful motivator you can use to drive cash flow, even over the rosey-dosey "make the world a better place" sales points. It's one reason charities that want to change the world might find it hard to raise money from regular consumers, but businesses selling headache medicine, life insurance, stem cell storage, or shoes can charge a premium even though they're not changing the world or curing cancer. Speaking of fear, one of the reasons you lose negotiations is when you fear you're going to lose the negotiation. That's why it's best to start negotiations when that fear doesn't exist. In other words, negotiate when you don't have to

- Negotiating when you don't have to also gives you options. Creating options goes beyond haggling over bills, but as you practice freeing up cash you'll start adopting this mindset for everything you do. You'll look for ways to create new options in how you spend your time and money.

You'll be more inclined to make unconventional choices so you can get closer to achieving what you want. I've taken this concept so far that when someone asks me today what I do, I say, "I can't really tell you." That's a good thing, because if they don't know what I do, they can't attack me. It's the difference between being a round ball with no edges versus a square. People know how to hit a square. They know your edges. They know what you're doing. A circle has no corners. It's not defined. It can roll anywhere. You want to be that. You want to be unpredictable. It gives you incredible leverage because you can become the center of your competitors' interest. They'll want to know where you're going, what you're doing. They'll worry if you're going to compete with them. You want all of that leverage and you do that by creating options. You need to be able to go in any direction, or in as many directions as you possibly can, given the number of things that can happen to you in business and in life. I play with creating options for my podcast all the time. When CEOs reach out to me asking about sponsor opportunities (happens weekly), I usually don't have a spot for them. Sponsors are booked out months in advance so I could easily say I don't have openings. But why would I do that? Same goes for anyone working in an agency model when you get new client inquiries, or any business that chases leads. Even if you don't have room for the client or sponsor, or you don't want them for any reason, let the conversation happen and see where it goes. My response to anyone who asks about sponsorship is, "Yes, tell me what you're thinking." From there, I work them to some terms that outline what they'd be willing to pay per episode, how many episodes they want, and what return they want on that spend. And because I don't need them as a sponsor I can be unforgiving with my pricing. Once I've taken the conversation to the finish line and know my options, I can decide if I want to make room for that CEO as a sponsor. It's a much better situation to be in than if I'd shut them down right off the bat. That's a big blind spot for people. They shut down opportunities they're not interested in rather than letting the conversation play out. But remember, your best analysis is done when you have people's best and final offers in hand, whether that's employees you want to recruit, CEOs you're trying to sell your company to, or customers you're trying to sell a product to. You want to be as close to the finish line as possible before you decide on anything so that you have the best and most accurate data possible. Do this even if you don't want the deal. Remember, your best position in a negotiation is when you don't need it to work out. Your upper-hand approach may get you terms so good that you'll change your mind.

- Dream in Decades → Think in Years → Work in Weeks → Live in Days
- I like winning; it's what motivates me, so I tie my big goals to mini-competitions with other people who are my age. Some of my private mini-competitions right now are:
  - I want my first book to sell more copies than Ryan Holiday's first book (200,000+).
  - I want to build a software company bigger than Mathilde Collin's Front ($900K/month).

    - I want to build a real estate business bigger than Nate Paul's World Class Holdings (thirty-year-old in Austin with $1B in real estate assets).
- Take your big, audacious goals and break them down into systems? That's thinking in years. You're planning every part of the twelve-month layer cake that will churn out your golden eggs. This can be either new systems you're going to build or current systems you're going to improve. Also see which systems you can layer on top of each other for maximum output. Building that connective tissue between multiple systems is how you make 1 + 1 = 5.

- You know what you want to do in a decade, and in a year. You know the systems you need to set in motion to make it happen. Now, zoom in on the day-to-day for each system. This is when you obsess over the details. If you're in a project's development stage, what do you have to do from week to week to get it off the ground? If your systems are already running, what needs to happen every week to keep the project going and growing? I take notes on all of my systems that include the details and time required for each step. When a system starts occupying too much of my time, or I just think we need to double down on a system for it to be most effective, I use those notes to figure out how to automate it and add it to the layer cake. That involves either finding software to help me execute or hiring someone to take over for me. My system for booking podcast guests used to take up four to five hours of my week. In the time I was doing the work I wrote hyperdetailed process notes that I then passed on to Aaron, the person I hired to take over the job. Aaron is incentivized by $12 per booked episode. When Aaron first started I showed him my system and asked him to focus on making it better as he used it. He takes notes on his improvements so that the next person can use that process if Aaron ever leaves me. Now I don't spend any time on getting interview guests. It just happens. A beautiful system added to the layer cake. The best part: the more interviews that get booked, the more my wallet and Aaron's wallet win.

- I evaluate my to-do list the same way I do my closet: the thirty-day rule. If I haven't worn it in the last thirty days, and I don't plan to wear it in the next thirty, it's out. Same goes for my list. If I haven't done it, and don't see myself doing it, within thirty days, it's gone. It's a black-and-white decision. It takes too much energy to decide what to do with those lingering items if you don't have a rule for dealing with them. You have to take a hot knife to that piece of butter and cut through it quickly. When you live in days you're focusing on the two or three things you can get done in one day that will help you reach what you want to accomplish in weeks. That work will feed up to the systems that you're building over the course of a year. That's it. If something on your to-do list isn't achievable today, and it doesn't feed up to your weekly and yearly targets, cut it before the thirty-day rule even applies. Making sure your daily work feeds into your systems will also help you avoid that false sense of momentum so many people create when they do a bunch of easy tasks all day. They get the thrill of crossing those things off their list, but by the end of the day they're sapped and never get to the big, tough stuff. The quick rule I follow for myself here is to always tackle the big stuff first, right in the morning. When your decision tank for the day is full you have plenty of energy and total focus on the bigger picture—what you want to accomplish this week, this year, this decade.

- I know someone who is working on launching a career as a voiceover artist. His plan looks like this:
  - In the next decade, he will have a full client base and will bring in a high six-figure annual income from his VO work.
  - This year, he plans to secure ten regular clients and get an agent. To accomplish the year's goal, he's setting five systems in motion:
    - System 1: Record/produce demos for the genres he plans to work in: audiobooks, radio/TV commercials, corporate videos.
    - System 2: Build a portfolio website to showcase his demos.
    - System 3: Audition for thirty gigs a week through websites like Voices.com and Voices123.com.
    - System 4: Reach out to ten agents a week.
    - System 5: Reach out to five audiobook publishers a week.
  - Each day of the week he'll focus on building out one of these systems. If one system has to launch before he can start another (demos before website, website before auditions and agent/publisher outreach), he'll dedicate his week to building each layer of the cake that will ultimately provide him with year after year of voiceover success.
- Here's the secret to recognizing what you've accomplished over the past year without having to measure everything. You just need to measure one thing: money in the bank. If that number has gone up in a year, then double-check that you're living the life you want by asking yourself: Do I feel good? If you answer yes to both, welcome to the New Rich.

- This is how Jack Dorsey runs both Square and Twitter. In an interview with Techonomy, he explained how he runs the two companies simultaneously: The only way to do this is to be very disciplined and very practiced. The way I found that works for me is I theme my days. Monday at both companies I focus on management and running the company. We have our directional meeting at Square and we have our OpCom meeting at Twitter. Tuesday is focused on product. Wednesday is focused on marketing and communications and growth. Thursday is focused on developers and partnerships. Friday is focused on the company and the culture and recruiting. Saturday I take off, I hike. Sunday is reflections, feedback, strategy and getting ready for the rest of the week. . . . It sets a good cadence for the rest of the company so that we are always delivering, we are always showing where we were last week and where we are going to be the following week.

- Every real estate deal I've done has started with a knock on a door. While most people troll their Zillow and Trulia apps looking for deals, I'm meeting homeowners so I can buy their property before it even makes it to those public listings. Door knocking gets me better prices, but it also uncovers details that online listings can never capture, and that owners and real estate agents may fight like hell to keep from you. You get to learn a neighborhood (When the listing says "historic," is it a euphemism for "run-down," or are the houses maintained?). You get to see what kind of renters occupy a property (Quiet grad students and families, or unruly frat boys?); whether those renters take care of the place (Is there a herd of pets at their feet when they answer the door? A line of beer cans on the porch railing?); or whether it's a hot spot for renters at all (What answer do you get when you ask if there are openings?). As far as scouting locations, I only buy within ten miles of a college (I currently own in Austin near the University of Texas and in Blacksburg near Virginia Tech) because students keep those rental markets nearly recession proof. A quick way to confirm this is by researching whether a town's rental rates and property values dipped in 2008. Just Google "property data" + 2008 + the city or county in which you're looking to buy. Browse the results until you find the Property Search Map. If you can't afford to buy near popular college cities try looking in more rural college towns. Property prices should be lower while rental demand stays high. You'll start developing your own patterns as you do more deals and find locations that work for you. I just know that college towns work best for me. Family and friends can also be your research across the country. If you're close to someone who lives near a good rental market you can have them be your boots on the ground to help scout locations and later help with property emergencies if you do buy in their area. Start your search by driving to an area you feel you can afford a deal in and knock on doors. Meet the owners, earmark your ideal neighborhoods, and then start studying the numbers.

