

# MIXERGY

**\*RAW\* Transcript of interview with**

**Sean Harper**

Transcript underwritten by



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Andrew: Before we get started, I hope you'll celebrate with me that I've got two new great sponsors because I know they're going to be useful to you if you're building a business. The first is 99designs, they're the largest crowdsourced design company. The best way to explain what they do is to tell you that I recently used them when I needed a template design. What I did was I described, on 99designs.com, what my ideal template needed to have. Next day, I got a batch of designs, I gave them all feedback, all the designers who created it. Day after that, I got a new batch of designs, I gave them feedback again. Next day, I had a new batch of designs. I finally picked the perfect one for me and that's the one that I paid for. 99designs even let me pick the price that I paid, and you're going to be blown away by how many options you have. But if you don't like any of them, 99designs guarantees and you don't have to pay for any of them. Check out 99designs.com.

Second company is DNAmail. If you're running a business, you'd be a fool to also try to manage your own Microsoft Exchange server. I know because I was that fool taking on too much when it came to my email system. Let DNAmail take care of it, they're going to guarantee up time, they're going to give you 24/7 support. You can call up somebody in Los Angeles where I was recently living, not in foreign country, not limited to a certain number of hours. You get all the support that you need so that you can collaborate with calendars, tasks, contacts, make sure your email is dependable and so much more. If you need Google Apps, they take care of you with that, too. DNAmail.com.

Finally, you already know about Grasshopper, the virtual phone system that entrepreneurs love. I've been talking here about how I have a Grasshopper phone number so I can be reached no matter where I am in the world, so I can have extensions, so I can have all the features that I need. Grasshopper.com will do the same thing for you. Check it out. Here's the program.

Hey, everyone. It's Andrew Warner, founder of Mixergy.com, home of the ambitious upstart. Today, I've got with me Sean Harper. But before I introduce you, Sean, I see behind you, it says, "Make it, print it, pack it, ship it," where are you?

Interviewee: I am in a Kinko's. I couldn't make it back to my office in time so I talked into a Kinko's so I'd figured it would be reasonably quiet and they have Internet I can use.

Andrew: Cool. That's smart. What are you up to today, by the way?

Interviewee: I was just running around. I was actually, right now, meeting with our lawyers. Not the sexiest meeting in the world, what are you going to do?

Andrew: It has to be done. All right, so let me introduce Sean. Sean Harper is the founder of TSS-Radio.com, a website that did \$4.5 million in sales in 2008 according to Inc Magazine. By the way, Sean, I couldn't find anything more recent than that, what are your recent numbers?

Interviewee: We did about the same this year.

Andrew: So, \$4.5 million, give or take, 2009's revenues, TSS-Radio.com is a website that sells satellite radios and accessories. That's one of the things I want to find out from you of how you built up this company, how it's making its revenues. But, Sean, I've got a concern. The way that you and I met is, not a big concern, not but the way you and I met is someone in your office said, "Do you mind if Sean Harper does a guest post on your website?" I said, "Why don't I do these kinds of guest posts," but I gave it this thought for a bit and I realized what they were trying to do. They were trying to get an article of yours on Mixergy so you can get the right anchor text so it could link back to TransFS.com, which is a website that helps business owners find deals on financial services. Did I get that right?

Interviewee: Yes, that is absolutely right. That is what we do and that is what we were trying to do, to get the link text.

Andrew: You know what? I have no problem with that at all. I think if we talk openly about how you do stuff like that and we talk openly about how TSS-Radio.com did so well, my audience is going to love us. If we don't, they're going to kill us both. So, let's talk about how

you started here. TSS-Radio.com, where did the idea come from?

Interviewee: That? Both my businesses were started just because I wanted to use the product and it didn't make sense. So TSS-Radio started because my business partner in that, his name is Taylor, we're satellite radio fans. Taylor, especially, is a big Howard Stern fan; I'm more of a music guy. But we look at satellite radio and we said, "This is great, I want it in my car." Okay, we've been listening to it for a little while and the antenna on the back of Taylor's car breaks. I don't know if you've seen satellite radio, but if you have the aftermarket system, you have a little antenna that goes in the back of your car, and they break all the time.

So, we went to look to try to find and buy one. We went to Best Buy and we went to Circuit City, and actually couldn't find an antenna that was right for his car. So we said, "Well, all right, maybe we'll just start selling antennas," and that's exactly how we started. We just found out where to buy these antennas, we put up a little website, and we went from there to now, we have over 2,000 SKUs. It turns out there are lots of these little parts that people need to keep the satellite radio systems going and started to do a good business for us.

