

# MIXERGY

Transcript of Mixergy interview with

Ryan Allis

Transcript underwritten by



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Hey, everyone. It's Andrew Warner, founder of Mixergy.com, Home of the Ambitious Upstart. And you guys know the mission here on Mixergy. It's to interview successful, experienced, proven entrepreneurs, about how they built their business, so we can learn from their experiences, and bring it back to our own businesses. Today I've got with me a guy who hit a million in sales just 18 years, excuse me, 18 days, not years, 18 days after his 21st birthday. Eighteen days after he was old enough to drink. He is Ryan Allis. Many of us in this industry know him because he is an outspoken entrepreneur, who's been talking about how he built his business, and helping others learn from his experiences. He's the co-founder and CEO of iContact. He is the Chairman of Verante. He is the author of Zero to One Million, a book about his experiences, how he did it, and how you can get to a million dollars in sales, too. And apparently, and this made it so easy for me to with you, Ryan, apparently also a Mixergy fan. You're familiar with my work. I didn't have to tell you everything that this was about. You said, "Yeah, I know you, Andrew. Let's do it." Thank you.

Interviewee: Let's do it. I'm excited.

Andrew: Let me ask you this. What's the best part of having done it? Of where you are today.

Interviewee: What's the best part of having done it?

Andrew: Yeah, I mean we're going to spend a lot of time here talking about your biography, how you got here today, the struggles, the ups, the downs, the successes. What's the point? What's the best part of having gone through all that to get here today?

Interviewee: Well, you know, I really feel like I'm right in the middle of it. I really like, you know, we've got about two or three more years before we're at the size where we can have an IPO, or go public, or some day get acquired. So we're seven years in to maybe at least a ten year journey here at iContact. It's just getting launched. And it's been exciting. We're up to 190 employees. We'll be doing 37, 38 million revenue this year, up from 26 million in '09, and 14 in '08. So it's been a wonderful journey. I think for me, what the best part is, is being able to be part of an iContact family, where people care about each other. To be part of a company that is socially responsible. That is doing good things in the community, and enabling us to give back, and make a positive social impact, as well as a positive financial impact.

Andrew: What do you mean by social impact? All I knew, I went to all the business classes at NYU that I could. We never talked about a social impact. We talked about how to add more money to the bottom line, and make our shareholders, or ourselves, happy. What's the social impact component?

Interviewee: Yeah, well for me, I think the purpose of life is to number one, be happy, and number two, help others. And those things are inextricably linked. And I think the purpose of business is to create value for society. And as long as you're creating positive value in society as an entrepreneur, as a business owner, you will do very, very well financially. And there is this misguided notion historically, that the businesses sole purpose is to maximize profits in the short term. And I disagree with that wholeheartedly, and believe that the purpose of business is to do well, and do good at the same time, and to minimize and neutralize impact in the environment, have a positive impact, in fact, there, have positive labor relations, and give back as they grow, rather than waiting until you're a very large successful company, or make millions of dollars, to start giving back.

Andrew: Do you have an example of how you've been able to do that? How you've been able to have impact outside of the bottom line?

Interviewee: Sure, and for us it's a triple bottom line. It's financial. It's social. It's environmental. And I think we take all of those into consideration. We have, at iContact,

Interviewee: And I think we take all of those into consideration. We have at iContact, a 41CSR program. That's the name for social responsibility, where we do 1% of payroll. Last year we gave \$110,000 away that 501C3s. One percent of employee time we get, we pay people two and a half days extra a year, to take time off during the work week and volunteer in the community. We've taken 1% of our equity and put it in an endowment. We've committed it to an endowment for iContact Foundation. And we've taken 1% of the product, and given our product away free, for any non-profit in North Carolina. At the same time, just by being a business, and creating a great product that helps now 65,000 businesses do their email marketing, we are helping companies grow, and helping small businesses and mid-size businesses grow. And that has an impact. At the same time, we hired 190 wonderful people here in Durham, North Carolina.

Andrew: All right. We're going to go through the biography here, find out how you got here, start off with what you did at 11, and then we'll fill in the gaps, including, and I'll use some of the questions that you guys have here in the live chat. If you're watching us live, can you Tweet out to your followers that I've got Ryan Allis, the co-founder of iContact, here on Mixergy? And we're going to be talking about how he built his business. My bet is, if you're an entrepreneur, if you're an ambitious person, your followers are in a similar state of mind. Let's bring them in have them listen and watch. OK. So it all goes back to when you were 11 years old. What happened at 11?

Interviewee: Well, I got my first computer from my Uncle Steve. I was living on the west coast of Florida, on a small island called Anna Maria Island. And started my first business, Allis Computer Consulting, and helped senior citizens learn how to use their computer, for \$5 an hour, and send pictures to their grandkids on AOL 2.0. So that was back in 1995-96. And went into 7th grade having made \$450 that first summer. And it all went from there.

Andrew: Did your parents encourage you to do this? Did you have to fight against them to do it? Where did this come from? And what was the environment like?