- Once I found an area in my college town that I liked, I'd quickly shave so I could use my baby face to my advantage, put on some college clothes, then hit the streets to knock on doors. I'd knock and say: "Hey, I'm studying here and looking for a good place to lease, do you have any open rooms in this building?" If the person answered yes, not a good sign. It means there are vacancies and maybe not a strong rental market. Vacancies will kill your cash flow. If they say no, ask if they can introduce you to the owner of the property so you can think about renting from him/her when a vacancy does open. Bonus points if you sneak in a question like: "I'll need to rent in this area in the next few years, do you mind me asking what you pay for rent?" Once you have the owner's contact info, invite them to coffee and see if they'd be willing to sell. Offer 100x what they are making on rent per month. If their unit makes them $2K per month, offer $200K. As a general rule to quickly analyze a real estate deal, rental income should be 1 percent of the total cost of the unit. If the seller wants $100K, monthly rents should be around $1K. This rule works because if you can't get a rent that is 1 percent of deal value, it's unlikely you'll be able to make cash flow each month after paying your financers (banks, mortgages, or other expenses we'll talk about later). Once you figure out the price, remember to use the magic rule to figure out if you should make an offer or not. Never offer more than 100x the monthly rent. If monthly rent is $2K, don't offer more than $200K

- Old-school people will say you need $20K up front if you want to buy a $100K piece of real estate, about 20 percent. That's not true at all. You can buy real estate without putting down any cash, or very little. To do that, you first need to analyze different funding partners. They each require different amounts of money down. If you have a family member who will loan you the mortgage amount, they may make you put no money down, whereas a bank will make you put down a minimum of 5 percent and a maximum of 25 percent. If you can't turn to family and must work with a bank, you can shrink your down payment if you're willing to find a multifamily house and live in one unit while you rent out the others. Or if it's a one-family house, aim for a four-bedroom, then live in one and rent out the other three. Living in the property enables the bank to classify the loan as a "homeowner" loan versus an investment. The benefit to this is banks typically require 25 percent down on investment properties, but only 5 percent down if you're buying something you plan to live in—sometimes less.

- If the worst-case scenario does not generate cash flow (monthly income greater than $0), do not do the deal. This is called "stress testing" a deal. Don't forget that in any deal you have two ways to drive more cash flow: decrease expenses or increase revenue. Use your property manager to drive up rents each year.

- Do not buy a place unless you are certain you or your property management company can get it rented. See cash flow opportunities in your area. But even in the best scenario, I like to assume a property will be vacant for two months out of the year to put a cushion in my budget.

- Buying companies is so simple. Actually, that's the most important tenet to follow when doing this. Keep it simple. If a deal or company looks too complicated, it's not worth your energy. Eventually your wealth will be nicely diversified with ten, twenty, even thirty passive income streams (I have about thirty). Owning companies can make up a huge part of your portfolio, but not if you take on complex projects. So my nonnegotiable rule to buying: only pursue businesses that have a natural unfair advantage. It’s a clear path to finding simple, cash-printing assets. The companies I buy have these innate advantages over the average business:

- Digital over brick-and-mortar. Digital companies give you a huge advantage over brick-and-mortar on overhead alone. You don’t have to pay rent, utilities, and insurance on a retail space. You don’t have to deal with inventory. You’re not bound to regular operating hours. It’s also much easier to get traffic online than it is to get feet in your store.
- No employees. Employees are usually an organization’s biggest expense, so I avoid business models that rely on them. Digital products are perfect for this because you can tap the huge talent pool of freelancers on Toptal.com, Freelancer.com, Fiverr.com, etc., to do the work you need on a project basis. When the work is done you put the product on autopilot and print money until you decide to do another update (then tweak, test, and back on autopilot).
- Already-established user base. You don’t want to spend time building an audience from scratch, or learn the hard way that there is no audience for your product.
- Have a monopoly over a distribution channel. I look for companies that have a monopoly over a free distribution channel so I don’t have to pay for Facebook or Google ads to get traffic. For digital, these are usually marketplaces like Google Play, the Apple App Store, the Chrome Web Store, or the Salesforce AppExchange. There are millions of companies lurking in those free distribution channels waiting for you to buy them. You just need to know how to look.

- Free apps and web extensions are perfect buys for beginners. They hit all of these criteria and you can usually get them for little money because the owners aren't making substantial income off them. (Hello, The Top Inbox and SndLatr.) Another bonus: the owners are often individuals or tiny companies that built the software as a side project. Because the asset is not their main focus, they're more likely to let it go. So, my basic strategy, step-by-step:
  - Buy free digital properties with a big user base.
  - Hire a Toptal developer to put up a pay wall that appears after someone uses the product a certain number of times.
  - Reinvest the revenue back into the company as needed. Also use the income from this business to buy other companies (and to fill my pockets!).
- Sound too simple? It is. The only reason everyone isn't doing this is because they haven't thought of it, or they think it's more complicated than it is.

- In his book Zero to One, Peter Thiel talks about how important it is to launch a company that has a monopoly. He means you want a Google—a company so good at what it does that no others can compete with it. It owns the market. We'd all love that, but those companies are hard to find and hard to buy. But what's close, and much easier to acquire, is a company that has a monopoly over a distribution channel. That's the number one thing I look for when analyzing a business to take over. The Top Inbox (originally called Mail2Cloud) and SndLatr are perfect examples of this. Both are Google Chrome extensions that help people use Gmail more efficiently. They do the same thing, but they started out as two separate companies that I bought independent of each other. This was strategic. By buying two tools that do the same thing, I can run them on the same code base and save half the developer costs. I also knocked out a good chunk of competition by buying two companies that dominate the same distribution channel. When I discovered Mail2Cloud it had already been in the Chrome Web Store for five years. It was rated as a top recommendation in the store's Productivity category and had more than two thousand five-star reviews. It was no Google, but Mail2Cloud clearly had a solid spot in a specific distribution channel—the Chrome Web Store's Productivity corner. Mail2Cloud's user data on ChromeBeat.com also showed that it had been consistently adding one hundred new users every day for the last four years.That was enough information to make me want to keep exploring. There are lots of different ways to monopolize a channel. A company might be one of the most popular apps in the Apple App Store for document signing. It might be number one in its category on G2 Crowd or another review site. If a business has a natural monopoly on a distribution channel, it's a great sign that the company is running itself, or at the very least, that it's not a complete disaster. People wouldn't constantly download an app and give it strong reviews if it weren't functioning smoothly. That's huge. You don't want a company that requires you to be smart or work hard. You want one that you can put on autopilot with just a few tweaks by freelancers. What's even better is if you find a company that hasn't monetized its top spot in that distribution channel. That's what happened with Mail2Cloud and SndLatr. Both company owners weren't charging users, so as soon as I took them over I hired developers to put up a simple $5/month pay wall that pops up after fifty uses. I immediately started making money from it. Now, less than two years after acquisition, The Top Inbox and SndLatr have made more than $130K in revenue. This is so easy to do. You can hire freelance developers at NathanLatka.com/toptal [inactive] (site I use, and I get a kickback) to build something like a pay wall for a few hundred bucks. This is the only change I made on SndLatr and The Top Inbox to go from no sales when I acquired to $130K over the first eighteen months. I didn't have to know anything about software development to do this. It was the perfect scenario. Minimal work and brainpower. Effortless cash flow. I keep winning. Companies like this are hiding in plain sight. Try searching these free distribution channels and see what turns up. Megacorporations like Google, Apple, etc., will own the top results. They're not what you're looking for. Scroll down a bit until you get to the tools being offered by small to midsize companies. When you find an app or a tool with strong reviews and a large user base, check to see the last time it was updated (more on this in a moment).

- Searching for companies to buy:
    - Browse sites like AppAnnie.com, the Chrome Web Store, the Salesforce AppExchange, the Intuit App Center, or the Apple App Store for the top mobile apps in different industries and categories.
    - See what companies rank high on G2 Crowd.
    - Search CrunchBase.com for companies that raised capital but haven't gotten new funding in the last three years. They're probably failing, and

you're likely to get them for a great deal. I have several friends who have bought companies for $30K or less after those companies raised at least $10M in start-up capital. I don't recommend that beginners do this, but if you build up the experience to take on this kind of acquisition, always make sure you can identify the reason the company is failing and whether it's something you can easily turn around.