Andrew: Okay. You're a guy who worked at the Boston Consulting Group as both an associate and consultant. You've been an associate at a venture capital firm. You know business too. What was the business opportunity that you saw here?

Interviewee: I'd done some work in spare parts businesses and that's what we think of TSS-Radio as being. Think of your 7-Eleven, it's sort of a spare parts business. It sells stuff that you need right now. And the great thing about selling stuff that people need right now because they don't worry too much about how much it costs.

And the other good thing about selling a wide assortment of SKUs online is that none of the physical retailers can touch you. There's no way Best Buy can stock 2,000 SKUs in satellite radio equipment. They stock 20 maybe, they probably stock less than that now.

So it's really those two factors that let us into TSS-Radio as a business solution.

Andrew: Where did the name come from? I'm struggling with the name TSS-Radio. Not that it...

Interviewee: You don't like it? I think it's great. We were originally called The Sirius Store and we thought that was a really great name because we sold Sirius radio stuff. You can't trademark Sirius, it's a star, it's a Greek God, and it turns out though that Sirius wasn't too keen on that idea. So they asked us to change, then they asked us

again to change, and we said okay because if we don't have Sirius on our side it would've been difficult to grow the business.

Andrew: Okay, I see. So TSS is short for The Sirius Store.

Interviewee: That's right and we couldn't think of a better name, so we're like all right, we have to change the name now. Whatever it is, if we do a good job, our customers will come to recognize our name and that's what happened.

There's two sides to the story. You probably noticed the trends FS, Transparent Financial Services is not the sexiest name either. I'm just not a name guy. If the name is unique and you deliver a unique product, customers will know where to find you.

Andrew: And the reason customers knew where to find you at TSS-Radio.com even after you changed your name was because most of your customers are coming in from Google, right?

Interviewee: It's about 50-60%, depending on the month, come in from search.

Andrew: And the other?

Interviewee: 20% is repeat business, and then the remainder 30% are coming in from links from other websites where they said we have this certain product or banner ads...we sponsor some forums and blogs. One thing, and really the way we got our start, was just by talking up and helping people with their satellite radio questions on chat boards online.

Andrew: So you have somebody that answers questions on chat boards and then links...

Interviewee: Oh no, every single person in the company answers questions on chat boards.

Andrew: You answer questions on chat boards?

Interviewee: Absolutely. And my business partner, Taylor, spends lots and lots of time on chat boards. Even the shipping guys, they answer questions on chat boards.

Andrew: Really? What's the chat board that you spend a lot of time on?

Interviewee: Sirius Backstage is one, or Digital Radio Central is another one. OrbitCast is a blog, but we're active in the comments there. If it's a satellite radio related chat board or even an auto related chat board, or Sirius or XM related questions, there are TSS-Radio people there talking and answering questions. We don't throw

in any pitch for ourselves, we just answer questions.

Andrew: So 30% of your traffic is coming from those sources.

Interviewee: Yeah, from like non-search space.

Andrew: Okay. How when you changed your name, how did you ensure that all the links, or what did you do to ensure that all the links that were coming to you were still undisturbed and that the Google link wasn't going to be influenced?

Interviewee: We fumbled it to be honest. We had a pretty big hit to our business after we changed the name and we didn't do it right. Now I think if you search to find out how to do that properly, you do 301 permanent redirect from all the old DRLs. You have to get a spreadsheet of all your old DRLs and it's kind of a pain in the butt.

Then you make sure you don't lose any pages. Then you go ask everyone that did link to you, do you think you can control to change the URL. Now you can't control everyone, there are a lot of links out there. You can ask them and they'll just ignore you. That's okay, that's what the redirect is for.

Andrew: I see. And how did you guys do it?

Interviewee: We just changed the name and then we're like whoa, what happened to our search traffic? Then we sort of did it in reverse.

Andrew: How much of your business did you lose?

Interviewee: At the time search wasn't as big a thing for us, but we probably lost 20-25% almost overnight, which is not that great. Young company, you make mistakes.

Andrew: Wow. How long do you think it took to regain that?

Interviewee: A few months.

Andrew: All right. So we found out where the idea came from. What were you initially thinking the marketing was gonna be for the business?

Interviewee: You know, we really went into it thinking that we could market it entirely online and that, you know, when people have a need that it's, you know, difficult to fill, they walk into a local store and they can't find what they're looking for, that they go online. And I think we were right about that. You know, we've tried to be everywhere where people look for that stuff online and it seems to have worked.