Interviewee: My parents were, I guess, you could call them social entrepreneurs, because in a sense, my dad was an Episcopalian priest, and my mom was a social worker. Where I really got my financial awareness and business acumen was from my mom. She was always a big supporter of personal finance, taught me to save from when I was 7, doing gardening for, you know, \$500 per summer, put it in a bank account, put it in some mutual funds. And got that information from her that I set my mind to. And that was very helpful. And then with my uncle, he was a tech entrepreneur, as well being the former Chairman of Stratus Computers, a big server company. And through his guidance, and through his computer that he gave me, I was able to get it launched.

Andrew: So this is a big part of your story. I was watching you on Donny Deutsch, and Donny Deutsch got started at 11. And I read a few articles that talked about that. It's exciting. And the reason it's a part of your story is because, for a long time, you were the young guy who was building businesses. You were the who at 21, hit a million dollars. You're now getting to your mid 20s. You'll soon be 30. Does it feel like, is it harder now? What's the difference, I should ask, instead of asking a yes or no question, what's the difference now as someone who's a little bit more in the mainstream, as far as age?

Interviewee: Well, for me, you know, grand old age of 25 1/2 now, you know, I'm no longer a young entrepreneur. I'm almost the normal age to be a tech entrepreneur, which is wonderful. I mean I don't have to hide behind the internet anymore. And I've got a wonderful team of very experienced professionals

working at iContact. When I was growing up, in middle school and high school, it was all about doing consulting as a sole proprietor for 5, 10, 20, 30 bucks an hour. You know going through, and building Verante, in high school as a web design firm and a marketing consulting firm, and then the first couple years in college, it was always consulting work. And at work either through the internet, or face to face with a client, would often charge a low price to sort of offset my age. There was a tremendous advantage being young. I had very low monthly expenses. I could really commit myself to building a company without really worrying too much about risk or failure, or monthly costs. And over time, grew iContact. We started out with bootstrapping, my partner Aaron Hutman and I. And my job was web marketing. My job was getting customers to sign up for a free trial of iContact, and sort of the direction of the product road map. And over time, we got customers. We listened to our customers. We got feedback and we improved. And we started charging. And we got enough customers where we could hire someone. And then I became a manager. And then, you know, now I have managed people who managed people who managed people. And I've had to gain a completely different skills set, like in human relations and communication and leadership, and it's been a wonderful experience. Interviewee: And it's been a wonderful experience.

Andrew: All right. Let's talk about how we got here in more detail. Verante, is that the first big business?

Interviewee: Ah, iContact is really the first business of any scale. Verante was just me up until 2004, when I hired its first employee, Malcolm. And Malcolm has grown Verante into an eleven employee, doing, you know, a little bit more than a million dollars a year in revenue today, a closely held S Corporation, no venture backing. And iContact's the first one where I've gone out and you know, raised external financing, and really worked to build a company that will get to 100 million in revenue over the next three years.

Andrew: All right. Verante is a consulting company. You help companies with their marketing. Am I right? And with their web strategy.

Interviewee: That's right. Exactly, we help companies grow their online sales.

Andrew: How old were you when you launched that?

Interviewee: I started it at age 16. Initially it was just computer help, and then got into web design. Started Verante at 16. Incorporated it a couple years later, when I came up to go to UNC Chapel Hill for college.

Andrew: All right. I'd like to spend a lot of time on the early days. So let's talk about how you got the first customers, when you were offering computer help.

Interviewee: Fliers at the laundromat and the City Hall, and putting them in mailboxes, and getting my first call on my own private landline that I got, from the Postmaster General, who asked for my mom, and told me off for putting these fliers in mailboxes, without putting the 29 cent stamps on them. So that was my first lesson as an entrepreneur, that you have to act first, and ask for permission second, and be willing to break some rules, in order to get launched. Not legal rules, but just sort of take chances, and take risks. And eventually, someone will send you a Cease and Desist letter, or a Postmaster General will call, but those are the things that you need to do when you have little to lose in the beginning. And that's how I got my first customer. Jim on 67th Street, rode my bike down there one summer afternoon. He talked about me at the Bingo Hall that Tuesday night, and I learned my second important lesson about business. And that's word-of-mouth marketing is the best type of marketing you can get because it's trusted, and it's free. And suddenly I was the hit of Anna Maria Island, in the computer help senior citizens' circles, and I had plenty of clients after that.

Andrew: How did you move on into web services?

Interviewee: Well, I had a client. I mean this is how it always happens, organically and naturally and unplanned. I had a client named Lois, when I was 14, in 1998, who wanted me to do a website for her on freshwater pearls. And I learned about website design, and HTML, and graphic design. We got a merchant account. We accepted credit cards, set up an affiliate program, set up an email list, and set up an e-commerce store. And went from there, and learned some really important lessons about business through Lois, and her experience. And then continued to take that skill, and when I was in high school, did a lot of websites in my community.

Andrew: What was the big client that you landed there?

