

[Transcript] My First Million / #102 - Why a Handful of Meme Accounts Sold for Nearly \$100m

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

What's up?

My first million.

We're back.

Sam, how are you feeling?

I'm well.

How are you?

I'm thriving.

There's these groups that I've been to where it's like a men's group.

You're a bit of a men's group.

Maybe one time.

Like what?

There's one with the folks who go down to the Folsom Prison.

Yeah.

And also there's one that's kind of, what's it called, a mankind project or something like that?

That's like a famous one.

That's like a national group that has like a bunch of, some people think it's great.

Some people think it's like.

Yeah.

I know.

Here you go.

Cult.

I did Kairos.

You know Kairos?

Yeah.

I was in Kairos.

I think it's an immense group.

That's just like an entrepreneurship thing, right?

No.

The version, I went to an all boys high school and I went to Kairos.

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I think it's a religious thing.
I don't even remember.
But it felt like a men's retreat.
Boys retreat.
We are 17.
They do a thing at the beginning, it's a bunch of men sit in a circle and you talk about your feelings.
But before you do that, you sort of check in.
It's like a thing that where they make you get present.
So it's kind of like you sit down, you just sit first, quietly, just breathe for a second and go around the circle.
And it's like, I'm Sean and I'm checking in, I'm feeling tired, honestly, and that people, you know, whatever, people just check in and then at the end of the thing, you check out and there's always kind of amazing to see the transition between the check ins and the check outs.
You can actually see how much benefit somebody got in the hour.
And I always felt like teams or companies should do this more where you like, you treat it more like a sports team where you kind of like have your pregame.
You talk and you huddle and you figure out what the strategy of the day is and the strategy of the week.
And then you get pumped up, you go do some shit, you check in at halftime, you see how things are going, you make adjustments.
And then in the post game, you sort of, you know, give the, give the speech.
And I always wanted to run my company like it's like a sports team.
But I got to say a lot of times I got a bunch of eye rolls from the engineers who were just like, yeah, I don't need all this.
They kind of liked it, but they were also like, oh God, we got to talk about our feelings against shit.
I don't want to do this.
I think they would like it.
I think that people would actually like it if you ran it like an army.
Yeah.
I'd never been to the army.
So I don't know how that goes.
Neither have I, but like, I guess what I mean is like, it's a very strict discipline.
When we started the company, I was like, yeah, well, what's your opinion?
Okay.
Let's do that.
And then I'm like, wait a minute.
And in more cases than not prefer just being dictated to like they're like just being told what to do.
All right.
Yeah.

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You famously had a thing.

I forgot with somebody at your company where you like wrote like a 3000 word brief of like, you're going to do this and then this and then this and this is the way you're going to do it.

And it like dictated there two or three weeks and you were like, dude, this is, I don't know if it stayed awesome, but the first time you did it, you're like, this is awesome.

They're just doing exactly what they need to do and with no like uncertainty and they like it too.

Cause they got like very clear description of what to do.

And it works.

It works.

Let's talk ideas.

You want me to bring you one of them?

Yeah.

Let's do it.

Well, I say let's talk ideas.

This is something I found that was interesting.

Do you know, you've never heard of this, but it's called money supermarket.com.

Can you go to there?

Yeah.

I'm going to go to it, but tell me about it.

Let me make sure I said the URL perfectly.

Yeah.

Wait, is that it?

It's a British website.

It was started in the early 2000s.

Yeah.

That's the right one.

It looks kind of ugly, right?

Okay.

So here it is.

Let me read the Wikipedia.

So I got all the exact details started in 1993, but it was before the internet and it was just like a magazine.

It was like a pamphlet where this guy named Simon Nixon would just blog about what was the best mortgage provider, uh, boring stuff.

Not that interesting.

He was charging, uh, \$11.

What's a fortnight?

Every two weeks?

Yeah.

He was charging 11 pounds for every two weeks and bankers and things like that.

People, maybe even brokers, things like that.

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They would pay him money and he would just get a, they would get a pamphlet where he would aggregate, uh, the best mortgages.

Well, the internet comes around and he kind of starts putting it online and it launches as this new business in, let me find the exact year because this is important.

The year is important.

I'm glad you said the year is important.

I hate when people are like, was it June, 2011 or July?

And I'm like, dude, it doesn't matter.

It looks like year 2000.

Okay.

So they started it in year 2000.

Now I was looking at their numbers.

So they started about 2000, 2001.

So in about the first year they did, this is crazy.

So no, sorry.

They started in 2000.

They made very little money.

2001, very little money.

2002, they made \$2 million with \$600,000 in profit.

This is all bootstrapped.

2003, which was the next year, 16 million in sales with 2 million in profit.

2004, 47 million in sales, 15 million in profit.

And the main moneymaker was this 11 pounds per two weeks subscription to the Info or No.

This was something else.

No, it was a little bit of that.

And then in the last year that I'm referring to, 2005, 56 million, 16 million in revenue.

Now it's a \$400 million company.

So growth slowed a lot.

That makes \$100 million a year in profit.

The model and the reason why I'm bringing this up is because these business models are crazy.

They grow so quickly if you can nail it.

And it is basically affiliate, which is, I believe this is the only, I mean, this is for sure how they make a lot of money.

I don't know.

I can't tell if it's the only way, but basically you talk about which products are best and you get a cut.

If a user ends up clicking through, you get paid for that.

And sometimes you also get paid if they actually sign up for it.

Crazy interesting, right?

This is like NerdWallet, right?

It's just like NerdWallet.

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But I don't know if there's only a few categories you can do this in, like car insurance, home insurance, travel insurance, mortgages and credit cards.