Andrew: What specifically online were you thinking of doing? I want to get a sense of what your initial ideas were and also how they evolved as you actually launched the business and it grew.

Interviewee: Oh, that's cool. We really thought that if we went to where people were talking about the stuff online and we talked with them that it would build our business. And I think we were right to a certain point, but we totally underestimated the impact that that search would have. Like if you had asked us, 'Is search going to be half of your business?' we never would have thought that at all. It turns out that it has been.

Andrew: So you thought that just being in the chat boards and talking back and answering questions, that just being a commentor on people's blogs that that would send over traffic.

Interviewee: Absolutely. Absolutely.

Andrew: Okay. How long were you just doing that and what was the result?

Interviewee: Well, I mean, to some extent you could say that we've always done that. I mean, we're not really active in trying to gain the search system, you know. We think of search as to do search right is you make a webpage that's easy to crawl, make a website that's easy to crawl and you go out and you get links in a legitimate, fair way. You don't pay for links. You don't beg for links. You create content, you answer questions and you get legit, old school links. And that's all just part of having a conversation. That's all we've ever really done.

Andrew: Well, at what point did you figure that out and how?

Interviewee: I think we're still figuring it out. You know, we've gotten better at it and, you know, we've tried to learn as we go. But I'd say probably, maybe like 2006 -that was about a year after we started the business- we actually thought we knew what to do to get good search engine rankings.

Andrew: I see. So for about a year you were mostly answering comments on forums, you were mostly in the discussions and then somewhere towards the end of that first year of business is when you said, 'Well, search engines are going to be a good potential for traffic for us, good source.'

Interviewee: Yeah. And, you know, to some extent one drove the other. I mean, we saw more and more search traffic, I mean, to our site just inadvertently, and then we began to focus more on it as a channel.

Andrew: Okay. Have you tried anything else? Have you tried

adwords? Did you try banners? Anything else that's worked and what hasn't?

Interviewee: Yeah, absolutely. Well, adwords. So two questions. We've tried almost everything. I mean, if there's a way to get a customer to the site, we've tried it.

Andrew: Okay.

Interviewee: So we've tried adwords. So we have a big and profitable adwords campaign going always. We've bought banners on essentially all the related sites. And we've also done a lot of radio advertising on satellite radio which works out too. But if you had to rank all of our marketing efforts in terms of cost effectiveness, like from high ROI to low ROI, well, repeat customers are the best, then organic search, then, you know, links from other websites that come free -right, those all have great ROI because they're all free- and then adwords and then forum sponsorships and banner ads and then radio ads are below that.

Andrew: What's been terrible? Would you go in there now, you're looking back and saying, 'Well, that's just not worth our time and money?'

Interviewee: The one thing then in that business that didn't work at all that we had to stop doing was doing non-satellite radio ads. We had this idea that, 'Well, there are all these people that listen to regular radio, and the regular radio sucks so we could just take out radio ads and just explain to them that Sirius is better.' That didn't work, so. [inaudible]

Andrew: I see. How much money did you sink into that before you discovered...

Interviewee: Not that much, tens of thousands.

Andrew: Okay. And how did you measure how effective a radio ad is?

Interviewee: Gosh, it's really hard. It's really hard to have a real solid 'look at that.' But one thing that's important is to know when the ads are airing and so essentially if you build a chart where on one axis it's when it's time and you have little arrows when the ads aired and then you have traffic and purchases or whatever else you want to chart along the Y axis. I mean, you can see graphically the relationship. We've actually done things where we build multi-variate regressions on, you know, we have these sort of six variables that describe how much we're selling everyday and it does it with reasonably good efficiency.

Interviewee: We can explain about 80% of the variants of our sales and then if you add in the ads playing as another variable you can

actually see what the coefficient is on that regression analysis. We use that seldom.

Andrew: And you build that for yourself?

Interviewee: Yes, absolutely.

Andrew: Really? How do you know now about Series radio? How do you know if that's working, because that's national?

Interviewee: It doesn't matter to us where people are coming from, we know what time our ads play we know what time people are on website.

Andrew: I see, ok.

Interviewee: So, now they're asking me a question, it's not direct response to advertising so it's a lot harder to measure these things like brand recognition, maybe they come back to your website a year later, when they are looking for parks they remember this thing, it's a lot more complicated but if the direct response isn't at least close to being profitable we don't do it, because to count on and on that stuff that may or may not happen in the future, it doesn't seem physically sound to us, I don't know.