Interviewee: I never had a client more than say, two or three thousand dollars, until I was 17. And I got in the local paper. I was reading Jay Conrad Levenson, Guerilla Marketing. One of his tips is send out a press release, since you're local media. They picked it up. Positive Young Person tech story. And got on the cover of the Bradenton Herald in July '01, when I was 17. And I got a voicemail from a gentleman by the name of JR, who had started an arthritis company that sold a product for osteoarthritis. And we worked together. I through, sort of VP marketing, but really as a consultant to him, as his first real employee that would work there, you know, 40, 50 hours a week. And over that year, we built the revenue from a thousand dollars a month to two hundred thousand dollars a month, selling this osteoarthritis supplement through the internet, directly to the consumer. And that was my first really big experience, where, you know, I was able to save up 30, 40 thousand dollars, over the course of that year, from not contract work. And that really inspired me to say, "Hey, if you've got a great product, and you can figure out how to market it, and get customers to pay for it, and repeat that process, and find out the mathematical model, and scale that marketing spend, you can build something very sizeable, very quickly.

Andrew: How did you guys do it? What was the big marketing push that got you there? What was the outlet that got you there?

Interviewee: It was organic search engine optimization. This was 2001. It was extremely easy to get a website number one in Google, for really competitive terms, in 2001. And that was my specialty back then. We certainly did a lot of work with affiliate marketing, paying a commission on each bottle to people that would promote them. We certainly did a lot of work with refer a friend programs, did a lot of work with a little bit of paid search,

Interviewee: ...did a lot of work with a little bit of paid search, back when Overature was big, back in the day. And through a little paid search, a lot of organic optimization, a little bit of email marketing, and you know, newsletters to follow up, some auto responder work, built a system, that because of having a good product that worked, enabled us to scale sales very rapidly.

Andrew: OK. And so how did your business change after you had those realizations, the ones about having a product and the ability to scale it up?

Interviewee: Yeah, I think that's important. You know, I had been in a service business where I was the bottleneck, I was the cog in the wheel that wasn't allowing it to scale, and realized if I was going to build something beyond a few hundred thousand dollars in annual revenue, I needed to have a product that I could sell, that I could have the company make money while I was sleeping. If you're company is not making money while you're sleeping, it's not a real business. It's a job, I like to say. So, I learned that lesson early on, came up to Carolina in 2002, to go to undergrad. Studied economics, first semester met Aaron Hutman, at the Carolina Entrepreneurship Club. He ran a web design firm, Creation. Creation had developed the original version of iContact, back then it was called IntelliContactPro, way back in the day. And we partnered, and

launched a company that had a product, a web-based product, but nonetheless a product, that we could scale to get from a single tenant, or a single user app, to a multi-tenant application and architecture. Gave it away for free to get usage and feedback, and then figured out a marketing model to scale to customer acquisition.

Andrew: Chris Dritt, on Founders' Mix, is asking, "Where did this drive come from?" I mean we're still talking about you being at an early age, building these businesses. Where did your drive come from?

Interviewee: Initially it came from being interested in business and marketing and online marketing. And once I saw, at the age of 17, once I had the opportunity to manage a monthly marketing spend of 50K, and learned how to grow sales through online advertising, I wanted to do that for myself and my own business. And I think today, I'm driven by different motivations. Today I'm driven by desire to make a long term positive impact in the world. And I think I can do that through business, in a very big way. But in the early days, it was definitely business.

Andrew: Well, what about in the early days? I know what you mean. I'm sorry. There's a lag. That's why sounded like that.

Interviewee: It was definitely supported by... Oh, it's fine. It was definitely the support of my family, and you know, some of my teachers, and some of my mentors, and my inner drive to, you know, figure out how to do this, do this for myself, and build something that would enable me to have financial freedom, to learn, to grow, and I think those motivations.

Andrew: How did those people do that? And the reason I ask is, I'm going to have kids at some point. You're going to have kids at some point. We want to give them this kind of drive, this kind of care for what they do in life. Where do you think you got it? What do you think gave it to you?

Interviewee: My mom and dad encouraged me to read, and never made much money, but we always invested in travel. And my mom's from England. So I'm half British. So we would go over there every couple of years to see our family. And that travel exposed me to a world of opportunity and possibility that otherwise I would not have been exposed to, that opened my eyes to what could happen in the world if a good person worked hard to create value. And that translated into an interest in finances and financial literacy, early on. And I was the 16 year old kid reading Rich Dad, Poor Dad, when it came out in you know, 1999-2000, and you know, sort of took that knowledge, with the support of, you know, a couple awesome professors, and a couple good business mentors, my uncle Steve, the tech entrepreneur running Stratus, and you know, good, supportive parents. So bottom line, teach your kids to read and take them on international travel. And that will open their minds to a whole different world of possibility. And ensure that you teach them the basic financial literacy skills.

Andrew: You know what? That was so important to me, that I used to see reading as just a nerdy thing to do, that something that other people did. But once I was introduced to it, I understood how powerful it is, how much fun it could be, and how useful it could be. OK.

Interviewee: That's right.

Andrew: So we're talking about Verante, and how you built that up, and how it evolved. At what point do you get the idea for iContact?

Interviewee: Well, it was October 2002, my freshman year at UNC, and I met my business partner. I was, you know, getting frustrated by Calculus and Accounting and Statistics, and all those, you know, classes that are sort of non-

entrepreneurial of sorts, that you take in college.