But this is just a business model that works consistently across a variety of categories and it scales so smoothly, makes so much cash and not enough people realize how big these things are.

Yeah.

It's always surprising.

When you first told me about NerdWallets, like stats, I was blown away.

And then I was like, well, I guess that makes sense.

I mean, the credit card companies are willing to pay.

I mean, what's the affiliate fee?

I think it's like \$1,000 or something, right?

No.

No, no, no.

No.

NerdWallet?

Less?

Probably \$100.

Maybe as high as \$300, maybe as low as \$10, but probably \$100.

But the thing is, is that what's the market size for Americans who need a credit card?

Probably half of America.

And how many credit cards does each person have?

Probably one to five.

So they get them every handful of years.

So it's a pretty, it's a massive market size.

And so the way, if you're in the, if you want to do the affiliate model, which I like, there's a lot of downsides to it, but I like it.

If you want to do the affiliate model, then what you have to do is you have to, you have to ask yourself a handful of questions, which is, what's something that a large amount of people want?

It's, this is all like the variables in the equation.

How many people want it?

How much does the product cost?

Because that's how much percentage of the take you can get.

How often do they need it, the frequency?

And that's probably it.

Frequency, price, and market size.

And rankability, right?

Can I get the traffic from Google?

How competitive is this?

And do I understand SEO enough to do this?

And what's the competitive advantage?

Yeah.

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Right.

So Sam, what would you do?

Let's say you had this insight.

So you see Nerd Wallet, you see, I mean, this is such a weird website too, by the way.

What is this?

The tagline says, be like the money calm bull, the hell is he talking about?

Well, it's a British website.

So are you on a dot?

If you're on the right one, it should change like dot UK maybe.

Okay.

I don't know.

But okay.

You're right.

What do you think?

Would you just upend these guys that have been doing this for 15 years and are kind of either too complex or too stale now?

Or is there a new platform you could do it on?

Or would you go for a different niche?

How would you approach this if you were looking at this?

So I don't think there's that many niches that this could be done on.

Now I do.

And I also, the best way to get traffic is through Google, but that's quite hard.

A lot of these websites, Nerd Wallet included, they didn't really work that hard.

I feel like at making the product amazing.

And so a company like Credit Karma built a product.

So Credit Karma has this exact same business model.

And so a lot of people just do create a blog or content and you rank for content and then you go through and just click through and it's super transactional.

That's what Nerd Wallet is.

And because of that, they don't really have a brand.

Credit Karma does because you check Credit Karma maybe on a weekly or monthly basis or an annual basis to look at your credit report.

So you can create some type of widget that does that.

Wirecutter did this well.

People trust Wirecutter and they love it because they had a really unique way of ranking in the products where they said, just buy this one.

This one's the best.

And now because of that, a lot of people went to thewirecutter.com.

So there is definitely a way to build a brand that's good, whereas most sites like bestreviews.com and things like that strictly went the content farm route, which makes money.

So yeah, I think there is a way to, I think that a lot of the people on YouTube are doing a really good job at it.

So if you started a YouTube video that reviewed different stuff, that would be a great way

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to build a brand and then you could actually have a site that gets loads of traffic, it can do this.

Yeah.

Yeah.

I kind of agree.

I wouldn't personally go into this space because I feel like when I look at who's doing well here, they all started like 10 or these guys 20 years ago.

And so I feel like this was a model that got figured out kind of early and people did it for travel.

People did it for mortgages.

People did it for student loans.

They did it for credit cards.

And so I'm like, okay, what is the likelihood that there's a niche that's untapped here?

Probably very, very low.

Unless you look at something new, like if I was going to have to do this, I would do it in crypto.

I would say, oh, a lot of people are interested in Bitcoin or cryptocurrencies.

You can basically be the on ramp through content about how to buy, what to buy, how to store it, how to make sure you don't lose it.

What's the review on this new coin?

And then you're selling leads to Gemini and Coinbase, for example.

So maybe there's some value there.

But I would be pretty hesitant to go into this space now.

I think there are beautiful businesses once they've, you know, I would love to own one of these businesses, but I would probably not start them because I would be too worried that it's just super saturated or I would go for a new platform like a YouTube or somewhere else where I would say, okay, I'm not going to do it through Google search traffic.

I'm going to do it through YouTube search traffic because YouTube is basically the second biggest search engine in the world.

It's just happening.

People don't think of it that way.

People think of YouTube as this like entertainment destination, but it's a search engine with videos as the results.

And so I would look at, okay, which one of these can I translate to YouTube and build a following from here?

I would not do it on TikTok or something that's transient.

So I would look at it the different way around, which is you are correct.

These do take a while, but once they work, they like grow like crazy.

Like I nerdwalled numbers are similar where it was like nothing, nothing, and then something and then 4x, 4x, 4x.

I mean, that happens a lot, but I look at it the other way around, which is if it takes a little while to get there, that means hopefully it will take a long time to be killed and it could work without, like it's one of those things that if you do it well and you maintain

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it well, it could last, well, who knows how long.

Building for the internet is weird, but theoretically 30, 40, 50 years.

The other angle I think would work here is to go, so all these blogs are like kind of generic information sites.

So you say, you know, which one should I get?

And then it says a review of the top 10 credit cards and which one has the best perks for a business person.

And then there's kind of just, it's very impersonal.

So I would go the exact other way and go deeply personal.

So the model here is like Mr. Money Mustache.

So I think there's a big advantage for anybody who opens up the playbook, they open source their own finances.

So if you basically said, hey, here's my financial life, and I'm going to talk about all the different financial things I'm doing and deciding to do and blah, blah, blah.