- I already told you a little about my deal with The Top Inbox. Many of my smartest advisers said it was brilliant. So simple, I didn't even need lawyers. And I had to know very little about running the business to make it instantly profitable.
- I just went to the Chrome Web Store and browsed extensions under the Productivity category. Mail2Cloud was at the top with more than two thousand five-star reviews and thirty thousand active users. Its profile data showed that the extension hadn't been updated in more than eighteen months. That was a signal to me that the developers and the owner were not committed to continuing to make it better. Maybe they forgot about it, or maybe they didn't see it as an asset. Whatever the case, it got me thinking I could maybe get it for a great price.
- It takes time and tedious searching to find these deals, but they are out there. If they were easy to find, everyone would do them.
- When searching for apps or Chrome extensions I go entirely by reviews, number of users, and the date the software was last updated. If reviews and users are high and the last update was more than a few months ago, I consider it a prospect.

    - When you find something promising put it in a Google Doc and be sure to touch base with the creator once every six months. That way when they think about selling, they'll think about reaching out to you. I have a spreadsheet of two hundred companies, apps, and extensions I'm actively tracking.
- A company acquisition usually goes through these steps. It doesn't always happen in this order (when I offered to buy Success magazine I jumped straight to the letter of intent, or LOI) but this is the basic breakdown:
    - Inquiry—"Hey, are you interested in selling X company?"
    - Offer and Negotiations—Back and forth until you agree on a sale price.
    - Letter of Intent (LOI)—I usually make this a quick email outlining the terms I want, but it can be an official letter. Once all agree to the terms in the LOI you will usually sign a nondisclosure agreement (NDA).
    - Due Diligence—Post-NDA, when you scour their books and internal systems. This is where you'll discover any liabilities that will give you leverage to decrease your purchase price or renegotiate other deal points. If both sides can't come to an agreement, you walk away. Nothing lost except your time.
    - Keep your "train wreck" radar on high alert at every step. You want to buy companies that are easy to run, and that means their financials and infrastructure need to be sound. If no red flags appear during steps 1 to 3 above, keep sleuthing during Due Diligence.
    - When reviewing their books, pay close attention to how the selling price they agreed to compares with their last twelve months' revenue.

A sale price that's anything less than half of their last twelve months' revenue is generally a good deal. You just need to understand why they're willing to sell at such a cheap price and then figure out if you're able to fix the problem.

- Great questions to ask that will uncover red flags during Due Diligence include:
    - How long do customers stay with you on average?
    - How are you getting customers?
    - What does the average customer pay you per month?
    - Is there any one customer that makes up more than 10 percent of your revenue?
    - Also ask the seller about any debt or signs of decreased revenue on their books. As you uncover these details you'll start to see where you can get leverage, where the business is weak and where it's strong. It also helps you start to figure out how to craft a revised deal with that leverage in hand.
- If you're buying a digital property, you also want to make sure the product already runs well. The easiest way to do this: download and use it. Is the interface intuitive? Is it a useful tool? Does it seem like something you could get addicted to, or something you'd quickly forget about? Do you notice any bugs? And the biggest question to ask yourself as you tinker on the user end of a free digital tool: What changes do I need to make to generate my first dollar of income? You can usually accomplish this by simply putting up a pay wall where you see the most addictive behavior happening. For The Top Inbox and SndLatr, I had a hunch that I could

drive my first dollar if I put up a pay wall at a certain number of uses. Sure, I'd lose some of the current thirty thousand users, but enough of them would be hooked after fifty uses to drive solid income. Then I could use that revenue to reinvest in additional developers as needed. If the user experience is good, you still need to uncover how much work (and money) you'd need to put into the product once it's yours. You can figure this out even if you're not tech-savvy. Remember, I know nothing about coding. I just know how to ask the right questions.

- When I started buying companies in my twenties no one took me seriously. I had capital to buy whatever I wanted, but it was tough to get big, powerful executives to engage with me at all. Until I tested one question. To get people to throw out their first number, I asked, "What is a number that, if you got it, you'd be totally shocked and really excited?" The question gives the potential seller permission to be unrealistic, but you're at least getting them in the habit of thinking about selling, and throwing out a number.

- When I acquired The Top Inbox, I asked the question and got back a number I would never have paid. I then followed this script: Me: Well, I'd love to make you really happy, but you're right, I would be dumb if I paid that price. If you Google "What do free software tools sell for?" what prices do you see? How does the number you threw out match up? The trick here is to use market data to let the CEO you are negotiating with convince themselves of a lower price. Lead them in a direction that you know will benefit you. In the case of sale prices for free software tools, they'll see a bunch of answers like $0, $1K, or other very low numbers, which will help them come around to accepting your lower offer.

- Getting a good deal involves a lot of art and science. Here are some things that combine both art and science that you should make sure you talk about on every deal to figure out where your leverage is.
  - Find out why the founders own the company. Is it a big focus in their life right now? If it's not, why is that? Ask questions like, "Is this project your full-time gig or is it a side project?" You want them to say it's a side project because that means they're not living off the revenue. They have a full-time job. Good news for you, because they're more likely to sell it cheap if they aren't relying on it.
  - Find out what's going on in their life. You can say, "Tell me more about where you live. What are you working on?" If they say they live in San Francisco but are looking to move to DC, or that they are having a kid, etc., it's a good sign. Any life stresses that are going to take time make it more likely that they will sell you their business now so they have less to focus on.
  - Get a feel for company size. Ask, "Is the company just you in your basement or is there a team of people backed by millions in funding?" If they have a big team with millions in funding you're probably not going to be able to get a deal done, so walk away.
  - Show how you'll make their customers happy. Start by asking something like, "What would you do to this tool if you could spend more money on the company?" Then tell them that when you buy it you're going to put more resources on it to make it better and that their

customers are going to love it. A lot of founders obviously care about their customers. If you can help them see how you're going to give their customers a better product after the acquisition, they're more likely to do a deal.

- Understand the emotional triggers driving the deal. This is the number one thing you can do to close at a price you like. One of my favorite things to ask a CEO or founder is, "After you sell this company, what are you going to do next?" They start convincing themselves by telling you what they want to do. It makes them want to go do that thing more, which gives you leverage because then they want to get rid of their current company more. You can also ask questions like, "If I pay you $10K to acquire your business, what would you spend the money on?" They'll reveal things like, "I'll use it to pay off my mortgage!" Knowing this, you can negotiate a more favorable deal: "How about I give you $1K now and then pay your last ten mortgage payments over the next year? That way you and your family don't have to even think about it." This saves you cash up front and still helps the founder get what they want! It's why the most powerful question you can ask in negotiations is, "What will you do with the money once I pay you?" Roger Fisher and William Ury argued in Getting to Yes that you must be "hard on the problem, soft on the people." This is a great way to end up doing a crappy deal. If anything, ignore the thing you're trying to buy (soft) and focus on the person (hard) and why they want to do the deal. Negotiate exclusively around that. In the example above it was a mortgage, but it could also be college tuition for kids, a car, medical bills to pay off, or a variety of other things. Figure out what the key decision maker wants to use the cash from the deal on and then help them get that while lowering the cash you pay.

- Do something shocking to reset their perception of you. I start many negotiations where I am buying a company with: “If I buy this company, I will immediately shut off the pay wall, kill the revenue stream, and focus on growth.” I say this because I want the CEO to understand that I’m not going to value the company based on the revenue stream, because I don’t care about the revenue stream (to start). I’m going to focus on growth. That’s really important because a lot of CEOs will tie their valuation to a very unrealistic multiple of their revenue. They’ll say, “I did $100K last year, so I want $1M, or ten years’ worth of revenue.” That argument is dead if you tell them up front that the revenue stream is meaningless to you. After I buy the tool at a great price, and once the other CEO is working on their next thing, then I put up a pay wall where I think it makes the most sense. Then I focus on revenue. But I’m not buying it for the revenue..

