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[music]

Andrew: This course is about how to find and choose your business. The course is led by... Let's bring her up here on the screen, Erica Douglas. She is the founder... Hey Erica.

Erica: [laughs] Hello.

Andrew: ...of this company. She's the founder of Whoosh Traffic, which helps you rank for specific keywords in Google search results. She is also a blogger who blogs at Erica.biz, and as you'll see later on, she had a hit company which she sold a few years ago. We'll talk about that as the program unfolds.

I'm Andrew Warner, founder of Mixergy.com, where proven founders teach, and I'm going to help facilitate. And what I'll be facilitating is a course that includes all of these points that are coming up, and I want to call your attention to a few of them here because I think it's important that you spend special attention on these.

So one of the points is that we're going to talk about how to find a certain kind of passion. Everyone tells you passion is what you need to look for when you're looking for a business. Listen to what Erica says. It's a certain kind that you want, and I think once you understand that, you'll see why it makes all the difference.

We're also going to talk to you about how to figure out people's problems. The ones that will really make it worth your while to solve, and I'm putting x's in these points because I don't want you to skip ahead, I want you to pay attention to all of it and make sure that you pay special attention to this when we get to it, so I'm not revealing it just yet.

And then the last point that I want to call your attention to is, the kind of customers that you want and what you need to do before you even start building. It is critical... I talked to Erica about this before we even got started and, boy, you should have seen how fired up she was about it, so I'm going to call your attention to it and make sure that you pay attention to it when we get to that section.

All right. So those are the big points. What we want to see is what is possible and so, Erica, we're going to start off with this point right here, with what's possible, and I think we should start off with that story that you told me just before we hit record, about how you applied for a job and you didn't get it. What happened there?

Erica: All right. So let's set the scene a little a bit, first.

Andrew: OK.

Erica: This was 2001. It may not be easy to remember it today, but back in 2001, Silicon Valley was an absolutely disaster. Companies were going bankrupt. Nobody was hiring. People were graduating with computer science degrees and they couldn't find jobs. There was a large portion of the mainstream media that was convinced that the Internet was a fad, that it had run its course, that the Internet was a waste of time...

Andrew: Right.

Erica: ...and here was an Internet developer, and I wasn't able to find any work basically. [laughs] So I was working in a job I hated and I really used most of my time in that job to send out... Faxing resumes to other companies and of course I faxed everybody in the Valley. I was working in San Francisco at the time, so I faxed all the names that you would know today. I hit up Google and everybody else and said, "Please give me a job. I'm a great developer and I can write PHP code," which at the time, PHP was an amazing language and I also knew Perl, Javascript, HTML-- all that great stuff.

Andrew: Mm-hmm.

Erica: So I went for a job as a web developer. Eventually, I was on Slashdoc and I was pretty well-known there as a user named, Slash Chic, a long time ago. And I found a guy who lived in St. Jose and he introduced me to his hiring manager at their company and they were hiring PHP programmers, and I thought, "Great. I can ace this. This is awesome." So I went in for an interview and the hiring manager told me, very bluntly, "Well, look, we would have never hired you based on your

resume, but I'm interviewing you because this guy, your friend, vouched for you and he works here and so we'll give you a shot."

So they stuck me in the conference room... And picture this conference room with a whiteboard on one end and a conference table filled with old, white guys, [laughs] and here I am, and I'm like 20 years old and this young girl, and they said, "All right, Erica. Go ahead and write out some PHP code on the whiteboard." And they gave me specific instructions. So they gave me a type of shopping cart that they wanted me to write out on a whiteboard and start coding. And so, I grabbed a pen and I went for it and put up the MySQL database on the board. I showed the database structure. I said, "Well, you probably want your customers in this table and your prices over here, and to do this, you'd set up a left join..." and then I started writing the code and I was able to code it flawlessly.

Little did I know, that they had interviewed something like 17 people for the position, including some pretty well qualified PHP coders and nobody had been able to write out the code...

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Interviewee: ...nobody had been able to write out the code without using a reference. Fortunately for me, I had been working on a business on the side and I had coded basically the exactly same thing the night before, so I was fortunate in that I was able to do almost the entire thing from memory.

I was able to write out an entire script in the exact way that they wanted. I looked back after - I'm standing there on the light board frantically scribbling code, and I turn around and I look at the audience, and these guys are all sitting there like... They had no idea. They totally thought they were going to bamboozle me with this. I was so excited.

They asked me what I wanted to do and I said, "I really want to start my own business. But you know what? I want a job because I want to hone my skills in PHP programming." So, I went home very excited, thought I was going to get the job. Low and behold the hiring manager called me a few days later and said, "I'm sorry, you didn't get the job." I said, "Oh, man".

Andrew: You didn't get the job after doing the code up on a blackboard, which I can't imagine on a light board how tough that would be, you still don't end up getting the job?

Interviewee: Right, exactly. It was so frustrating. You have to understand, this job paid something like \$72,000 a year, which to me might as well have been \$1 million a year. It was way more than I had been making before. It seemed like it would solve all of my problems to have that much money, \$72,000 a year. Oh, my gosh, I could finally afford to live in my own apartment.

It was just devastating to go through it and then be told I didn't get the job. So, I went back to the hiring manager, and I said, "Well, why didn't I get the job?" He said, "Well, we knew that you were going to go off and start your own business later, and so we weren't going to give you the job because we just knew you were going to run off after some time and start your own business." I'm sitting there like, "No, I really need the money."

So, anyway, that's what happened. I have to say, getting a job is a really difficult thing. I'm impressed by anybody who can send in a resume and get a job because I've certainly never been able to do that, just submitting resumes and getting an interview and a phone call. So, I started my own business. What other choice did I have?

Andrew: I kind of hinted at where that business went. Can you tell the audience what you sold the business for? I've got it here on my screen, but I don't want to reveal it if you don't feel comfortable.

Interviewee: Well, I started it back then in 2001, and I sold it in 2007 for \$1.1 million.

Andrew: In cash or shares in a company?

Interviewee: This was not shares. This was an asset purchase agreement, and it was paid over a number of years. So, that's how it worked. The guy who bought it, I'm proud to say, managed to pay off every last penny. I'm very, very pleased with that.

Andrew: All right, congratulations. We'll show that webpage from Archive.org, which keeps a record of every page we ever made, it feels like. We'll show it and we'll talk about it as the program continues. So, why don't we go back to the board? People are excited that you went from there to

here and that you were able to sell it.

But I know my audience, and my audience, as great as they feel about what you're able to do, they think, "Well, great for her. What about me?" Which is a valid point. I think that's the way you need to be if you're coming into these programs. Keep saying, "What about me? How much can I get out of these programs for myself?"

That's the way you, as an audience member, needs to be, or else we're not going to be able to deliver the value for you. You have to come in here looking for it and I'm going to fight for it, for you to get it. All right. Let's go back to the big board. The first big point is, you want us to look for passionate disgust. Passionate disgust, what are you and/or other people frustrated about? That's what you want us to look for as the basis of our business.

Why not, by the way, just passion? Why not say, "Hey, what do you feel like doing? What is it that you always loved to do? What is it that you would do even if nobody paid you?" Why don't you start us off with that? Why are you saying, "Look for passionate disgust"?

Interviewee: I freaking hate that statement...

Andrew: You do?

Interviewee: ...look for your passion or find your passion.

Andrew: Why?

Interviewee: It's because most people's passions aren't really relevant to actually what people will pay for. You really have to find that intersection of what you're passionate about and what people will actually pay for. I've written about this on my blog a lot, and every time I write about it, I find somebody who says, "Oh! I got that ah-hah moment! I get it! Watching reality TV is not going to make me a millionaire."

Hey, I am the biggest reality TV fan in the world. I am a junkie. I have all of them taped, and I am embarrassed to admit, but I even watch the really stupid ones. But it does not pay the bills. It's just something I do for fun. So, I always coach people to look at where their passion intersects with what people are actually buying online.

If you like gardening, for instance, there may be a market for people who might buy a book on gardening. But there probably isn't necessarily a market for just setting stuff out in your garden and growing flowers and taking pictures.

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Interviewee

...setting stuff out in your garden and growing flowers and taking pictures of them, which is what some people like to do and that's OK. It's trying to find out what people are actually paying for online.

Andrew Warner

Let's talk about your experience. What were you working on before when you discovered this business that you sold? It was a company called BestShareware.com.

What was Best Shareware and then how did that lead you to finding the passion and that resulted in this business that you sold for \$1.1 million that you said earlier?