Interviewee: ...sort of non-entrepreneurial of sorts, that you take in college. And I latched onto what Aaron was working on. He was a senior at Carolina, in Computer Science. And he had developed some good software. A client had come to him with a need to email their customers. He created a single customer custom app for them. And I saw it. I was using at the time, a lot of Corey Rudell stuff, from marketing tips and Internet Marketing Center. So I was using MailLoop, which is a downloadable tool, and saw the opportunity to do email marketing through the web, rather than through a desktop-based tool, that would tie up your own mail servers, and not get good deliverability, not do bounce back handling, not do HTML. And we ran with it. And it took us 6 to 9 months to make the product work, for multiple users at a time. We finally spun it out into a separate company. I sat in on some MBA classes, my second semester at Carolina. And that taught me to spin the IP onto a separate, clean company, instead the original partnership between Verante and Creation. And we incorporated in July '03, lived in the office, slept on futons, cooked on a George Foreman grill, did whatever we had to do to keep expenses low, while we built up revenue and customers, and improved the product.

Andrew: But there were products already on the market that allowed businesses to send out email, that allowed them to manage their contact list. Why didn't you just say those businesses already around, their established, I'll either use them, or I'll go and establish some other business?

Interviewee: Yeah, well fortunately, I didn't know what I couldn't do. And because of that, we made it happen. I was perhaps naive, perhaps ignorant, to the other solutions out there. Probably didn't do good market research initially, but you know what? I saw a need. I saw an opportunity. And we said, "You know, we might not be the best product initially, but we sure know how to market something online. So let's create a product we can sell. Let's accept credit cards. Let's allow people to sign up. Let's create an affiliate program. And let's get in the organic search ranking for email marketing software. Let's do some local PR. And heck, let's give it a shot." And you know, we were all thinking we'd get to a million in sales in the first year, like the company I worked for in high school. And it actually took three years to get to the first million in sales. It took three times longer than expected. But in the past, you know, four years, we've gone from 1 million to 35 million. And it's been an amazing ride. And so I certainly struggled, had a lot of struggles and difficulties initially, as everyone does. But I thought we could do it. And we knew it was going to happen. And we made it happen.

Andrew: Like what? Can you give us a few examples of the struggles?

Interviewee: Absolutely. So December of 2003, we have Aaron and I, and then two employees at this point, we had just, so again, we started October '02, so it's almost a year and a half later, at the end of '03, and we did that year \$12,000 in revenue, and \$17,000 in expenses. I was, you know, practically, you know, living month-to-month off of consulting income, had dropped out of college, and our server went down. We had server in the server closet, and it died. And it took us a week to find the money from a friend of ours named Wes, who gave us the loan for \$5,000, that we secured with equity in the company, which was, theoretically, worthless. But we had 56 customers at the time, and by the end of that week of down time, you can imagine what a week of down time would be like today. When you have five minutes of down time, it's the end of the world now. But in that week of down time, we lost 30% of our customers, and we were unprofitable. We were burning, you know, about a thousand bucks a month, didn't really think we could find any money, got turned down for SBA backed loan, an SBA backed loan. I was 19. Aaron was 21, 22. We weren't experienced. We couldn't go out and raise capital. So we found a friend to give us 5K, so we could get that server back up, get the hard drive and database reset, get the product back online. We were able to save two thirds of our customer base. And we went into 2004, hired a lead developer, which was a critical move. And that guy,

named David Rosh, who's now our Chief Architect, still with us today, and we did \$300,000 in sales in 2004, a big jump over '03. So that's just some of the struggles. I remember jumping in dumpsters to get a proof of purchase tag off of Staples chair box, that we had thrown away by mistake, and realized we needed the proof of purchase to get the \$50 rebate. We found it. We got it. We cut it out. We got our 50 bucks. And that's the type of resourcefulness we had to take as bootstrapp

ing entrepreneurs, to make revenue, without making expenses. And I see way too often entrepreneurs, who are trying to figure out how to raise their first hundred K, when all they need to do is get revenue. Get a product and sell it. Interviewee: ...get revenue, get a product, and sell it, and fund your initial development through sales and through revenue. And then, once you get 10, 20K a month in revenue, you'll be able to raise capital so much more easily at a much higher valuation and minimize [delusion] and maximize control. So, we didn't have a choice, but we certainly learned how to be resourceful.

Andrew: Let's talk about the original model for the business. What did you envision it as when you launched it?

Interviewee: Well, the original plan, 1.0, was Barante would do the marketing, and Paratian would do the software development, and we would have a revenue split, or a profit split. That was not a very sophisticated business model, and learned through the help of some lawyers and some professors at Carolina that we need to take the IP, spin it out into a separate company, realign the equity structure, and build a separate entity. So we formed a Delaware C-Corp. In July 2, 2003, the original name of the company was Broderick Corp. Now it's just Icontact Corp. Same company, different name, same as the product now. And our baby was born, and we worked that summer in the office in the original plan was, let's create a product that makes it easy to create sending tracking e-mail newsletters. Do the analytics, do the list management, do the sending and deliverability, and let's charge less than competitors. And let's get real aggressive in online marketing, and figure out how to scale customer acquisition.

Andrew: So, how did you get your first customers?

Interviewee: We gave away the product for free, until we proved that there was enough value that we could start charging them.

Andrew: The plan all along was to charge, but you were just going to offer it for free while you were working on the features and the product, and then...

