

## [Transcript] My First Million / #128 - Open Startups, A Mysterious Bag Lady, and Gamifying Facebook Ads

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.

I'm recording.

What's up, Sam?

What's going on?

You bought a house?

Yeah.

Did you really?

I thought you were bluffing when you sent that to me.

No.

I've got the inspection right after this, so I went out to, like, I'm in Austin because in my company's base here, some of the guys took me out to dinner or something, and I was walking around the neighborhood and I was like, this is amazing.

I want to move here, and so that was on Thursday.

On Saturday, I looked at a house.

On Sunday, I made the offer, and Monday was accepted, so we're good.

I'm going to rent it out for some of the year and live in it some of the year.

Wow.

Okay.

I love it.

Is it like kind of residential, neighborhood-y family, or is it like cool, near 6th Street?

Like, where are you doing here?

It's the cool, they call it like the grimy area, or I don't know what the stereotype is.

I frankly know very little about it.

It's in East Austin.

It's off of 6th Street.

It's like a 22, 2300 square foot house.

It's really nice.

It's very nice, and we got approved.

I got a little bit of a mortgage, and we just got approved fast and bought the damn thing.

And Sarah's cool with it.

Yeah.

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Definitely.

I think you're my hero because you live like, you make decisions like an independent person while being happily married.

It seems that way.

It's definitely not.

I mean, I do a lot of the talking, but it's a team, and so we both agreed, but yeah, we're going, hey, you want to do this?

We go, yeah, we're in, and so we make decisions quickly, or I make decisions quickly.

I think that's it.

You found somebody who's compatible with you in that way, making decisions quickly and valuing similar things so that your decisions are aligned.

Like when we bought a car, we was like on a Thursday, it's like, let's buy a car.

What type?

Well, I don't know.

Let's just go look at them, and we just bought it on a Friday.

So that's how we roll.

That's how I did it with my dog.

I woke up in the morning, Christmas Eve, I said, let's go dog shopping.

She's like, what?

No.

And now it's not the time for the dog, and then it just, that morning was like two days of the day for the dog, and we went, we saw three different dogs and we bought the third dog and came home.

That's the way to go.

And I also, when I was looking at the house, I wore a mask the entire time, but one of the agents who was showing it messaged me the next day was like, I just tested positive.

And I'm, so that's why I'm home because I can't, I'm not, I'm not going anywhere.

But I went and got tested, I'm negative, but I'm still better safe and sorry.

That's good that they called you.

I had a friend in college who got the herp and his doctor was like, hey, you need to call all your, you know, girlfriends and you need to tell them like, what's up?

And he's like, oh, shit, why, like, are they going to die?

And he's like, no, but you know, it's respectful, still serious and it's respectful.

And, you know, this type of thing can, can stick around and it can be passed on to babies in the future for the, and he was like, oh, wow, okay, came home, called nobody, told nobody.

It sounds like shit.

Yeah.

And there's a scene in the office where Michael gets herpes and he calls people, he goes, I don't know how to say this, so I'm just going to spell it out.

I've tested positive for H, I, R, P, and he like spells herpes and like Michael, herpes is spelled with an E, not an I, why don't you do that?

That's kind of how I felt, like I had to like call my coworkers and I'm like, just so you

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know, I was around someone who tested positive, but I'm not, but anyway, we're good.

All right.

That's great.

All right.

Let's jump into some topics.

So congrats on the house and let's talk about bare metrics.

By the way, I'll, so I intend to Airbnb this home and I'm going to reveal, well, I'll reveal the numbers once we, once we do it.

And I think that will be a fun little segment.

Also, let me, let me tell you something really quick about this.

There's this guy, there's this company that I love.

It's called super money market.

Is that what it's called?

Yeah.

You've talked about that once before.

Yeah.

Is it?

Sorry.

Money supermarket.

It's like Nerdwall, but it is in Britain and it's been around for longer than Nerdwall.

It's been around for, I think since the beginning of the web and the guy who started it, his name is Nixon, Simon, Simon Nixon, big billionaire.

And when he, it went public and when he sold it, he went and bought a vacation home and then his friends wanted to like stay there and he went and bought another one and his friends wanted to stay there.

So we've created this website called Simons escapes and it's, I think it's like a, I don't know if it's like a profit making business, but it's like a legit business and you could go out and rent a variety of his homes and the whole shtick is that this is his personal collection.

I don't know if that's true if it's like part of the shtick, but it's kind of interesting.

And I called Ryan Beagle man and I was like, Hey, this is pretty interesting.

He was, yeah, this is actually pretty common.

A lot of billionaires, like even Bill Gates and Richard Branson, you can go and rent their private estates.

And Ryan told me he was like, yeah, but I'm pretty sure a lot of them are wildly unprofitable.

Like for example, the founder of Cirque du Soleil, I think he has a bunch of them and you can go, he's like, they really just do it just to lower reduce their burn, but it's kind of a neat idea.

Like one day to be rich enough to like just, you know, own so many homes that you can rent out.

It's cool.

I think you could do like a membership, like a class pass, but for staying in billionaire's houses.

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And so you pay the membership just to be, just to get access to the Airbnb platform where you can rent only, you know, Chateau's and Villa's and ski houses of rich people.

That's a thing.

It's, I've just, I learned about this last year.

What's that called?

It's called the, is it Aviato or Elevate?

Yeah, I've heard of Aviato.

That's from the show, Silicon Valley.

No.

It's like a monthly, like you pay a monthly fee and you get access to high end.

What's it called?

Elevato or?

Okay.

It's called something.

And what is it?

It's huge.

I see commercials for it all the time.

And what they do, this is like totally like, we didn't plan any of this.

So what they do is they buy vacation rentals and you pay a monthly fee and you get access to all of them.

