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[Daniel Hill] (0:05 - 22:11)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. How to make a minimum of 40% net profit in your business. The sad reality is most entrepreneurs are running around building businesses that do not make money.

I do not mean they're growing it, they're starting it, they're investing it. I mean, they fundamentally will never make money. In the same way that some planes do not have the ability to technically, scientifically, logistically fly, a business is exactly the same.

What you need to overcome this is the business model blueprint. Most entrepreneurs start the businesses, try things, try products, and then try and figure out how to make money. But you wouldn't build a building or a house without a solid set of plans.

Why would you build a business which is noisier, has far more moving parts with anything less? In this podcast episode, I'm going to take you through the business model blueprint. This is the secret to success for you to build a high margin business.

And within just six steps, you can have both clarity and confidence that the business that you're building is actually going to make you a high net worth, new age property entrepreneur with a seven figure net wealth and a six figure income. You are already out there working hard building your business, right? And if you are fortunate enough to be achieving a 10 to 15% end of year net profit in your company in the UK, in this country, you are deemed to be in the country's elite.

If you're making 10 to 15% end of year profit, you are deemed to be in the elite of the UK businesses. The reason for this is most businesses are just fundamentally not making profit. And what I'm going to say to you here, which is quite bold, is we would not encourage you to get into a business that is making any less as an absolute minimum of 20, 25%.

But ideally we want to be getting you to making 25, 30, 40, even 50% plus net profit. Now, that might sound like a bold statement. It might sound crazy.

If the country's elite are making 10 to 15%, how can we even say that there's an opportunity to make double, if not triple that? Well, the reason is we've done it and we do it. And all of the businesses that I advise on, invest in, mentor, all I'm interested in, I'm not really interested in the product or the service hugely, although they do need to meet certain criteria of course, niching, crest of a wave, et cetera.

What I'm interested in is the business model is have they found what we call a needle in a haystack business model. A needle in a haystack business model is where there's a sweet spot. It's not a big noisy business.

There's not loads of employees. It's a sweet spot where you can make 20, 30, 40% plus net profit from a team of no more than 13 people, highly niche, highly crest of a wave, high gross margins, high net margins, highly, highly lucrative. And it gives you the lifestyle, the income, and the returns that you set out to do in business.

Now, you're always going to work hard. You're an entrepreneur. It's probably in your blood.

You work hard, you turn up, you smash out of the park. Congratulations and fair play. The most disappointing thing, however, is you would be better to be some, some entrepreneurs would be better to do nothing than they would.

There's only one thing worse than doing nothing. And that would be to do the wrong thing. If you're working hard using a gym workout or a diet plan or building a business that's fundamentally never going to work, you know, it's just gutting and it's disappointing to see.

So how do we overcome this? Well, all of this happens before you start. You know, I said, you would not build a house without a solid set of plans.

You do not build a business with anything, anything less. And Jim Rohn says, don't start until it's finished. Don't start building this business until your business model is, is finished.

And what we want to do is take you through the six stages of the business model blueprint to ensure that you are going to make high profits. And the only way you're going to do that is dial down in it. Look at the facts and the figures before you actually start it.

Or if you're already running it, this will give you the clarity you need. If you're wondering why you're not making profit at the end of the month, the more people you employ, the less profit there is. Why certain products seem to sell better than others.

And ones that sell great don't make any money. And the ones that don't sell very well are the more lucrative ones. Making money should be easy.

It should be straightforward. It should be highly predictable. This is a business, business model.

I promised you this will get you into the top 1% of entrepreneurs. Like I normally talk about new age property entrepreneurs being the top 5%. This will get you in the top 1% of entrepreneurs in the country.

And I've used this on every single business I've ever started, I've ever bought, I've ever built, or I've ever sold. This is the secret sauce to having a profitable business. All you need is a business model spreadsheet.