Interviewee: There's a real critical first six months where your product is not good enough to charge for, that you need user feedback and actual real live usage in order to incrementally improve the product to get it to a point where it is market ready and you can charge for it. We had one customer who was paying 10, 15 bucks a month. We went around to local restaurants, I remember going down to Jimmy John's Subs and saying 'I'm going to put a fishbowl by your counter. I'm going to come once a week and collect the cards. I'm going to type them in. I'm going to do your e-mail newsletter for you, and I'm going to do it for free for two months. And then at the end of two months, I'm going to come back and see if you want to pay 10 bucks a month.' And of course, they would, 10 bucks a month, after seeing the value of getting increased visits from the coupons that were in the e-mail newsletter. And once we product to be good enough, it never has to be great, never want perfection, but good enough to sell. We started charging and by the time we actually incorporated the company, we had 15, 20 customers who were paying. And by the end of 2003, had about 50 customers who were paying.

Andrew: How did you get customers beyond the fishbowl? What were you doing online to get them to come to your site and to trust you with their most valuable asset, which the e-mail addresses of their customers?

Interviewee: There are a couple of creative things. The easiest, initial one was Organic Search Engine Optimization, which is still a good tactic today, but it takes five times as long today as it used to. And then, aggressive promotion of our affiliate program. We found web sites that might be good affiliate partners, and e-mail them and say, 'we'll give you 25% if you promote this to your newsletter base or in your forum or on your site. And then we actually, one of our, there were two main competitors at the time. A company called Roving Software, which later became Constant Contact, which is the largest company today, were the largest private player. They're the only one larger than us in the public space. And Microsoft was in the business, a product called List Builder, and List Builder was the largest at the time, with 25,000 customers. So, we simply subscribed to all of List Builder's lists, had their customers e-mail us, and then we would reply, saying, 'hey, love your newsletter. You should check out IntelContact Pro.' And that got us a 'Cease and Desist' letter in about 30 days from Bill Gates's dad's law firm, but not before we had doubled our customer base, and had a substantial initial impetus for customer growth.

Andrew: Lenny Ramirez is asking 'what do you do now to promote?'

Interviewee: To promote iContact?

Andrew: Yeah. How are you promoting iContact and building customers now? He's just blown away by the revenues you guys are putting up.

Interviewee: Well, we spend about a million and a half dollars a month on advertising, mainly through online advertising. So, that's a big thing. And it's scalable, and it's profitable, and it makes sense to do. We do still, a lot of Organic Search Engine Optimization, we got a network of 7,000 affiliates, 700 resellers, and we're adding 20,000 new trials, new users a month, and we're now over 600,000 users, and...

Interviewee: ...600,000 users, and just over 60,000 paying customers. And we're the largest private e-mail marketing company for small and mid-sized businesses. And we've got a long way to go when it initially started out being about online marketing and now it's about getting a great team and raising the [inherent] capital, finding the right financial structure and scaling the business.

Andrew: Why are you so open with your numbers? Usually, I have to spend a little bit of time with a guest before the interview and during the interview to find out what the revenues are. You're open.

Interviewee: Yeah.

Andrew: It's all online. You're not sharing it here for the first time. Why?

Interviewee: I'm a big believer in being transparent. Saying what the numbers are doesn't give your competitors any information. Saying 'hire great people and do online marketing well', that's the easy stuff. The hard stuff is in the execution, it's in who you hire, it's in the specific tactics that you use, it's in the over-arching strategy that you come up with. And it all comes down to execution. Ideas are worthless and revenue numbers are worthless. It's execution and hiring the right people and making, doing the things that will drive that revenue growth, not hiding what that revenue growth is.

Andrew: What about profits? What are your profits?

Interviewee: We very happily, intentionally burn capital every month. And we do that purposely because of what is called, 'unit economics'. And we spend about 350, 400 dollars up front to get a customer that over their lifetime is going to spend about \$2000 with us. So, if you think about that, that's about 130% internal rate of return on marketing dollars spent, and we want to do that all day long. So

we're very excited to be doing that. We're about break-even. We used to give away 1% of profit as part of our corporate social responsibility, when we raised venture capital in 2006. We had to change that to 1% of payroll, because we, of course, went into the red. But, a part of a high growth venture-backed model is going to purposefully not make profits. You want to make sure that every customer you acquire in the mid-term and long-term is profitable, so you can rapidly invest in acquiring that next vintage of customers. And that next vintage of customers that will build up and allow you to gain the operational scale and efficiency to be able to dominate your industry. And obviously, maybe one or two quarters before we go public, probably a year and a half, two years from now, that's the point at which we might start to look toward profitability.

Andrew: Can you say how much you're losing now? Did you say how much you're burning?

Interviewee: We're basically break-even. We're sort of even, on neutral at the moment.

Andrew: Before you raised money, were you profitable? Were you cash flow positive at least?

