

Andrew: This session is about you. You, you, you, the viewer, or the listener is that's how you prefer to take in these programs. How you can sell to businesses more often, so you can grow a successful growing business. Grow successful growing business. Yes, I want double the growth of any other program in this session.

And to help us do that, and, actually, to lead us through that I invited, I asked, I kept pressuring, and, asking, Mike Michalowicz, to come on and teach. He is a founder of two multimillion dollar companies, which he built, and, sold. Since then he has transitioned to writing books, and, teaching.

I specifically asked him to come here and teach this because the companies that we use that we're clients of, when I ask them how do you get your customers they say, well, there's this book called, "The Pumpkin Plan." As they talked about it I kept saying, all right. Then let me get "The Pumpkin Plan's" author on here.

"The Pumpkin Plan," let me bring up the book right there. It's a simple strategy to grow a remarkable business in any field. That's what the book's about. My name is Andrew Warner. I'm going to help facilitate this. We pulled out ideas from the book that will make it useful to the Mixergy audience. Mike, thanks for coming on here, and, teaching.

Mike: Andrew, I'm pumped. Thanks for strong arming me to get me on. It took you about maybe one half of an email saying, would you want, I'm in, I'm in. . . . [??] . . .

Andrew: You know what actually, then maybe . . .

Mike: I'm in. So thanks. It's really an honor to be here.

Andrew: Well, thank you. You know what? I think what happened was I sent you an email, maybe to the wrong address, and, you didn't respond. I said, oh, no wonder. Mike's gotten so big that he's outgrown Mixergy, and maybe it was the wrong email address because you're right. When I did send the most recent email you said, yeah, absolutely. I mean it. I'm really grateful to you for doing that.

Mike: Oh, my pleasure. I hope I never get that big or that into myself that I think I'm that important to blow people off ever. So thank you.

Andrew: My pleasure. I'm glad that you're here. This is the man that, you were here years ago. Here, let me zoom in on you. The guy in the upper right.

Mike: Yeah.

Andrew: You were running OMIC systems. You had a million dollar business at the time. You must of been happy. Except you say you felt like, well, here, like that.

Why? What's wrong with running a million dollar company?

Mike: That's a funny picture. I'm in the top right, of course. The other two guys ultimately became partners. The guy on the left, his name is, Barry, he and I co-founded the business. Then, Chris, in the center, he was our sales guy. Ultimately, came in to take 1% of the business.

Today, the guy in the middle, Chris, he owns 100% of the business. He leveraged some money with private equity and acquired the business from us both. I went into that, Andrew, thinking that life was about grow a business, that wealth happens by growing as fast as possible, bigger is better, all that stuff.

I never considered my passion or purpose in life and application in business. So as our business was growing I wasn't satisfied. We hit a \$1,000,000 in revenue. We bootstrapped it the whole way. It took us five or six years, which isn't phenomenally fast growth, but it was growth.

When we hit \$1,000,000 it's like, damn, this isn't success. It must be at \$2,000,000. We hit \$2,000,000. I'm, like, oh, it's not a success. It must be at \$10,000,000. It was at that point I talked to those other two guys, and said, "Listen, we got to be a \$10,000,000 company. The only way we're going to get happy is if we're rich enough, if the company's big enough.

And, those two guys, Barry and Chris, said, "You know what, Mike? Our lifestyles are covered. We're very happy with our lives. So we're going to get some money, and we're going to buy you out. You go build something on your own. "That's when I left. They bought me out, and they continued to run the business."

Interestingly, today it's just, Chris, now. The guy at the front and center. He's running the . . . [??] . . .

Andrew: As I understand it, though, when you were doing the \$1,000,000 in sales, it wasn't a \$1,000,000 in profit. There were high expenses at the time, right?

Mike: Oh, my God. \$1.1 million in expenses. I can't believe how dumb I was. I really thought, Andrew, a \$1 million in revenue meant the owner was taking home probably \$900,000, but every penny we made as the business grew it was like a cash eating monster. Every time the business grew a little bit, it ate more money.

It was scary. Once you run a \$1,000,000 business, just in salaries we're paying \$50,000 a month in salaries. If we had one bad month, I didn't know how I was going to cover payroll for everybody. It'd be more stressful as it grew.

Andrew: I also want this conversation to be especially helpful to people who are

looking for customers. One of the challenges that I imagine you had back when the site looked like this, we'll talk more specifics, was finding customers. It's not just about design. That's not the reason I put it up there.

Andrew: One of the reasons I put it up there is because it says in really small letters, OMIC is the pioneer computer network integrated for small and medium sized businesses in New Jersey. Maybe it wasn't this screenshot, actually, where you were basically appealing to everyone, and that's one of the issues that you are having.

Mike: Oh my gosh, it's the greatest flaw. It's funny to see that picture. That website's from 1996. It's really cool you brought that back up. But back then, I followed the protocol that I thought was appropriate for growth, and which almost every entrepreneur follows. It is serve anybody and serve everybody. Every customer is the right customer.