Interviewee

So in 1997 I registered the domain TheBestShareware.com. I don't have that site anymore so I don't know what's on there these days. Probably just a [??] page or something. And I started this site basically allowing people to download software online.

So shareware is basically software that you can try out for 30 days and then buy. And I liked writing product reviews of various shareware that I used and I was very passionate about spreading the word about the best text editor or whatever it was that I had found for that day out there. And so I started writing product reviews and putting products online.

And it was kind of cool. In 1997 I was 16 years old so when I was able to get a free copy of a \$30 text editor for writing a review of it and posting it on my site, that was really freaking cool. And I was pretty stoked about it.

Andrew Warner

You get free software just for reviewing it? I understand the benefit to the guy who makes the software. He gets you linking to it and talking about it.

What about you, beyond getting software, were you making any money off of this? Was there an affiliate component to this? Anything like that?

Interviewee

There were some parts that allowed you to make commission but I didn't have a whole lot of traffic so I get \$5 or \$10 here and there but it wasn't really that much.

I did have ads on the site and actually oddly enough one of the ads that worked really well was for a dating site. It was called One and Only Internet Personals.

Andrew Warner

I remember that. They had this big affiliate program. Everyone was running One and Only and making money off of that.

Interviewee

I was too. They did send me a check every month and it varied between \$15 and \$40 a month but for me it was free lunch money. I was going to say beer money but then I realized I wasn't 21 at that point.

Andrew Warner

All right. So you had a site and you were loving what you did. That wasn't leading to the big money.

A disgust that you had lead to it. What was the disgust? What were you disgusted by?

So far everything sounds for a teenager to run a business like this.

What were you disgusted by? What happened?

Interviewer

All right. So I wanted to make this company big. I really admire the guy who ran or is still running actually Anantech [??]. I probably butchered his name and for that I apologize but back in the day he basically was my agent running this huge hardware focus website and I really wanted to do something like that.

And I was determined to make the best shareware, a site with that much traffic and that many product reviews but for software because I saw the niche that was available and I really wanted to do that. So I set it up and I put it on my hosting company and they promptly shut me down. And they said 'I'm sorry. You can't host software downloads' and I thought 'Oh, no'.

Remember, I'm making like \$15 to \$40 a month. So I was paying like \$15 or \$20 for hosting and so that site shut me down so I went to another one and this time I got smart about it. I emailed them and said can you do this? and they said No. So ended up putting my awesome 486 desktop in a collocation facility with a company that I will not name because of the story that's about to be told about them. I don't think they're still in business. If they are, hopefully they sorted their stuff out by now.

But I put it in a collocation facility and they were really cheap. I searched around for hours for the cheapest collocation and they charged me something like under \$100 the first month. I don't remember what it was but I could afford it so it was definitely under \$100 a month.

And so I put my awesome 486 in there and I installed Redhot, was it Redhot? Something, some Linux. I think it was RedHot.

Andrew Warner

I think it was RedHot at the time.

Interviewee

Anyway, I set up a [??] server on it and got everything working. And promptly they ran off with my server and I can't believe this story. This is one of those things that you can't make out because it's too ridiculous to even make up. Nobody would believe you.

The guy who was running the collocation company, I became sort of friends with him. After I called several times and he helped me out with some Linux commands and whatnot when everything was crashing. And he was running the company and he and his wife got into a spat and she became his ex-wife and she grabbed his keys to the data center. Like I said, you can not make this stuff up. She grabbed his key to the data center, went in there and took down all or most of the servers, whatever would fit in the back of her truck and put them in the back of her truck in the middle of the night and drove off with them.

And my site was down. And I was done at that point.

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Female Speaker: And my site was down and I was done at that point. And that was somewhere around 2000, so.

Andrew Warner: Okay. So you get hosted by someone else who runs your computer, and they shut you down because you're allowing your users, your readers, to download software. They say, no way, we're not allowing that.

Female Speaker: Right.

Andrew Warner: So you say, alright fine I'm going to put my own system. I'll co-locate it, I'll put it in, I'll install it, I'll run it, I'll do the whole thing. You do that and, boom, somebody disappears with it. That would frustrate me. Both of those things of course are, no way. Most people at that point would say, the world is against me. Or they would say, I can't start a business because I don't know, there's too much crime in this country, I've got bad luck. You didn't say that. You said I see an opportunity in this frustration. And what was the opportunity that you discovered? I'm waiting here to show your home page here, I've got it all loaded up. What was this, what did you see, what was the discussion and what was the opportunity?

Female Speaker: So by that point I graduated high school. I immediately moved to Silicone Valley and I got a job at a company called Cobalt Networks, which made little blue web servers. And they were awesome little rack and cube servers. I think we have a picture of those at some point. So we'll get to those later. So I was working there and we sold those rack servers, so I was really excited and I decided I might be able to. Well, that might come a little bit later. But eventually I was like, oh wait, I can put one of these online and run my own website on it. So that's where I was at that point. And I put one online at a, actually I think I started hosting it off my DSL. I had Speakeasy so they allowed us to run web servers on it, and so I just hosted it off my DSL at home. And the downloads were very slow for other people.

Andrew: So basically what you did was, in fact here let me show the screen. I got it up on my computer, I've got to show it. Alright, this is what I found before we started on the way back machine at archive.org which keeps a copy of just about every website apparently. And this is what your website looked like back in 2003, this is the service that you were selling. You were going to host people's websites. You said I'm disgusted that all these hosts will either take your data and be undependable, or they'll shut you down if you want to serve up software. What's the big deal? And this is what you came up with.

Female speaker: Exactly.

Andrew: Okay. And your point here is, this is the way to start a business. To look for that frustration. If you're being frustrated like this chances are other people are being frustrated like this. And all those people who are frustrated are easy customers because they are hungry to buy a better solution.

Female speaker: Exactly.

Andrew: Okay. So no passion but passionate disgust.

Female speaker: What do you hate in this world and you think you could do it better? That's where you want to start the business. As long as it's, of course that hate still has to intersect with something that people are actually paying for.

Andrew: Oh wait, hold on. We're going to get to all those things, let's not. So that's the first thing. You say, look in the world. See where people are disgusted, see what's frustrating you and what's frustrating somebody else. Forget about your passion, we'll get back to passion in a moment. But that's the main idea here, right?

Female speaker: Yeah.

Andrew: Alright, let's go back to the big board here. Next thing you say is, you want to ask around and see if it's a complaint or problem that you can solve. Or ask yourself actually I should say, if it's a complaint that you should solve? Tell me about this.

Female speaker: Ahhh, so this is where I started working at Cobalt Networks. And I love this story, this is another one you can't make up. So they used to throw servers away when they had a problem. And it wasn't, it didn't seem to be worth their time as a venture backed company going for a billion dollar exit, which they got, to fix servers that had something wrong with them. So they didn't have any sort of test process. If a customer sent back a server it basically sat in a pile and eventually either if it wasn't obvious what the problem was, they just threw it away. I went in and picked up all the servers that they had thrown away. And I dumpster dove and then I got the parts either online, mail order or since I was in the Bay area there were a local of local, they called them greyware computer shops, that would sell RAM that kinda worked or hard drives that were abused or whatever. And I would throw stuff in the server and I would sell it on Ebay. And I would sell it as is. So I would basically say, here's a Cobalt server, and I'd describe it as is and I would use their test lab, Cobalt had a test lab in the office, to put the server with the latest version of the Cobalt software. So a lot of them had software upgrades from what they had originally come with, and then I would throw it on Ebay. And I was making more money doing that than I was at the actual job that I had at Cobalt. So I was making, at a minimum I was making 12, 15 hundred dollars a month. And at maximum I sold one of them I think for like 2,250. So that was a pretty good haul. And this was great for me. And so the CEO came by my cubicle one day and said, we tracked down a rogue Ebay account that seems to be selling our servers, and it looks like it tracks back to this office. And we tracked it back to you. And I said, oh no am I in trouble. And he said, well we're not going to fire you but we need you to stop doing that immediately. So I was like, I said, oh okay.

So the hardware started piling up in my cubicle. I had a corner cubicle and they started stacking up in the corners.

Andrew: Can I show this actually before you continue, the photos that I've got here?

Female Speaker: Yeah.

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Erica: Yeah, those are another server that we made at Cobalt. Those were the cubes. Those were really popular like e-mail servers and what not for small businesses and medium sized businesses.