Right.

It's called, I don't know what it's called.

I'll have to look it up.

But anyway, it's just like, it's cool that I saw this guy do that.

I'm like, oh, that'd be fun to do that.

Right.

I think somebody could also, while we're just riffing off this, I think somebody could also do this for parties.

So I think you could also create kind of like a high end party club, which is basically like a membership fee you pay every year.

And you get invited to parties in all these different cities and the parties are part of, the parties all are hosted at house parties of like baller houses.

And until you take kind of like an elite crew.

And I had a friend who was doing this in Moscow.

He basically was like, he went, he's, he's from Moscow and he traveled around the world.

He got his MBA at that, that program called NCAD that was like, I don't know if you've ever heard of that.

It's like half time in Singapore, half time in Paris or wherever it is.

And so he had this like kind of cool global network of like, you know, like successful kind of successful-ish people.

And what he did was he created this party club in Moscow that only they would get text messages to, to these underground parties that were either at clubs, but often at non like club or bar venues, so somebody's house or, you know, outdoors in a field or whatever

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it was.

And it was always like really cool events.

And so he had this list of like 3000 members that would just get this text every single time and he was making great money doing it.

And he was just doing it because he built like the most powerful kind of like social scene and he liked to be the kingmaker of that scene and, you know, meet girls and he liked to do all that stuff.

But I could see somebody, you know, connecting some of these cool venues together in unique ways, whether it's for rentals, vacation rentals or for partying.

It's not a great business, but I think it could be a lot of fun for somebody who's just, you know, you know, somebody's trying to have a good time.

So I want to riff on that for a second.

But first, the company that I was referring to is called Inspirato.

So inspirato.com, 500 employees, 200 million in revenue.

You pay, you have two packages, one's 600, one's \$2,000 a month.

I think the \$600 one, you get reduced rates.

The \$2,000 one, you get to stay, I think that's your rate.

It's very expensive.

Two grand a month.

It's luxury vacations, basically luxury travel vacations.

Yeah.

I think, and I don't think they've raised a lot of money compared to how big they are.

It's a subscription business.

Anyway, pretty big, kind of interesting, different take on the whole Sondra Airbnb thing.

And then the other one in this space that I think is going to be massive, I've been talking about this for a few months now, it's called Hello Landing, which is kind of like this, but more low end.

So you could spend \$2,000 to \$4,000 a month and you just get a furnished apartment in like 18 cities.

And so you could just live out of that.

And it was started by the guy who started shipped, which is a like Instacart competitor, but mostly in the South that he sold for 500 million bucks, a very successful guy.

I'm very eager to see how that plays out.

And then regarding what the idea you just had, we had a listener tweet at us and he basically made a Scott's cheap flights, but for Airbnb's and rentals.

Did you see that?

No.

I'll bring you, you'll have to remind me what it was called.

It was called like serendipity or something like that.

But basically you say like, I don't even know if he had it set up this much, but you say which cities interest you.

It could be like a variety of cities and he emails you out cool Airbnb's that are have been recent or hotels that have recently been.

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Right.

Yeah, so it's curated unique vacation stuff.

So I think there's a lot of value in this, which is basically like a combination of great deals and unique experiences and just doing the curation work so that people don't have to do all the research and be hunting and be finding all this stuff.

I think that's a pretty, pretty simple way to build a, build a list and build a business.

And the name of that business that he just is called the names a little silly, but the links in there, it's called spontaneous like spawn stay Nias.

Yeah.

Spontaneous.

Yeah.

He's got to fix that name.

But that's what it's called.

Right.

Yeah.

Probably not going to work.

So this guy Zach.

Okay.

I've seen this guy.

Yeah.

The name is awful.

That's why he did message us.

I didn't click the link because the name was so awful.

No, it's a cool service.

I signed up for it.

And what it's funny is that he just launched and he just, so he doesn't have any testimonials and he has a part on his website that says testimonials and there's an asterisk and it's like, no one has said this yet, but these will likely be what they say.

Yeah.

Yeah.

It says, what we hope you'll be saying soon, future subscriber testimonials.

Uh, okay.

Got to give credit where credit's due.

I like the, I like your spunk and then he says like sponsors and he lists a bunch of brands and he goes, these people haven't sponsored us, but brands like this will probably sponsor us eventually.

Dude, the best thing, the best ad sale we ever did for the podcast is one, I don't know if you remember this.

We did it before you came on, but we had no sponsor for like two months or something like that.

And so I just did an ad read in the, during the podcast, I just go, this product, this is brought to you by no one think about this.

This could be you right here.

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I said, we don't have an advertiser right now.

So email me if you want to advertise.

And I got a ton of people interested.

We have like book three sponsors and like from a 15 second joke, basically.

It works.

It works.

We did that when we started the hustle.

I put this person, I think this is actually illegal or against the rules.

I put like this was sponsored by, and then I put the name of a company and they didn't actually sponsor it, but I knew that their competitors would email me asking this.

All right.

You want to kick it off on what you have?

Yeah.

Yeah.

Let's talk about a bare metrics.

Okay.

So we had reference bare metrics, which is a software that gives you kind of like a dashboard for your business.

I use it for my subscription business and it tells you, oh, here's your monthly revenue.

Here's your turn rate.

Here's, you know, this many people canceled this many people card decline, whatever.

It gives you this like very simple dashboard for your business, which is useful.

And he was kind of like a bootstrapper guy, so he just posted a blog that says, I sold bare metrics.

And he says, after seven years of working on this company, bare metrics has a new home and he just dove into all the details.

So he goes, purchase price, \$4 million of cash.

What I walk away with \$3.7 million from cash.

This is a 2.65 multiple of our annual recurring revenue.

And he said, here's the buyer.