So in there, we have an offering suite of, we do Novell Systems, and Microsoft, and LANtastic, and peer to peer, and all of those things that we can do, and we can do it for anybody. I've come to learn the lesson, if you say anybody is a good customer, nobody is a good customer. You have to be focused. It was those stages, what you're looking at right now on the screen, that stage of my business that we couldn't grow. We were trying to sell to everybody, but we weren't special to anyone.

Andrew: Okay. So let's talk about how to get all of those customers so that we can grow. Here are some of the ideas that I thought were especially useful to the audience, some of the ideas directly from the book. One of the first things you say is to narrow your focus to the sweet spot, and you talk about this gentleman. I found his YouTube video. There he is. He runs a company called ECU Repair. Here is their website.

Mike: Oh, I know that gentleman! It just popped up on my screen. Yep.

Andrew: Yeah, it is a little bit of a delay for you, but people are seeing it in real time. There's his company right there.

Mike: Yep.

Andrew: How did he do that?

Mike: Yeah, so that's George, his name's Jorge, he goes by George Morales. He read "The Toilet Paper Entrepreneur" a long time ago, reached out to me, and we became friends. Here's what the sweet spot is it's the intersection of three things.

First of all, your uniqueness. I've come to discover that businesses that play into the

owner's uniqueness are the most successful. Here's how you define it; if your business has become your soul-mate, truly your soul-mate, you are now playing up your uniqueness. You have to have a unique offering which is an expression of you, yourself. But that has to intersect with demand. I mean, if no one wants it, you're not going to sell anything.

But if you have top clients, meaning great clients that you love to do business with, and they love to do business with you, and they're buying from you repeatedly and they want that uniqueness, now you're starting to build the seed. There's one more element, and it's systemization. Meaning your business has to be able to run on automatic.

What I mean by that, is if you're landing prospects, converting those prospects to customers, collecting revenue from them, delivering your offering, all while you're sleeping. Meaning if you can go full-cycle while you're not even consciously involved in the business, and there's top customers that want it, and it's truly unique in the market. Now you've hit the sweet spot, and you have potential for colossal success.

Andrew: So for him, the video that I was showing up on the screen earlier was about Porsche, the Porsche ECU. I don't even know what ECU is frankly, and I've watched his video still. It's these little boxes that go in the car. Is that what it is?

Mike: Yeah, I think it stands for Equipment Car Unit or something like that. It's the computer system that controls the performance of the vehicle.

Andrew: He decided, as I understand it, to specialize originally in Porsche and BMW, and by doing that what happened? By narrowing there?

Mike: It was interesting. First, he said, "We'll do ECUs for any kind of car." Then it was so many different technicalities, that every time he was trying to fix a computer for a new car it was a new learning experience. After we spoke, he's like "I'm going to refine down to just Porsche and BMW." Now he became efficient. He has become the world's best at it. He can outperform anyone else trying to repair an ECU for these cars because that's all he does.

So in our businesses, we actually want to have a common need from our clients because that will allow us to repetitively provide the same solution, which therefore brings efficiency, which brings the ultimate gold pot, profitability.

Andrew: So let me bring it back to one of our members. We've got someone in the audience who's running a content creation business, really high-end content. He's looking for the bigger agencies that represent lots of clients to be his customer, and turn to him for content for all of their clients. Should he be focusing more narrowly

than just saying "I want agencies who are working with big clients?" How does he do it?

Mike: You totally need to go more narrowly. Basically, my argument is this, identify your niche. Then once you say, I'm just going to work with any big agency, if that's what you feel your niche is. Then say, how many competitors do I have that when I do an Internet search, also qualify for this. If you find more than four or five competitors, you are way too broad still. You got to narrow, narrow. Start at the top. Take your first slice. If there's a lot of competition, take another slice. If there's a lot of competition, keep slicing down until you get to more narrow.

The great analogy is the old doctor analogy. You can be a heart surgeon or you can be a general practitioner. The problem is that with the general practitioner is he'll take someone with a cold, like I have a cold right now, to someone that is having a heart attack, but when you come in and he does his initial examination, if it's something severe, like a heart attack, he has to refer you out to the specialist, because he doesn't have the skills to do it.

The specialist then dictates a huge premium. The heart surgeons are making millions; the general practitioners are barely staying afloat. Well this analogy plays across to our businesses. If you become the general practitioner, "We serve any big agency that needs communications." You're a general practitioner.

People may come to you initially, but when it comes to that specialty where they're going to pay a super-premium, because maybe someone's attacked their website, and there's this horrible slander up about them. They're going to go to a firm that specializes in taking care of that now and they'll pay a premium. So, get narrow, get narrow, get narrow.

Andrew: Okay. In a moment we'll talk about how to get narrow, narrow, narrow. Let me make sure that I understand. This is the chart you were talking about earlier, right? You were saying it's got to be unique. It's got to have those top clients and it has to be systemizable.

Mike: Yah. Yah and if you look at that, some people get only two parts. A lot of people do something that they feel is unique. By the way I believe most businesses aren't unique enough, but you'll see there on the right side, most people think that they have something that they're doing that is unique and they have certain clients, what I call top clients or clients who you love doing business with and they love doing business with you. They pay well, they pay quickly.