Subscribe to me to get my updates on and my monthly P&L for me, my burn rate, my budget, what new products I'm using, what cards I'm using, how much I paid for this, blah, blah.

Because people are pretty tight to the most people are close to the vest with money stuff.

So you being the exact opposite, being extremely transparent with your money stuff is I think a way to get a following sort of the way Buffer did with companies.

I think people could do with personal finance and some people do this.

But I think this is just like a better path than trying to be one of these content farms.

And that's the other way I would approach this.

If it was me and I have kind of an experiment, I'm going to run like this soon, I'll announce it soon.

But it's exciting.

I think this is a path that is less saturated.

Have you seen, have you ever heard of Answers.com?

I've heard about it, but I don't know what you're going to tell me.

So a lot of people would put it into that content farm.

It's just there to get page views.

This business, I was reading into it, I believe it's Answers.com.

So Answers.com is a question and a Q and A.

Is this different than Yahoo Answers?

Yes.

It's its own thing?

Yes.

The URL is Answers.com and you, it's like a little bit more similar to Quora than anything and you can ask questions, but somehow they have a subscription service.

And I believe the subscription is based off of who can answer.

Like if you pay money, you're able to answer a lot of questions and you rank up top.

They do a hundred million dollars a year in subscription sales from this.

No way.

It was sold to another company for, here, if you Google Answers, let's see, I think

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it was sold for, was it 500 million dollars?

It's pretty crazy.

This is such a funny, this is like the user-friendly looking version of Quora, it's like the happy friendly version of Quora, like the design of it is so funny.

It was sold in 2014 for \$900 million.

To who and for what?

Jeez.

APAC's partner.

You can't even find a way to pay on this.

Where do I even go?

I would like to give them the money, I don't even know how.

Okay, private equity, all right, so that means they were actually making some money.

So that's an amazing business I'd never really heard of.

Good domain, obviously.

So I had a really half-baked idea that's kind of around this.

I don't know if this will work or not, but you know, like the Wirecutter kind of like, okay, in a world of information, of abundant information, where do I need, like trust becomes more important.

And Wirecutter became a trusted source.

I would love to see somebody make a thing called 100 Experts and they basically just find 100 Experts, let's say, and start with the category of like home gadgets or like personal security or like personal finance or whatever, right?

And it's 100 Experts.

You don't know, either they're, we use the real names or not, but you can ask any question and it's Quora with a specific set of people who can reply and they get paid to reply.

They get paid, you know, a small fraction.

So you kind of have these like 100 or so Experts that are curated and they're sort of on commission for giving really, really helpful answers.

And I think people would like to have kind of like a real human being who knows their shit to give an answer rather than kind of anonymous or, you know, like random internet forum answer.

And if you knew that all these people were like super legit in that field or kind of they've tested everything, they've tried everything, they help a bunch of people for this.

I feel like people would like that.

What do you think of this half-baked idea?

Yeah, how much would it, how would it make money?

So I think you would do is you would say, I think you would charge the question asker or you would go affiliate.

So again, if you pick the right niches, you could do it through affiliate.

And if not, you basically say, okay, cool, this is, wait, how would it be through affiliate?

So you know, I'm asking for what's the best home speaker system in my living room, right?

Got it.

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Okay, got it.

Three guys chime in and they basically are like, you know, my favorite is this one.

It's actually super affordable.

It's 400 bucks, blah, blah.

The next guy says, that one's great, but if you really want the high end one, I have this in my house.

Here's a photo.

It's amazing.

The sound quality is unmatched.

And the best part is you don't have to worry about wires.

Because third guy says something else.

And then whichever one of those I click, you know, you can work it out where I'm going to end up getting paid, you know, the \$80 affiliate fee for whoever buys that speaker system through the service.

So that's one way, or you do it on subscription where you find the people that are willing to pay for the right answer.

It's like, I'm willing to pay for an expert.

And you know, they subscribe kind of like 15 bucks a month or whatever.

And then that gets split up amongst the experts based on who's answering at what volume, you know what I mean?

Like jelly, but not a consumer, like not trying to get mass consumer appeal, like just more of a commercial network.

All right.

Today's episode is brought to you by Tempo.

Tempo.fit is the website.

I actually use this.

I've used this for a few months now.

And it's this machine that has a touch screen and this 3D sensor.

And what it does is they give you weights, like 115 pounds of weights.

And it's for strength training.

So what it is is it measures your body and it sees how much weight you're lifting.

It sees how many reps you're doing and how much effort you're putting in, what your heart rate is.

It's pretty amazing.

And then you have a coach on screen walking you through what to lift, how many to lift, what workout to do, whether you want to do a 20 minute, 10 minute, 50 minute workout.

It's pretty amazing, but the best part is the leaderboard.

The other stuff, all the features that they have, that's cool, but I'm obsessed with the leaderboard because it measures how many reps you're doing and how much volume you're doing.

And you can compete with other people who have taken the same class.

So it's maybe want to work harder, lift more weight or have more endurance.

It's just pretty freaking fun.

And the whole point of working hard is to have money so you can spend it on stuff that

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will make you live longer.

And this product Tempo, it checks that box for me.

So they're our sponsor today.

If you use the code Tempo Hustle, you'll get \$100 off.

So Tempo.fit is the URL and Tempo Hustle, one word, you'll get \$100 off.

So check it out.

I use it.

If you look me up on Twitter, you'll see I'm always filming videos where I'm talking to that company saying I'm trying to crush their employees on the leaderboard because I actually love this thing and I use it all the time.

So check it out.

I think that would work if you got the right stars.

And I think that you'd need to get the right stars.

It could be a little bit of a complex back end like business problem of like who gets paid which money, which is kind of would actually kind of be neat to try to solve for answers.com proved it's possible.