Andrew: So let me ask you this, Erica. I see how this is a great example of you hustling. I thought by the way when you and I met, this is a girl who's going to come in and do a geek conversation about how to code up with PHP and it's going to go over everyone's heads and I'm going to have to find a way to make it understandable and relatable. That's not where you're going at all. Everything I've gotten from you since we've started is, I'm a hustler, man. I'm going to find a way to make this work. I'm going to find a frickin' opportunity where everyone else sees nothing. And I get how this shows that you found an opportunity. You found stuff that people were throwing away and you turned it into gold. You actually sold it and you turned it into one of the first big success stories. But how does this tie into the idea of asking if it's a complaint or a problem that you can solve?

Erica: So when the CEO shut me down they stacked up and I didn't have the money to really buy any more hard drives or anything to fix the servers. And so one of my friends said, hey you're using one of these servers to host your website, can you host my website? And I said, well yeah I can probably do that. And then so I started with one server that had all my stuff it and then a couple of more friends, people I'd worked with or whatnot, they said hey can you host my website? I said, hey alright, I can do this. So at that point that was in July, 2001. I used some money I had gotten from

my birthday, my 20th birthday, to. I actually invested the money I got for my birthday and put a couple of servers, actually just one to start with, in a co-location center in San Francisco. And I said, alright, I'm going to set up a website and sell hosting. And I really, really only expected it to pay my internet access bill, my cable bill at home whatever, for the next several years. This was another like thing where the Match.com people were sending me 30 dollar checks every month and this was going to be one of those things. It was going to be great. I was going to invoice people and make like 50 dollars and this was going to be amazing. So that's what I did.

Andrew: But the first way that you, you hosted your own website first by basically putting a computer at home, connecting it to whatever home internet connection they were offering you. The same home internet connection that people in your neighborhood might have been using to download porn, or maybe to just browse the web looking for a restaurant for the night. Whatever it was. Or to steal movies. You said, I'm not into any of that stuff. I'm going to use this connection that everyone else is just using for entertainment, I'm going to use it to run my business off of. And you connected a computer to it and you ran it.

And then you said, hey, people want me to host their sites? I'm going to host it at home, on my home computer. And then you took it from there out. So can I say this? Maybe instead of saying, ask if it's a complain that you can solve, the way to say it is, can you solve it with a ghetto solution? Is that a better way to say it?

Erica: How little money can you spend to make money?

Andrew: How much of a ghetto solution can you get to this problem? Quit being proud. Quit trying to find the perfect most beautiful solution that you can then show off to your friends about. If it frickin works, run with it. If you have no other choice look for, make up a choice, make up an option, the way that you connected a computer to your system.

Erica: Absolutely.

Andrew: Alright, I love that. By the way, we did the same thing. Bradford and Reed, my brother and I, couldn't even afford to have servers anywhere. We took old 486 computers, whatever the hell we could afford, and we stacked them. I'll even tell you, I'll go even one further here on this. We couldn't even afford those computers. I called up Staples at the time and I said, what's your return policy on computers? And the woman goes, 90 days? I go, what if I use a computer every day for 89 days and then I return the computer on the 90th day, can I get a refund. She goes, Sir, of course, that's our policy. I go, I'm going to use it every day, 24. She goes, that's our policy. I said, give me six. She sent over six computers, my brother used those to handle our website and to send out e-mail. We were in the online greeting card business I think at the time, and boom, we were in business. And people, my friends would always tell me, you need funding. You need to have this solution and that solution. Andrew, wait til I get this, you get nothing. There's always some ghetto launch that you can do. Cut your pride and launch it.

Erica: Well I only went into the co-location facility because one of my friends, I was hosting her website for 10 dollars a month, and she said, it's too slow. My family is trying to download their photos and it's too slow. And I'm like, I'm going to lose a....

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Female speaker:...upload their photos and it's too slow. So I was like, I'm going to lose a customer, alright I have to make this work.

Andrew Warner: Alright. And that's actually a good idea when you need to move on. Not when you imagine that you need to add or improve. It's when people are complaining or really begging for it.

Female speaker: Yes.

Andrew Warner: It's the same thing that gets you started in the first place.

Female speaker: Exactly.

Andrew: Alright. I'm going to go onto the next big idea. The next one is, you want to decide if it's, let me see here. We did number one, we did number two, yes. Decide if it's the right kind of problem. Decide if it's a problem you actually want to solve, you say. So what do you mean by that? So you're saying, don't just look for the money. Don't just look and see if people are frustrated and they need a solution. Just because they're frustrated doesn't mean you want to get in that business and live with it forever.

Female speaker: Well originally I wanted to start a content management system. I was envisioning something like what WordPress is. Except WordPress didn't exist back then because it was like 2001. And I recruited a friend. And that's why the hosting company was called SImpli, with an i. Because that was, the idea was to combine hosting with a content management system. Hey, not a bad idea. A lot of companies have made a lot of money doing that. And that is something I was going to code in PHP and we were going to launch it to customers. In fact we did launch it and we got some customers who were paying us, and that was cool. Most of those customers were people that I had already been doing contracting work with. But I realized that the money for us was more in the hosting. I was spending 80 percent of my time developing the content management system and working with software customers. And 20 percent on my time on hosting. Except the hosting was making me more money than the content management system side of things. So I realized I had to shut the whole thing down and move on and just do the hosting side of it.

So I left my clients in good hands. I sent them to Amy Hoi, who I believe is pretty well known these days as well, and she and I knew each other a long time ago. And I sent them to her to do web development work back in the day, and I went with the hosting side of things. So that's how I got into hosting. I want to emphasize here that a lot of people think that they need to have their big idea from day one. And for me it was more just like, shoot, I've got to make this work. I'm not making any money, nobody's hiring me, I'm not going to go back and live with my parents. I was determined, I'm from Indiana and I was living in Silicone Valley, and I said I'm not going back to Indiana. I've got to do something to make this work. I hustled. I dumpster dove for hardware and sold it. I took PHP contracts that I found on Craigslist from people asking for web developers. I did everything in my power to make sure that this was going to work. But I didn't go in with this going, okay, this is a hosting company and I'm going to make this worth seven figures, and I'm going to go raise money. I didn't even know, like I've never done Angel investor things or anything like that. So it wasn't something like I'm going to make this worth a million dollars. It was something where I have to make this work or I have to go back to Indiana and my butt's going to be on my Mom's couch. And no, I'm not doing that.

So and that's how I made it work. And if you really want it, you'll make it work. And it may be that you come up with a great idea and within months of launching it and getting your first paying customers you realize that this is not what you wanted to do at all. And that's totally okay. Because in that process of getting customers who are paying you, you're going to come up with even better ideas. And the same thing with Moose Traffic. We started doing SEO for our customers. We realized they needed software. I hired people, we built software, now we're doing software. But it's been an evolution and we wouldn't have had that evolution had we not gotten started in the first place. So the wisest thing you can do is to get started and get paying customers and get people to pay you for anything. If it's consulting, fine. That's okay. Billing out hours for dollars at the beginning will help you understand what problems those people have that you can scale. But I think it's really important to emphasize that you're probably not going to have the right idea from day one. You're probably going to iterate at least several times. But as long as people are paying you and as long as you're able to pay the bills with it, even if it's consulting, that's fine. I've honestly learned more from doing consulting with people. And I still do consulting all of the time. I've learned more and I've gained more from consulting with customers than just about anything else.

Andrew: You know what? This hustle of finding a solution is just so much fun, I wish that, I knew growing up that it was fun. I wish that I had some kind of support when I expressed interest in being an entrepreneur. Instead you were supposed to fingerpaint in school or go to arts and crafts classes. That was elevated learning. That was really where it was at. If I said I want to be an entrepreneur it's, who are you trying to rip off? What are you really trying to get away with here? Maybe I do sometimes push the edge, but the Staples example. Day 90 I returned the computer. Every single.....

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Andrew: Day 90, I returned the computers, every single one of them. I got my money back. Basically, my credit card company got the money back. I went and I bought another set of computers, and we were right back in business until we could afford to keep things going. I was willing to do whatever it took. I was willing to be as creative as possible. If Staples at the time was going to allow me to do this and encourage me to do this, good on them.

Interviewee: That's right. That's what I've done too. Hustling, selling servers on eBay. I dumpster dove for monitors, and then we got rid of some monitors. I was in the IT department at Cobalt. We got rid of a bunch of monitors. I called around. I found a monitor place in Sunnyvale that would repair them for \$50 to \$75 depending on the size of the monitor. I got them all repaired and then I sold them on Craigslist and made some money that way.