A lot companies are at that intersection where if you only have those two your almost called the dollar for hours trap and what the trap is there is that it's unique and top clients want it, but it's not systemized. The owner is responsible to do the

majority of the work. They have to micro manage it. They have to run and put out fires. Your growth is trapped because it's only based on your availability. It's only the intersection of all three of these, now can you facilitate perpetual, big-time growth.

Andrew: Okay. All right. Let's move onto the next big idea that I've highlighted, which is to focus your business on a niche. You did that. I want to understand how to do it. You did that at this company. Let's bring up PG Lewis. No photos of you from the time. I couldn't find them anyway. You focused on lawyers with your data forensics business. So how did you know to focus on lawyers?

Mike: Yeah and then we went even deeper. So that was just getting started. I started it with a guy called Paul Lewis. We decided, he already had the shell of the company called PG Lewis, we decided that calling it PG Lewis and Michalowicz would be too difficult for people to say, so we left it as it is. As we built this we identified what clients are our service resonating with.

Now this was computer crime investigation was the essence of what we did. We started off with lawyers and we started off with corporate security and then we started seeing who are we resonating with. Who comes back to us the most? Who is most impressed by us? It was lawyers, but it wasn't any type of lawyer it was actually criminal defense, white collar criminal defense attorneys.

So once we figured out these are the clients that are enjoying our services and benefitting from them the most we started saying no to everyone else and started focusing just on these customers. And what happened, within a year of this focus, the Enron trial broke and guess who got the Enron trial?

We were at the right place at the right time serving the right market, that we were the heart surgeon to pick. So we, along with a couple of other companies, we got that trial and my company went from this doing well startup to just explosive growth.

Andrew: So it's a matter of starting off narrow and then looking to see who is most connecting with you; which customers are most eager for the work you are doing?

Mike: Yeah, it's really simple. I believe people speak the truth through their wallets and not through their words. So if you ask customers, "How am I doing?" Most customers will say great, but I don't care about that, because they may never do business with you again. What I do care about is the ones who spend and buy from you repeatedly. You have to monitor the revenue and cash flow coming in from clients.

The one that generates the most revenue, pay the quickest are you showing you through their actions that they truly value you. You then need to get inside their minds. You need to understand their market as best as you can, perhaps even

better than they understand their own industry, and then cater to it.

Andrew: Okay. All right. That's very helpful to figure where to start focusing. Let's go onto to the next big idea, which is you're telling us to fire clients that are holding you back.

Mike: This takes courage. This is where the cojones are. And this is where most businesses fail ever to grow.

The analogy I use, that's from "The Pumpkin Plan." In my book I talk about a pumpkin field. What I explain is as a pumpkin's growing ordinary farmers allow other pumpkins to grow on the vine. They're in the quantity game - the more pumpkins the better.

But what's interesting is colossal farmers will actually when they see a little pumpkin growing instantly cut it off the vine. Because they know it's taking the energy, it's taking the nutrients away from something that could be colossal. They know for something colossal to grow it must be protected, and any distraction must be removed.

Well, the truth is for our businesses to grow colossally... Excuse me. For our businesses to grow colossally we need to have the discipline of killing. I'm not saying actually killing, but removing bad clients. They take a disproportionate amount of attention, a disproportionate amount of emotional energy, and in most cases your weakest clients actually cost you money.

They're the ones who don't want to pay you, don't think you did the service right. You have to redo what you do. They're complaining. And, you actually end up losing money.

One last thing. There was a study by a company called Strategex out in Chicago of about a thousand companies. They did this analysis similar to what I'm telling you - who paid the most money, who paid the least. But, they also did a profit analysis.

They found that for these thousand companies the best customers, the top 25 percent, generated 150 percent of the company's profits. Which, at first glance, how can a company have 150 percent of profits? Well, when you look at the bottom 25 percent of clients, they resulted in a net loss of 50 percent of profit, which meant the top clients were actually covering the bad clients.

So if you have the courage to get rid of your weakest, weakest client, even if you just start with one, usually you'll see a little bump in profit. [??]. You have to get rid of the related costs. But, you'll also feel a relief of distractions are gone. The draining emotion that you felt for this client is gone. It's a huge relief to get rid of the

weak clients.

Andrew: David Hauser, the founder of Grasshopper, how did he do that?

Mike: Yeah. They were fascinating. When they started up their company... They are a wild success in the voice over IP market. When they started their company they focused on small or medium sized business. Anyone who needs a phone system is a perfect client. While technically that's right, you're not catering to a market. So, they don't see you as the heart surgeon in their industry.

They decided to pick entrepreneurs. What they simply did was they realized that as people are getting the phone systems that people most thrilled with the phone system were brand new startup businesses, entrepreneurial businesses.

The one thing David was telling me that kind of triggered this off was they have a voice message or voicemail to text translator. It's kind of weak. Like, if I left a voicemail for you saying hey, Andrew, I'm looking forward to talking today, it may say hey, Andrew, I heard there's a turtle walking around the house.