And yeah, I think that could work.

I would do subscription.

I think that's pretty cool.

A lot of companies have tried to do this like Clarity, remember Clarity?

Yep.

And that actually doesn't work well.

That business model sucks.

And so what that means is they have experts on their platform and people spend \$100.

Pay for a phone call basically.

Yeah.

And that doesn't really work historically.

It only works when you charge like \$1,000 or \$5,000 per hour.

Yeah.

There's a new company trying to do Clarity again called Super Peer, I don't know if you've heard about it.

They have a little buzz behind them.

So maybe they've found something new.

I don't think so.

I think it'll have the same Clarity problem.

This happens a lot in the startup world.

You just do the same thing that failed seven years ago.

Yeah.

Super Peer is my buddy.

Sometimes the world has changed and sometimes you just make the same mistakes or it dies for the same reasons.

So Super Peer looks like a new Clarity.

Let's switch to a different idea.

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I like that story, half-baked idea.

I'd give my own idea like a four, but let's go to the next one.

What do you got?

Okay.

I got two interesting ones.

All right.

I'm going to do my big idea first.

So I actually have a couple of friends who I think are going to work on something like this, but it's probably the biggest idea in my head right now.

The biggest idea in my head is COVID has created this boom in e-commerce, right?

So like you look at this, there's this chart that's like this incredible chart just shows e-commerce growth as a percentage of retail over time and it's like inching up, started at 6%, 7%, 9%, 11%, 14%.

And then this year it's like 35% where people are like, oh shit, I guess I just order everything online and they're building this, these habits, you know, the longer that everything's closed, the more they're grooving this habit in.

And so e-commerce, I think that's not news to anybody, e-commerce is going to keep growing and you know, Shopify has been one of the big beneficiaries and so has Amazon.

Like Shopify, I know Amazon stock has gone up about 60% this year.

Shopify has pretty much doubled in market cap since COVID, it's like a hundred billion dollar company now.

So that's happening in e-commerce, but then, you know, I think the same thing's going to happen for video services.

So basically any service, so just like retail, like buying and selling physical goods has moved online, I think buying and selling services is going to go online as well.

So things that used to be kind of totally brick and mortar services, doctors, lawyers, trainers, therapists, all this stuff.

And these have slowly been moving online, telemedicine came online, like doctors on demand and people started doing doctor's visits over the phone, or sorry, you know, like video conference.

I think there's some of the big therapy apps, like Seven Cups of Tea and others are doing extremely well.

I think you know some of their numbers.

They're doing it.

I mean, I know that they make between 15 and 100, so there's, sometimes there's two that are the leading ones, Talkspace and BetterHelp or is it TalkHelp and Better, you know what I mean?

No, I think you had it right the first time.

Yeah, one with Michael Phelps and the other one with somebody else.

Right.

And they do well.

And they took this, this service, which is, you know, a therapist that you traditionally had in person, they make it digital and they make it a mobile app and it grows, it grows

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and it's, you know, doing \$50 to \$100 million a year in revenue.

That's kind of amazing.

So I think that a huge number, a huge amount of services today are just being stitched together over Zoom and Google calendars and emails and things like that.

Right.

It's like, I email you, we set something up, send you Google Calendar link, put a Zoom link in it.

Zoom call, you pay me through PayPal.

And this is happening all over the place.

And let's call this, let's give it a goofy name, let's call it VCommerce for now.

Video commerce.

So I think that there's an opportunity to build Shopify for video commerce.

So Shopify for anybody who's delivering a service through video, it's not an e-commerce product where they're selling a physical item or even a digital item.

It is a video conversation between either one to one, one to a few or one to many.

And so I'll give you some examples.

I run this mastermind group, right?

People basically pay me and three times a month, I do a call with three different groups.

So once a month call with a group and basically I use Gumroad or Stripe for payments.

That's how I collect that.

I made a website somewhere else to describe what this is.

I use email and Google Calendar to organize it and I use Zoom to do the call.

So why don't I just have a storefront that says, Hey, book, you know, if you want to join my mastermind group, you know, here's the details, push this button, pay me.

And then when the time comes, you'll get automatically emailed a link to join the Zoom call, which happens right here back at my storefront.

And like, why don't personal trainers do the same thing now?

Therapists, lawyers, doctors.

I feel like there's going to be a huge number of people that deliver their service through video in the future.

And that means that there's an opportunity to build Shopify video services.

Give me your thoughts.

Okay, cool.

You're describing a really big thing that needs to be subdivided.

So the first thing is like small things that are probably \$1,000 or less.

Probably QVC style or home shopping network.

That's an interesting concept that a lot of people have been trying to solve for.

Adresin Horowitz has said they're looking to fund that.

In China, they have a variety of apps you probably, or you might know.

If anyone knows more in this conversation, it's you on this because you have some Chinese roots, but I have no idea what they're called.

But do you know what I'm talking about at all?

What you're talking about is people who sell physical item, but they do, they host their

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own little show.

They host their own little show.

It's live streamed on your phone and you can click and you can buy the things that the person's holding up.

They might hold up a lip gloss thing and they're talking about how great it is and then a hundred people can go buy that thing with a push of a button on that.

Yes.

So that's like...

That's different than what I'm talking about, but yes.

Well, you said Shopify for video, which is like in my mind, you're just saying using video to sell, right?

I'm saying Shopify.

I'm basically saying what is Shopify?

Shopify is the ability for anybody to spin up their own storefront online.

Okay.

So what I'm saying is storefronts for people who deliver services through video.

So some kid in the Trends group launched a plugin for Shopify that did this.