Andrew: Why did you focus on Series back in the day when there was X-Emesis a strong competitor?

Interviewee: I think initially we started the Series because there is less competition, we thought that Series was going to win of the two of them.

Andrew: Because of how it's done.

Interviewee: Yes, I might know their reasons, I mean, you could see the ---- but Series productivity is a lot higher now have started the business a few years into the abolition of Satellite Radio, it just looked to us that Series was going to be a lot higher, and there was less competition in the Series base, you had to make around a lot.

Andrew: I see, how long did it take you to hit the first million in revenue?

Interviewee: We've done it in the second year.

Andrew: What did that feel like?

Interviewee: You know what? We didn't pay that much attention to it, it felt good in retrospect, but we were just glad at that point that we are in business and we are making money. I'll tell you what it did really feel good, it's the customer, your 20 000 customer, your 100

000 customer or your 200 000 customer, I mean we were really thinking in terms of customers, not dollars, you know, the customers, it's nice to know you've helped out a 100 000 people find something, it's cool.

Andrew: At what point did you know, actually at what point did it become profitable?

Interviewee: You know, it depends on how you measure profit, because to incorporate the cost of capital what was invested, to incorporate the opportunity cost of the owners, and it's depending how you measure the profit. We weren't profitable in the first year, maybe we weren't profitable until our third year, the opportunity cost of the owners' labor is a pretty important variable.

Andrew: Because you're saying that you didn't take a salary for a real long time, a real salary.

Interviewee: That's right.

Andrew: How much did you invest in the business?

Interviewee: So, we reinvested all the earnings, basically for the first four years.

Andrew: But the initial capital?

Interviewee: We didn't have any outside capital, just a few thousands approximately.

Andrew: Alright, I see, did you have to buy all the parks yourself when you started?

Interviewee: We didn't have to, we had a lot of competitors that were direct shipping but we started that way a little bit, we really wanted to control the customer experience so over time we've stocked everything that we sold. So, maybe that's not pretty expensive proposition to keep that much inventory.

Andrew: Why? Why did you decide to stock for yourself?

Interviewee: This is easier to control the customer experience, if all you can tell your customer is "Oh yes, we set that order to the warehouse, they're going to ship it sometime today or tomorrow" well that's not good enough for the customer, you are able to tell them that "I physically saw placed to the box it's going out today and you will definitely have it tomorrow", you know, that is what our customers are looking for, they want to know what they get apart.

Andrew: What was your first office like?

Interviewee: It was my business partner studio apartment, and then we moved the business to Chicago, we've been running it virtually from Los Angeles and Boston. We moved it to Chicago and rented a... you can call it a warehouse, an office space, a place to business, side on seen and we showed up and it was in a good neighborhood, it's in Bactal, which is a good neighborhood here in Chicago ---- but it was like in the worst block in the neighborhood directly across the street from a housing project and it was scary, we've had hundreds of thousands of dollars of inventory just stacked up, piled in this sort of croppy little store front doors.

Interviewee: ...we're just hoping that we don't get robbed. We didn't get robbed, so it was good.

Andrew: What did you do to keep from getting robbed?

Interviewee: We just, we really tried not to open the front doors, no-one knew that there was anything in there...

Andrew: Uh-huh.

Interviewee: We'd just go in and out the back door, and we had a security system, and we, we had, you know, a good lock on the door, but mostly we just tried to keep a really low profile. Then we moved the business a year later to a nicer, a nicer location.

Andrew: What point did you know you had a hit, that this was working out?

Interviewee: I think when people started to talk about it, you know, when, and this is true of the new business too, of TransFS, when you... it's one thing to tell somebody, is though, as the founder and owner of a business, about your value proposition and have them believe you, I mean I could probably convince you of, of the value proposition quickly, you know, it's a good value prop and I'm very, very passionate about it but once somebody else is convincing somebody to go to your website or to use your service, that's when you know you have something, that you have a good product, because they're not bringing the same passion, they're not selling it, they're just, they're at that point you know it's replicable and it'll sort of go viral, at least a little bit.

Andrew: You know, I'm thinking of the way I said "wow" when I, when I heard the business was started in your partner's studio apartment, and I'm wondering why did that shock me so much? For a new company to be in a studio apartment's pretty normal!

Interviewee: Where else are you going to start it?