What they found out was most companies were not tolerant of that, but entrepreneurs were able to digest at least hey, it's Andrew, I should listen to this voicemail. So, entrepreneurs were tolerant of it. When they realized that they said that's who we've got to commit to, and they put all their attention on entrepreneurs. And, the business has taken off explosively.

Andrew: And you can actually see it here. I'll just draw some arrows for people to see it. You can actually see it in their marketing.

On the page that I showed earlier it says entrepreneur at the top in the sub head. It says entrepreneur throughout the site. Their marketing is geared towards entrepreneurs, including those viral videos that they created.

I actually remember them, Mike, as being the phone service that even actors in New York would use so that they could apply for work and have a call go into their professional number. But, I imagine that actors in New York don't need as many features like multiple extensions, like different kinds of voicemail, so they're not nearly as profitable, not nearly as worth focusing on as entrepreneurs.

Mike: Yeah, yeah.

Andrew: This was before they even changed their name to Grasshopper. I believe they also have a lot of actors as customers.

Mike: No, I believe you're right. They had a lot of [??], but the thing was they weren't

dominating in any single one. So, while they were bringing on customers they weren't so profitable. And, when an actor is disappointed with their phone system because it's not relaying a message within seconds - and I'm just making that up hypothetically - maybe a different complaint than they'd receive from an entrepreneur than they would from a Fortune 500 or some large division that was trying out their system.

By dedicating just to entrepreneurs they started coming up with innovations just for the entrepreneurial community.

Andrew: Okay. And, I can see how then that marketing starts to speak more to entrepreneurs. They feel like, well, all right, this does make sense for me. Even if I don't really think I need a phone service, if they say there's a voice for entrepreneurs I might ask myself, why am I the only entrepreneur that doesn't need this phone service? Why am I the only one who doesn't want all these extensions? Then you start to consider their offering.

Mike: Yeah. Their branding's amazing. What happens is the second you see their website you know you're home. As an entrepreneur you look at their website it's, like, I'm home. This place can take care of me. If you're an actor, and, you land on their website you're, like, this isn't for me.

And, that's what you want. You want to polarize your prospects because if you are, people that it resonates with, it will be so obvious to choose you. For the other people they'll leave. That's what you want. You grow by uber catering to the best prospects.

Andrew: All right. Let's go on to the next big idea. It's to give your best clients the VIP treatment. Mike, I like to go back, and, find YouTube videos, pictures of the people you're talking about, but, for the example for this session you talk about a guy named, Tommy Munich, and you use a pseudonym. You think, all right, I've got the Internet. I'll go find out who Tommy is.

Mike: It's Tommy Munich.

Andrew: I couldn't find him. I couldn't get a screenshot, or, anything. I think there's a reason you use a pseudonym for him because of what he did. What did he post around his office?

Mike: Oh, Okay. Yes, so, what, Tommy Munich did, it was a pseudonym, he had a company that was catering. I don't know if you can see it, but, I have one of these things on these little chachki things, these bracelets. It's like the, Lance Armstrong, livestrong type bracelet.

He made all the knockoffs, Tommy did. What he did was his number one customer was Walmart. Now, his business was doing about \$2,000,000 in revenue at the time. His number one customer in revenue was Walmart, but, what he realized was he couldn't service Walmart the way they required to be catered to.

Walmart requires that you deliver your packages when they order them on a Monday, for example, between 10:00 and 10:30 a.m. If it doesn't arrive during that time frame, that window, they will actually penalize you. They'll withdraw some money. If the skew on the box isn't one inch below the lip line they'll penalize you.

He realized Walmart's not a bad company. They were just a bad customer for him. He couldn't cater to them. Well, what he did was he took a piece of paper, and, he wrote on it very simple instructions for his colleagues, and, himself. He said, when the phone rings and Walmart's on the phone, or, whoever the caller ID is, answer it on the first ring. That's our policy. We answer it on the first ring.

He goes, if you're on the phone with Walmart, and, the next call comes in from our number two customer, which was the Dollar Store, if the Dollar Store answers tell Walmart you have an emergency, and, immediately hang up on them. Conversely, he said, if the first call comes in from the Dollar Store, when Walmart rings, let it go through to voicemail.

Our moms told us treat everyone the same. Treat everyone equally. That's a bunch of hog wash. Maybe with your friends, your social network, but, when it comes to business you have to cater to your true best customers at the direct, and, deliberate discount of your secondary customers.

The funny thing is sometimes your number one revenue customer isn't your best. Tommy, I almost said his real name. Tommy wasn't making money on Walmart. He was making a little bit, but, the Dollar Store could make a lot more. The end of this story is what's amazing. That's why I don't disclose his name.

He became very wealthy through this one little strategy. Within a year Dollar Store has doubled its business. It replaced, basically, what Walmart was doing. Within two years all the knock off companies, not knock offs, but, the similar ones. Family Tree, Family Store, like, the Dollar Store, came on board because none of these companies before had ever been catered to so well.

Tommy's company was within three years, of doing this one strategy, they existed for 15 years had gotten to \$2,000,000. Three more years they were at \$15,000,000, fourth year, \$22,000,000, and, he sold the company.