My boss was furious. He said, "Why are you doing that?" I said, "Because it wasn't worth your time to find that company, dig it up and repair those monitors." But it was worth my time, and I got a nice monitor out of it too.

Andrew: All right. On to the big board here, back and now we're going to talk about, figure out if it's a problem that people will actually - here's the word that I've X'd out - that they'll actually pay to solve. That's the critical word here that you wanted to make sure that people paid attention to. Tell me about Rack Shack, another site that I think I've got here from Archive.org. I love Archive.org. It lets me look back at everyone's life. Tell me about that point...

Interviewee: Sure.

Andrew: ...and Rack Shack.

Interviewee: Well, back when I first interviewed at Cobalt Networks, I knew that they were in the hosting business and I knew some of the major hosting companies. I happened to know - there was one called SimpleNet that had bought a bunch of servers from them. But, as it turned out, as I started working there, Rack Shack, which became EV1 Servers, which I think then got merged with The Planet many years later... Robert Marsh was the guy who owned that company. Amazing entrepreneur by the way.

Andrew: Let me bring up the site.

Interviewee: Yes.

Andrew: This is what we get. Some of the images are broken here, but for the most part people can get a sense of what this is. "Web hosting made simple."

Interviewee: Yeah. I think you have to remember that this was a company that was already... Robert Marsh went into this full guns blazing in terms of just making this company as big as possible. People look at these websites and they think, how could somebody with a website like that make a lot of money? But this is a company that was doing multi-millions in business and they were one of our largest customers at Cobalt and they bought a lot of Cobalt servers.

In fact, I think that screenshot might have a Cobalt server sale or icon on there somewhere. That was from many years ago, of course.

Andrew: Mm-hmm.

Interviewee: But that was what inspired me to start a hosting company. Well, that and the fact that I got shut down by the CEO and couldn't sell things on eBay anymore. But I really just...

Andrew: So you're saying that, you saw these guys were buying a bunch of servers from you, and you said, "If they could afford these servers, then I don't have to dumpster dive. It means that there's revenue here."

Interviewee: Yes.

Andrew: You looked at their prices and you looked at what size business they were doing, and you said, "Hey, you know what? People are willing to pay for this. They may not be willing to pay for..." Well, I could pick just about any consumer website. "But they will pay for this." I can see the prices right up here. I was looking for them, \$99 a month with a \$250 setup... People were paying a \$250 setup fee for hosting?

Interviewee: Yeah. Well, yeah. You had to pay for the hardware.

Andrew: Oh, wow. Just \$10 a month. All right, so you said, "People are willing to pay for this," and this is what you need to look for if you're looking for a business. See if people are paying for the solution, if they're willing to, and then you've got a real business.

Interviewee: Exactly, and everybody was emphasizing simple. You can see their tagline was "Web hosting made simple." One of the bigger companies - one other Cobalt customer was SimpleNet.

Andrew: Right (?). Yeah.

Interviewee: I started my company and I called it Simply.

Andrew: I see. You're saying that if everyone is emphasizing simple, it means that people are worried about being too difficult, and simple is the word that you need to go for. So, you called it Simply. Right up here, I see it in Archive.org.

Interviewee: I said, look at my tagline. "We make web hosting easy", I think was our tagline. I didn't reinvent the wheel with web hosting. I didn't do a bunch of crazy stuff that nobody had ever done. I basically made a company that looked like a lot of other companies. I felt like I could do pretty well on the price since most of our servers were free, or whatever hardware I could dumpster dive for. That's how I got started, basically.

Andrew: So why don't you just go for a site that people are willing to enjoy, and it maybe could get a lot of people as opposed to making one of your chief criteria? I'm looking here at my notes. By the way, I wonder when people watch this, if I look over here does it look like I'm not paying attention anymore? Or do they understand on this part of my screen are my notes? Here I've got my notes and over here I've got the web. I don't know.

Interviewee: I think that they think... See, if you haven't said anything, you could get away with saying you were looking at me.

Andrew: Because I feel like I'm talking, and then suddenly I go like that. It must be really strange.

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... that must be really strange. So, why make getting paid one of the big criteria that you're advocating, any entrepreneur who's watching this. Why look for something that people are paying for as opposed to something that they're willing to share with their friends, something that they're going to be excited about and stick with for years? Why paid?

Erica: Great question. I love that question because Silicon Valley has for years been wrapped up in this ridiculous consumer Internet thing. I call it ridiculous. I know there's companies making a lot of money in that niche, and I don't hate on them. That's cool. Making money is awesome, but the fact is that even the consumer Internet companies, let's take Facebook as an example. They make money when businesses use their services to either advertise or to do things, like games. They take a cut of the gaming revenue from companies like Zynga, or they take a cut of the advertising deals that companies like Ford or GM or even really small businesses will use to advertise for customers.

You have to understand that the eyeballs are only part of the story. Right now, my blog gets 1.2 million visitors per year, but if I don't have any products to sell, I'm not going to make very much money. I can tell you that the Google revenue from that blog and all of those visitors, all the ads' revenue basically covers my hosting fees.

Andrew: How much is that? Come on, we're now deep into this program.

Erica: [laughs]

Andrew: Anyone who's watching is, I think, like a trusted friend. Let's look at your site. Tell us how much are you bringing from this site and Google ad revenue, Erica.biz?

Erica: I don't know if the Google ad revenue thing allows you to tell how much money you're making.

Andrew: Give us a ballpark so that you'll be technically OK.

Erica: I pay for a dedicated server and AWeber and I have about 15,000 subscribers on my AWeber. So, you can look at their pricing plus you can estimate dedicated server pricing based on the [??] piece.

Andrew: How much is the dedicated hosting?

Erica: Not very much.

Andrew: I think I might need it for Mixergy.

Erica: [laughs] OK. I'm hosting a WP engine, and they're hosting me for free right now. I used to pay for the search engine.

Andrew: Oh OK. Right. Right. So, WP engine hosting you for free, and AWeber probably about \$150 a year. We're talking about less than \$2,000 a year even though you hit over a million uniques.

Erica: It's a little bit more than that, but it's not much more than that.

Andrew: OK.

Erica: It's enough to buy that and maybe, a Kindle Fire every month or so.

Andrew: Hey, we're talking about absolute peanuts.

Erica: Yeah. Absolutely.

Andrew: So, you're saying, look for a business that people can pay, and especially I would say, if you're a bootstrapper, if you're someone who doesn't have outside money, you need to get cash coming in the door from customers.

Erica: Exactly. And you have to really focus. I think consumer Internet companies get a lot of hype. They get a lot of press, but they don't get a lot of money. I have a friend who went after one of these companies and started one and was actually very successful, but even he said, this is like a giant poker game and you basically put all your chips in on the table. If you win, then you get a whole big stack of chips, and if you lose, then OK you, at least, put somebody else's chips in because they're the ones investing in you. Hopefully, you haven't pushed too many of your own chips in.

That's how somebody sold \$100 million company to a giant corporation whose name you would recognize describes things. And so, that to me is like, I don't want to play poker with my startup. If I want to play poker, I'm going to go to Las Vegas and hit up the poker rooms. I want to build a business that people are actually going to pay for, and realistically even the Facebooks of the world have to have something that people will pay for. Even Facebook is finding out advertising isn't a horribly viable revenue over the long-term.

Andrew: All right. You know what? I'm going to say it. I feel like you and I have known each other for so long, I'm encroaching on your course here, and it's telling people my story, but I think it's relevant here, too. We had a consumer-based business. We had 20+ million email addresses on our mailing list. We were doing about half a million email greeting cards a day on this site, but I never considered us a consumer site. I always thought my real customers, the people who I care about, the people I'm obsessed with, were the people who were paying the bills. And these were the people who said, "We will pay whenever someone sends out a greeting card because our ad will be attached." In fact, it was a LeadGen based model. That's what it was.

I said I was getting into this business because someone is willing to pay me, and the person who's willing to pay me according to my market research, and I did something similar to what you're about to say later on. People were willing to pay me according to my market research, \$1.50 every time a greeting card is sent out. Beautiful.

Erica: Yes.

Andrew: Can I run an affiliate program where they pay \$0.25 every time a greeting card is sent out? Yes. Make a buck and a quarter every time a greeting card is sent out? Life is good.

Erica: Right.

Andrew: Life is good. Of course, there are some things like they won't pay for repeats and so on, so I don't think you can extrapolate from the number of greeting cards we sent a day to how much revenue we were making, but that gives you a good indication of where the business model is.

Erica: Exactly.

Andrew: And, of course, if anyone wants to see my finances were for that, I let Neil Patel...