It's his private equity, a tech private equity firm.

The company that bought it, it's Zenith or Zenon.

Zenon, yeah.

The woman who is the co-founder, Terry is one of my very good friends, Terry Wilson.

They're all good people.

And so it's at, you know, no earn out payment structure is three payments.

There's, you know, at close, at 12 months and at 18 months, which is interesting because there's no earn out, but you also didn't get all the money up front.

Well, that's not an earn out.

That's just a seller financed.

Yeah, he doesn't have to work there, but it's sort of like dripped basically.

So he said, okay, how we got here, you know, been working on this, it's doing well in COVID, but I think it was just kind of like time to move on.

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So what did you think of this when you saw it?

All right.

A quick message from our sponsor.

You know, I was thinking about the shortest day of the year earlier.

And while we technically have the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.

Our work days, the same length as always.

But before you know it, we spent three hours just fixing something that was supposed to be automated.

Thankfully, HubSpot's all-in-one CRM platform can serve as a single source of truth for managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and an easy to use interface HubSpot lets you spend less time managing your software and more time connecting with your customers. Learn how HubSpot can help you grow your business at [HubSpot.com](https://www.hubspot.com).

So Bear Metrics is a really cool company.

They buffer, use them at first.

So I think we should, I hate this phrase, it's a cliché.

Take a step back, which is this business is, I don't think you've ever said that.

I try never to say it.

I think it's a stupid cliché.

This business is that this, there's this whole group of people, they call them open startups. If you Google like open startups, I think there's a website that compiles all of them.

And they're startups or companies that reveal their revenue in real time.

You could see their burn or not.

I don't think you can't see profit.

You can only see revenue.

So you could see.

Well, some do it all.

There's degrees, right?

Some people went crazy and they were like, here's everybody in the company's salary.

So they published their employee salary.

Some people don't get that.

They make account information.

Everything.

And others do kind of like the high level metrics like here's what our revenue is month by month.

Here's what our growth was.

Here's what our, here's how our email list grew, but they don't show like employee salaries or profits.

Yeah.

And there's a lot of sites that do this.

So there's start a story.



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That guy, he does that with people.

There's indie hackers.

And then there's people who do it on their own.

A gumroad guy.

Yeah.

The gumroad guy.

Open startup list.

There you go.

There's a list of them.

So I think that as a business owner, I would never ever do that, but I think it's cool.

I think it's really cool.

I love consuming it.

So I think that's interesting.

And bear metrics is like a really cool tool to get that done.

Yeah.

I think that's a good move that this guy sold.

He only sold, I imagine, because he had \$850,000 in funding from major VCs and it was like an easy out for him.

So in the post, he says that the VCs, they're like, just forget it.

So they had put in \$800,000 back in 2014, 2015 from two kind of like big VCs, General Catalyst and Bessemer.

And basically, it wasn't going to be like the home run, right?

VCs are trying to get 10X, 100X on their money.

And so they want you to go, basically, when a VC invests in you, they're planning for you to try to become a billion-dollar company.

That's what a win looks like for them.

And then there's sort of like smaller wins if you end up at \$250 or \$500 million.

But in this case, a \$4 million outcome is a rounding error.

It's a cost of doing business.

I don't know if he said this in the blog post or if someone said it in the comments, which is like the amount of time just for the lawyers on the VC's end to do the paperwork would cost \$800,000 or something like that.

Yeah, I don't think that's quite true, but I get the point.

So he basically, what he said was, he said, I wanted to give them their money back.

But ultimately, for a \$4 million purchase price, we would need to ask them to walk on their investment.

Now, this didn't fully add up because you could have easily given back the \$800,000 and walked away with, you know, whatever, \$2.8 or \$2.9 million instead of whatever he walked away with and \$3. something million.

But I guess he asked them, like, hey, will you take less than I'll do this deal?

Or will you write it off so I can have an exit here?

And they said yes, which is kind of amazing by them.

And there was a lot of people on Twitter who were like, wait, what the hell?

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Like, this does not compute, especially people who come from other industries like real estate or whatever.

They're like, you just, why would they write off their entire investment?

I don't understand.

And so what do you think about that reaction?

And how would you explain it?

Well, I do think it's hard to fathom because it's almost \$1 million, it's a lot of money.

I think that you have to look at it like, wait, who was it, General Catalyst?

General Catalyst, yeah.

What's their AUM?

Do you know?

I think they have like a, they have multiple funds, but I think that they have like billion dollar sized funds.

Yeah.

So maybe like \$10 billion they have.

I think that the way that they probably saw it was, let's just not cause a fuss, be cool with this guy because he's public and he'll talk well about us and that's worth \$800,000.

So they just announced \$2.3 billion in new capital commitments across three funds.

So I think that's probably, let's call that their AUM, I don't know if that's exactly it, but regardless, they're a billion dollar plus fund.

I think that the way you look at it is like, if you're in real estate, which I'm going to fluff, I mean, I'm going to kind of bumble through this.

I don't know how it works, but like, let's say it's like, you paid a little money to like inspect a property and turns out like, ah, it's not a good property.

That's okay.

That's part of doing business.

That's one that's kind of like what it is.

It's just when you have, you know, 10 billion in assets, 800K is the cost to do the inspection.

So here's what I think happened.

So I think A, I think getting 800K back is probably not that interesting to them.

And if they took any more, I think they would kill the motivation to do the deal by the founder.

So I think that would be the most that they could get.

This is probably because it's seven years old.

This fund has probably already done well and has profits and they can actually just write off the 800K and just reduce their taxes basically.

So they can, they are going to effectively still keep that amount of money by calling this a loss, by calling this a zero.

And then they get that, you know, the founder might let them into the next, if they started another company, it might be great signaling or kind of PR because look, we're talking about it.