- I keep promising that you don’t need cash to buy a company. This is absolutely true—and it all comes out in the payment terms. There’s a big difference between the deal size and payment terms. For example, you can buy a company for a million bucks and hand over no cash on the day of the deal. Here’s how that might work: Say a company is making $30K/month in revenue. You can offer to buy it for $1M, which makes the current owner look good. He can tell all his friends he sold his company for $1M. Then your payment terms can look something like this: You pay nothing, or maybe a few thousand, up front. You agree to pay the seller 50 percent of revenue in perpetuity until you've paid him $1M. Win-win: The seller can ethically say he sold the company for a million bucks. It's a great story line for him. You're minimizing your out-of-pocket cash and creating leverage for yourself. Once you negotiate the deal price, you can sweeten the deal with any combination of terms, like:

- A chunk payable now, and some over time.
- Paid all over time.
- Paid all over time and only if the business doesn't start declining postacquisition.
- Clawback funds. A clawback is a provision in your agreement that says if X happens within a certain time frame after you've taken over a company, the seller has to pay you back X amount. So say, for example, you buy a company that has ten thousand users. And let's say that right after you buy it, something happens where you lose five thousand of those users because of something the previous owner did that is out of your control. If you suspect there is a risk of something like this happening you can put a clawback in the deal that says the seller has to pay you back 50 percent of the deal if the number of users declines by over 50 percent in the first six months that you own the company.

- Once I take over a company I run it through my playbook to get it operating at top efficiency. I've accumulated this playbook over nearly a decade of taking over and running companies, and The Top Inbox and SndLatr are prime examples of how these moves can turn a mediocre company into a golden goose. You can juice revenue from a newly acquired business by focusing on these five steps from my playbook, which I apply every time I take a company over:

- STEP 1: Double pricing. Do this the moment you take over a company —only for addicted users. If the product was free, start charging. If pricing was already established, double it. As consumers we love "free," but we also believe that we get what we pay for. And we're willing to pay for something that brings us value. Zendesk SVP Matt Price and his team witnessed this when they experimented with adding free features to their customer service platform. They discovered that doing this made customers feel they were overpaying because they were getting things they didn't want. So now they use a pricing structure that allows companies to pay for the value they're getting out of the software. Their Answer Bot feature follows this model. Answer Bot automatically answers customers' questions by tapping into available resources. The value to customers to not have to send that query to a support agent is very high—they'd usually have to spend $10 to $20 per query for a human to answer it. So instead of bundling Answer Bot with the features customers get in their software subscription; they price it out separately, at $1 per resolution. Zendesk also spiked revenue by matching price tiers to the value a product brings to customers. "You can enter into pricing decisions with your eyes very wide open as to what people are using and set thresholds based on types of businesses," says Price. "Typically there's an opportunity to add a premium price into features that have very specific utility to a small number of customers." Today Zendesk has two thousand employees, but start-ups can easily adopt similar strategies. One that's doing this is Gus Chat, a customer service company that specializes in chatbots—that is, automated customer service reps. CEO Pablo Estevez is growing the company by specializing in Spanish-speaking chatbots for enterprise clients. Gus Chat started with small-scale clients paying around $1,500 a month for their service, but now Estevez is scaling by offering those same services to larger clients who pay $10K to $25K a month. Estevez explains, "One of our focuses has been finding a niche in the market. We're realizing there's a big demand in enterprise deals for us to come in, get to really know the company, and create a custom solution." It's fine to start small when you're still getting the kinks out, but aim to scale by finding new customers who are willing to pay a premium for the value you offer.

- STEP 2: Focus on getting current customers to pay more. Step 1 is about scaling your prices for new customers. But you can double your business without adding a single new customer by getting your current user base to pay you more, or to buy more from you. It's why your Netflix and Amazon Prime subscriptions creep up by a few dollars every year. But aside from raising prices, top CEOs know it takes less energy to expand their footprint with current customers than it does to find new ones—and the success rate is much higher. Manny Medina, CEO of the sales engagement platform Outreach, has made this his growth mantra: "Reduce your land and accelerate your expand." He grew Outreach from $0 to $10M in annual revenue over just two years (from 2015 to 2017), and today he has more than doubled revenue year over year by focusing on current customers alone. “Our job is to land as fast as we can in the smallest thing that we can and then expand,” says Medina. “The phrase we have here is ‘make them a customer.’ The moment you make them a customer the magic shows up.” Once a customer is in, Medina and his team obsess over making sure active users are getting the most out of the platform. “If you keep that user active and successful, you’re going to retain them forever.” From there, they drive growth by adding product lines, finding adjacent sources of business, and expanding the number of users within a company. When you think about growth, think from within. Ask yourself: What else would my current customers be willing to pay for? Where does the value lie for them? Jump to chapter 12 for more on growth strategies with current customers.

- STEP 3: Optimize SEO. The options for search engine optimization (SEO) tools are endless but you can optimize your SEO for free, so make this a focus as soon as a company is yours. Nikos Moraitakis, CEO of the recruiting software company Workable, got his company to $10M in annual revenue before ever hiring a salesperson. As of July 2018, Workable has six thousand paying customers and adds four to five hundred every month. It’s also the most popular HR website in the world, with twenty-three million unique annual users. In those early days Moraitakis just focused on creating great content around the question: What do people look for when hiring? He and his team started by posting descriptions for the one hundred most popular jobs, along with templates for offer letters, sample interview questions, and recruiting templates. “A lot of people found us by searching for interview questions or offer letter templates, then discovered the software and became customers,” Moraitakis says. If you want to spike your SEO beyond organic content I recommend using SEMrush. It’s the platform I use and understand despite knowing very little about SEO. It’s a great tool for beginners to get an edge.

- STEP 4: Change where your payment pop-up shows. If you don’t have a pay wall yet, you already know you should add one. But also make sure you’re adding it in the right spot. Tying payments to usage metrics is such an effective approach because the more someone uses something, the more likely they are to get addicted to it, or rely on its utility, and be willing to pay. If a simple pay wall doesn’t work with your business model it’s still smart to tie price to usage—this ties back to step 1. Josh Haynam, cofounder of Interact Quiz Builder, charges clients based on the amount of data they capture every time someone interacts with their quizzes. Companies rely on Quiz Builder to collect data, so the more data they capture, the more value the product brings to them, the more willing they’ll be to pay a higher price.
- STEP 5: Understand the actions that turn leads into customers. For a brick-and-mortar store, you always want customers to walk to the back of the store. That action gets them to see more products and potentially pick things up off end caps. It’s why the most alluring section in the store—the sale rack—is always at the back. Digital properties also need customers to do certain things to become sticky.

Facebook knows they need to get you to add seven new friends in the first seven days for you to get addicted to the platform. Dashlane, a password management app, knows that free users are most likely to turn into paying customers if they do two things within the first five hours of installing the app: add ten or more passwords, and install the app on at least two devices. So Dashlane CEO Emmanuel Schalit and his team doubled down on getting new users to do these things with as little effort as possible. Their tactics: When someone installs the app they're prompted to link it to their email account. That lets Dashlane identify, through the user's emails, all the accounts they have. But nobody wants to manually add all their passwords to the app. So from there, users are prompted to install Dashlane on their computer so the program can import all the passwords from their browser. It's a double bonus—the user doesn't have to deal with inputting passwords, and Dashlane removes the passwords from their unsecured browser. As of October 2017, Dashlane has roughly 650,000 customers paying $3 to $4 a month to use its product ($23M per year in revenue!).

- BONUS STEP 6: Launch an affiliate program or partner network. This incentivizes others to help you drive sales by giving them a cut of revenue for customers they send your way. The most important thing about an affiliate program is to make sure you set up an offer that other people are likely to then sell through to their audience—30 percent of the sale price is a motivating number, for example. Once you have that structure set up you can decide whether you want to use software to manage the program. I use Ambassador. Nikola Mircic bootstraps his drag-and-drop CMS software, Sitecake (Sitecake.com), by partnering with white label clients who then use the software to build websites for their customers. He charges clients a percentage of their annual sales revenue in exchange for tech support. This model works so well that he hasn't had to raise capital (so he keeps full control of the company) and he can scale it as much as he wants. His clients range from mega corporations to "tech guys" building websites for their local small businesses.

- The Top Inbox and SndLatr had no revenue when I took them over but had huge user bases and email lists associated with them. I got all that for free. In fact, I made $14K doing it. (Remember, I got paid $15K to take over The Top Inbox, and I paid $1K for SndLatr.) Between May 1, 2016, and April 6, 2018, I used my playbook to sign up 1,327 customers who pay me every month. Total sales have passed $130K. Not bad considering I didn't start either company.

- Starting a company from the ground up teaches you what's needed to run one well. I recommend that before you buy a business, try starting one yourself just so you can learn. If you never obsess over creating a system that kills inefficiencies and generates cash flow you won't know how to recognize one when you see it in another company. It also helps you appreciate what you're getting when you do buy one. These companies already have systems set up. They already have customers. You're just running tweaks on them. But remember that the goal isn't to be a prolific entrepreneur. It's to be rich. And you get there by having several revenue streams that you've put on autopilot. Buying businesses is a smart and fast way to multiply your cash flow if you do it wisely.