Interviewee: We were, by definition, cash flow neutral. We were break-even. We were investing every incremental dollar into marketing and people and technology. And so, we would spend exactly what we earned every year, and we couldn't do any more, and we didn't want to do any less. And didn't take a salary for the first three years of the business. We accrued it, so we could later pay it out at 30, 40,000 dollars a year when we actually had the money. But we took nothing for three years. We built the company and reinvested every dollar we had. And once we raised 500,000 in '06, 5.3 million in '07, and we've done around 5 million dollars each in '08 and '09, a venture debt, which is an interesting hybrid instrument that's been very beneficial to lower cost of capital for us. So, we raised a total of 5.8 million in equity, and maybe around 12 or 13 million dollars in venture debt. So, maybe a total of 17, 18 million dollars into the business in total to build a company at a 35 million run rate. And we always want to have a less than 1 to 1 ratio of dollars raised to annual revenue. I think that's critically important for maintaining control, minimizing [blue shrink], creating a valuable company where everyone's aligned in incentive on the stock option side. And that's always been a very important principal, and once we raise that money, we burn more and more, purposefully, in order to scale our customer acquisition. We had a competitor that was 2 or 3 years ahead of us, in Constant Contact, that we could see their model because they were a public company. And we are very aggressively going after being, becoming the leader in the small-business space as well as the mid-market space in e-mail marketing.

Andrew: Casey Allen's asking 'as a kid, when you were younger and building a business, did you feel different than everyone else? How was it to be in an environment where everyone else is thinking about dating, thinking about drinking, getting drunk? And you're the guy who's trying to build a business?

Interviewee: You make choices in life, and certainly at 17, I was working, going to school, and working 40 to 50 hours a week. And I did two years of college, and then, that was it.

Interviewee: And I had to choose to focus on the business. So I certainly made trade offs and sacrifices, but at the end of the day, I had good friends. I always had good friends and hang out just like a normal person, play sports, relax, and go out to a bar. I do normal things for a 25 year old and have always done normal things. It's just that focus and that attention and that work ethic that is with all successful entrepreneurs and entrepreneurs who are working to become much more successful in the future. And I want to say one more thing on the profitability side that I failed to mention. It's very important to note that while we're

break even, we could have in the big financial world. It's all about [Ebidar], earnings before interest, taxes, depreciation, amortization. Just basically the same thing as net income. But we could have easily 700, 800, 900,000 dollars in monthly net profit, if we chose. But instead of growing at 81% a year, we would grow at 35 or 40% a year. And we'd rather grow faster so that we can win in the industry.

Andrew: OK, that actually brings me to a question that somebody in the chatroom, sorry, I don't remember the name of the person who brought it up earlier. They see the jumps. '03, \$12,000. '04, let's give the exact number that I...

Interviewee: \$300,000.

Andrew: \$300,000. \$296,000, 300 thousand is what I see in revenue. '05, 1.3 million in revenue, and then it just grows and grows and grows. How do you make that big a leap? Where did it go in '06 after 1.3 million?

Interviewee: 2.9

Andrew: 2.9.

Interviewee: 6.9, 14.4, 26.4.

Andrew: These are giant...

Interviewee: It's very...

Andrew: How do make such big leaps in revenue?

Interviewee: Part of it is scaling yourself as an entrepreneur so that you're hiring people smarter than yourself that can do their job better than you could, and stepping back and trusting them. But a large part of the initial growth was a mathematical model around customer acquisition, figuring out how much it costs to acquire a customer, on average, figuring out how much a customer pays us per month, figuring how many months they stayed with us, figuring out their lifetime value, and then doing a calculation to determine how much we could afford in online marketing spend, to acquire the customer. And if we simply figure that out, which we did in 2005, right, when you're at that 1.2 million in revenue level, then we could go raise venture capital all day long. Because the second you have a proven mathematical model that has inputs and outputs, it's very easy to raise capital, presuming those inputs and outputs, that x and that y, are far enough apart, and the return is good. So we had a mathematical marketing model driven by a history and track record of hitting our numbers and growing rapidly. And that enabled us to raise the capital, which enabled us to hire the team, which enabled us to put the technology, infrastructure, product in place to help us get to the 26 million in revenue in '09.

Andrew: We're talking about the model where you spend \$350 to acquire a new customer, and you end up earning \$2000 over time from that customer, over 2000, per customer. And as long as...

Interviewee: That's right.

Andrew: ...you got that model...

Interviewee: And as long as you got that figured out, we got... Yep, we figured out we got \$45 a month a customer, and they stayed around for four years. Once we knew that, just do it all day long.

Andrew: And what kind of customers are these? These are, it sounds like a lot of offline businesses, right?

Interviewee: Yeah, it's every vertical under the sun, from florists to restaurants to accounting firms, e-commerce stores. Really anybody that has, every single business in the world has a list of customers they should be keeping in touch with on a monthly or more frequent basis. And the message is getting out widely, globally, that it's \$10 a month and extremely easy to do e-mail marketing, and if you do it right, by building relationships with people who want to hear from you, you can grow your business very inexpensively.

Andrew: So let's talk about how to do that right. How can somebody who's now listening to this and saying 'you know, Ryan has a great story. I want to build my own story. I think e-mail marketing is going to be a big part of it, the way I've seen other people build their businesses.' You as a guy on the inside who's watched people use e-mail well, can you give us some ideas as to how to do it properly?

Interviewee: Absolutely. I think the number one principle is, put a sign up form on your homepage, above the fold. Collect e-mail addresses from people who want to hear from you. As frequently as often as you can, put it at the point of sale. Put it at trade shows, figure out how to get the e-mail address for your prospects. Once you get that, then simply upload that list of contacts or automatically sync it through your sign up form list, and send a newsletter that provides quality content but is about the topic that they signed up for, that is at the frequency which you said you would send it at. So, if your gardening tips...