Andrew: But I think part of it is that there's actual inventory here, and when there's actual inventory it's hard to keep it in an apartment! As it is, if you're running a business from your

apartment, even if the whole thing is working, if it's off a laptop you feel crowded in by it, you feel like it's always there, but if you have antennas in the apartment, and you have, I don't know what else would be coming in, checks may be coming in from customers, it would just, it just would feel tinier.

Interviewee: It was tiny, and Taylor was going crazy living there, and to be honest it was sort of a coachhouse behind a bigger house in the suburbs in LA, and there was a backyard inbetween the coachhouse and the other house. And when we had a lot of product he would actually store it on the lot in the backyard, so we're at CES in LA, sorry, in Las Vegas, and we're sitting there thinking, "Wow, we left inventory out on the lawn, I hope it doesn't rain," because... fortunately it's LA, it doesn't rain that often.

Andrew: Alright, so you're working with the Boston Consulting Group, you-- I see here on your resumé two different venture capital firms, one of them actually didn't end up making much money so you didn't spend much time with them, but you spend time with these big companies. What makes you at the end of that say, "I'm going to go launch a business that's gonna be out of this guy's little tiny home where we might have to store stuff on a lawn," why do that?

Interviewee: Why not? It's a lot more fun, I think you're working in, in venture capital, one of the things that it instills-- I mean, you get to see up close people starting businesses, and the success that they've had, and I think one of the good and bad things about it is you see most of these businesses after they've already made it, to a certain extent, and you look at it and ... "Wow, I'd really like to be that guy, who's getting funded, who's getting all this money, who has a successful business," and you just sort of begin to think that every business is like that. And so maybe it was sort of stupid, but it was like, "Wow, if these guys can do it, I can do it," not having any idea how difficult it is, it's really hard.

Andrew: Well now that you've looked back it's really hard, but do you feel that, well, doesn't it feel more accessible now? I feel like you're justified a little bit to say, to look at all these other guys who are running businesses, to look at them and say, "well if they can do it I can do it," and you went out there and you did it! Maybe not to the extent of Facebook or Twitter, but we don't even know what extent they've hit.

Interviewee: I feel good about what we've done. I feel also that being, you know, sort of in the earlier stages of starting the second business that it does get easier. You see these guys who've done it five, six times and it gets really easy for them to do it. I mean, easy is relative, right?

Andrew: Alright, let's talk about the new business here. New

business is called TransFS, where'd you come up with that name?

Interviewee: Well, the name of the business is Transparent Financial Services,

Andrew: Uh-huh.

Interviewee: And I can't get the guy who owns transparent.com or transparent.net to sell me the domain name, so transfs.com is what it is.

Andrew: And again it doesn't matter, because most people are going to be coming in from a link, or no. Actually, does it matter? You said earlier it doesn't, but you're buying radio ads, you don't know where this brand's gonna go.

Interviewee: Yeah, it may, it may. I mean, we have an ongoing debate about it. And my bias is towards--and there are other people within the company who would say exactly opposite, that you need a premier domain name. And you look at a company like Mits for example...

Interviewee: ...a lot of his initial resources and actually gave a lot of equity for the domain name event and it turned out really well for him. At least to this point I've tried to buck the trend a little bit and say you know what, the people are going to go type in "Transparent" or "Transparent Financial Services" into their browser. They may actually be typing it into a search engine. Anyway, they'll find us one way or another if they have it in their head that we're what they're looking for, they'll find us online.

Andrew: Alright, you launch a business in 2008. What was the vision for it back then?

Interviewee: You know, the vision behind this is really simple. When I was running TSS radio, we got irritated consistently with trying to buy our financial services. In particular, credit card processing really pissed us off, it was a big, big expense for us. It was always more difficult to shop for than we thought it should be. The salespeople who were selling it were never on our side, they're brokers that work for the financial services companies. And so we just said, well, you know, there's got to be a better way to do this. And so we began to think about what paradigms make it easier to shop for stuff and you know, a good one that's right in front of us all the time is comparison shopping. It's how we buy our airplane tickets, it's how we buy our mortgages to a certain extent. People love to comparison shop. We like to price compare, we want to know that we're getting a good deal. That's what we've done.

Andrew: And this is a good deal on just credit card processing. Is what you were thinking of just merchant services?

Interviewee: Yeah, well, ultimately we're gonna be the place where every business goes to shop for every financial service and know that they're getting a good deal, know that they're not getting ripped off and really do a deep and honest comparison between the price, reputation, features, et cetera. Everything that you care about between each of the service providers, which is hard to do. I mean, if you want to do that now, you have to get out a spreadsheet, make a bunch of phone calls, and do this analysis. It's just time consuming and no one has that kind of time. So, we'll just have a computer do it and save everyone a lot of time.