- One way to not do it wisely: getting stuck in a business. A lot of people will buy a company and their ego is so big that they think they have to do everything themselves. So they end up in the weeds every day, answering support emails, returning phone calls, recruiting people, updating designs, pitching salespeople, traveling to get clients. That's working in your business and that is not what you want. You're buying companies to build up revenue streams that free up your time, not hijack it. The only way to do this is to buy a business with an infrastructure that lets the business run itself, like an assembly line that prints you money.

- Buying is also much more of a beginner's game than investing. It sounds counterintuitive, but you need more cash in hand to invest in a business than you do to buy one. CEOs won't waste time talking to someone offering a $1K investment in their company. They want at least six figures. Even very small businesses need a good chunk of cash before they'll consider forking over equity. Ming's Yummy Thai Food, a two-person operation, needed $6K for my investment to have a meaningful impact on their cash flow. Firehouse Hostel needed $11K. By comparison, you can buy a company for very little money, or no money at all, if you find a motivated seller. So focus on buying companies if you're just starting out. As you keep doing it, you'll eventually start writing investment checks with the extra cash flow. One revenue stream spawns another. Exactly what you want

- I'd heard about Firehouse before. When I first moved to Austin a few months earlier, I was searching for a good drinking hole, and everyone raved about this bar with the bookcase door. After talking to Collin at the meet-up I went to check it out. I walked into the lobby and put all my weight on this little rusted handle tucked in a bookshelf. It moved to reveal a dimly lit bar with a seductive band playing in the corner. The liquor shelf looked like it belonged in the Hogwarts teachers' lounge, with elaborate craft cocktail accessories surrounded by drips of candle wax. That night I ordered two Moscow mules and found myself chatting with travelers from all over the world who had come down to drink from the hostel upstairs. I overheard languages I couldn't identify. I immediately wanted to invest. Prime location. Great vibe. Interesting mix of locals and travelers. Totally Austin. I ultimately invested $11K, which earns me about $1,200 per quarter, or $4,800 per year. Almost a 40 percent annual cash on cash return. Daddy likes. The trouble with this kind of investment is that there's not enough of it. Your tongue gets hungry for more returns like this, but there just aren't enough "bar and hostel" deals to buy. I milked this as much as I could and asked the founders for introductions to other equity holders and proceeded to buy out someone else's 3 percent stake to increase my quarterly dividends since I knew returns were so great. I'm a big fan of Kent and Collin, the two blue-collar guys who launched the bar. They know how to hustle, and because of that the business is growing fast. I also like when investors and founders are aligned, and Kent is a perfect example of that. Firehouse is Kent's main source of income, and he and his wife just had a baby. His family is absolutely dependent on making this business work. I like that. The founders are all in, so I'm happy to put more money in. Most people looking to invest would miss an opportunity like Firehouse because they just don't think to ask. They're busy trolling stock prices and picking index funds that will maybe get them the average 7 percent return over too many years of waiting. They're thinking the average way and because of it they're missing the high return opportunities their last bar chat could have led to if they had been thinking about it. So keep your investment radar on at all times. Forget index funds, financial advisers, and all that. They have their place, but you won't get rich through them. It's the unconventional investments that will set your portfolio on fire. Just pay attention to the companies or entrepreneurs you encounter in your everyday life. It could be your local hot dog stand, the coworking space you work out of, the indoor play yard where all your friends host their kids' birthday parties, the new microbrewery in your town. . . . You get it. Pay attention to what's working. When a business looks hot to you, and you have money with which to experiment, introduce yourself to the owner. Tell them you're looking to invest in a business and see if they bite. At worst they'll say no, but you'll make a new friend. At best you'll be on your way to a cash-printing investment.

- The smarter thing to do, and what I do when I'm interested in making a larger investment in a company, is ask to see their numbers. I need them to show me at least a three- or four-year financial history before I consider investing. Anything less is too risky. And if they don't have a structure for reporting that lets me look at their historical financials and see growth, I'm out. I also need to have confidence that once I put money in, I'll get updated financial reports every month. If that doesn't exist I stay away from the investment. You should absolutely do all these things if you're investing a sizable percentage of your net worth (your definition of "sizable" will depend on your comfort level). But do also give yourself room to make judgment-call investments like the one I made in Ming's food truck. On paper my approach to that deal is a grand example of what not to do. I did not verify financials with Ming or get anything in writing. I just took her at her word and we moved forward on a handshake—strangers to $6K check in twenty minutes. Anyone will tell you this investment strategy is insane. And it is if you're risking the only extra money you have. Don't ever do that. But it can be a huge time and money saver, and open you up to opportunities that others can't see, if the money is small enough that you can afford to lose it. I took the risk with Ming because the six or so hours it would have taken me to analyze her financials, go back and forth on details, etc., was not worth $6K to me. Six hours of my time is worth way more than that. So it was easier for me to just write the check and use the $6K to figure out if Ming was someone I could work with over the long term, which she has proved to be. She's a good person. She's given me the monthly report of meal volume and written me the monthly checks. I took the same approach with Firehouse, and Kent and Collin are also proving to be great partners. These judgment-call investments are a quick, efficient way to run a test and see if you get a good cash return. Once you do earn your money back you can make even bigger investments. At that point, you'll have been working with the person for many months. You'll know their financials; you'll know if they're someone you can work with. But initially the investment is based entirely on your gut impression of the business and its owner. You can learn a lot about someone in the first twenty minutes of meeting them, so I just trust my gut and go with it. Sure, there are times when I lose money, but nine times out of ten my judgment call is dead-on. I won't try to teach you how to read another person's demeanor. That's a whole field of study in itself. You probably already have a sense of how well you can read people anyway. I'll just emphasize that if you're going to take a risk like this, only do it with a very conservative percentage of your net worth. Also consider putting together a one-page agreement that outlines your investment terms and have everyone sign it. I didn't sign an agreement with Ming or Firehouse, but I was willing to take that risk. I won't officially advise you to do the same, but it's obviously your call. Even though these investments are quick and simple, they shouldn't be thoughtless. One of my key strategies is to look for a business that is making a big monthly payment on something. If I can pay for that thing up front, erasing the payment, it frees up their cash. I'll then tie my return to the growth of the business, which I know I can help drive with my distribution channels. That was exactly the case with Ming. As we talked I learned that she was paying $600/month on the truck she worked out of. She could buy the truck outright for $6K and lower her monthly expenses by not having to make that loan payment. So I wrote her a $6K check to buy the truck in exchange for her paying me $.75 per meal until I earned my investment back, and then $.10 per meal in perpetuity if we kept working together after that. She was doing about five hundred meals a month, but I knew I could help her grow that pretty quickly. So I estimated it would take about a year to get my money back and learn if Ming and I could work together in an advantageous way. So far, so good. My distribution channels immediately helped—getting those 1.2 million eyeballs on Ming's food truck boosted her sales that same day. I also helped her negotiate with the owner of the land to get her truck moved right up on the street. Previously it was three trucks back, so fewer people walking on the street saw it.

- Winners don't have new ideas. Rather, they copy the heck out of their competitors, then add their own flavor or unique angle to win. This way you're just making a new move on the board, not inventing a brand-new board game. Every successful player does this. Facebook released Marketplace, which is a better-designed version of Craigslist. Stripe is a payment processor with an easier-to-use API. Venmo, PayPal, Square Cash, and Google Pay all do the same thing with a twist. Rockefeller copied other people's steel mills, then changed one procedure related to oil refining and sulfur to print money. Have you seen those sections at the bottom of major blogs that showcase sponsored content, or "related posts"? Companies like Outbrain and Taboola have dominated this space for years, but it didn't stop John Lemp at Revcontent from throwing his weight into the competition. In 2017, Revcontent processed $184M of ad spend through its platform, collecting 25 percent of that as revenue. This is a prime example in which a big thinker ignored the conventional wisdom that "you must have a new idea!" Instead, he went right after business models already proven and is now chipping away at their lead.

- Don't let your ego be so big as to think your idea has never been done before. If no one else is doing it, there may be a reason. And even if you do have a brilliant new idea, you'll make a profit much quicker by building on something that already exists. You'll have plenty of time (and money) to launch your genius invention after you've made bank by copying.

- Copying your competitors can make you rich even if you never scale to their size. Ian Blair proved this when he launched BuildFire while still in college. BuildFire is drag-and-drop software that lets people create mobile apps without any tech expertise. Think WordPress for apps. BuildFire is a lot like another company, Bizness Apps, which Ian previously used to build apps for small businesses. After about a year of creating one-off apps, Ian realized that the big money was not in client work, but in building a software competitor to Bizness Apps. I love the story that the numbers here tell. Since launching BuildFire in 2012, Ian has raised $2.5M in investor funding and has thirty-one employees at age twenty-five. His annual revenue in 2017 was $2.4M and his current monthly recurring revenue is $300K. When we chatted on Skype, Ian called me from his $850K apartment with a full view of the San Diego skyline behind him. While Ian built his empire by copying a competitor, Bizness Apps' numbers show that they're still killing it. Andrew Gazdecki launched the company in 2010 with $110K in investor funding. Today Andrew, at age twenty-eight, has ninety employees, with $18M in 2017 annual revenue. His current monthly recurring revenue is $1.5M.