Interviewee: ...you would send it at. So, if you're gardening tips, if you're a gardening store in New Jersey, and you have a web site, gardeningtipsnj.com, put a sign up form on your home page, get people to sign up for your monthly gardening tips newsletter, and then send them content about how to prune their rose bushes, or how to grow the best shrubbery in their neighborhood. And then send them valuable content, include product offers and discounts and coupons in those newsletters. Keep the articles short and then link to the full version on the web. Put your mail merge, first name, mail merge your info in, so the messages are personalized. Mail merge in the subject line, split test different copy, as well as different subject lines. Send it different times of the day to find out when you'll get the best opening click-through rates. Put a lot of links in your message. The biggest problem I see in e-mail newsletters, besides sending content, that people haven't asked for and don't expect, is they'll send out a beautiful message with one link at the bottom, three or four pages down. You need to have, for every 50 words you have, you need to have a link, if not every 25 words. Use picture links, use button links, use text links, and drive people toward a call for action. Be very clear and intentional about what you want people to do with your e-mail newsletter. Otherwise, why are you doing it? Are you doing it to grow sales? Are you doing it to get people to your web site? Are you doing it to spread word-of-mouth? Whatever it is you want to achieve with your newsletter, make it happen. Get people, I'll see restaurants that will send out an article on cooking, and won't even have a call to action to come into the restaurant. You need that \$10 off coupon if you're going to drive the action, which is the purpose of the e-mail. But combine that call to action with valuable content, and send it on a frequency, and send it only to people that have asked for it. And you will get great results with e-mail marketing.

Andrew: What is the right frequency for sending out e-mail?

Interviewee: It depends on the business. But for most businesses, once or twice per month is a good frequency. Now, you need to match expectations, so I've seen businesses extremely successfully send out an e-mail twice a day. No problem, because they're providing valuable content to their customers that they love. Look at Woo, look at GuiltGroup, companies that send out e-mails a couple of times a day. They announce product specials. And their customers eat that up and open it immediately, because they know there's always going to be something of value in there. So, whether it's a daily tip, or whether it's a monthly

article newsletter, or a bi-weekly video interview, stay consistent. Send it at least once a month, if not twice a month, and then work over time to build up that frequency as your relationship deepens with your customer.

Andrew: Here's a great question from Todd W. in the live chat. He's asking, 'how do you get people to the page with the e-mail sign up in the first place?'

Interviewee: Online advertising, search engine optimization, paid search, banner advertising, trade shows, promotions. It's marketing, it's advertising, you, e-mail is not a great way to get people to come, it's not a great way to do acquisition marketing. But once you've already spent the dollar to get the person to visit your web site, it's a great way to convert them into a customer, and a great way to turn that customer into a lifetime evangelizer that buys over and over and over again. So email marketing is great for retention marketing and conversion marketing. For acquisition marketing, you got to look at AdWords or affiliate programs or Organic Search Engine Optimization or article syndication or blogging or tweeting or social media or many of the other ways of acquiring visitors to a web site.

Andrew: Actually, I thought I was going to ask a different question, so I'll ask the question I was expecting from him. How do you get people to give an e-mail address, in a day where we're all flooded with e-mail, when we're a little cautious, in fact, a lot cautious about giving out our e-mail address. How can we get people to give us their e-mail addresses?

Interviewee: Provide value, provide a reason for them to do it that overcomes the inertia of that barrier to enter your e-mail address. And so many companies just have a sign up form that says, 'newsletter', or 'sign up for news'. And it's a box with a e-mail address and a submit button. You need to have a reason for people to sign up. You need to say, 'coupons, specials, discounts, promotions, valuable content, free insider content.' And that's just basic promotional copy writing skills. Don't just have the newsletter sign up form. Include the reason why, the valuable reason why, you give away your best content so that you can sell the product or you sell the service that is the true high margin item. Give away great content in order to sell the product or service that's the high margin item. And make it very clear that this is not just a normal monthly newsletter. This is something valuable that is worth their time, that is worth the risk that they're taking, putting in that e-mail into your system.

Andrew: All right, let's get back to entrepreneurship. I see that lots of people have questions about e-mail marketing. We might need to do a whole session on e-mail marketing. But for now, I want to stick with Ryan's story. And the next, actually, we talked about the wrist bands before the program started. You're wearing two wrist bands. What are they?

Interviewee: Well the green one says '100 million in 2012', and that's the revenue number that we will hit in 2012. And the white one is 'make poverty history', and that's something I've been wearing since 2005, when the sort of one-campaign came out. And it's a global movement to end extreme poverty in the developing world, and that's something very near and dear to my heart that I've been very interested in. Economic development, globalization, sustainable job creation, democratic institution building, conflict resolution. But really at the end of the day, entrepreneurship that increases per capita income in Africa and in the developing world. And I've made equity investments in start up companies in Uganda, just like I've made equity investments here in companies here in Durham. And I'm a big believer that entrepreneurship, investing in local entrepreneurs, whether they be software, energy, electricity, water, or any other field, in a developing country, not only has a great opportunity to make financial returns. But also making social returns by creating sustainable jobs in their community that will create the tax base to invest then in education, holding your government leaders accountable in health care and in creating more of a true, constituent based, democratic, high growth economy. You look at what Rwanda's doing, some of the things going on

in Uganda and Liberia, there is a lot of activity that is amazing. And I think, personally, Africa is the next tiger for economic growth after what's happened in Asia over the past 20, 30 years, after 40, 50 years. So, that's one of the reasons I invest there.