Andrew: Fair to say that this is like a "Lower My Bills" but for businesses instead of consumers?

Interviewee: We call it "bill shrink for business". I mean, there's a big difference between, and I don't know if Peter's cool with that or not, but the "Lower My Bills" is different. It's just a list of affiliate programs basically. It doesn't really go deep into helping you make the decision about which product is better for you and what the trade-offs are. "Bill Shrink" does a really good job of that on the consumer side and we do a really good job at that on the business side.

Andrew: How much of this was influenced by "Bill Shrink"? Was "Bill Shrink" around in 2008? I think they were just getting going, weren't they?

Interviewee: We were founded around the same time as "Bill Shrink" so it's like, it wasn't like we were based on "Bill Shrink", but we just sort of see that "Bill Shrink" is doing the same thing we do, they have a better brand-name than we do, so we just, we're like them but smaller.

Andrew: Why did you decide to bootstrap this business using profits from the previous company instead of going out and raising money?

Interviewee: That's a really good question. I mean, I think to some extent, every business is bootstrapped. You know, you're bootstrapped up to a certain point. Raising money isn't easy at all, so you either bootstrap up to the point where you - everyone bootstraps up to the point where they raise money, which for some businesses is never. So, will we ever raise capital for this business? Yeah, probably we will, but at least up until now we've focused on building a product. We've had enough resources to do that and we haven't, we haven't needed outside money, fortunately.

Andrew: Are you guys profitable now?

Interviewee: Well, it depends on how you measure it. But, no, I mean, not really.

Andrew: Not taking in your salaries into account?

Interviewee: No, actually, it doesn't depend how you measure it, this business is nowhere near profitable. But we think it will be quite profitable eventually.

Andrew: Now, you get a cut of every, every deal that you make, right? Every time you introduce a customer to one of these financial services companies, they pay you, right?

Interviewee: Absolutely.

Andrew: How do you keep it honest?

Interviewee: We charge them all the same thing and we force them follow what we call the "Trans FS" guarantee. So they have to follow a certain set of rules of good, I guess, behavior, basically. They can't have things like cancellation fees, they can't change the deal after they offer it to you. If they do any of those things, they're subject to financial penalties from us and we kick them off the system. We cut them off of new business, which they really don't like. They like the stream of business that we give them. But yeah, I mean, we get it quite frequently, they actually ask to bribe us. We say, well this is, you know, we charge a really, really thin slice. We charge five basis points, which is way less than any of their other sales channels do and our deal with them is, "listen, we'll charge you a lot less to send you customers than it costs you any other way to get customers. But you have to pass the savings on to the customers." And they do that. We get this response all the time...

Interviewee: ...we get this response all the time, "Well couldn't you just put us first on the list and we'll pay you 20 basis points?" Almost every processor asks us that and the answer is always no because eventually it would come out, it would be a big scandal, our customers would hate us, and doing a business like this is hard enough when your customers actually like you.

Andrew: And is this a one-time fee or do you get a cut of each transaction going forward?

Interviewee: We get an ongoing revenue share from the customers that we deliver. The good thing about that is that it aligns our incentives. If the customer doesn't keep having a good experience then we get cut off, we don't make any money. The bad thing about it is that if we were taking all of that money or some amount of that money up front, it would be a lot more capital efficient to scale the business. We think this way is ultimately a little bit more honest to the customer and that's why we do it that way.

Andrew: What other areas are there for you guys to go into?

Interviewee: Any financial product that a business uses to run itself. So I think probably next we'll do payroll services. It's not quite as complicated as credit card processing but it is something that every business needs. And there are real differences between the providers. After that on the roadmap is 401K plans, which are very complicated and hard to choose between. And then we'll probably find ourselves in some form of insurance contract like a general business owner's liability contract. Almost every business needs them, it's sort of a commodity, yet they're really hard to compare in the status quo.

Andrew: I was going to say, I think in many cases the insurance contracts come in from a referral, from the bank that you work with, from your broker I guess, or your accountant, right?

Interviewee: Absolutely and we're not trying to cut out referrals. Maybe you got a great referral from somebody you trust and you just want to sanity check it.

Andrew: I see. So how do you get customers to this business?

Interviewee: It's exactly the same roadmap. We talk it up online, we write useful content, we do some ad words, we buy some banner ads. We count essentially on really high referral rate because we do give a good value to our customers; they save a ton of money when they use us. And we just sort of want grow it organically online like that. You won't see us buying billboards or television ads or doing any of that silly stuff -- not that we could afford it anyway.