Andrew: Is it because when Dollar Store became their number one client did they start taking their calls first? Ahead of even Walmart? Is that the way . . .

Mike: Yeah. Oh, he instantly. Once he identified Dollar Store was the number one client. Now, they weren't based upon revenue, but, he realized, this is the company he enjoyed doing business with most. He could care to, and, cater to their specific needs the best. He could service them best. That was the day he decided they will be his number one customer.

Andrew: I see..

Mike: And, yes. He . . . [??] . . .

Andrew: Then, once you decide that, they get the VIP treatment. The call gets answered first by them. The service goes first to them.

Mike: VIP to that customer. And you start . . .

Andrew: Okay. And, I think you said he sold his company for \$30,000,000. Is that right?

Mike: Well, it was at \$22,000,000 in revenue when he sold it. You may be right. I can't remember the exact number.

Andrew: Okay.

Mike: Ironically, I'm going on vacation on a retreat with him to Costa Rica next week. So, I'm going to ask him, and, if it was \$30,000,000, damn it, he's buying drinks.

Andrew: He might buy drinks anyways.

Mike: Yeah. He probably will.

Andrew: He sounds like a good guy.

Mike: He is a good guy.

Andrew: All right. Next up is to systemize our business. This is one that took me a long time to except. If you would've shown me this. This is what our producer took a screenshot of. Let me see if I can show it up. If you would've shown me this, it's one of those airline safety card processes that's found on a plane, and told me, Andrew, this is what you want to model the way you run your business on, I would've said that's not the way a fast growing tech company should work. That's not the way an ambitious entrepreneur should, but you say we should. Why?

Mike: Yeah. That, I believe, is the foundation for all systemization is the airline safety card. I call it the airline safety card method. Here's what it is. That card communicates to anyone that speaks any language. You don't have to speak English. You can speak any language and understand how to navigate that situation.

You can safely open a door that weighs 600 pounds and you can be 90 years old. You can be located floating in this massive ocean of water, should you be in that situation, because of this. You can survive potentially the most dangerous situation you'll ever face in your life because of this.

And you don't need to be trained on it. If you were given all the instructions on how to step by step survive a plane crash we'd all be dead. This card has simplified everything.

Well, we need to do the same. This card simply represents the actions of the systems behind it. The doors are mechanically designed so that they can be moved, even though they weigh so much, so easily. So much research has gone into the safety vests that with one pull it inflates and starts sending out a beacon. All these thoughts and processes have been put in place so you as the user of it can execute it instantly and without even knowing the language.

Well, in my own business, my forensics company, my second company in particular, we unveiled the airline safety card method. We were doing data collection, evidence. We were literally doing murder scenes... Not a murder scene, but murder cases, and we had to extract and encapsulate the evidence itself and then analyze it.

This is really complex, heady stuff, and if there's one mistake, game over. The evidence is tainted. It can destroy not only the case, it can destroy the company. Well, one way to do this that most people try to handle it is hire really experienced people. Hire the most elite people in the industry. The thing is we can't afford them. They'll put us out of business. If they're really that talented and experienced they can [??] such a premium it'll put us out of business.

So my partner and I, our plan was we're going to hire the people with the right energy, attitude and intelligence, but these are going to be people right out of college that want to be in forensics. The only way we're going to be able to accomplish these tasks is if we have our processes so tight that they can follow step one, two, and three and get the job done.

Yeah, this... Well, one last thing we did is the way we test the system now. I had an assistant at the time. Her name was Patty. Patty had no technical understanding. It was the Patty rule. If we can get Patty completing certain tasks we know our airline

safety card is there.

So we would try something out, have her test it. It was frustrating. It took us months and months to develop the smallest, easiest things. But once Patty could do it, we knew we had it set and we were on to the next task.

Andrew: I want to see how it ties back into the goal of the session which is to get more customers. But, I'll tell you how one of your fans is using it. This is a company called the WP Valet. They manage Mixergy. They implement all the tech on our WordPress site. You can see here on the left one of the big things that they do is migration. They have something like the Patty test. Can they take someone... They have a guy on the team who doesn't have a tech background...

Mike: Right.

Andrew: ...and can they give him a checklist and have him migrate a website, a WordPress site, from another service onto the service that they prefer which is WP Engine. By creating that checklist they allow just about anyone on the team to migrate a site, and they get paid well for migrating websites.

The question I have, then, is how does that help a business get more customers? I understand that this systemization helps a business produce for the customers they get. But, how does it allow us to get more customers?

Mike: Because it caters to our needs. You know, the thing is once you start refining the type of customer you're working with you get a recurring sequence of problems. It's usually a set of 5, 10, maybe 15 problems that you run into repeatedly. So, every time you enhance your system a little bit more you're addressing that problem better, more acutely, more directly, faster.

Customers are thrilled by it, because a good system solves their problem. I mean just think about McDonald's, for example. McDonald's is the leaders in convenience. Anyone can make that hamburger. You or I could go into McDonald's and within the half hour we could be making the exact same hamburger as any other person in that place.