And so I think that those are probably some of the reasons why between like the cost and the hassle versus the upside, the fact that they probably have a bunch of profit that

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they could just write this off into.

And lastly, you know, the sort of branding and founder friendly story that they get to tell for every founder after this.

Yeah.

So that's why it's hard to fathom.

But when you like, you're like, look, this is like 0.001% of their money.

Like this just, that's the cost to do in business.

And I imagine that's how they saw it just so happens that there's a lot of zeros behind it.

But it's the same thing if it's right.

There's 800 or 800,000.

Right.

And and I encourage everyone, go check out [openstartopolis.com](http://openstartopolis.com) and go look.

So you could see ghost is on here, buffers on here, barometrics, ConvertKit, Gumroad.

There's a bunch of interesting companies that you can go and you can actually go and understand their business, right?

Like, the CEO took you aside and opened up their books.

And I love looking at this type of stuff because it helps me, you know, clear, you know, pay to picture and understand different businesses with very little effort.

Yeah.

And so I was thinking about this the other day.

So I was very close to just publishing my, like, I just did an annual review for myself about like everything, like I had these goals, you know, what changed for me in my life, my, you know, did I, my kind of personal development, then my financial picture.

And I was like, should I just publish this whole thing?

And I was like, you know, finger trembling on the button where I was about to click it.

And then I was like, okay, let me think about it before I put, because once you put your financial picture out there, you can't undo it.

Can I give you my opinion?

Yeah.

Tell me what you would do.

I don't think you should do it.

I think that if maybe you can like give like it increased by this much or like it's going well or like seven figures, maybe do that.

But I definitely think you should not do it.

I think that I think that there's a few things one, if you're a company, so people have told me about Nathan Ladka and then Cortland, the founder of indie hackers has told me about him.

He's like, founders give him numbers and then they like regret it because people start copying them and they go to Cortland and like, Hey, can you delete that?

And he's like, well, no, I mean, you like knew what you're getting into and you asked me to do this interview.

So no, I'm not going to delete it.

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Like we agree.

This is fair, which he's right.

But it's like, so it just like brings unnecessary attention.

The only up and then for personal wise, one time when I did hustle con, I like wrote a blog post saying like the first hustle con made like one year we did \$300,000 in revenue and it was like all profit.

And I was using that money to like grow a business and people were like, Oh, nice.

You have that much money.

I was like, well, I mean, like it's the business.

And I felt like that attention was actually really, I didn't, it didn't attract a type of person who I wanted to track.

And then also, but I would say that if you're trying to use it for marketing, it's a, it is an awesome tool for marketing like this.

That's the upside.

Right.

Like you give up some privacy and trends and, and you know, I don't know, whatever, I guess privacy, and you gain, it's juicy, a bunch of people want to know about your kind of like your picture.

And if you, if you're going to give somebody a snapshot into your finances and how it's growing and how it's going, then that's a good way to kind of hook people into the wider world of your content.

Right.

So that's the upside, but the downside I think is real.

Then you should do that with your fund.

I don't think you should do it with your personal money.

I think say like, we have this much money in the bank.

We've sent the checks to this, we're going to reserve it for this, like that would be cool.

That would be a cool shtick, but I don't think, I think that you would be unhappy if you did it for your personal life.

And even buffer, they wrote about it.

They're like, yeah, this was like a cute thing that we did and it got us popular because that was like our only marketing channel, but we actually don't want to reveal salaries anymore and things like that because it causes tension and it's just not worth the headache.

Right.

Yeah.

I think you're right.

I still might do it because it's just, you know, I'm curious what happens, but I do think your logic is right.

So, so I agree with you.

Well, so what are you going to reveal?

Like you're like literally your W2 income?

Yeah.

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Like I would reveal everything, reveal what I earned across the board, how my assets grew.

Oh, well, this is, you know, I'm not going to ask her about this.

She doesn't, she doesn't use Twitter except for, she went on Twitter one time and was like, yo, who told my husband to buy a bidet?

He said to somebody on Twitter told him, you know, leave him alone.

He's buying all kinds of shit that we don't need.

You should look up financial samurai.

So financial samurai.

I know I'm friends with him because he came to House of Con and we became buddies like internet buddies.

So I know his identity and I don't, I think that you can find it if you wanted to, but financial samurai is a personal finance blogger.

He's a little crazy, but he's cool.

I love him.

I like him a lot.

He runs in our circle and he reveals his assets and his income and office portfolio, but you only know his name is Sam and it's really, you can't, I don't think you could find a photo of what he looks like on the internet.

I don't think you can find his last name, maybe, but maybe not.

Yeah, right.

But he's, he does this all anonymously.

And I think that's pretty cool.

Right.

Yeah, that's cool.

I like that.

Okay.

What else we got to talk about?

So I thought this was kind of interesting.

I say, I'll get, I'll do an idea first.

So I call, you know, this is D2C super retailer.

So what is this?

Right now there are so many D2C brands.

And if you look at the kind of the framework of, you know, all businesses essentially bundling and unbundling, which I don't think is really true, but it's catchy.

You know, what's happened is you used to go to a retail store, target, you know, whatever, Macy's, wherever you're going and the retail store bundled all these different brands together and cool.

That's how people shopped.

And then right now what's happening is this big unbundling where people create, you know, there's thousands and thousands of brands, they don't worry about getting into retailers right now.

They just sell individually online.

They acquire customers themselves through Facebook and Facebook is essentially the retailer

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right now.

That's where you find these products is on the Facebook shelf.

And so everybody's doing this.

And now if you go talk to any D2C company, they spend like 90% of their time not on their product, not on their customer service, but on their marketing plan, like they're all their, you know, their Facebook ads, their Google ads, their Pinterest ads, like this is where they spend their email marketing, they spend all their time on customer acquisition and increasing the lifetime value of the customers.