- People want to connect with you emotionally when they invest in your product and the best way to do that is through great stories. Use video to show potential backers that you have character. Inject humor. Vue's promo video showed how awkward other smart glasses look by having a guy wear a big VR set while answering the door for the pizza guy. The Spoonula folks connected with cooks by showing how perfectly it scoops up every drop of beef stew. Ostrichpillow Go commiserates with us on the ridiculous ways we try to get comfortable sleeping on airplanes.

- Use value + scarcity to create urgency. People love to be the first to get something, especially if it's at a discount with limited supplies. Use your rewards to appeal to those tendencies in all of us. Vue fueled momentum for early orders with an early bird reward: 41 percent off a pair of prescription smart glasses with only 350 spots available. When that sold out, 6,833 people paid $179 for the same reward—their most popular tier. Each of these campaigns leveraged scarcity to drive action. They also set up stretch goals to keep momentum up. So if they hit $200K in funding, $500K, $1.2M, they would add additional features to their products. And they don't have to be expensive. The $1.2M stretch goal for Vue was adding attachable nose pads to the glasses. Not crazy.

- In addition to Kickstarter, Indiegogo, and Product Hunt, check out these crowdfunding sites to get ideas of other hot markets: Pozible.com, Ulule.com, and Fundable.com.

- Eight Places to Find Digital and Software Products Selling Fast. If you're thinking about launching a software business, try looking in these places for industries that are hot.

- Siftery.com allows you to see what companies are actually getting new customers. The site then ranks tools (mostly software) that have landed the most new customers over the most recent time period. Money doesn't lie. If people are becoming customers of a new product in droves, you know it's a hot space. Siftery covers several software categories, including Marketing, Sales and Business Development, Customer Support, Product and Design, Analytics and Data Science, HR, Finance and Accounting, and Productivity.
- GetLatka.com allows you to see the customer counts, revenue figures, pricing metrics, and other data points on private software companies. If you're thinking about launching a piece of software, check this site out to see how others with similar sorts of software are doing.
- BuiltWith.com is a site that will tell you what technologies other websites use. In other words, it lets you see what pickaxes the gold miners are using. If you were interested in the e-commerce space, it'd be valuable to know who currently has how much market share. You can then reverse engineer why the winners are winning and losers are losing to increase your chances of success in the same space. Go to BuiltWith.com and click TOOLS in the dropdown to start exploring trends. A chart there shows me that WooCommerce has 10 percent, Magento 11 percent, Shopify 9 percent, and other platforms 44 percent of the e-commerce market. Understanding who has what percentages of e-commerce technology allows you to decide whom to go after. Why does WooCommerce have 10 percent? Why does Shopify have 9

percent? Is there a company in that 44 percent that you can buy to jump-start your entry into this space? These are the kinds of things you can learn using BuiltWith.com.

- TechCrunch.com is a blog focused on the technology sector. Across the bottom you can view all recent rounds of funding. If you see a large amount of money going into a particular company, you can assume that space is hot. Venture capitalists don't invest unless they see $1B+ opportunity. Hijack their research by looking at what they are investing in. You can also use TechCrunch's side navigation to look at funding sorted by the investors, the funding size, and the industry. A closer look at Babbler reveals the following: After you understand that Babbler is in the PR space, you might use the product to figure out if they have some special twist that other companies in the PR space don't have. Remember, VCs invest only where they think they get can 10x or higher returns. You're hunting for the reason investors see 10x opportunity in the business so you can copy the best parts and then invent your own twists to make it better.
- Listen to podcasts that feature entrepreneurs. In my fifteen-minute daily podcast, I ask every CEO what their favorite online tool is. This helps me find great new tools and markets to research. If I like a space I'll decide if I want to buy a company in the space, build one myself, or invest in one that already exists. (To listen to the podcast, go here: NathanLatka.com Other podcasts great for discovering new tools and markets are Art of Charm, The Tim Ferriss Show, and The $100 MBA.

- Search large LinkedIn groups. If there are a bunch of members in a LinkedIn group around “Amazon analytics” you can assume there is interest in the space. If you choose to build a tool for the space, congrats, you already have your first distribution channel. Let’s say you’re selling a digital product. You’d search LinkedIn for groups related to digital marketing and see that one of the biggest is Digital Doughnut, with more than 1.5 million members. From there, find the admins and message the group owner. Your goal is to build a relationship with them so that eventually they’ll feel comfortable and excited to email their group about a product you might be working on. It’s a huge distribution channel opportunity
- Search Facebook groups. Use Facebook search to find clusters of groups around a certain industry. Let’s say you create a journal and decide that entrepreneurs are among your target audience. You’d search for entrepreneur-related groups and reach out to the group owners to try building a relationship. Eventually you’d try figuring out how to cross-promote your product into their group. That’s obviously a delicate art, but these are clusters of people you can go after, distribution channels you can monopolize once you decide what market your product fits into
- Join Slack groups. I’m part of a Slack group called Sales Hackers, where more than seven hundred account executives, C-suite executives, and other sales tool users talk about their favorite tools and why they use them. It’s a great way to get a soft read on what products

are hot or not. Use www.SlackList.info to find Slack lists in any industry.

- The first software company I built was called Heyo.com, which helped companies drag and drop together Facebook applications. My sense that the space was hot came from the fact that many others were getting funding. In October 2010, Buddy Media raised an additional $27M from top-tier investors. Wildfire (another competitor) raised $10M. Involver raised $8M in October 2010. It was very clear that the space would produce many winners—and it did, to the tune of $1B+ in exits in late 2012.

- Many people would look at the space and conclude that they shouldn’t compete because they don’t have funding, or that the other guys were years ahead. Totally false. Think about it this way. If investors are sinking all that money into one industry, they’re growing the industry and making it easier for you to find future customers. You turn their resources into yours when you join the space they’re pouring money into. Following this sort of playbook will help you consistently create business wins. Once you identify an industry that you think is hot, plot out who is leading and reverse engineer their growth.
  - Reverse Engineer: The Easy Way to See Your Competitors’ Systems. Companies use all sorts of methods to drive growth, ranging from free content marketing to $1M+/month paid marketing campaigns. In order to beat a competitor, you have to understand where they get their food from. Then slowly siphon their food supply. If you can’t figure out where they eat, don’t attack. Here’s how I figure out why companies are

growing and how they are getting customers. SimilarWeb is a tool that tells you where websites get most of their traffic from. If I wanted to build a competitor to Todoist.com, I'd go to SimilarWeb, type in "Todoist.com".

- Todoist.com traffic comes from LifeHacker.com and Ifttt.com. Go make friends with the CEOs/authors of those blogs/websites. It's a double whammy to persuade those people to write about your new tool while at the same time hurting your competitors' traffic. Later in this chapter, I'll show you how I did and got more than fourteen new customers to pay $360 each in under twenty-four hours. Ahrefs is a tool that tells you which Google searches make your competitors pop up. Fifty-three thousand organic keywords means there are fifty-three thousand words people type into Google that Todoist ranks for—meaning Todoist.com will appear in the organic search results for those terms. You can quickly look at what those terms are by clicking "Organic keywords"
- Todoist.com gets 4,600 unique views per month from the keyword "to do list." Now you've quantified your potential gains and their potential losses if you outrank them for the words "to do list." This book is not about content marketing or SEO, but those are the tactics you'd Google and use to outrank Todoist for any keyword. Use App Annie if you're trying to study a market in the mobile app space. For example, if I were analyzing the document signing space, I might explore how HelloSign ranks so well in the App Store. Going to App Annie and

searching “HelloSign” tells me what people search in the App Store to find HelloSign
    - Keyword optimization in the App Store is a fine art. Nobody quite knows how Apple ranks apps, but it’s certainly a combination of the title of your app, the subhead, the description, and the number of reviews you have. So you’d want to make sure your subhead and your description contain the same keywords that drive people to HelloSign.

- Once you’re done using Toptal to build your minimum viable product, you want to start figuring out ways to attack your competitors. Read their support forum if they have one and see what their most requested features are that don’t exist yet. I call this the “support-driven business launch guide.” You can literally launch a business based on the intel you find here. If you wanted to create a competitor to Cratejoy, you could go to their feedback request page, www.cratejoy.ideas.aha.io [inactive], and develop a solution to something their customers are clearly asking for (fifty-six up votes for giving existing customers the ability to add something to their cart). If you build a tool that includes just this one added feature it allows you to slowly start chipping away at your competitors’ dominance in the marketplace.