Andrew: I get emails from a lot of people saying they want to write guest posts. They clearly don't look at the site before they send out these emails. They just say, "Hey, they've got a good PR rank, Google likes them, let's do it." I'm always wondering... I always say no to these guys. I said yes to you because you actually have an interesting track record, an interesting story, I was able to look up on inc magazine and know that you were legitimate. Let them do the research and now I can just come in and find out how you got to the numbers that you showed them. So what I'm wondering is, how effective is that when you're sending out emails asking for articles?

Interviewee: I think it depends on what you're saying. It's been pretty effective for us. We have a lot of good stuff that we can write about and we're always looking for new places to write about it. One article that we do really well with is, we have five steps to not getting jacked on your credit card processing. It's actually a pretty useful article. If we can get that in front of more people, I think it does serve people pretty well.

Andrew: So you already have a collection of articles that you've written that you know do really well and when you solicit bloggers to

give you opportunities to write for them, you just pull out one of these articles and send it over? You don't have to write something from scratch?

Interviewee: We write them all from scratch, but they're not totally unique. I can send you offline a few examples. We have a message, we have a script, we sort of have things that we tell people over and over again whether we're doing it online or whether I'm just talking to you face-to-face. It's not exactly the same thing if I'm talking to you versus somebody else. But, it's sort of the same message; it's not that different. I think there are really... We haven't really figured out how this marketing strategy works yet, of getting folks to link to you by giving them content or by writing articles on them. I think that the more unique you are, the more you can make it really tailored to their audience and write something that's unique, the more it really appeals to them. On the other hand it's also more expensive.

Andrew: Okay so what are the costs involved with this? Do you have somebody who's on your staff who does this part time? Do you hire someone to just solicit?

Interviewee : No, we don't have anyone that doesn't I mean, personally when I see a website that I read, if I think I can put something in ill just ask if I can write an article. You know. It depends. I think Stella, who is one of our employees. She is the one who contacted you. And I actually don't know if shes ever watched one of your interviews before or not.

Andrew : My guess is probably not based on the email. But I also, I'm not putting her down for it and i'm not saying this stinks. I just wanna learn from it, and have to say that Stella was way better than anyone else who had sent me emails like that. I followed up and said "I don't do this stuff", and she said "Oh well" and she had a great response. I forget what it was, But she had a response that really just got me and my immediate answer to her response was "All right lets book him. Lets find out about this guy."

Interviewee : Right on, cool! I will pass that along. Stella is very talented. She sort of one of these, graduated from college last year, has a ton of hustle, really believes in our value proposition, and she is sort of a jack of all trades at our very small company. And that's just one of the things she does, she tries to promote our company online where she can.

Andrew : So she might be looking around to see who's blogging in this area, whose reaching the business audience and then she emails them and says "Hey, do you want an article from my CEO. The CEO has a great background. He can put something together that makes sense for you"..and then if she gets a hit, you do it or you take some of your old stuff and somebody re-purposes it?

Interviewee : Yeah basically, and we certainly don't, I mean, there are folks who have done way better with the strategy than we have and they have it really, really down to a process, and I think its a very cost effective way to market yourself if you do it right.

Andrew : Who does it well?

Interviewee : You know I actually don't have a good example for that one off the top of my head.

Andrew : Well lets point that question to the audience, if anyone out there knows somebody who does this well I'd love to interview them I'd love to find out how they are doing this well, bring them on here and I bet the rest of us could learn from that. Alright I have a list of questions here, not that long a list this time, that I wrote down as you were talking earlier that I didn't get a chance to ask you. The satellite radio business, what's the gross margins on that, or what's the net margins actually?

Interviewee : That margins at, well I wont tell you what that margins are for us but if you look at other sort of physical product e-commerce businesses like Blue Nile or Amazon that are publicly traded, I think if you're doing well in a business like that you could be making 10 percent 15 percent gross margins. We do a little bit better than that maybe. It depends on the month and depends on the year.

Andrew : Ok . Whats next

Interviewee : Oh I'm gonna keep making Trans F S big. And keep TS's radio going, you know and maybe we'll add a third business in here somewhere.

Andrew : Do you take money out of the business on an annual basis?

Interviewee : Well, (laughs) I put money into the business on a daily basis.

Andrew : Into Trans F S? Really ? Why does it take so much?