Andrew: Why do you invest and not give money away?

Interviewee: Well, when you give money away, there are many good non-governmental organizations, there are many good non-profits, especially in the humanitarian or disaster relief side, are absolutely essential for forming the basic building blocks of getting to the bottom level of mankind's last hierarchy of needs of just food, water, shelter. But in order to build long term, sustainable economic growth, you need entrepreneurs to create companies that employ people, that then pay tax revenues to a government that can then hold their government accountable. And elect their government and stay informed and stay educated and stay informed about what's going on in a society to create that long-term economic growth cycle. That's what happened in the United States and all the developing world over the past 200 years. And I think bi-lateral aid has had a lot of issues. When the World Bank gives a loan to Uganda for \$100 million, suddenly the government of Uganda is thinking about and caring about what the World Bank thinks rather than what about what their citizens think. So, I absolutely am, a big component of bi-lateral aid that's transparent and that's tracked and that goes towards its intended uses. But I think that by investing in a company in Kampala, Uganda, we will be able to create long-term job growth in a way that will create long-term effects in the circulation of money will continue. Much faster than if we give to an organization that gives out a malaria net or a mosquito net. That happens once and that might be great, but that's not solving the cause of the problem, which is low income. I mean, poverty is a lack of money at the end of the day, and if you help people sustainably grow their monthly incomes, they and their family unit can afford to invest in health care and in education in a market-based system where they're getting what they're asking for, and holding their leaders accountable. And that's the kind of sustainable economic development that I'm a fan of.

Andrew: OK, so many questions as you're talking. I wished people would have asked it before the interview. I gave them an opportunity to, but what I realize was, I did not communicate well enough before the interview started, how good a speaker you are, how exciting your story is, how much you've accomplished. I think I put some words on a piece of paper or words on a blog post and I should have probably shown some of your videos, and let people see for themselves. That's a lesson for me in the future. Guys, you're going to have other opportunities to get to know Ryan. I'm going to close with a couple of questions. First, I have to ask about the second wrist band. How much of a goal setter are you, and how does it help you?

Interviewee: Well, when I was 16, I wrote down my goals. I am a big fan of 'Think and Grow Rich', and 'How to Win Friends and Influence People', and 'Rich Dad, Poor Dad'. That's sort of the triumvirate of books that I have built a lot of my personal philosophy around entrepreneurship, and goal-driven focus that I've had over the last ten years. And so when I was 16, I wrote down my goals for the first time. I framed them. I put them in my closet where I get dressed every day. I put them in my dorm, at that point. I saw them every day. And the one I wrote down was build a company. This was 2001, when I was 16. Build a company to one million dollars in sales by the age of 21. And as you started out this call, I missed that goal. I missed it by 18 days. But I sure as heck would have missed it by 18 years, had I not written down that goal, and figured out how to align the people in my life, and the knowledges and resources I needed to bring into my world, in order to make that happen. So today, I am a big fan of writing down my goals on an annual basis, and transparently holding myself accountable to them, seeing if I hit them or not, tracking progress, and you know, we'll do 37 million,

hopefully north of 40, in revenue this year. And with the right financing partner, the right team, the right execution, we think we can get north of 100 in 2012.

Andrew: Wow. I'm actually going to cut this interview down into little pieces, and make sure that people get to see every piece of it, because every answer on its own, I think, stands as an individual program that people would want to hear. All right. Final question has to do with Think and Grow Rich. What kind of influence has it had on your life? I've told people that that's the model that I'm using here for Mixergy.

Interviewee: Yeah. Well, at the end of the day, you want to align yourself with enthusiastic people who care, and who want to make a positive impact in the world. And I think the lesson from Think and Grow Rich is you create in your life what you think about. It's the same lesson that came from The Secret. And it comes from every other help book. You create in your life what you think about, and who you align yourself with, and who you surround yourself with. So surround yourself with good, positive thinkers, who have already done what you want to achieve, and then think about how to create success. And you'll get there a lot faster.

Andrew: Well, thank you. Thanks for doing this interview. Yeah, and a few people are saying, "I'm definitely going to follow this guy. I'm definitely going to keep reading." Where can they follow you? Where can they find out more?

Interviewee: Check me out on Twitter at @ryanallis. A-L-L-I-S, book Zero to One Million: How to Build a Company into One Million Dollars in Sales, is on Amazon.com.

Andrew: And available on Kindle?

Interviewee: I don't know if it is. I'll have to check it out. And I have a new book coming out next year, Dare Mighty Things: How Social Entrepreneurs Are Changing the World. And check out RyanAllis.com for my blog. And you know the site, iContact.com, for email marketing.

Andrew: Oh, great. Well, thank you for doing the interview. Thank you all for watching. I'll see you in the comments.