Now, for the consumer this is a benefit. Because I know any McDonald's I walk into anywhere it's going to be the same crappy hamburger, but it's going to be the same hamburger. There's absolute consistency. I know my problem, hunger, will be addressed with the exact same flavored thing each time.

Now I'm not saying that makes everyone a customer. But once a customer experiences that consistency, it does build loyalty. I would never say, I always hang out at McDonalds, but when I'm hungry, and there's a couple minutes, and there's a

diner over next to a McDonalds, I'm going to McDonalds because I don't know what to expect from that diner.

Andrew: Okay.

Mike: That's why it works.

Andrew: And what you're saying too, is if the business cannot be systemized, going back to what we talked about earlier, if the business or the service that you're offering can't be systemized, then...

Mike: You're in the dollar per hours trap.

Andrew: ... you're in the dollars for hours. I see. That's the problem.

Mike: It prevents scaling, yeah. And that's where so many businesses are. So many businesses are limited in growth because they haven't systemized it.

Andrew: Okay.

Mike: There's a lot of ...

Andrew: I look at you and I say, hey, my business cannot be systemized, would you tell me, hey, you know what, you either systemize it, or maybe find a different business ...

[??]

Mike: Dude, I would grab that beard of yours and start pulling the hairs out. I would give you that much pain.

Andrew: Wow.

Mike: Because I would say, bull, total bull. Any business can be systemized.

Andrew: Oh really? Okay.

Mike: Any business can. Here's my favorite example. Here's a sneak peek into a book that's not coming out for another five or six years, but I've started it. It's about systems. And I wanted to figure out what was the one industry that cannot be systemized, period. Like, what would people challenge me on? And they said it's fine artists.

If you're an artist and you do paintings and so forth, it can't be systemized. And it

can be. I found an artist, his name is Peter Lilly [SP]. He was an English artist. He drew and did paintings of the royalty in England in the 1800's. The guy became an equivalent of a multimillionaire back then because he introduced systems. And this is what he did. It was pure genius.

He knew there was certain artistic talent he had to do it. It was the painting of people's faces. But the vast majority of the painting, actually, is the background, the body, the pose of the body. He did, basically, a color-by-numbers. He came up with six poses, and then he would paint the face of the person, then he'd yell over to another colleague and say, hey, throw number three. Pose number three on this one, and finish it out.

Andrew: Is this him?

Mike What? Don't tell me you have a picture of him.

Andrew: Yeah, yeah. I think that's the stuff. Right? I'm actually seeing the similarity in the poses, now that you mentioned it.

Mike: Yeah, and that's his face. The people you notice, it's like, wow, they always have a similar pose. He didn't do that part. He produced paintings at a level of about 20 times more paintings than his nearest contemporary. He had a prolific impact and became world famous, at least for the time from that. He had a horse named after him, which is a big deal, I guess, back then. And he was knighted, and he became a ga- millionaire. So if this guy is a painter and he can systemize, none of us have an excuse.

Andrew: By the way, what are these questions? Does this decision better serve our top customers? Does this decision improve or maintain our area of innovation? Does this decision grow or maintain our profitability?

Mike: Yeah, I call that the key three. And what these questions are, and when you are faced with any challenge, or any opportunity in your business, you have to qualify by going through these three questions.

Now let me give you an example. Say, you're redesigning your website, and you're considering putting graphics on it. Well, the first question about some of these graphics, do these graphics better serve my top clients? Because if I'm not doing something that better serves my top clients, I'm diluting myself. If you can say yes to that, then you have to go to the next question.

So, yeah, these graphics will better communicate my top clients, but the next question is, does it maintain or improve my area of innovation, meaning what makes me unique. And if my area of innovation is convenience, meaning I make

very complex, heady concepts very simple. That's what I believe my company's mission is.

So will these graphics not only serve my best clients, will communicate the complex message very simply? And if the answer's yes, I still don't do it until I can say yes, definitively, for the third question, and will it make me profitable? Meaning, maybe these graphics, or something, cost so much money that it's going to cost me more than I can afford. Well then, don't do it.

But maybe, it's something that will bring profitability, or at least sustain and it won't affect me negatively, then do it. A lot of companies make decisions because they feel it's right for the client. They think it's right for them, but they ignore profitability and that's death by a thousand cuts.

Andrew: All right. Onto the next big idea from the book? Get your client's wish list. And you talk about how these guys did it. This is Jeff and Scott. There they are. Jeff and Scott ran, what's the name of the company now?

Mike: I don't remember.

Andrew: I find it up on my screen, I usually will underline these things quickly. They have, where is it? Jeff and Scott, friends, I can't think of the name of their company. After being laid off from their jobs at Pfizer, Jeff Stanbauer [SP] and Scott Weintraub [SP] decided to form a company based on their own wish list that they were unable to implement at Pfizer. Jeff and Scott have developed a proprietary process that gave them the business named Healthcare Regional Marketing.

These men went to their clients and built a wish list. Meaning they went to their best customers and asked, "What do you want from us? What can we do to really cater to you?". Scott had a real interesting approach. Their service, just to be clear, is regional marketing.