I forget what it was called, but it was the whole intent was to help yoga teachers sell.

Yes, exactly.

So how does a tutor, I'm an amazing SAT tutor and what I want to do is I want to hold my SAT tutoring class on Thursdays and it costs 70 bucks for your kid to join for the month or whatever.

So I want to be able to say, Sean's tutoring shop, create a \$70 subscription, have people come here, read the details, read testimonials, read reviews, click buy.

It takes their payment.

It sends it to my bank account and then it sends them a thing that says, hey, okay, you're scheduled for this time.

This time slot.

Come back to the store and it's embedded in there is the video where, cool, because I was a customer, I now get access to this video service.

Yeah, definitely.

I'm explaining it.

It's a little bit complicated the way I'm explaining it, but is there something here?

Well, obviously there's something there.

Is it big?

I'm not sure, but the good news I feel like is that's like the crazy, easy thing someone can make like Furcon or a really competent dev could do that in two days, right?

Yes.

So Furcon is working on this.

So we'll see how it goes.

I don't know if his vision is exactly the same as this.

I'm just pretty convinced that now that I've kind of played in the world of e-commerce,

I'm like, oh, shit, it's amazing to just let people spin up a storefront, but there's

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a whole bunch of people whose retail, their brick and mortar place was not selling physical goods.

It was selling a service, doctors, lawyers, et cetera, personal trainers, physical therapists, mental therapists, whatever, and tutors.

So where are they going to go?

How do they do their business online?

And not just online as in, hey, I have a website that has my address and I say, come to my store and you too can have SAT prep courses, but actually saying, cool, my storefront is digital and I deliver my service through video online.

Let's talk about your e-com experience, by the way.

So you've been in typical iPhone apps, web widgets, and consumer stuff.

You don't have to say what you're doing now because I don't think you want to or should, but how long are you into your...

So Sean has a e-com thing that he's tinkering with.

How long into it are you?

Yeah, I'm helping my wife.

It's her thing.

So I'm helping her do it.

But through that, I've learned quite a bit.

So I've been doing it.

We've been doing it for, let's say, eight months total.

Store launched three, four months ago and eight months since the idea, from idea to today is eight months.

And you're three months in.

Have you cracked like \$1,000 today normally?

Yeah.

And is it going well?

It's going great.

So do you think it's awesome?

Yeah.

I think it's awesome.

Physical products are so different.

I've been doing software-only products for a long time and got spoiled.

I tweeted about this a while ago, but software is magic to me.

Software is for a variety of reasons.

I'll tell you five reasons why software is magic.

Number one, you make the product once and you sell it a million times.

In e-commerce, you want to sell a million items.

You got to make a million items.

A million items have to get manufactured for you to do it.

And hey, guess what?

Working with a manufacturer is complicated.

It costs money to pay for inventory.

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It takes time to get things shipped to you.

The USPS gets shut down by the president and then your customers don't get their items.

Some items are defective.

There's a pandemic.

You have to quality control.

Yeah.

Exactly.

There's all kinds of shit that goes on with physical products.

Software, not the case.

Build it once.

Sell it a million times.

Second thing, sell in one place, sell in all places.

So you can make software today and then tomorrow, if a user in Indonesia wants it, hey, cool.

Go ahead and sign up.

No problem.

For the most part, in software, you can roll out globally overnight.

Very few businesses, that's a superpower.

If you told the Rockefellers, hey, you figured this thing out, snap your fingers and now you could do this all around the world, they would have been trillionaires.

And that's really what happened to Bezos and Zuck and all these other guys.

They became essentially mega-billionaires because their one product took over the whole world.

They consumed the whole world's market pretty much outside of China.

So anyways, that's the second property that's amazing.

For e-commerce, let's say I have a whole bunch of customers in Australia who are hearing about it and they want it, okay, shit, now I have to figure out how am I going to deliver my product over there and expand over there and every country has different customs rules, shipping time, shipping cost, et cetera, et cetera.

How do I do returns?

It's complicated.

Let's do the next one.

In software, you start with something crappy and then you make it better, but every time you make it better, every single customer gets the benefit of it being better.

In e-commerce, you also start crappy, but let's say V2 is better than V1.

Well, guess what?

You're going to have a bunch of customers who are stuck with V1 who are getting a crappy experience and think you suck and don't want to buy again.

And you're trying to convince them, no, no, no, V4 is way better.

We fixed all those issues.

The buttons don't pop off and the wheels don't break and whatever anymore.

In software, when you fix it overnight, every customer in the lifetime of your company can get the benefit of it.

In e-commerce, that doesn't happen.

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So again, you're stuck with this slow path.

The last one is margins.

With software, you're able to capture larger margins typically because it's a digital product.

There's zero marginal cost for every incremental user.

And so you're able to capture pretty high margins, although engineers can be expensive and sometimes servers can be expensive.

But on the whole, I think you get higher margins.

E-commerce, typically you're crushing it.

You're doing well if you're at 25, 30% EBITDA margin.

And so software might be at 75 or 80% as you scale up.

So what's your outlook on this so far, this business?

It's a good business.

It's going to be a successful business.

It's already doing well.

It's just constrained by inventory at the moment.

But it's a good business.

It's not something I'd want to dedicate my life to.

I think e-commerce has pretty low barriers to entry in general.

So that's not great.

It also has all these headaches because logistics and operations will take up a ton of your time.

And that's not the case with other types of things.

So I think if you could build a software business, build a software business, I wanted to learn something new and try something new.

And my wife had this project she wanted to do, and I said, I can help you do it.

And so it's been pretty fascinating.

Yeah, it's going to be a multi-million dollar business, no doubt.

What about the peer group business that you have?