And so what's happening is I think there's a movement back towards, Hey, let's say I'm, I don't know, what's a sexy D2C brand right now?

Maybe, maybe it's, let's take away luggage, right?

So I'm away luggage, I'm trying to acquire this customer that's kind of like this professional millennial who wants like a high quality thing and doesn't want to buy their dad's brand.

They don't want to buy Samsonite.

Okay, cool.

Why don't I, you know, sort of share my marketing efforts, you know, co-market with other D2C brands, right?

So why isn't away luggage doing this with Warby Parker and Casper mattresses and everybody else because we're all spending the same amount of money to acquire the same person.

And so there's a couple of different interesting takes on this.

One is there's one Shopify app that is a post-purchase Shopify app where you install it in your store and after, after someone buys from you, you upsell someone else's product. And if you do it, you get money from that retailer instead of from the customer as like an affiliate fee.

So I thought that was kind of clever and I don't know how well-adopted that is or some gives and takes there.

But the other is to just create a destination, an Amazon like destination that is just a curated set of all the best new brands.

And you say, okay, I'm going to find the best two or three brands in luggage and handbags and the next two or three brands in shoes and the next two or three best brands of socks.

And you only have, let's say the three best brands of every category.

And you invite those, those e-commerce players onto your platform and you go acquire customers for your kind of like retail store that has many things.

You market to them all the different products and you get a 15% cut of everything you sell for these people.

Because hey, they're going to pay Facebook for that customer anyways.

They might as well pay a little bit less for you because average store might be spending about 30% of their revenue on customer acquisition through Facebook.

So if they can get a customer for 15%, they've cut their acquisition costs in half.

And what do you think of this idea?

This is a typical shown idea that I think is potentially a big idea, but is like my default is like, sounds like a lot of work.

But so to default to optimism, it's quite interesting.

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I think that you're, you're talking about two different things.

The first one is incredibly fascinating about the upsell.

So like if you buy in a way bag, you're going to be upsell, upsold like, I don't know, a blanket or I don't know what, sure, it could be like, you know, gravity blanket or it could be Warby Parker glasses or it could be all bird shoes or, or, you know, whatever, something like that.

And the other thing that a traveler, I don't know, that's an easy thing to figure out.

That's pretty fascinating.

I think that when I've talked to people who do brand partnerships, I think that they said in general, they don't move the needle, but I would like to figure out which ones actually do because some of them clearly do.

That's an interesting idea.

I think that's really fascinating.

I love that idea.

I think that's really cool.

The second one, I think as a user would be cool, but I have no idea why would a D to C brand want to put their product there?

Like wouldn't they just want to own the whole relationship?

Isn't that the whole point of being direct to their own consumer?

Well, you do get the customer relationship.

So they come and they buy, but the D to C retailer would share the customer insight on like Amazon.

It would share the customer info with that brand.

That's kind of the, I think you would have to do that.

Otherwise, I think it's quite tough.

But if you, if you agreed to do that, right?

So like, I'll find, I'll find, okay, so let me, let me give you the two names of companies

I think are doing something like this.

So one, I believe is called co-op commerce.

So if you go to co-op commerce, so just coopcommerce.com, I think that's the one where it's the upsell, upsell with something else.

There's probably another one besides that.

The second one.

It's spelled, it looks like coop commerce.

I'm there.

Cool.

And so, you know, you're gonna, you're gonna acquire new customers through by putting yourself on this network.

It's like an ad network.

Right.

So like bloggers used to do this.

They used to create like blog roles where it's like, cool, I joined the blog role network.

It'll put me on other blogs like, like me, like if I'm a tech blogger, it'll put me on

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other tech blogs.

And then I get traffic and then I give traffic as well and I get sort of a proportional share.

And a link share was like another one like this.

I think the guy from Zappos started something like this before, before Zappos.

Yeah.

The link share was the name of it.

So the other one is called the fascination.com.

And so the fascination is, is trying to build this, is trying to build that super store.

I don't think it works exactly by the rules I mentioned, like three, three brands or whatever.

But it's basically saying, we're going to curate the best DTC brands.

We're going to offer, you know, great deals on those products, you know, on our website.

And as if you choose to be one of those brands, you're going to get a whole bunch of exposure because we're going to get popular and you're going to get free customers from us, but you just have to give us a kickback of about 15% on the, on, on anybody we send.

Wait.

So what's the website?

Fascinations.net is Sex Toys.

Fascinations.com is metal stuff.

Right.

The fascination.com.

The fascination.

Lose the the.

Sell Sex Toys instead.

Let me see.

Okay.

Yeah.

It's brand new.

It doesn't even rank in Google.

Yeah.

It's not like, it's not launched yet.

So this is coming, coming soon.

I think it's cool.

I like this stuff.

I think this is so cool.

Have you seen this company called Beta?

Beta.

Is that the pop-up in real life pop-up stores?

Which Beta does, and they're probably getting crushed right now, is they had these badass stores that they had in cool locations in San Francisco, LA, New York, and probably many other countries or states.

Those are the ones that I saw and you, I think the way it works is like boosted, like anyone who has a nifty gadget, it's almost like the new version of sharper image.

Yeah.



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Anyone who has a nifty gadget, it could have been like cute new brands like all birds, but also like some fancy TV that you didn't know was cool until you saw it.

You're like, oh, something that like demos well.

Yeah.

That demos well and you pay us a rental fee to be there and you go in and you could, you can buy it on the spot straight and it's badass that I don't know if that's a good business, but this is kind of similar to that and it looks similar actually and it's quite interesting.

So I have friends that invested in Beta and I think they were doing well, obviously COVID I think is one of the worst things that could have happened to them, but it's B8TA, so the E is replaced with an 8.