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Q: This is (?) for that. I let Neil Pattel show it a long, long time ago and he still has it up on his blog. So I'm totally Google-able, and my finances were audited by Ernst & Young, so I'm not B.S.-ing when I talk here. Do you know why I'm suddenly hesitating? I hate when people start talking about something like that because it always sounds like they're trying to either show off or they're

trying to sell some kind of scam. So I'm like "Ernst & Young validated. This is real people".

A: I get hate mail constantly on my site too. I literally had, there was a blog of people, a little group of people who set up a blog trying to disprove the fact that I sold my company for \$1.1 million, and I'm like "Why are you setting up this whole blog and going to all these great lengths? Just call the guy who bought the company and he'll verify it". At some point I thought "Well, maybe I could put all the documents online" and I certainly could. I still have everything, you know? I can put the check up for \$100,000. It was the first check that I paid, and I realized, "Even if I do that they're going to say that I faked it". They have the guy's phone number. I mean, my website redirects to his website. It's no secret who I sold it to, when I sold it. All the people who were customers back then-

Q: Your website redirects to his site now?

A: Yeah.

Q: Let me see, so if I wanted to I can go to, we've got to move on to the next idea here, so I'm not going to spend too much time on this. If I go to-

A: S-I-M-E-L-I-E.biz, yeah, it will redirect to S-V-W-H.net.

Q: Simelie.biz it will redirect to, S, got it. OK. I got the P in the wrong place here.

A: Anyway, we have a bunch of servers there now for (?) traffic. I'm very happy with Silicon Valley, with Bruce the owner. I'm in full support of SVHW and their mission and what they're giving.

Q: OK. Well you're using an office that's run by one of the co-founders of WP Engine so you kind of have to use them, right, if you're in their office today. So I do see their phone number here and anyone who's curious can go call them up by going to the website. Alright, let's you and I, I've got to pull this back. I'm having too much fun here with this and I wonder how the audience reacts to it. Are they so trained to just stick with the facts Andrew or they prefer that I finally loosen up a little bit and start talking? We'll find out. Alright, next big idea is this. You say "Don't get hung up on being unique". Why not?

A: I hate this, and you know, Andrew, you and I are kind of in the same business and I'm sure you get the same emails that I do because I write about how to start a business and how to grow your business and because I get emails every day from people saying "Well I don't have any ideas". Well I didn't have any ideas either. When I started my hosting company I got so many ridiculous, my family thought it was stupid. Everybody thought it was dumb. They're like "Well Erica, billion dollar web hosting companies are going out of business every day" because you have to remember this was 2001 and the internet was just a fad and everything was going to heck in a hand basket and "Erica all these big businesses couldn't make it. What makes you think you could make it?" It's ridiculous. You get so much push back, especially when you're in the valley. The valley is such an echo chamber and you end up with this situation where you always feel inadequate. I'm hoping that somebody else in the valley feels the same way that I do. This is why I left Silicon Valley because I felt that no matter what I did it was completely inadequate because I was totally not making a billion dollar business. I was making a seven figure business and not a ten figure business and so I felt like the best ideas are something where you see the pain point in the industry and you know that you can solve it. With our differentiators it was only two things with my hosting company, it's easy. So, number one, we're in Silicon Valley. Great. Nobody's in Silicon Valley. Nobody knows anybody who hosts in Silicon Valley. OK, we'll do that. I'll go to all the networking events and I'll be like "Hi. I'm Erica and I run this hosting company and you may have heard of us and if you're a start-up then you should host with us".

Q: I see, and your competition was hosting out of, I don't remember where at the time, Texas or New York probably.

A: Texas. Yeah, so we have rack space that was in San Antonio. We had EV1 servers was in Houston I believe, and so everybody was in Texas, and Texas is a great place to start a hosting company. I fully endorse companies that start here. (?) is in the same office we are. They're awesome and I know why they do it, but the advantage we had was being in the valley. I was face to face with everybody. They had to stare me in the face at all the networking events if they didn't host with us. I'd be like "Why are you hosting in Texas? You should come to the valley. You should host here in San Jose". I have the proud distinction of being able to show Matt Mullenweg, the founder of Wordpress his first server. Literally he had hosted all this stuff in Texas, he hosted some stuff with us. I met him at a party in San Francisco. He hosted some stuff with us and eventually he made it down to San Jose and I said "You actually want

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Erica: And eventually, he made it down to San Jose and I said, "Do you actually want to see the hardware where some of your WordPress stuff is hosted?" And he said, "Yeah, yeah." So I brought him up to the data center and I was able to point at the server and it had a little label on it that said 'WordPress' and he was, for the first time, able to see the hardware that was running part of WordPress.com and WordPress.org, at the time, as well. And that was really cool for him. That was the kind of stuff that sold us.

We also had an office in downtown San Jose. People could come in, hang out with us, we'd make them a coffee and it was great. And the customer service... The fact that people knew who was I was, was a huge differentiator. That was enough of a differentiator to make a seven-figure business.

Andrew: How? All right. But how did you keep your costs competitive with all those other guys?

Erica: [laughs] Hardcore negotiating skills. [laughs] I was brutal. You do not want to be sitting across the table from me in a conference room. I sent one... So we contracted with Market Post Hour at 95 South Market Street... or 55 South Market Street, excuse me. 95 was our office. 55 South Market in downtown San Jose, we contracted with them for space and power, and then they were a carrier-neutral facility, so that means that they had bunch of different bandwidth writers and then... So what what we did was basically, we... I sat down with them and they gave me the 8 1/2 by 14 leads, which was like ridiculously long, like 30 pages long, and they said, "All right, here's all the costs per square foot for space. Here's all the costs for power." And I sent that thing back like 23 times. And every time I was, like, no, no, no, no, [laughs] and I just would not give up. I kept quoting them from other data centers. I quoted them space from data centers that weren't even in Silicon Valley and I drove them crazy.

Andrew: [laughs]

Erica: I was probably their least profitable customer. In fact, one of our customers actually looked at our sheet that we had gotten from them and said, "There's absolutely no way they would be profitable with these numbers." In fact, by the end, the last sheet that they had me sign was a non-disclosure agreement stating that I wouldn't tell what the prices were [laughs] that we were getting for space there.

Andrew: So why did they give you that kind of a deal? What's their motivation for giving you such a deal that they're going to lose money on?

Erica: Number one: I'm a personality to be reckoned with and I don't say that from an ego perspective, I just say that from a recognition perspective of the fact that you really don't want me on the wrong side of you because I'm very vocal about everything; and number 2: I knew everybody.

And so, that was really the big bargaining chip that I had. I said, "Look, if we sign a startup and they can't come to us because they need four racks of space and we don't have four racks of available space..." That would be like 50 servers or 40 servers or something like that... And they need all of this space and power, I'll send them over to you. And they were like, "Oh..." And plus, I was also ranking in Google for all the lucrative keywords like San Jose, core location, and all these different types of local keywords. They knew I had tons of customers coming in the door. And they knew we were growing and [laugh]... I mean, it was just a combination of all sorts of things. I don't think you could do that today.

We signed that deal in, I want to say, 2005. I'd have to go look at my email to remember exactly when we signed it, but we signed that deal back in the day where half their data center was empty and they were like, "Please, just let us lease you some space and we know you can fill it up because you're growing so fast." So, that was a large part of it too. [laughs]

Andrew: So, again, now I'm looking at the notes that I have on this part of my computer screen, and what you said to April Dagman [SP] who pre-interviewed you and prepped you for this session is, you said, not only, don't get hung on competition, you actually want the person who's listening to us to figure out where the competition is going, is going wrong, and then make it better. So don't be intimidated if there's competition. Just go and figure out what they're not doing right, what you can do better, what angle you can have on it and still march into that space. And for you, that angle was customer service and location. You were going to be the person that your customers could talk to and you were going to be in their living room, practically, if you were in Silicon Valley and so are they.

Erica: Yes. Exactly. So most hosting companies... See, it helped that I had experience as a paying customer in the same niche. It was just... What I highly recommend, if you want to be in a certain niche, you should pay for all the stuff that's out there now because then you're going to really get to see what's going wrong. They can have a perfect website and a perfect thing... Actually, I have an example in here and I'm not sure I mentioned this, but more recently with my current company, I was looking at PPC ads for competitors on Google... You know, you type in something and you click on all the ads, and I found one that I really wanted them to follow up with me on... And this is not the same one that you have the email for by the way, but those guys did follow up... But I found one and I thought, "Wow, this actually look really impressive. I want to find out more." So I filled out their contact form, typed all my name and I typed in my real phone number, my real name, my real email address--which is a little bit unusual for me--and said, "Please follow up with me because I'm really interested..."