Those of you that come in on the three day blueprint events will actually be taken through this model and you'll be given the blueprint in there. Those of you that listen to it on the podcast will have to create your own, but hopefully I'll give you enough information so it's not too complicated. And all of this stuff is the secret to actually building something that works, making some money, and understanding how much to charge for a product.

What's the actual cost of delivery? How many people can you afford to employ? How does the business actually work?

And if you've got an existing business, you're doing this retrospectively, if it's a brand new one, this is the secret to making it work. So six steps. The first is products and price points.

So products and price points is basically a list of the products you're going to sell and how much you're going to charge. Unless you're a very niche, bespoke jewelry company or one-off, seven figure per client XYZ, you want to have set products. And the products and price points will be defined by what actually works as a business.

You don't want to sell anything to everyone. Now you can have whatever you want, whatever size, whatever shape. You want to say, these are our products.

These are our price points. And we know that not only can we deliver them for you at a world-class standard, for us, we're going to be here in 10 years time because it's sustainable. It works and it's profitable.

So the first is products and price points. Once you've got your products and price points. So let's say your product is deal packaging.

You're selling deal packaging and you sell HMOs for a minimum 15K, developments for minimum 40K as a fee. They're your price points. What you've got to then work out is your gross margin.

So what are the actual costs associated with delivering those products? And then that will give you your gross margin. And you think about the difference between gross and net.

Gross is how profitable the product is. And then net is how profitable the business is. So gross is, let's say this studio, for example.

The cost of creating this podcast would be the amount of time that somebody has to spend running the studio, editing the podcast, everything related to that one podcast episode or product. Whereas the business has other costs which are not to do with this. They're to do with marketing and sales and paying the bookkeeper and running the wider studio overheads, etc.

Paying the internet bill, things like that. So the second is working out the gross margin. In order to produce that one thing, what's the gross margin?

So if it's going to be a reel on Instagram, as an example. How much editing time does it cost to put that one reel together as a product? That's the second thing is what's your gross margin going to be?

And really you want to be ideally 50% plus on gross margin. Because from what we do there, step three with this blueprint is we say what's your target net margin going to be? So if your gross margin is below 30% just as a product, it's going to be very, very difficult to make a 20% plus net profit business because you haven't got much left for overheads.

So let's say you can find a 70% gross margin product. And then what we're going to do is put the overheads in. And with the overheads, we put the gross margin in, which is going to be 70%.

Then what we're going to do is say, well, I want this business to be a 40% net profit business. That's my target requirement. Again, you'll get this on the three day blueprint event and you'll be given the model that we use, the blueprint that we actually put our figures into.

But you want to create a little field that says, what's your target net margin? And then the target net margin is deducted from the gross margin. And that gives you what we call your operating budget.

So a real is 70% gross margin. I want to make a minimum net profit of 40%. That means I've got 30% then to spend on operating budget.

So let's say the real is 100 quid, 70 quid of that, 30 quid of that goes to the person that's editing it. That's 70 quid gross margin. You then still want to make a net of 40.

So that's 40 pound needs to go to the bottom line. You've then got 30 pounds. You've got 30, what did I say?

70% gross, 40% net, 70 minus 40 is 30. You've then got 30% or 30 pound operating costs. They say, right, well, that's the price point of the unit, a hundred pounds.

We're going to sell a thousand of them a month or a hundred of them a month, whatever it is. And then what it does is it calculates what your gross margin is going to be, your net margin, and also your operating budget and your operating budget. So three is net margin.

Four is operating budget. Your operating budget is then what you've got to run the company. And you know that if you're going to do a thousand reels a month, you're going to have 3000 pound a month to run the business, which is the 30% operating margin.

40% will be profit. 30% will be up at the cost of sale for the gross profit. And then you know exactly down to the penny what you've got to run the company.

And before you've even started building products, you're looking at, right, I know that this is the model. That's what I've got to run the company. That would be my operating budget.

And then you've got to have a play with it and see, right, well, does it work? Does it not work? What's the margin going to be?