So B8TA.com and I like this idea because let's say you're a brand and a lot of brands open up these like kind of flagship or like, I forgot what they call them, like try on stores.

It's basically like, look, we're not trying to sell here, we sell online, but if you want to come and try our stroller out or like, you know, sit on our couch that we're selling, we have a showroom in your city and those are really expensive and a really big undertaking for them to be like, okay, guys, 2021, that's the year we're going to open up our showrooms in New York and LA and San Francisco and it's going to cost us like three million, four million dollars and it's going to take a lot of time and all this stuff.

And so what Beta let them do is be like, push a button and you're in our eight locations or however many locations they have and it's like, okay, you now have a store presence, you can send your customers there to try out your products or feel it out and you'll get new customers just walking in who like to see kind of new cool stuff and it's sort of a modern modern day version of like sharper image.

Like you said, I really like that idea.

I think the idea of curating good products, I mean, that is not even remotely new.

I love that business.

I think that is just the coolest business.

I love those businesses.

I'm in that business.

I curate stuff.

I love curation businesses.

I think that they're low cost, start fast.

We talked about a curated airline or Airbnb business.

We talked about a curated, cool, nifty products, gear patrol does curation for outdoor stuff.

Then there's, you know, is it called whoop?

Not whoop the band, but like, wasn't there one called whoop that whoop?

Yeah, whooped.

That was bought by Amazon for like, I think like a hundred million dollars.

I love that.

I think it's cool.

And let me tell you one more that is cool and Sarah just bought a gift or a jacket out of here.

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Have you heard of Italic?

Yes.

I'm friends with Jeremy, the founder.

So the premise, and I don't think that this is particularly unique, but I had never heard of it and it seems badass to me, is they're like basically we make, and I think a lot of retailers say this.

That's why it's not particularly unique, but they've done it well.

They're like, we make Montclair or Canada goose, which are like \$2,000 coats.

We make those same exact coats, but without the brand and it's \$200 instead of \$2,000.

Or we make these fancy knives, which is the same, but no logo and luxury, luxury quality without the luxury label.

That's the, the stick and, uh, and ironically, that's like an even more high status thing to do is be like, yeah, this is a, I'm wearing a, you know, Prada level product, but I didn't have to put Prada on it.

I'm understated like that.

So we bought, I bought, or someone in my family bought another family member, a, uh, like a \$20,000 purse, but it was fake.

It was from China and it even came with like a fake, like a certificate, like, no, like a, like a authentic, like it was like, it came with the box and still had plastic on it and you open up and you had the label and like a certificate that says it's real.

Like they just copied it perfectly.

And then we had a real one laying around and we like, like no one could tell the difference. And so basically he's just made that.

Dude, this is a, well, so, so these are, yeah, I guess these are kind of, those are, those are really knockoffs.

So I lived in China for a couple of years when I, when I finished high school and my mom, uh, was like super into like luxury bags, but was like, you know, cheap Indian woman who was not going to buy a Louis Vuitton bag, like a \$6,000 bag, loved it, but wanted it, but would never buy it.

And so when we moved to China, they had knockoffs everywhere, right?

You could go to the market and you would see like, you know, that same Louis Vuitton bag for, for \$7, but it was like clearly fake.

It was like, you know, the quality was just not the same.

And so, um, there wasn't in between market and they called her the bag lady and this lady was ahead of her time.

So she only worked through Blackberry Messenger.

Today that would be like, you know, WhatsApp or WeChat is probably what she'd be using.

Um, but it was BBM only.

Nobody knew her name and she had no, no steady location because like they're always after her to find her.

So she would do these pop-ups where she would just DM and she would BBM and address. She's going to be there for the next two hours.

It was usually in someone's apartment, one of her customer's apartment where there's

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like a doorman and like they can kind of screen who's coming in and who's, who's not. So she can't get like raided.

And she had the most high quality knockoffs that were her, her claim to fame was you could take this to Louis Vuitton.

And at the time this worked, now I bet they have some chips inside that like you, you know, they can, they can validate it.

But at the time this was, you could take this to Louis Vuitton and you could say, is this authentic?

And they would say, yes, this is authentic.

And, um, and so she would sell hers for \$400, \$500 bags.

So you're getting the, not the \$6,000 and not the \$6, but you're getting the \$600 bag, um, that, that looks and feels like the packaging is identical.

It was amazing.

And she would text out her location and a swarm of moms would come and this lady would probably make 10, 20 grand in a two hour period.

And then she would pack up and disappear and she wore these like mask and glasses and stuff like that.

So you never knew who she was.

And I just thought this lady was like the ultimate baller dude.

If my mom, I don't know if she did that or not, but if she did do it, whenever I got in trouble for doing anything, I'd be like, dude, you're part of a fraud ring.

Like you, like you, like, like you, you fund terrorism, like I, so I hope you would have used that, uh, I thought, I thought it was amazing what she was doing.

And so I want the interesting thing about this italic model, by the way, uh, and I hope I could say this, I'll, I'll ask him, but the cool thing I think they innovated on was not just finding supply, the same supplier or like, you know, an identical supplier who could make, who make the same quality, but they actually went to them with a kind of no brainer offer.

So every supplier in China is constantly getting hammered on their, their, you know, unit price.

So it's like, oh, we make this thing for \$20 and the customer's always asking for 18 and they're just, you know, they're always like pushing, pushing that down.

So what they did was smart was they went and said, Hey, look, we don't want to hold inventory.

Cause that takes a lot of money and it's hard.

So why don't we do this instead of 20 bucks, how about you get \$40 per unit sold and manufacturers like what?

And he's like, yeah, you get \$40, but I'm not going to buy the inventory.