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Erica: ...and said, "Please, followup with me because I'm really interested in the software that you've built." I never heard from him. What a waste.

Andrew: What's the company? I won't edit this out. So, tell me, but understand that when you tell me I'm not going to edit it out.

Erica: I don't remember the name of the company.

Andrew: Ugh. Okay.

Erica: To be honest, it was a PPC ad and I was clicking on like 50 of them. I just remember that that was one. I know that they were doing stuff that helped you followup with customers. That's the niche that I was looking at, and that's all I can tell you. I honestly don't remember.

Andrew: Okay, so what you're saying is, the big point here is, if there's competition out there, don't be intimidated. There's competition everywhere. You march right in there and you do what we're about to show that you do, that Erica does, to figure out where their weaknesses are. To figure out where they're going wrong, and that's where you attack.

That's where you go for it. You show'd us a little bit about how you do it. Can I go on to the next big idea, because I think you really expand on it there?

Erica: Go for it.

Andrew: You're saying yes, let's do it? Oh, wait, wait, wait. Actually, you know what? Hang on a second. Let's come back to this. This is another thing that I found. In fact, you gave this to me. Since we're talking about how your competitive advantage was customer service, I'm now in the About page in Archive.org for your site, in here right at the top.

Erica: I wrote all that.

Andrew: "People make or break a company. That's why Simply focuses on people. Our employees, our customers, and most of all personal service guarantee."

Erica: Yeah.

Andrew: "We want to make you, our customer, happy." So, yeah, even way back then, if we go back to, what is this 2004? June 2004 is when this was taken. That was one of the big points. By the way, this is not you, is it?

Erica: No. Oh, my God. That's funny. I was just going to mention that because literally every person who looked at that page would email me and go, "Hey, Erica, is that picture you? Is that you on the about page?" I can't believe ...[ss]...

Andrew: 2004, people weren't comfortable putting their real photos online, right?

Erica: Yeah, that was a stock photo. It was just one of those things where I was like... Remember, in 2004, I was 23, 24 years old. So, there was no way that I was going to get - I felt like at least - that I was going to get any real business from putting my own 23 year old self on the website. So, that's why I didn't do it.

Andrew: All right. One other thing that I want to show. Right now on your personal blog, your main

business is this place, whooshtraffic.com. I know a lot of people who watch us, they like to know that the people who are teaching are software entrepreneurs. They're not just bloggers. They're not just whatever. They want to know that they're in software, because software means that they're smart. So here, this is the software. Now you guys know that she's smart.

Erica: I'm going to tell that to potential investors.

Andrew: But you also run this blog where you talk about how to find inspiration and business success, how to build and inspire business success. So, obviously there's a lot of competition, and one of the ways that you differentiate yourself from others is, you rank in Google.

Erica: Yep.

Andrew: For lots of things, including make money online, which I don't know how you got. You're right at the top right here.

Erica: Magic.

Andrew: You already anticipated what some people in the audience would say, which is what? We've got the response to it, but what were you saying when you showed this to me privately? You said people are going to say what?

Erica: Said, make sure you put that in an incognito window because right now it's showing you as logged into Google and they might think, "Oh, well Erica is just a friend of yours and that's why she shows up number one." No. If you are in the United States right now, as of today when this is being taped, and you type in make money online in Google, you will see that I am the number one result for make money online, no quotes.

If you type it in in Canada, as I found out by talking to people, it apparently doesn't show me. But if you are in the U.S. and use Google.com, it does show me as the number one for make money online. By that alone, I get tens of thousands of people coming to my blog every month.

Of course, that may change. I've been on the front page for make money online for forever, and things come and go. I may not be number one when you look at it, but I've been number one for a little while now.

Andrew: Look at how many ads Google shows. I usually run the browser with ad block, but when I'm in incognito it doesn't come on.

Erica: Right.

Andrew: Look how many ads. I miss this when I browse like this.

Erica: If you see that many ads, look at how many emails you can imagine that I get from people wanting to advertise on my site.

Andrew: Oh, right, right. Because they can't advertise in these spots right here because it's expensive, and they can't advertise here, so they say, "Hey, you know what? We'll advertise in the first result."

Erica: One guy offered to pay me a whole \$5 for a link on that page. He said, "I'm going to PayPal you \$5." I was like, "\$5 once?" I'm not going to do it. I don't put paid links on my site. That's one of the reasons why it's ranking is because I'm not selling it to anybody. That's a post with no affiliate links and no sales. It's just designed to get people on my email list so I can send them more blog posts basically.

Andrew: All right, let's go on to the big board here. The next big idea is, do your competitive due diligence. We've got a screenshot here.

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Andrew: And we've got a screenshot here... You let me show this, and we'll show it in a moment, but you said as long as we cover everything that could give away who this person is... But talk to me a little bit about how you do your competitive due diligence and then I'll show this email.

Erica: So I'm a search engine optimization... well, I will say 'wizard' because, right now, I'm rank number one for making money online, so I don't think anybody could argue with that at this point. I

got my first paid SEO job in 1997, so I go back a long way in SEO. And SEO was, in addition to the networking events, a large part of how I ran my last business. And it is continuing to be a large part of how I grow Whoosh Traffic as well. So for search engine optimization, I want to see all the competitors--especially people who are paying over on the top or the right-hand side of Google results for ads--and looking at what they're selling. And what I'm looking for is, as a buyer of this particular software... Like, if you type in 'SEO Software' into Google, for which we not ranked currently--I'm working on that one. [laughs] I just started that one, so...

Andrew: All right. Let me do this. So what you're saying is...

Erica: Go ahead.

Andrew: Before you enter a market... In this case you wanted to enter software for search engine optimization...

Erica: Yes, type in SEO software.

Andrew: You type into Google something like... Sorry?

Erica: Or SEO tools... SEO tools, SEO software. The two [??].

Andrew: SEO tools, and you say, "Who are all these people who are buying these ads?"

Erica: Who's [??] advertise, right.

Andrew: These are the guys who are going to be my competitors, right?

Erica: Uh-huh.

Andrew: OK.

Erica: Exactly. And you'll see that [??].

Andrew: And you say, "I want to know how they treat their customers. I want to know what they do. I want to know where the hole of opportunity is. Are they're people who don't return emails? Because that would be a good thing for me to feature if everyone else doesn't return emails. Is there something else that they don't do well? That's what I'm going to jump on." And so you call every one of these guys, or email them.

Erica: Yes. OK. So the top three out there are SE0moz, Conductor and Raven Tools. SE0moz, I'm a paying customer of and have been for years. Conductor, we've done a demo with them, and Raven Tools, I've signed up for a trial there. So I've gone through all three of these pieces of software extensively. Not only that, but I've documented the crap out of everything that they do, everything that they're doing right, everything that they're doing wrong. So if a potential customer comes in and says, "How are you different from SE0moz?" or, in the case of what we're looking right now, a potential investor comes in and says, "How are you different from SE0moz?" I can extremely, clearly articulate exactly what is right and wrong with all of these companies. And I sat on a Raven Tools webinar a couple of weeks ago... I'm not going to bash any of these guys. All of these companies are doing great stuff and all of them have really solid high-points to their product. SE0moz has built a fantastic community. Conductor is a beautifully designed piece of software, and Raven Tools has an extensive list of features...

Andrew: So give me, based on all this research that you've done on these guys, what's one thing that you've discovered that they just don't do right that's an opportunity for you to jump on?

Erica: Yeah, I love this. OK, so here's the thing that all of them fall down on, and I've seen this over and over again with software companies, and you're not going to be surprised with this because I'm sure you've talked to lot of software company CEO's. Because the software folks all focus on features, and Raven Tools, in particular, has a billion features--all kinds of cool stuff that you can do with Raven Tools--but you need a one-hour webinar every week just to understand how to use their software. I love it. It's got all kinds of great stuff, but there's no... You can't understand how to use it unless you're already an SEO professional. These guys are all creating software... Conductor targets agencies. SE0moz targets, I would say, what I would call 'pro-users'-- people who understand SEO--and Raven Tools, again, targets agencies and pro-users, so they're in both of those markets. And so the agencies and pro-users is a very lucrative market. Conductor just announced they're doing \$10 million a year in revenue now, and they've only been in business a couple of years. Very lucrative, but it's not useful for people who don't understand SEO already. Of the



three, SE0moz does the best at helping people understand the basics of SEO...