Interviewee : Well we've built a very complicated product that reverse engineers the pricing rules of the credit card processing industry. And that's not easy and we also wrapped it in a pretty solid UI. I think If you want to build a product that's really good, it does take money and you need to do it before the customers are there because the customers won't come until the product is good, so fundamentally.....(Andrew : interrupts)

Andrew : Business is up and running now. The website does look beautiful, and the process is in place. Why do you need to spend more money on it? Where does the money go ?

Interviewee : Well historically its gone mostly to product development and now its switching a little bit more towards marketing.

Andrew : I see . Ok. All right. Anything you want to leave us with? I've been asking a lot of really personal questions here, thank you for answering them.

Interviewee : (laughs ) I'm an open book I am .

Andrew : You are ! Why are you an open book? You're not in a business where you get a lot of benefit, do you, for being this open?

Interviewee : It's not really a tactical thing its just sort of how I am. I'm not really good at hiding information. I don't like to be cagey. I think its a lot more fun when everyone is honest with each other.

Andrew : So, your employees at the company, they know the sales from month to month, the profits even?

Interviewee : Yeah absolutely!

Andrew : Both numbers? They get them every month they know where you guys stand?

Interviewee : That's a good question, you know actually in both businesses they are available on internal intranets.

Andrew : Really?

Interviewee : So I don't know how often they check them, to be honest I have no idea . I'm sure some of our employees just don't care care, just as long as we're still in business. And they trust us to keep paychecks and keep making it a good place to work. I think some people are satisfied.

Interviewee: ...some people aren't satisfied. But yeah, I don't think there's any harm in showing that kind of information.

Andrew: What about concern that they might copy the business or concern that they might go to a competitor with these numbers and work for them?

Interviewee: Well I, first of all, our competitors probably could make pretty good guesses. I mean if your business is very similar to your competitors, their numbers probably look pretty similar to your numbers. I don't think there's a whole of secret stuff there. If you sit down with a spreadsheet, make some good assumptions, you can

usually figure out how profitable your competitors are within a margin of error. You know, I think, we have non competes with our employees to the extent that they're enforceable. That's a good thing to have with your employees you know. You know, I, we just try to make it a good place to work. If they want to leave and start another business go for it. It's really really really hard, you know [laughing] good luck [laughing]. I don't know...

Andrew: Alright...

Interviewee: Probably, I probably didn't think about it as much as some people do but we just are a lot more comfortable being open.

Andrew: And how has it impacted the business to share this, these kinds of numbers and to be that open with people?

Interviewee: That's a really good question. I don't know. I think that like when you're promoting the business to other people they can tell that you're open and honest and it makes a difference. You know, especially in Trans-fs where we're bringing you know, I think, sort of an uncommon amount of honesty and transparency to a product that's historically been sort of secretive and shady. It's important that people understand that you're fundamentally an honest person, if in fact you are. I do think it makes it a better place to work when everyone's being honest and straight forward. In terms of actually being able to quantify that though, I have no idea. It could be that all this just feels good to me and it actually is no benefit at all.

Andrew: That's pretty honest. I know that I would rather work in an environment like that. It always feels weird when there are two or three people in the know in a company and the rest of you aren't and as soon as they have real conversations they shut the door and you sit there on the outside feeling like very clearly you are not part of the in group.

Interviewee: Yeah, it's when people start to worry. It's like, "Oh, is there something going on? Are we in danger?" You know, I don't know, everyone gets stressed out, that's no way to be.

Andrew: Well, thanks for being this open here on Mixergy . Thanks for doing the interview with me. Is there any kind of anchor text that you want me to use when I link to you. I'll give you any anchor text you want ...

Interviewee: I'll take it, we the the ...

Andrew: as long as it doesn't include Viagra, which I know it wouldn't.

[laughing]

Interviewee: is credit card processing.

Andrew: Credit Card processing and link over to Trans-fs with that.

Interviewee: That's right.

Andrew: Okay, alright. If you guys want anymore you can just email me and I'll take care of it.

Interviewee: Right on.

Andrew: Thank you very much. Alright I appreciate it, great meeting you, it'll be up on the site soon. Guys thank you all for watching. If there's anything in here that you've seen me be curious about and you're doing it, like maybe you're using blog posts well or you're getting somebody to write blog posts and solicit places to put them, let me know. I want to meet as many people as I can who are doing smart things on the internet. I want to learn as much as I can about it. Alright, Sean thank you, thanks for doing the interview. Guys thanks for watching. I'll see you in the comments.