Do you like that?

No, awful.

I think it could be great, but I made a big mistake, which is that I put myself in the groups, which I think was part of the value prop.

People were like, oh, cool, like I listened to Sean on the podcast.

I think he's smart.

I think he might be able to help me with my business.

And so I created these peer groups, but I'm in the groups.

And so I got to show up.

And so right now I charge 250 bucks per month per person, and I have about 20 people doing it.

And so, you know, you can sort of do the math and you're like, okay, cool.

So you know, you make about five grand a month off this.

And it doesn't take a ton of my time.

Like it takes nine to 10 hours a month, but that's not a great hourly rate for me.

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And so every night that I do it, I'm like, I like these people.

I think it's helping them genuinely.

And I like that.

But it's a money losing proposition for me.

If I just use that, if I just use that same time on something else, I would get much more value out of it.

But you know, relationships are cool too, and good things have come from relationships you can't really predict.

So you know, that's good.

If I had done it, like y'all are doing it where you're not in the group, I think that's a better model, but then I think it's less value for the people.

So we're putting it on hold because we did a big report on it and we're like, and then we ran a bunch of beta groups and I'm like, ugh, I don't want to have that.

You got to think about it.

In order to hit a hundred million in sales on that, you wouldn't, if let's say you'd have to charge, let's say you had 20,000 people who each pay \$10,000.

How much is that?

20,000 times 10,000.

Is that a hundred?

That's 200 million.

That's 200 million.

Okay.

So then what about 10,000 people paying 10 grand a year?

That's a lot of people you need.

And that's a lot of money.

Is the market that big to satisfy that?

I don't know.

Yeah.

I don't know also.

I've been doing business, I start salivating over, I did it because a bunch of people were asking me for stuff and I was like, I don't really want to consult, but if I do some group thing, maybe this will work.

I don't know.

Let's try it out.

I looked at YPL, I looked at Vistage and I was like, okay, those are pretty good businesses after a while, but, and people seem to be pretty disgruntled with them.

They don't think they deliver a ton of value and they don't, they think sort of a rip off the way it's running.

But now I see why.

Like I should be charging 10 times more than I charge essentially, five to 10 times more than I charge and I shouldn't be in the groups for this to work.

And I think if I did that, that would change like today, I think they're getting a tremendous amount of value.

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And if I charge five to 10 times more and I wasn't in the group, I think they would be getting way less value.

So I don't really want to go that path.

I'm probably just going to end the experiment in a few months.

Let's talk, I don't know how to say this, but you put it in there, this Instagram handle that was acquired for 85 million.

Yeah.

Dude, I saw this.

This is crazy.

So shout out to my buddy Steven from Flipmass, which is if you ever want to work with influencers, you should use Flipmass, it's kind of a secret gym.

So Steven's like knee deep in the meme, meme-er world.

He knows every Instagram meme-er, every, you know, TikToker, Twitter meme account.

When I say meme account, I basically mean these accounts like this one, Dayquan or FJerry, if you've ever seen, you know, fuck Jerry's Instagram account, where basically it's a, the influencer is not like Kylie, you know, Kylie Jenner or whatever.

It's, you know, it might just be like, you know, hood fights or like food porn or like mommy fails or something like that.

And behind it is like some 19 year old kid who posts content and they're just really funny and they post great memes.

And you know, honestly, I think these members are incredible, what they do.

I think they're so talented and so undervalued and they were undervalued for a long time.

But I saw the other day that Warner Music Group bought the company that's behind Dayquan and I think they have like 10 to 15 other accounts for \$85 million, which is incredible.

I think it's a sign of the times, right?

So you have Warner Music Group who wants to always be culturally relevant, want to have distribution into the masses.

That's critical for a music group.

And then you have these guys that assembled this like cult following, you know, they're part of the culture.

They influence the culture.

If 10 of these meme accounts all start talking about, you know, how House of Cards season two is like driving them crazy.

House of Cards season two will see a huge spike in viewership.

And I know this because I know the people who are behind these things and they've done campaigns with Netflix, with Spotify, with other huge companies.

And they're like, yeah, dude, if we want to make something popular, we can make it popular like overnight.

So I just interviewed this guy from Trends and he bought, what did he buy?

NBA memes or he bought balls, B-A-L-L-S ball or ball or balls on Instagram.

They also bought, I think it's called NBA meme or something like that.

Each one had like one to five million followers.

Now there's a rule on Instagram.

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You can't buy the handle, but you can buy the media company that owns the handle.
And anyway, this guy, he owns a sports betting site and he bought it to use for user acquisition for a sports betting site.
And then he got Mark Cuban to throw a little money in.
And so Mark Cuban was like, all right, I'll use the advertising like the, some of the inventory to promote Mavericks and or Maverick basketball and we'll also like sell some ads on the Instagram just to help us finance it.
And it's pretty cool.
It's like, when he told me that, I was like, oh, that's a great strategy.
Can you talk about your buddy's social chains or no?
Yes.
I was going to bring, I just pulled up a tweet from him because, so I've been following the space for a while.
I use these meme accounts to grow my apps to like literally to number one in the charts before with, you know, a budget of like less than \$25,000.
And you know, that should cost like \$500,000.
So my buddy Steve, so Steve actually was my intern and this is like the best success story ever.
I'd love to take credit for it, but this is all Steve.
I didn't really do shit.
If anything, I just identified early on that this guy has a lot of potential.
So he was 19, 20 years old, reaches out to me and says, you know, he liked what we were building with our app.
He wanted to help grow it.
He told me a little bit about himself and I jumped on the phone with him, flew him out from the UK to the US, let him live in the living, let him live in an apartment that we owned and work for our company to help grow our app.
And he, so start off as our intern pretty quickly realized, okay, this guy's got a lot of talent.
He wants to go do his own company.
Great.
He went and did his own company called social chain.
So this was six years ago, maybe five, six years ago, something like that.
So social chain has now gone public.
And here's their report for the first half of 2020 revenue, 88 million euros, EBITDA, 200 million euros.
So, you know, not, not a huge margin there.
Forecast for the full 2020 is 200 million euros revenue and nine million EBITDA.
The market cap is \$222 million for their company now.
How much?
Publicly listed company, \$220 million.
But so there's some weird stuff around that though.
It like merged with another, isn't, isn't there something weird going on?