You make it and you take the risk with us and, uh, you get double.

And, um, they said to start with, let's only do, you know, a little bit of the inventory this way and you can see that this actually works.

And as you get trust that we can sell the product, um, basically you're going to build it.

I'm sure there's some manufacturing term for this, like consignment or like, you know,

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on spec or some shit like that.

But I thought that was really smart.

So they've been able to bootstrap this business or not bootstrap.

They've raised money, but like they've been able to be very capital efficient because they're not putting out, you know, \$5 million purchase orders to factories instead.

They're telling the factory, Hey, share some of the upside, but you make it at your risk.

And if we don't sell it, you're, you're out, uh, but, but, but you could take that risk

with us for more upside and the factories are more entrepreneurial, um, who, who try to do that.

I think that what we need to do is like break down the economics of that model of like what's better to be like Walmart and just sell cheap stuff or to be like Costco or Sam's club and sell a membership and sell it at cost.

I think it'd be interesting to see what that needs to become like, and, um, I don't know what business is better.

I would think the membership thing would be far better.

Well, I don't know.

On italic, do you have to be a member?

I don't think you do.

Yeah.

I think it can be, uh, oh yeah, \$10 a month.

That is it.

So they still make money on the product itself.

So they're not like Costco where it's at cost, but what I like is it's asset light.

So even though the total money captured might be less, their growth is going to be faster and require less investment.

And therefore they're going to own more of the, of the pie because they're an asset light model.

They're not holding and buying all this inventory.

And so I think that there's, you know, that that's the pros and cons where they can just specialize in being an amazing marketing company and they don't have to worry about being a, you know, you know, a full stack, you know, a company that that's getting stuff made, holding it in their warehouses and fulfilling it, all that.

Yeah.

I think it's cool.

I liked, I liked these businesses.

I don't know how we're going to categorize them, but I think that what italic is doing, have they raised a lot of money?

Are they big?

I don't know anything about them.

They raised like, I think 10, \$13 million or something like that.

Is it going well?

Uh, yeah, it's going well.

I think it's awesome.

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I love this thing.

I think it's so cool.

13, 13 million bucks.

But that's like the same thing.

Like, if you go to their website right now, just sorry, one example for people who haven't been there.

So they, it says, here's the November new member gift.

This leather zip cart, like a wallet, basically, it's like, uh, uh, Saint Laurent.

I don't know how you say these fancy brands, but I think it's that YSL brand, um, 295 is their price.

Uh, Kuyana.

I don't know what that is.

Maybe it's some like secondhand marketplace is like \$75 and all like the women listening to this are like, Oh my God.

Yeah.

It's, it's like me saying like the Dallas Cowboys, um, and, and anyway, that italic it's \$35.

Right.

So it's 10 times cheaper than the, the normal retail price for the same product without the, without the label.

So you know that fancy brand, there's a fancy brand of pots and pans are like brightly colored.

Again, everyone listening to this is like, you idiot.

It's called, it's like croquette or you don't have to have a, we should just bleep all these out so that we save ourselves the embarrassment.

But yes, I know what you're talking about.

Is it a little lay crusette or something?

Uh, anyway, they make a knockoff and it's a \$95 as opposed to \$400, which is awesome.

And then I, and my friend had it and I saw it.

And then they also used, he bought the knives from them and I was like, Jack, this is a super sharp knife.

What is this?

He's like, Oh, I got it from italic.

Right.

Uh, so I think it's great.

And sorry, italic, sorry, all the brands and the people listening, we're just a bunch of basic ass dudes who can't say, all right, dude, that's like worse than the time that someone was like, it's called tuli.

I'm like, it's spelled like thul.

So I think it's thul.

Yeah.

Like the Swedish, they got a different word for everything.

I tell you, they should, they shouldn't, don't spell it like, like it rhymes with mule.

If it's going to, if you're going to pronounce it tuli.

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All right, a couple other interesting things.

Okay.

Here's another idea for you.

Um, so I've been playing around with Facebook ads, uh, you know, on and off for many years, but more seriously this year than any year before that.

And Facebook, I would say is probably the greatest marketing engine, uh, maybe of all time, definitely of our era, uh, you know, is created so much opportunity.

If you can take your product and be able to market it effectively on Facebook, you're able to reach, you know, the whole world at, you know, in one of the most efficient mediums possible, right?

Because it's all measured, attributed, um, and it's all, you know, you could use their, their algorithm to figure out who's your buyer, all that good stuff.

So if you use Facebook ads, it's like easy enough to get started, but it's not that easy.

And I think there's an opportunity for somebody to create essentially a course, but it's not a course.

It's not me saying, I'll teach you how to do Facebook ads.

It's a game.

It's called the marketing game.

It's basically a simulator that, that's dumbs down the Facebook ad UI and UX and just like, it gives you a chance to get reps at driving growth through marketing.

And so totally agree.

Great idea.

Great idea.

So Matt, so what I would say is I would say, Oh, hey, you created this shoe.

You want to sell the shoe.

Okay.

So you don't have to like take the time to like build the ad creative, but it's like, here's six ad creatives, pick one you want to run and it's like set up your campaign.

Who are you going to target?

You know, so it's like the dumb down UI.

It saves you all the time.

You don't have to actually go to Photoshop and create ads, but you have them there and you get to guess like, Oh, maybe the one where there's the discount or the one with the text on top or no, this should be the video.

And then you click go.

And it's like, you know, SimCity or whatever it's like, it simulates and it's like, here's your return.

What are you going to do?

Take this money and do the next thing.

You're, you're all, I think you're on and you're off the way that I would do it.

This is a brilliant idea, but I would do it differently.

Here's what I would do because the, the, the, the learn, there's, there has to be a category of like learning that this is under, but this type of learning always works best

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for me.