- Go to comparison and rating sites like G2 Crowd to see what negative reviews your competitors get.

- These will help you find features you could build that your competitors don’t offer, but remember, the best products rarely win. That’s where distribution comes in.

- Actively reach out to the authors of old articles written about your competitors and try to build relationships with those authors. Many times they can go in and change old content, which can help you win over new monthly traffic. Icing on the cake is you're stealing it from your competitors!

- These sorts of investments grow more valuable over time. Once you set them up, they pay back in small pieces, like five to ten unique new website views per month. Think of this like stacking paper. Looks like nothing at the start, but if you add one sheet per day for 365 days, your pile starts to get tall! As you layer on these distribution techniques while having your product do the same thing, most consistently, over the longest period of time, you'll start to emerge as the clear leader in your space. It's also a great investment to buy distribution channels—if you can—instead of paying to be put through them. So instead of paying, say, $5K for someone to mention you on their email list one time, try to buy the whole company so the list becomes yours. That's exactly what I did with The Top Inbox. You can do this with anything—a curation website, a reviews website, a YouTube channel, or any other distribution channel you can think of. Immediately after one of your customers checks out, ask them what other products they buy that are similar. You can do this whether you have one hundred, one thousand, or three customers. Just send them an email asking: "What other tools have you bought to help you X?" X is whatever space you're in or problem you're solving. So if you're selling tax software, you can ask your customers (whether they're paying or in a free trial) what other tools they've bought to help manage their taxes and money. Now to be clear, this is totally different from asking customers what they want. There are lots of things people say they want that they won't actually buy. Knowing what they have actually paid for tells you what they're willing to spend their money on now. You'll get a bunch of answers back. Sort through them and look for the patterns in everyone's responses. Do they keep mentioning the same products, or the same need? From there, you can decide to:

  - Buy the other company. If I keep hearing that my customers also buy Company X's product, figure out how to buy that company. It's easier than launching a new venture if you have room in your portfolio for another company. Then you can cross-sell your new company's products to your current customer base.
  - Partner with the other company. If you can't buy the other company, join forces with them. If so many of your customers like their products, there's a good chance that their other customers will also buy your products. It will be a win-win if you can cross-sell with them.
  - Add a similar product to your current company's offerings. No need to launch a new business here. Just make the product an add-on to what your customers are already buying. So if your tax software customers say they also pay for invoicing or inventory tracking tools, you can sell similar items and bundle them with your original product.

- A famous example of this approach with a physical product is McDonald's. They realized early on that people like to buy fries with a burger, so they bundled them together. Now customers are more likely to buy both every time. McDonald's also discovers new revenue streams by copying popular items at other chain restaurants. When Starbucks took off, McDonald's launched McCafé and started offering elaborate coffee drinks. When they noticed nobody wanted their pale iceberg salads they copied Panera and Chick-fil-A by using more colorful, nutritious ingredients. Focus on how to add products to what you're already doing. It also ties into what I've found to be the most effective growth strategy for launching new revenue streams so you can start multiplying: going deeper on current customers, not wider with new ones.

- People often think the only way to grow a business is by expanding their customer base. Not true at all. Bringing in more customers is actually the last thing I try to do when strategizing revenue growth. It's much more effective to think about how you can drive new income from people who are already paying or following you. Let this be your mantra anytime you think about growing your business: Go deeper, not wider. One way to do this is by launching a new product that your customers say they also buy. Even if they already have that thing and don't buy it again, new customers are likely to buy more from you because all your products appeal to them. So yes, new customers do play a role here, but your main focus is on going deeper, not wider, by getting all of your customers to pay you more. Think about how you can get your current customers paying you more money for more value. There's a balance to strike here —you don't want one customer making up more than 10 percent of your revenue. That's risky. But if you can get a small group of people paying a lot for something they want, your earning potential will be huge.

- Challenge yourself by putting a creative limit on your customer number. Ask yourself:
  - How would I build a multimillion-dollar company if I were only allowed to ever have fifty customers?
  - What products would I sell to them?
  - What would I charge them?
  - How would I manage pricing increases over time?
  - What would they be happy to pay more for?
- I realized that GetLatka.com was never going to be a product that I could sell to a million people at $30/month. There just are not that many people interested in B2B SaaS data. But it offers a lot of value to a very small group of people in venture capital. So I decided I would draw in customers, and keep them, by limiting the number of people I would let in. Maintaining a small circle also allows me to give each customer white glove service and build a waiting list. Today I cap my customer base at around fifty. Every few months I'll send out an email letting them know my monthly price is going up. About one to three customers churn as a result of the increase, so those spots open up to the waiting list. Then I email the waiting list saying, "Hey, we have three spots available at $X [the new price]." They fill up immediately. My audience knows I will only ever have fifty customers at a time. That fact creates an urgency that drives folks on the waiting list to jump in the moment a spot opens up. And I'm going deeper, not wider, to grow cash flow by charging every customer more with each price hike. Clate Mask, CEO of Infusionsoft, also used a deeper-not-wider approach to growing revenue. He told me

how, back in 2014, his customer churn was 8 percent every month. That means out of every one hundred customers who signed up for his software, he'd drop to ninety-two the following month. That churn is really high if you're trying to build a software business. So he did something counterintuitive: he started charging customers more money and fewer of them left. How did that work? Well, he discovered that churn was high because people were signing up for his software as a free trial but didn't start using it right away. Then, when their trial was over, they left. When Clate added a $2,500 service fee at the beginning of the sales process, his customers became more invested. He also started attracting more serious customers while weeding out those who never intended to pay for the service. He could also afford to put one of his people on each customer to help them have success quickly. Churn dropped from 8 percent to 2 percent. He signed up fewer customers, but at a higher price, and those customers were more likely to pay for longer periods of time. If you're still getting to know your customers, you can cast a wide net first, then study their behavior over a few months: Who has reordered already? Who has paid the most money? As you start recognizing trends you can tweak your approach to serve those high-paying customers more directly. Be careful here: don't just upsell for upselling's sake. Customers have a low tolerance for that. Aim to upsell based on usage if it can fit your business model since customers will be hooked by the time they face the new pricing. We did that with Heyo and it's also how I monetize The Top Inbox—you hit a $5/month pay wall after using it fifty times. It's a no-brainer for customers to pay by that point since they're regular users. When upselling physical products, think about how supermarkets use checkout lanes or how Amazon uses "people who bought this also bought this other thing." It's not annoying to put ping-pong balls on the beer end cap in a college town. The store knows that most college students buying beer ($9.99) will also buy ping-pong balls ($3.99) to play beer pong. You just increased your average checkout size from $9.99 to $13.98. The annoying version of this is when you're at a Verizon store and the sales guy tries to sell you a bunch of extra stuff you don't want: cables, chargers, "new data plan for just $1/month." Make sure you're upselling things that the customer is already thinking they want

- Once you have multiple projects or products running you can get to multiplying. In all my business dealings I've discovered three multiplying tactics that, when used together, get me maximum returns.
    - Multiplying Tactic #1: Increase "Wallet Share" by Increasing the Time a Customer Is Under Your Control. Wallet share is simply the amount of money a customer spends on your products. You'll know your wallet share is growing when your cart value—the average cart checkout—starts to increase. You want to maximize the amount of time a customer spends in your ecosystem so you can put more products in front of them. As customers we succumb to this tactic all the time, especially when we feel we're getting a better deal by doing most of our shopping in one place. It's exactly why Costco requires memberships to shop there, or why Amazon has Amazon Prime. They know you'll shop with them more if you invest in the membership fee.