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Yeah, they created a group.

So they merged with a whole bunch of other, they acquired some companies, they merged with other companies, but he's the CEO of this part of the company that went public.

So the whole thing, I don't think it went public.

This is the, you know, the handle is the social change, social chain, AG, the handle is pu11.de.

So it's on the German stock exchange.

And look, I don't know how legit it is.

I know he's legit.

Like he built this fucking thing with his friends.

I remember they had 25 employees that were all under the age of 23 years old at one point.

Oh my God.

And it was just a shit show, but like they were making shit happen.

You know, that he would go, I think I told the story before, but I'll tell it again because

I think it's kind of an amazing story.

So he's a super talented speaker, public speaker.

So he would get invited to these like marketing conferences and everyone would be like, you know, going on stage talking about the importance of social media or like the importance of authenticity in 2019 or whatever.

He would go on stage and he'd be like, Hey, we're the social chain.

We run the internet.

I want to show you an example.

This guy put a picture on the screen and it was like the soccer player and he's like, this guy's name is whatever, like Manny Abayu.

Manny Abayu just got picked up by Liverpool.

He's the youngest guy ever to get picked up a Liverpool.

His contract, 77 million euros.

Isn't that amazing for like a 17 year old?

And we think he's going to be the next big star.

So we're going to talk about him over the next 30 minutes on social.

So he started, so his all his meme accounts, all his theme accounts start posting about Manny Abayu or whatever his name was.

And 30 minutes later, he's like, let's check in.

So he's then he continues this speech about how, you know, how they think about social, how they think about marketing, how they think about the power of sort of comedy and memes.

And then he pulls up Twitter and is like, Oh, look, the number one trend on Twitter, Manny Abayu, you know, this tweet has gotten, you know, his name has been mentioned, whatever, hundreds of thousands of times.

He's also the number one news and all these news outlets have picked him up and wrote blog articles.

If you go to Google and he's like, Oh, by the way, this guy doesn't exist.

I literally just made him up.

His name is an anagram for like, you know, whatever, social chain.

And like, I literally just made up this guy and look what happened.

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Look how many people are talking about him.

Look at how many news outlets have, how many legit news outlets have reported this news.

This is insane.

And he's like, we're social chain.

We run the internet.

And I just remember thinking like this guy is a super talented speaker and he actually has built this influence machine of the internet by owning all these Instagram and Twitter accounts.

It was crazy.

I am looking this up.

That is crazy.

What a crazy story.

That's nuts.

If you would have told me about that business, it's not scammy, but it definitely probably attracts a lot of scammy people.

And this guy's like a young Gary Vee, like his Instagram account now has a million followers and it's because he hired a guy with a video camera to follow him around every meeting he goes to and he edits daily vlogs and are like super high quality and gives like kind of life advice and he's a good speaker with a British accent.

He's a good looking dude.

And it just works like his whole thing just works.

And when he would do that stuff on stage, when he'd get off stage, of course, you know, the brand, you know, the guy who owns the brand budget for Microsoft and Spotify and Netflix and, you know, Uber Eats, they're all like, Hey, we would love to get some of that internet juice that you guys got.

Like that was amazing.

What you did.

Here's, you know, an eight million dollar contract with us.

You know, you're on retainer for \$250,000, you know, per month.

And so that's what was happening by the way, the show, the story that Sean said it took place in most recently, there was an article written about it in June of 19.

I don't actually know when, oh, sorry.

He was set to prove at a soccer conference in 2015 that his agency can, can, can make it popular.

The conference was called Soccer Rex Soccer X.

And so he named the player Rex Soco, an anagram of soccer X, a 16 year old who had signed to Arsenal for \$34 million.

And it did, in fact, go viral.

And then they tweeted out just a joke.

Right.

Yeah.

So, okay.

I got every detail wrong, but the story.

No, it's right.

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No, you got it right.

It's just crazy.

I mean, this isn't like some like, Oh, I heard he did this.

I mean, I just Googled social chain fake soccer player and there's like all this truth.

The Metro, which, what is that, like the biggest paper in London wrote about the truth beside the truth behind rest set Rex secos 34 million euro transfer move to our arsenal.

Right.

And I got to say, having four million in EBITDA on 90 million in revenue, like not, not great at all.

So, you know, that's like, you know, 4% margin.

So, so, so, you know, I'm not saying this is the greatest business.

I'm saying this kid pulled off a fucking, you know, heist on the internet and now the stock market and has built like an amazing business and I'm super proud of him.

Like that's like a success.

I view, I take credit for that success, not for what he did.

I credit myself for being a front row as an audience member.

That's really all, all I can say is like, cool, saw it, picked a good talent to watch and I've watched him for seven years, built something kind of amazing.

So, you know, I think that's always a fulfilling feeling.

All right.

So, let's wrap this up with one more thing that we're going to talk about a kid who did something crazy.

A few weeks ago, I brought up Gymshark.

Do you remember Gymshark?

Yep.

And I was like, man, they like, look at their financials.

They grew like crazy.