Andrew: [laughs]

Erica: ...but they don't integrate it with their tools. They have great blog posts, great videos, and then their tools are in another section of the site. So, Whoosh Traffic, our goal is to integrate the information that people need to help them rank with the tools, so that you're not just thrown in and going, "OK, here's all your great tools." Right now, I still feel like our website is a little feature-heavy, a little tools-focused. I did put my own picture on their [laughs] at the bottom.

Andrew: Is this you right here?

Erica: Yeah, that's me and my co-founder, Parnell. And I still feel like we're a little tools-heavy, and what our goal is in the next year is to, instead of focusing on how many tools we can build, is to instead equally focus on helping people understand search engine optimization. The most common questions we get are things like, "Well, how do I rank for this keyword?" Or, "What keyword should I go after?" I want to be able to have people click on those types of questions in the backend, like, "What keyword should I go after?" OK, here's my website...

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Erica: What keyword should I go after? Okay, here's my website and here's a couple of my competitors. Tell me what you [??] and why?

Andrew: Right. Let...

Erica: [laughs]

Andrew: Well, let's show people how you do this. You talked a little bit about it. You say, "I do a search. I see who the competitors are. Who's buying the ads." Those guys obviously are generating revenue or have cash to spend. That's why they're at the top of those ad results. You sign up for their programs. You see what their whole sales process is like.

Erica: Yes.

Andrew: You write everything that you notice, down. If the guy's a jerk, maybe, you probably write that... I see you're shaking... You're nodding. Obviously if he doesn't respond, that also sticks in your mind.

Here's one of the things that you do. This is an email that you sent over... Let me zoom out, here, so people can see this. I will try to read this to people. This is from a competitor of yours. You shot him an email from your personal account and his response is, "Hey Erica, you had recently been on our site and requested that we contact you regarding blah, blah, blank enterprise software... enterprise level SEO platform. My name is..." You asked me to wipe out his name. I did. "...and your request was forwarded to me," and then, now, basically what he's saying is, he wants to set up a ten minute conversation, and you see how he's getting you to sign up for that ten minute conversation and you understand that their sales process is, web, just ten minute conversation. Do whatever it is that he's going to do there to close it, and now this is your competitive research.

Erica: Exactly. And I want to know what are they doing right and what are they doing wrong. That ten minute conversation, I talked to him on the phone. We set up a webinar. We demo'd their product-- great product by the way--I love their product. The minimum spend on their product is \$60,000 to \$70,000 a year. So they're not targeting the same market that we are. That's great competitive data that I now know, that they're... And he said, "Well, we can go a little bit lower than that." OK, so now I know that they're a little bit flexible in that [??], but their still not going to be in the \$99 to \$500 a month market that Raven Tools is in. So they're in a different market. They're targeting agencies, so now I know who their target market is. I know what their most... We sat down and we did an hour webinar with him. We recorded the webinar. I sent the webinar to... My whole staff was there. I sent the webinar out to my whole staff afterwards, the recording. I said, "This is what they're doing right; this is what they're doing wrong..."

Andrew: [laughs]

Erica: This is where we can go with our software to do kind of similar to what they're doing, but a different target market." And now I have so much data. I have the guy's name. I have the company information. I asked them questions. Here's a great set of question to ask: "What are the most

popular features of your product? What do you find that people are paying for it?" You know the sales people, they love to dance with these kind of questions. They're like, "Oh, yes, the most popular thing that we have is X, Y and Z." And then you're, like, "Great, I'm writing this down." [laughs]

Andrew: [laughs] Um...

Erica: So that's basically where we went with it. And we...

Andrew: I've got to ask you a follow-up question to something you said earlier that I didn't think was the right time to follow-up, so I saved it for now. You hinted that you have another email address that you use and another phone number that you use with these people, you do. Is it also another name? Did you make up a whole other name? Sharon, Steven...

Erica: Sometimes I do. It depends. Sometimes I'll use my co-founder's name. Most of the time I just use my co-founder's name because he's not very well known on the Internet. He's a software developer so he likes to hide in his cave, you know, I'm sorry. [laughs] I totally just threw him under the bus there. You know, he's an amazing software developer, but he's very privacy oriented and so he doesn't even have a Twitter account or anything like that.

Andrew: Yeah, this dude right here.

Erica: So [??]. [laughs] He's an amazing guy. He's, like, my best friend too. So, sometimes I'll use his name. We have an array of fake personas that we use, but I usually use my real name because I want people to know who I am and why I'm doing this. I've never, ever had a company where I use my real name--and a very Googleable name, my name--and they've said, "No, we don't want to do a demo because you're a potential competitor." No, they love to show off their stuff, and if they realize that they... If they think they can possibly get a sale out of you or refer you to somebody, believe me, sales people love to talk about their own stuff and they love to demo and they love to show off stuff. So I've never had anybody say no, even when I used my own name, but sometimes I'll use Carnell's [SP] just because I feel like it would be a direct competition sort of thing.

Andrew: All right. No, no. I want to go to the last point, but I've got to ask you two things. First, I see here, this pops up... This is obviously SnapEngage, which is what you use to get feedback from people. It says...

Erica: I love SnapEngage.

Andrew: "Hi, I'm Erica." What happens if I respond? Who's going to respond as Erica right now?

Erica: Uh, not me because I'm here with you, and I apparently left it on, so I'm using somebody else's computer right now.

Andrew: Right.

Erica: I apparently left it on, on my own computer. Sorry. There's probably people on there because if I leave it on, I get at least a couple an hour, so there's [laughs] probably a couple of people going [??]

Andrew: Somebody who's responding on your behalf, yeah. Thank you, by the way, for switching... For gaining to switch to a MAC. I know you're a PC person.

Erica: I know. [laughs]

Andrew: The other thing I was going to ask you is, what is this pose that he is doing here?

Erica: [laughs]

Andrew: All right. That, maybe we'll save for people who want to get to know him personally and ask him.

Erica: We had a recommendation from somebody who watched our Investor Presentation PowerPoint, and we had that photo and somebody...

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...Powerpoint and we had that photo and somebody said if you really want investors you should

probably switch that photo and so we did for the investor Powerpoint.

Andrew:

All right. Let's go back to the big board for the very last point here which is, let's bring up here, OK, here we go. Make sure you have customers, let me read it from your notes, actually, instead of mine where I have the X's. Make sure you have customers in the target market who are willing to pay for your stuff. Do it now. Do it before you start building the product. You want us to make sure that there are customers who are willing to pay for what we build before we build it?

A:

Yes.

Andrew:

OK.

A:

And go ahead and show the thing that I did to see how people were going to pay for our product. This was, OK, so let me explain this a little bit. I sent out, OK, let's start from the beginning here. OK, so I run Erica.biz. In June, 2010 I promoted another person's product called Profit Instruments. It was an information product designed to teach you how to make money online. Now, I know from very personal experience that 99% of the products in that market are total B.S., complete scams. They are designed by people who have never made any money online. They don't actually teach you any valuable advice. Their whole thing is well, set up a website and put Word Press on it and then, well, and then you make money.

I thought most of the products were ridiculous but Profit Instruments actually had some decent stuff in there. I had bought a lot of those products and I actually bought Profit Instruments for \$200. I found that it had some information in there that I had not seen before. I decided to promote it to my audience. I thought that would be cool, if I could make my \$200. It had a 50% affiliate commission. I sent out the email to my list. It was a little over 4,000 people on my email list from my blog back then. I sent out the email and I thought OK, this is going to be cool. Like 10 minutes later somebody bought it and I got a little email back that said ding, you made money. I was like yes! I've made like \$99 or whatever it was. Then another one rolled in. I was like oh, my gosh. This is really cool. By that time it was pretty much time for me to go to bed so I was like all right, I made back my \$200. This is awesome.

The next morning I woke up and there were like 20 more emails in my inbox from people who had bought the product. I'm like whoa, OK, so now I've made like \$1,000 or \$1,500 or whatever it was. Eventually after three or four days when the product, the launch finally shut down. You know how they do that, they open it up for a week and then they shut down. I started promoting in the middle of the launch so I even missed the beginning of it. Three or four days later it turned out I had made \$21,800 in commissions. Whoa! I was massively blown away by the fact that I had made that much money in like four days.

I earmarked that money to start my company's traffic. But I wanted to find out first of all what kind of thing people would pay for. I sent out a survey to all of the people who had bought Profit Instruments. I know that these people have money because they paid at least \$200 for this piece of software or, sorry, not a piece of software, for this information product. I sent out an email just to them and I put in there a survey. I sent you my survey results so that you can pop that up there. I did this in Google Docs.