What's the budget? And it'll tell you exactly what you can afford to pay people, exactly what your budgets are. And most importantly, before you've even started down to the penny, what your net profit is going to be as long as you operate in line with the budget and the blueprint.

Just jumping in quickly with three very exciting opportunities for you. So the first is after the success of last year's private VIP WhatsApp groups through the months of June and July 2023, we have reopened these for a limited period. Each group is capped at a maximum of 20 people.

And it gives you the opportunity to network with other high-performing entrepreneurs around the UK. You'll get VIP discounts to some of our online and physical trainings over the summer. And every Wednesday at midday, all private VIP WhatsApp group members will actually be invited to attend a private mentoring call with me personally, where I'll share unique bonus training, blueprints, resources on how you can become a seven-figure entrepreneur with a six-figure income.

But also I can support you direct on there with some private one-to-one Q&A mentoring sessions. If you want to make the most of this and join one of the VIP WhatsApp groups, please message VIPaccess to the mobile number that is in your show notes now. Second, we're going to do a one-off online training called Deals, Deals, Deals.

So we had lots of attention over the deals that we've been doing. And to share the strategy and structure that you need to create your own seven-figure equity and six-figure income, I'm going to do a one-off online training on Friday the 30th of June from 9.30 in the morning till midday. But this one is going to be for experienced investors only.

So you do need to have a minimum of one year's experience in property. And on the Deals, Deals, Deals online training, I'm going to take you through the blueprint that we use start to finish. Click the link in the show notes, Friday the 30th of June, 9.30 AM till midday. Click in the show notes now. And then finally, we have our annual three-day blueprint. So the webpage is now live.

And if you've enjoyed listening to our podcast over the recent months or years, and you've enjoyed what you get for free, just imagine how good our paid training is. If you want to learn the entire property entrepreneur blueprint that I created to build all of my businesses and portfolios start to finish in a five-star resort with some of the UK's leading property entrepreneurs, visit www.donttalktotenants.co.uk. The link is also in the show notes to see which one of the two dates we're putting on this is going to be best for you. Right, back to the podcast.

The fifth is what you're going to find is as you grow a company, companies do not grow in a linear fashion. Companies grow in step changes. So there's going to be step changes in your business.

And what we want to do is find out where are those step changes. The first one might be you're going to do the reels on your own. It's just you.

You're going to pay yourself 30 quid to edit them. You don't have any costs running the company because it's just you, maybe bookkeeping, internet, working in your bedroom, whatever that is. That's going to be your first is you can get up to 100 reels a week or a month or a year, whatever yourself.

But then the next step change is you're going to bring in a sales and marketing person, and you're going to bring in an administrator who's going to do the invoicing, liaising with clients, back office, etc. And then you create the next step change. Say, right, well, if I'm going to recruit these people, but then I'm going to have to take on additional overheads to pay their salaries.

So it's like, well, how many units do I now need to deliver to pay their overheads to make my gross profit, to pay their overheads, to get my net margin? And then that's the step change. And what you'll find is you get these step changes where operationally the business has to shift small office, medium office, large office, one man band, band of brothers, dream team, you can have these step changes.

And then with those step changes, step six, what we've got to do is look at the sweet spots. So where are the sweet spots? What is the commercial balance?

Most businesses grow themselves bust. More revenue does not mean more profit. Where are the sweet spots and the commercial balance where it all works?

You can say, we're making 100 multi-let when I had multi-let. At 400 units, two offices, 200 units, small head office team, we were making 35%, 40% net profit. Really lucrative, really great fun, small business.

When we looked at step changing in order to go from 200, sorry, from 400 to a thousand, there was only two sweet spots where it worked. It worked at 500 and that was a commercial balance. Then in order to go from the band of brothers to a thousand units, which was a dream team, we had to invest 180K, go into the dip.