It's why we get drunk on the all-inclusive cruise. You start drinking at 8 a.m. and you drink all day, every day, because you want to get your money's worth. Walmart is valuable by itself, and so is any gas station. However, they are more valuable together because we spend more time "in their control." By the time we drive off Walmart property they've dipped into our wallets for everything from toilet paper and frozen pizza to the 5-hour Energy drink and car wash we got with our gas. So you're not Walmart or Amazon or Costco—not even close—but anyone can grow their wallet share, no matter their business size. The key is to simply understand what else your customers buy that is most closely related to products you're already selling. Let's say you sell iPhone cases. And let's say you've done the hard work of getting your case ranked high on Amazon and getting distribution in a retail outlet. However widely your product is available, the work you put into getting distribution has paved the path for any other related products you can sell. So what a waste it would be if you sold only iPhone cases. To figure out what to sell next you need to know what other phone-related products your customers buy, and how much they're spending. If it's, say, $100 a month, your goal should be to get as much of that $100 as you can for yourself. So what else are they buying, and how can you sell that to them? The most powerful way to find out is to ask them. Runners-up: look at the "Customers who bought this item also bought" section on Amazon below your product, or similar products; for software, search Siftery .com or BuiltWith.com. If you learn they're buying USB chargers with the cell phone cases, do you then go partner with a USB cord provider? Do you build your own? License it? You can approach it any way you'd like once you know what customers are buying. A company doing a great job at increasing wallet share is BestSelf.co. The owners, Cathryn and Allen, are brilliant entrepreneurs. They created and sell the SELF Journal for $31.99. Since launching in 2015, they've sold more than two hundred thousand units. Part of the genius behind their journal is that it covers only thirteen weeks' time and you can start using it at any point in the year. So once you're hooked on using it you're going to buy another one after those thirteen weeks are up—you won't care about the expense. BestSelf.co even incentivizes customers to keep their wallets open by offering a journal subscription. You get a new one every thirteen weeks for 10 percent off. They've recently expanded to selling related products like the SELF Shield, a cover for the SELF Journal that actually costs more than double the journal itself. They're also selling T-shirts for $24, a WIN THE DAY hoodie for $55, SmartMarks (a combo bookmark and notebook) for $15, Sidekick (a mini-version of their SELF Journal) for $13, a wall RoadMap for $9 . . . and that's not even half their stuff. Today their average order value is $54—nearly double what it was two years ago ($28), before they started adding additional products. The wallet share they're going after is the money people spend on productivity tools—and they're doing a great job at that. On the software side, ClickFunnels founder Russell Brunson keeps customers using his tools by making it as easy as possible for entrepreneurs to market, sell, and deliver their products and services online. Russell has studied his customer data and knows that churn will drop from 10 percent to 4 percent in the first two months if they do a couple key things, like setting up a custom domain—so Russell does it for them. He sets up a custom domain and covers the bill as part of the on-boarding process. He's also found customers are more sticky after they set up SMTP integrations. Once they're in, ClickFunnels' tools help customers execute every step of their business, from setting up a website to customer service, so they never have to use another service. Then the more their business grows, the more they use ClickFunnels to keep it running. The entire business model is built around increasing wallet share. I interviewed the ClickFunnels COO on my podcast, where he shared that they've passed sixty-five thousand customers and $60M in annual recurring revenue without raising any outside capital.

- Multiplying Tactic #2: Once You Have More Wallet Share of Customers, Negotiate Discounts on Things You Already Buy. You can do this on anything, from supplies to software subscriptions that help run your business. Every dollar you save is a dollar you get to keep. If this sounds petty to you, remember that wealthy people are wealthy not just because of how much money they make, but how much they keep. Driving down expenses is just as important as growing your income. So once every three months or so, look at your expenses to pinpoint your ten biggest payments. Send an email to those companies and say: "I need to find a cheaper option. I can't afford this anymore. Can you help me cancel my account?" Say those exact words so they understand that you really might leave. Almost every company has a process in place where, when somebody asks to cancel, it unlocks the ability for the salesperson, or a team member, to incentivize you to stay with discounts, etc. This is especially the case with software and services. They just have to actually believe you're going to cancel. A few times a year I email any software company that I'm paying more than $100 a month for and simply say, "I need to cancel my account. It's not doing what I thought it would." I recently sent this email to ActiveCampaign, a company that I use for specific email marketing campaigns (Aweber is what I use for everything else): "Hey, if you look at my account you'll see I haven't used it as much as I have in the past. I should probably cancel the $275/month payment. Can you help me do that?" Christine, a customer success manager at ActiveCampaign, replied and offered to bring my monthly payment down from $275 to $182. I saved nearly 50 percent just by asking. You'll get these kinds of responses all the time when you threaten to cancel a service. It's the fastest way to save money. This doesn't work with a huge company like Amazon or Facebook. You can't do this to get a cheaper iPhone. But you probably have many expenses that you're paying to smaller companies where you'll have power and leverage. They don't want to lose you because that means churn goes up. This tactic won't be as easy if you're buying supplies for a physical product until you get some scale. It's still absolutely doable, though. If you have a food truck and reach the point where you're doing five thousand meals a month, you'll start to have negotiating power over suppliers. Just by virtue of increasing your order quantity you can drive down your unit costs on things like avocados or food containers. This happens in every industry, on every level. Walmart gets its gas cheaper than anyone else because it can promise the gas supplier it will deliver huge volumes of sales. You have this same leverage. For example, I get software that I need to run TheTopInbox.com for free or at a big discount by offering to mention the software company on my podcast. Best Self.co gets better prices on paper the more their volume increases.

- Multiplying Tactic #3: Get Your Biggest Revenue Streams Working Together. You learned in math class when you were a kid that three small things multiplied together yield something small: 1 × 1 × 1 = 1. But just level up by one degree and you start to see growth: 2 × 2 × 2 = 8. The more things you multiply together, and the more powerful each of those things is, the bigger output you get. These are basic rules of nature and math. Apply this thinking when growing your business. Find your biggest revenue streams, or the projects or skills with the biggest potential, and try to get them working together. This approach led me to create GetLatka.com. My podcast was my first big asset—put that at a 10. I wanted to figure out what I could multiply it with to get a big output. So I thought about what I was really good at that could become a large asset. Well, Heyo was a software company. I'm great at building software. So I thought, How can I take my podcast, a media asset (10), and multiply it by another asset related to software (10) to get a 100 output? Then I remembered a problem my podcast listeners had: they valued the info in my 700+ episodes but didn't have time to sift through every one to find the specifics they're looking for. So I decided to spend $50,000 without putting up any of my own cash (more on that in chapter 11) to create GetLatka.com so listeners could easily sort through my episodes to figure out which to listen to. They can also look up revenue data, customer counts, valuations, and more data on privately held software companies.

- The goal here is to get all three multiplying tactics working at the same time: expand wallet share, negotiate discounts on things you use in bulk, and get your biggest revenue streams working together. If you get only one multiplying tactic working, it's like eating a sandwich with just the bread. You'll eat it (what most of you do your whole lives), but it tastes awful. Get all three working together and you have a big, beautiful sandwich with meat, lettuce, and tomatoes that dance in your mouth.Tastes much better.

- A packed scheduled is the biggest red flag telling you to sell. Remember, joining the New Rich is all about passive income. If you're spending all your time running a company, it's preventing you from generating other revenue streams. A lot of people lie to themselves about this. They think a project is passive when it actually eats tons of their time. If a company is truly passive and making you money, hold it. If it takes your time with no end in sight, sell. Also look at growth. If numbers are flat or declining, sell. You may be tempted to push for growth, but that requires a lot of time. Or it requires you to hire a team and incentivize the team by giving them equity to grow it. You can do it, but it's an art. And just as important:

market timing. If you get the sense that the market is overvaluing the space that you're in, you might take advantage of that hype and sell. Cash in while it's hot.

- Think of the market as a hamburger. There are several different but complementary players all around you like buns, tomatoes, onions, pickles, ketchup, cheese, and meat. If you're a cheese and can't find a direct competitor to buy you—another cheese—look for complementary companies, like the lettuce or the bun. Look around and understand what else your customers are buying. If they're buying footballs from you they're probably also buying air pumps. Maybe you can sell your football production company to the air pump company. Also look at your product's distribution channels as potential buyers. Matt Rissell cofounded the payroll software TSheets in 2006 but struggled to turn a profit during the company's initial years. They didn't see major growth until they started selling the software through the Intuit App Center, eventually making their way to a number one ranking. Fast-forward to 2017: Intuit bought TSheets for $340M. Square and Weebly followed a similar track. Square cross-sold many of Weebly's website-building products for years. In 2018, Square ended up buying Weebly for $365M. Look at who is selling a lot of your products. If you're paying someone a cut and they're driving a lot of volume, you might offer to sell them your whole company.

- If you're in a moneymaking business, think about the time value of money. Let's say you own 50 percent of a company that makes $500K a year and you're paying yourself an $80K salary. And let's say there's no money left over at the end of the year, so you're not paying yourself a dividend. If you could sell the company today for 1x its annual revenue (that's $500K), that's going to put $250K in your pocket pretax (you own 50 percent). My general advice is that if selling will get money in your pocket now that would otherwise take you three years or more to earn by working in the company, take the deal. Then use the cash to start something new. So if you're making $80K a year, pretax, with no dividends, take the deal that will put $250K in your hands now. You'll then have that momentum behind you. You can say you sold your company and you'll have $250K you can reinvest in your next idea.

- Walking away from a moneymaking business is scary, but you have to trust yourself in these moments. You're smart. You will have another great idea. Bet on yourself. Use the momentum to create something else.