For example, you sell aspirin in Chicago, and you have a three percent market uptake; meaning three percent of people who could be purchasing aspirin are in Chicago. But, in New York, you are at five percent. The company will evaluate what you're doing better in New York, that you could be implementing in Chicago. Healthcare Regional Marketing will also analyze the demographics and use those variables in their decision. They take marketing lessons nationwide and have built them into regional areas as well.

Healthcare Regional Marketing went to their largest prospects that they could imagine, although they weren't customers yet. They informed the prospects about how they were developing a new software, and asked the prospects advice and direction on improving said software. In addition, they asked to allow fifteen to

twenty minutes so the prospects could give them critical feedback about how the men could improve the technology.

Here is the key to his sales tactics; Scott would never try to sell the software to the prospects. He felt attempting to sell would only undermine his credibility. He would simply seek their advice on how to improve the software. The prospects began convincing themselves that they needed this software. Scott would then return with prototypes for the prospects to check. Healthcare Regional Marketing simply asked for advice from prospects, then began building each prospect's particular wish list.

According to the article from bizjournals.com, Healthcare Regional Marketing has a ten to fifty million dollar business. In order to have a business with similar monetary income, here are a few things to add to your check list: speak with your best clients, find out what they want, get their wish list, and learn from them. Ask questions about what you could improve on, and what they like most about your business. A final note, make sure you get referrals from clients, and make sure you don't make things awkward by attempting to force your business on anyone. How do I do that?

Mike: Yeah. The wrong way to get referrals, and this is a bone of contention with a lot of people, is to ask an existing client. The reason I think that's a bad way to get referrals is it's offensive. You just took money from your client and you're like oh, this money is not good enough, I need your family, I need your friends.

It's offensive. But, also it forms dilution. If I ask you for a referral, Andrew, to someone like you that I could serve, I'm not going to pay attention to you. I'm now going to pay attention over here to someone else. So, it doesn't make sense to do.

There's a better way to get referrals, much better way, and I call it the vendor well. This is how it works. Instead of asking you for someone else to work with, I ask you what other vendors do you depend on.

What you're going to say to me is why do you care about the vendors I'm working with. My response is if I know the other companies you work with... Now, these aren't competitors. I'm your computer guy. Maybe it's your office cleaning company, maybe something like that.

If you refer me to these other vendors we can collaborate and serve you collectively better. If the office cleaning guy... Maybe my computer cables are in his way and he has to vacuum over. It's causing a problem. If I can just communicate with him we can resolve that and serve you better. So, of course you're going to make referrals to the vendors.

This is where the magic is. You refer me - this is you - up to your other vendors. They have clients just like you. Now, if I build a relationship with them they know

the other Andrews of the world. If we collectively serve you better, and you're happy, so is the other vendor. We're going to start building this vendor network, and they're going to make tons of introductions. Every single business I've owned that I've grown explosively, that's the method I used.

Andrew: I see. Find the vendor well. Don't say to the person who else do you know that I should be talking to to get business from. It's who else is serving you, who are your other vendors. I want to collaborate with them to help you, and by collaborating with them to help your customer you end up building a relationship with vendors that have other customers like your customer. That's the thing.

Mike: It thrills your existing customers. You're catering to them even more. It's the best way to grow your network.

Andrew: Let me ask you. Let's come up with a real world example actually based on your experience. I showed this earlier. This is what the site used to look like. Throughout the site it actually says we serve all customers. You're very generic and very open.

Mike: Yeah.

Andrew: Later on this is... Let's fast forward a few years to... I'll zoom... Actually, here, let me just move it down to where I start to see financial industry at the top tab.

Our specialty is financial industry. In the headline over there on the far right it says hedge fund association. So, you start to focus. Now, if you're focusing as a tech supplier, tech consulting on the financial industry, what vendors do they have that you have the right to go and talk to and find more customers from?

Mike: Oh, it was amazing. Once we started focusing, and that was just the beginning, we ultimately focused exclusively on hedge funds. What happened was the hedge funds, for example, all relied on clearinghouses. So, one of the major vendors every hedge fund must have is a clearinghouse. But, there's only like three or four big ones.

Goldman Sachs was the one we did a lot of business with. There were some others. These are the banks for hedge funds.

Once we were introduced to Goldman Sachs we had the keys to the kingdom. We thrilled Goldman Sachs, because we were catering to everything that they would want to see in their hedge fund clients. Then, Goldman Sachs would start referring us out. But, they were in their case such a dominant force. When a new hedge fund was getting set up and Goldman Sachs was going to be their clearinghouse, Goldman Sachs would say here's our recommended providers. Use OMIC, Mike's

company, to be your computer guy. Use this company to be your trading desk. Use this, use this.

They would deliver the package. It's kind of like your lawyer saying... If you get an injury and your lawyer says I want you to see this doctor, you're probably going to see that doctor. It's the same thing. We got client after client from Goldman Sachs and other vendors we built relationships with in the hedge fund industry.

Andrew: All right. I love the concept of the vendor well. If people want to follow up with you, you've got a couple of great books out. And, the third, it's on the way, right?