We were making less money at 700 units than we were at 400 because we've got the cost, we've got the management, we've got the overheads of a big business without the revenue and we go into the dip. And then we have to push it back up to the top. And then when you're back at the top, you're at that next sweet spot.

You're at the commercial balance and you're making profit again. There's nothing wrong with growth. There's nothing wrong with investing money.

There's nothing wrong with going into a dip where you're losing money each month. But you have to have the clarity and most importantly, the confidence that you're going to come out at the sweet spots, at the commercial balance. And more importantly, they're built by design.

You know where they are before you set out. You know, you're building it deliberately, intentionally, and it's clear where you're going. Use this blueprint.

This will give you, like I say, those of you that are coming on a three-day blueprint event, if you're not already signed up, drop me a DM on Instagram, Facebook. We'll see if we can do something for you as a podcast listener. Drop us a message.

We'll get you on there. The three-day blueprint, we only have two dates this year. The next one won't be till June next year.

One in July, one in August. We'll take you through the start to finish. Or if you're going to build it yourself, a few more sort of top tips to finish.

The first is don't start until it's finished. Like don't build a business and just guess that we're going to sell this product. We're going to have this client.

We're going to do this price point. In order to make high profits, you've got to be in the top 1%. Nobody ever got into the top 1% by blagging it, turning up and shooting blind.

These are our products. These are our price points. These are the clients we work with.

This is our cost of sale. This is our gross margin. This is our operating budget.

This is our net profit. These are our sweet spots. This is our commercial balance.

This is our timeframe. Absolute clear, crystal clear, straightforward, completely removes any risk, uncertainty as to where you are, where you're going or how much you're going to make. The second would be that more revenue doesn't mean more profit.

Lots of people come on Property Entrepreneur and actually in their first or second year make more profit by actually reducing revenue because they realize they're growing their broke. They're taking on costs and overheads without actually making the margins. The second is don't think more revenue means more growth.

You can't grow yourself out of a non-profitable business. Sometimes it's actually better to come backwards than it is forwards. And then finally, when you're going to use this, success and failure are both very predictable.

If building the back end of a business is always going to be difficult, operations, systems, service, deliverables, if the back office is always going to be hard, don't do it for a difficult front of house. You want to be everything to someone, not something to everyone. And if you can be explicitly clear, these are the products, these are the price points, these are the people that we work with, that is then you'll only work with the ones that are lucrative.

You'd also be able to go inch, mile, mile deep to drill down because you become an expert in those products. It's far more lucrative building something once and selling it 10 times than it is recreating new packages, new systems, new processes, new structures for individual clients. And this is how you build a real niche focused, highly leveraged, highly lucrative, highly profitable business.

So if you want to make over 40% profit, all you need is the business model blueprint. In this podcast, I've taken you through those six steps and whether you're starting a new business or you want to make an existing one profitable, get that spreadsheet out and do your products and price points, your gross margin, your target net margin, your operating budget, your step changes, and then your sweet spots and commercial balance. Success and failure are very predictable.

There is no secret sauce to this stuff. I've seen this used endless times to take non-profitable businesses into highly lucrative companies. And I've seen more often than not people running around trying to grow themselves broke, building businesses that fundamentally will never make money.

This is the secret to get you through that. So how to make 40% plus net profit, the business model blueprint. Have a go, put it into practice, see how you get on and drop me a DM on Instagram or Facebook and let me know how it goes for you.

See you on the next episode. Thank you for joining us for another episode of the Blueprint Podcast. These are released every Tuesday and I do not want you to miss these blueprints.

It's my life's work boiled down into simple, easy to use and free blueprints that you can get every Tuesday. Do not miss another episode. So click subscribe, click like, share these blueprints and I look forward to seeing you on the next episode.

If you're interested in any of our events and trainings, we run them once a year through the spring and the summer. Go to www.property-entrepreneur.co.uk and join us at one of our three day blueprint events at the Belfie Golf and Spa Resort. I'll see you on the next episode.