The guy who runs it's only 27.

Did you see they raised money or I wouldn't even say raised money, but a PE firm bought 20% of the business?

I did not see that.

It happened this weekend for \$1.3 billion.

And Gymshark is like an athleisure brand.

They make like, you know, gym clothing, correct?

It's like, I think it's cool.

My wife thinks it's cool, but it would be stereotyped as like, what's the equivalent of like an English bro?

I think what do they call them?

Lads or something?

Yeah.

It's like Steve and their friends owned a lad Bible.

So he didn't own it, but his best friend on lad Bible, which is like bro Bible for the UK.

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And that and they kind of helped each other grow like crazy.

And that's where I got this kind of like lad culture.

That's where I followed a lot of it.

But yeah.

And these guys are like, are like the bros of England and they sell it to like the Instagram girls of England.

And like all, it's like all hot people who have abs, you know, and whatever, but it's like cheap shit.

It's like really, it's like, you know, fashion Nova.

Yep.

It's like fashion Nova, but for workout enthusiasts and they're like what mostly white bros of England, but it's expanded.

So like, I love them.

A lot of people like them because it's so cheap and it's like perfectly fine for a pair of tights or some other workout gear.

But they're doing like 300 million pounds a year in sales.

And this kid started 19.

It's just crazy.

Amazing.

Congrats.

You know, I love it.

I'm on their site right now.

Actually, they do a lot of really smart details I can see on their site that I'm gonna steal.

I like the way they're doing this.

Yeah.

Jim Shark is cool.

So what do you want to talk about?

Just like, you know, shout out to them or is there something?

Well, we talked about it recently and we're like closing the loop.

Okay.

And we're like, I think this.

I mean, we didn't call anything because it was already quite huge.

So let me bring up a company that is similar to Jim Shark, but I hadn't heard of it.

My buddy Ben, who is, you know, my secret weapon, I've always shown me awesome stuff that I'd never heard about.

What's Ben's last name?

And then I can talk about it on the podcast.

Ben Levy.

Yeah.

He shows me stuff too.

And so he showed me this.

Check out gruntstyle.

So gruntstyle.com.

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What you're going to see is basically like a brand that is kind of like all American. I want to say like almost like Trump American, where you see like extremely patriotic folks. A lot of their imagery is like kind of either military or flag based or whatever. Well, isn't a grunt like a low end in the military or something? That's true. I don't know if that's why they call it that maybe. And they do stuff like, you know, there's like, when they do the email pop up, it's like, are you a veteran or are you a, you know, active service member? Are you a patriot? Like, which one are you? Well, it says they have like two million monthly uniques, dude, I bet this company crushes it. Exactly. I have a hunch that they crush it. So they make different stuff. They make just shirts, you know, like this gear, lifestyle gear, and some of it's for fitness, some of it's masks, some of it's for outdoors, whatever. This is an example of just like knowing your audience tripling down on your niche and building like kind of an incredible little e-commerce business. And the innovation here is on the branding, the marketing and the sort of segmentation of who you're going to go after. So here's their thing. We have taken the American Fighting Spirit and instilled it into everything we do. You don't have to be a veteran to wear grunt style, but you have to love freedom, bacon, and whiskey. And they sell mostly just like t-shirts that have some type of American flag or some type of like cute, like whiskey helps slogan on it. And then it looks like they might sell dumbbells and they sell lots of masks and lots of key chains and lots of stickers. So it's just like a gift shop. But I bet you these guys sell like many, many tens of millions of dollars worth of stuff a year. Yeah. I would bet the same. And it's so funny. Yeah. It is like America's gift shop. It's like if you were walking around America and this was, what would the gift shop look like? I think this is what it would look like for many people. They got a million followers on Instagram. I think they're doing really, really well. And I think people can take a lot of inspiration of like, you know, for whatever your niche

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is, here's what it looks like to do something really, really well.

And I doubt that they've raised money and gotten a whole bunch of press.

And I don't think that's how they built this business.

I think they built it.

You know, I haven't looked into too much of their background, but it does seem like they built it, you know, sort of brick by brick or organically and sort of through social rather than through anything flash.

They do, according to the founder, a little over 100 million in sales.

Okay.

It's quite huge.

I think that and their margins are probably fat because these are just pretty cheap t-shirts.

One thing that's interesting and I don't care like where you fall on the spectrum, but the...

So this is a common strategy, which is you like go after a group of people who feel they're being attacked and you sell stuff to them because they bond together.

This type of person, which we would say is probably a Republican, probably conservative, probably mostly white, probably like my values are being trumped on with this part, particularly with COVID, like some of my rights are being taken away.

This segment of people I know through being an investor in some of these companies, they have the most loyal audiences of any niche I've ever seen in my life.

The conservative right-leaning, like I owe it to like my kids to like keep my rights and whatever.

I don't know how you want to stereotype that shit.

The people who read Fox, the people who read Bright Park, that audience is the most...

Super engaged.

The super engaged audience I've ever seen of anything.

Yeah, exactly.

There's extreme versions of it like the Alex Jones crowd and you can see their numbers, out and saying that is, Bright Park, same.

And then they're sort of like, as you get closer and closer to the center, it gets a little wider and a little bit less overzealous, but yeah, it's cool brand, cool success, good for them.

I think that's awesome.

I like highlighting these brands that are not the like, I like to study brands that people in SF, LA, New York are not wearing, they're not building, they're not caring about because I think there's just a lot of opportunity and those are the ones that people aren't usually talking about, which is why I like kind of bringing them up here.

I agree.

I agree.

I'm into it.

All right.

We'll wrap this one up.

Thank you for listening.

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Cool.

All right.