Mike: Yeah, yeah, you're [??] there. It's called "Profit First." I'm really excited about this one. I consider books kind of like albums from different bands. Sometimes you'll have the one hit wonder band. Sometimes you'll have one that they have a couple of good albums but not many people know about it.

I think that's what my books are. I think the word's getting out on both my books, "The Pumpkin Plan," "The Toilet Paper Entrepreneur," but they definitely weren't blockbusters. I feel the concept of "Profit First," the new book, really is going to change business forever.

Basically, it's this. I believe that most businesses do what's called bank balance accounting. Most of us look at how much money's in our bank account and then determine how we're going to run our business based upon that. Even though we know we're supposed to look at our income statement, our balance sheet, blah blah, very few entrepreneurs do, and the ones that do don't even understand how to read it.

So in that book I've developed a system. I've used it for myself now for five years. I've deployed everything from a public company down to small startups. This is a way to manage your cash flow by simply looking at your bank balance and assure that your business becomes profitable starting today and it's forever profitable and you as the owner take a good income.

Andrew: And we can preorder it right now even though it's coming out in July. I'd love for you to come back and talk more about the book when it's out. I would love to read the book.

Mike: Dude, that would be a privilege. I would love to.

Andrew: Thank you. You know what? I'm surprised to hear you say the book wasn't a blockbuster but maybe once you get within a certain circle, that it feels like everyone is talking about it and maybe in my circle it feels like everyone is talking

about the Pumpkin Plan much more than Toilet Paper Entrepreneur. Toilet Paper Entrepreneur was such a catchy phrase, such a catchy idea that maybe it even overshadowed you as a person. Don't you think?

Mike: Yeah, "Toilet Paper Entrepreneur." It was a very strategic move on my behalf. I decided I need to be edgy if I'm going to break into being an author, but I also recognize I'm going to disenchant [SP] a lot of people because I'm going to come with a lot of edge. It is authentically me, but it's an edgy book. It's an edgy book. It did what it needed to do. It garnished enough respect that this guy could actually maybe write books and it got the word circling around. But because it was so edgy, you're right, it overtook my own name. I

was the toilet paper guy and everything was toilet paper this, toilet paper that and when I said my name was Mike Michalowicz they're like what are you some Polish guy from somewhere? Like, who are you? I'm like, I wrote this book. "Toilet Paper." Oh I know that book. "Toilet Paper Entrepreneur" admittedly was a sophomoric type of edgy read but I'm very proud of the content in there.

"Pumpkin Plan," I started to understand how to write better. I think it's more digestible. I think it's still just as engaging. It's not as offensive. There is my moments because that's who I am and "Pumpkin Plan" for the long term it's actually gaining momentum as it moves along. I think in the final analysis, "Pumpkin Plan" will be the bigger book for sure.

Andrew: Well, thank you so much for coming on here talking about it. If people want to follow up with you, they can type in Mike Michalowicz. Probably if they type in MikeMichalowicz.com they'll misspell it a couple of times. The best way to do it is just type it into Google and then head over to your site.

Mike: That's exactly it.

Andrew: And when you do one of the things I love about it is, I love how fun it is like you actually will pronounce the name right here if I mouse over it. It shows me how to pronounce it but I can click it. It's pronounced Mike Michalowicz. Well, usually.

Mike: Yeah.

Andrew: I don't know. Who did your site? This is a really well done site.

Mike: Yeah, her name is Liz Dobrinska. She's my designer. The company is called Innovative Images. Definitely check them out. What is cool about her, is every element in there was overseen by me. She's one of the few companies that doesn't say, here's how we are going to design your site. She's one of the companies that says let's really get to know your personality and implement it into the site. That's

my true character you see there. I'm a goofy guy. I like to joke around. I like to be humble and kind of poke fun at myself.

Andrew: With a real serious message and frankly that goofiness, I was reading your reviews in preparation for this conversation, the reviews for "Pumpkin Plan." This one guy who dinged you a star. He said it's because he tells funny stories or something. I forget the word that he used. He didn't use funny stories. I said that's the point. That's the part that makes it fun.

Mike: Yeah but that's a good thing. I want to get dinged. Listen, I'm not looking for everyone to slam me, but I know if I'm not polarizing the community, I'm not being strong enough for the people who do resonate with me.

Andrew: I get it. I just want to win over everyone. I want every point. I want every star.

Mike: Yeah I hear you but everyone is going to get dinged. Your show is phenomenal but I'm sure there's people like Andrew, it is too in depth. Why don't you give me the meat and potatoes within seconds.

Andrew: Yes, I do get that.

Mike: Everyone is going to find a reason not to like it. That means you're catering to the people that do like it so dings are okay.

Andrew: If you're one of those people who thinks it's too in depth, I'm sorry for making you listen all this far but frankly here's the one thing you should remember. Vendor well [SP] I freaking love that phrase and I love the concept and I hope if you like that you'll continue on and check out Mike Michalowicz's website and his books. Thank you all for being a part of this. Mike, thank you for being on here again.

Mike: Andrew, absolute pleasure and I'll see you for profit first real soon.

Andrew: You bet and feel better. Bye everyone.