Andrew:

Let me zoom in a little bit on this and we can give people a clearer shot with the program notes.

A:

The first question is would you be interested in monthly coaching to help you build your online business? You can see everybody, so there's 67 responses. That's a pretty great response rate considering I think only about 80 or 90 people bought the product, something like that. It's a pretty awesome response rate. I said would you be interested in monthly coaching to help you build your online business? I gave specifics. I said you know, one on one access to me in private forum, mastermind groups, and everybody was like no.

Andrew:

You got shut down.

A:

No.

Andrew:

I bet you that that's the part that you wanted the most. Online, I mean ongoing and they said no.

A:

Yeah, they said no. OK, so now we know that no, they're not interested in that. Go ahead and show the next question. Now this one got interesting. I said one of the things in Profit Instruments was a way to build links to your site that helped it rank in search engines which back then was pretty effective. That method no longer really works that well.

By the way, there's really no link building methods that will penalize you in Google. I guess there are a couple of people who are going to be really pedantic and beg to differ because of the new Penguin update. But for the most part you're not going to take too much risk from building high quality links back to your site. I just wanted to sneak that one in there because people ask that all the time.

Anyway, I said would you be interested in a link building service because he showed examples of how to build links from other sites to your site and I realized that I could hire people and train them to do this. I said you know, I'll hire and train staff to build backlinks. You'll get a report every month. And I said plus a way to track how well you're doing in the Google search results. I put in a number in there for investment, \$47 and \$97 per site, month per site. Now we charge a lot more.

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...month per site. Now, we charge a lot more now. This one was the interesting one. It said yes, 37 people said yes. I was like whoa, 37 people said yes to \$97 a month. Holy crap. If they all signed up that would be like \$3,000 or \$4,000 a month and maybe \$1,000 a month for me to hire and train somebody to do this. Then I could make money. OK, awesome. That's how Moose Traffic got started. That question right now.

You'll notice my third question, in case I got both of these wrong, would you be interested in any other business building service from me? A lot of answers in that one, you can read some of the answers. It says not at this stage, maybe after I earn some money. I knew I had it right with the second question.

The important part of that survey was two things that everybody gets wrong. Number one, I surveyed people who have already paid. That's key because now you know these people have at least some amount of money and they're going to be willing to take out the credit card because they've already taken out the credit card. I surveyed people who are already paying customers.

Andrew:

Right, right. That's a good point actually. That's something that I hadn't caught even though I've got it up on my screen here. Right, you want to see who's got the money and survey them. And look at the response rate, by the way, 67 out of 90.

A:

Yeah.

Andrew:

Sorry, but I'm interrupting. You were going to say something else.

A:

No, that's OK. The second point that I wanted to make was so you survey paying customers and then

you ask them what they will pay for. I don't know why everybody gets this wrong. They send out surveys, I see this all the time with people, they send out surveys and they're like well, would you be interested in a book about X, Y, and Z. Well, sure I'd be interested if you give it to me for free.

Andrew:

I see.

A:

I put in there very specifically the kind of target dollar amount I was estimating. I had based that dollar amount, I had done my research and I saw some other people who were doing link building services. Of course I Googled and I clicked on all the ads, all that stuff. All of the companies that weren't giant APCs that wanted to charge \$10,000 a month, there were some companies that were doing link building in the, you know, from anywhere from like \$20 to \$30 a month to like \$500 to \$1,000 a month. Those people, OK, I think I could probably do something in that niche. I put it on the lower end just because I thought it was going to be a pretty easy thing to do.

Back then, this was like the golden days of Google. Back then you could just build whatever links you wanted to your site. Nothing ever really penalized you. It was great. I mean it was amazing. That stuff doesn't really work as well anymore but those were the golden days. I launched Moose Traffic in beta later that same year. This was 2010, later that same year at \$79 a month and I got tons of people to sign up. That's how Moose Traffic got started. That's the survey that started my current business. This stuff really works.

Then we decided, link building got difficult, it still works. What we're doing still works but it's a difficult market I have to say. You have to do a lot more now than you were doing back then and you have to tailor it a little bit better, write more articles. We spend a lot more money doing it now. I've focused on moving the company towards software.

As you can tell right there was my business plan. In that question it will also give you a way to track how you're doing in Google. That is the basis of how we started Moose Traffic was our rank tracking software, which is the data that Google Analytics doesn't give you, which is where you're actually ranked in Google for key terms. That's how I knew I was ranking number one for make money online. It told me. Our own software told me. It was cool.

Andrew:

OK, let me go, let me just say this as a final thought. Let me bring up the board here. Final thought, there, final point. Usually, by the way Erica, at this point I ask the guests to say what's the one thing that the audience could do if they wanted to get started. I'm going to suggest something right now. I'm going to answer the question myself here. Find somebody's fricking pain, find it right now.

I've got to tell you that the only reason that we did this session right now is because April Diteman, one of our riders who's now producing some of the courses here, went back in to look at the feedback that we were getting from our audience and one thing that they said that frustrates them about Mixergy is that we never cover how to launch a business. In my head I always assume why would you be on my site if you don't have a business. This whole thing is about business people teaching business people. I assumed everyone, I didn't realize how many people who were out there who were complaining that we didn't even talk about the basics of how to launch it, about this stuff. I thought we could give you how to go and incorporate and all that but none of it matters if you haven't really done the basics which is find the pain. Create that, what we call the ghetto launch...

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...create that, what we call the ghetto launch, that hustler launch, and then figure out what your competitors are missing and all that stuff that we covered here is way more important than how to LLC and how to get the perfect logo. You can go to 99Designs. You can go find an artist on Craigslist and get a great design.

Erica: And you know, 99Designs caters to the audience either. Our WhooshTraffic logo was done at 99Designs.

Andrew: 99Designs logo?

Erica: 99Designs, awesome. Use them.

Andrew: There you go. Wherever you guys want to go get your design, the point is it's important, it's fun. It's not the most important one. We just talked about here it is THE most important thing of starting a business, and the proof is that you're walking to the end. The proof is that I finally did this, that I didn't recognize, that there are people out there in the audience who are having this pain. "I'm listening to all of these interviews on Mixergy of really successful entrepreneurs. Show me how to get started to find that one product. Listening to all of these people talk about getting traffic. Well, show me how to launch a business.

You know what, when we were talking one on one with people, I ignored it. When we finally emailed our audience and said, "What is the big frustration?" They told us, and I couldn't ignore it anymore. I wish actually when people told me one on one, I paid attention, but at the very least I had data coming back in that April put in a spreadsheet for me and said, "Look, right there. That's what people are telling you the problem is" and that's how the scores came.

So, bottom line, if you're going to take anything away from this, go talk to someone, your current customers, if you've got them, and you happen to listen to this program all the way through or talk to your friends and see where their pain is. Talk to people who you would like to be your customers. We have whole courses on how to do that specific way, but I think what you've got in here is a great start that should get you out there to go talk to someone, find their pain and start building that business. Isn't it fun, Erica?

Erica: I love it. The reason that I knew that was going to be your popular question and why I sent April a Facebook message and said, this is... I gave her a couple of options because she asked me for like, two or three different ones. I said the big one is how to choose a business because that's what my audience emails me about constantly. It's how do I go from idea to business, or how do I find the right idea. Those are probably the most popular questions you get when people come to your site. They want business advice. Now, I knew this one was going to be popular for you because it's popular for my audience.

Andrew: I didn't realize that. I didn't realize how much of an issue that is.

Erica: Yep.

Andrew: Well, there it is then. It's here. I hope you guys go and do this. First of all, it feels great to be running a business. You can see I keep getting excited about this topic, but second, it feels good to know that there's someone out there who's got a problem that you're going to fix.

Erica: Right.

Andrew: The enthusiasm that you have for fixing their problem, it's unmatched. It's the response that you get from them when you do. It's unmatched. Go out there. Implement everything that you've heard in this problem. Come back to me and let me know what your progress is, and come back to Erica who you can find at [WhooshTraffic.com](http://WhooshTraffic.com). Of course, we'll link to it. Frankly, you can see it right here, so you don't even need to wait for me to link to it. It's right where, [WhooshTraffic.com](http://WhooshTraffic.com) and, of course, [Erica.biz](http://Erica.biz) is the blog that we talked about earlier.

Erica, thanks for doing this program. Everyone else who's watching, thank you all for being a part of it. Bye.

Erica: Yes. Thank you.