And I'm pretty sure it's the best for most humans, which is like, you know, when you learn how to play guitar, you copy other people's work, right?

Yes.

Yeah.

You put, you go look up the chords to Ed Sheeran, you know, if you want to play guitar and you do that for years and for a while you're like, all right, I understand what works and what doesn't work.

I can make my own stuff.

That's the best way to learn.

I think that's the best way to write.

You're right.

You're right.

What I would do is I would get a list of all the most successful campaigns.

So like different ad campaigns that probably Trump or Biden used different ad campaigns that native deodorant use.

And I would say, all right, you see this campaign.

It worked really well, um, recreate it.

Yes.

Yes.

Exactly.

So, so, so you start and in the game, it's like, what do you want to be?

Do you want to be the founder of native?

Do you want to be the founder of all birds?

Do you want to be the founder of the hustle, build an email list?

Do you want to?

Who are you targeting?

What are you calling?

Great.

We got that category here.

It's the best campaign that we've ever found.

Right.

Now, first thing, you need to come up with an image.

The image that works best for them was this.

Now go out and find it.

Yeah.

I totally.

We're going to call it Code Academy for Facebook.

Bray, you said that's exactly what I have Code Academy logged up here.

Code Academy is a thing where you just log in and they're like, all right, we're going to make this game.

Type in this.

Exactly.

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So, so, so many people have done these Code Academy kind of like learn to code platforms and they, they also made it easier where, so let's say you actually want to learn how to code.

You install the Python library in your computer, go get a text editor, you know, that's going to be where you're going to write your code and then learn how to compile it, learn how to get it onto a website.

It's like, fuck, this is also complicated.

Just, just the infrastructure is so complicated, just to start.

And so what Code Academy did brilliantly that other people did too is they made it like, hey, you go to the website and here's like, on the right side is the output and the left side is where you type.

And it's like, cool.

First it's like in gray.

It tells you exactly what to type.

You literally just to retype what they already have.

It's like variable equal, you know, var equals six.

It's like, oh, you just set a variable.

Great.

You know, like now learn how to add two variables together and then like teaches you step by step how to do it.

And so I think that's really great.

It was a great way for somebody like me to actually like try to learn and get, get my feet wet a little bit.

I think somebody needs to make Code Academy for selling or for marketing.

And, and so the way you would do it is, is I think you put a great twist on it.

But I got really excited about this idea the other day because I was, I've been finding, um, I've been doing a lot of blogging to my, uh, my audience.

Like I've done probably 50 posts in 60 days or something crazy, like some crazy volume.

And one of the consistent questions is around this around Facebook ads and I myself have trouble with it.

And I'm like, where do I even send these people to learn?

And I was like, shit, I'm just going to start building tools for my audience to like the solves the problems that they have that we have, right?

And it's like, I'm just going to build a set of tools that, that solve this problem.

And so this was the one that I was most excited about.

I think this is the one I'm most excited about.

Look, I think that's cool.

And I think a lot of people will be like, well, but how many people are running Facebook ads?

It's like, well, 1 million people, right?

A lot.

Yeah.

I mean, how many people are running Google ads?



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Like 5 million people.

I mean, like, what, like enough.

And this should be a part of every million companies, let alone all the employees doing it.

Like, enough that you could build a big business by charging \$30 a month.

Exactly.

And this should be a part of like every, you know, college curriculum, high school curriculum, something like that.

They should make this, this, this type of experience accessible to them.

If somebody built a good one.

And I think you kind of got to build it a little bit like a game.

The Code Academy types try to gamify their stuff a little bit, but the best ones make it where you get a sense of progress.

You feel like you're making more money or you're leveling up in some way and it keeps you motivated to like.

You don't want learning the tool to be the end game.

You want to have to learn the tool in order to get your outcome you want in business.

That's why it works.

Right.

I don't want to learn Facebook ads.

I want to make more money.

Facebook ads is my way to make more money.

So you got to design this the same way where the prize is the fun of seeing your character progress and the way to get there is to actually figure out better how to actually use these marketing tools.

I think it's awesome.

Code Academy, by the way, how much does it cost?

They have a, they have a hundred thousand paying customers, they say.

How much does it cost?

It costs \$20 a month.

So what's that mean?

\$200,000?

Is that \$200,000?

\$100,000?

Or is that \$2 million?

How many customers is it?

\$20,000?

\$100,000.

I can't do math.

I got to carry my zero.

\$2 million a month.

\$24 million a year.

It's a \$24 million business.

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That's a \$100 million business.

\$100 million company probably, yeah.

I don't know how many people there are who code versus marketing.

I have to think there's more marketers.

Yes.

I would agree.

So.

It doesn't even matter.

This thing in the world, it's, there's enough.

There's more than enough to build a viable business doing something like this.

It's hard.

I would say this is actually really hard to build though.

That's the caveat.

I think it's tricky to get it right.

In terms of like the psychology and how the product feels, I actually disagree with you.

I, I, like it, like, there's all these like interactive things where you're just like looking at a screen and like the cursor needs to be moving and it's got a point like point.

You know, it's like, it's like the, it's like Microsoft clip or what's that thing called the, it's like the paper clip needs to be there.

It's pointing.

Yeah.

I think you can make it easy for people to go through, but just like for Code Academy, right?

It says seven years and 45 million learners later.

So 45 million learners have like gone through the system at least and you know, they have a hundred thousand paying customers per month.

So you're going to get a shit ton of churn because just like for Code Academy, right?

I turned out a Code Academy too because shit, it actually is pretty hard to learn how to code and keep going and keep the motivation there.

And that's why I think this is hard to build because it's hard to build it where you keep somebody engaged and they get to like, you know, they get through the program essentially.

I don't hear you.

I just think forever.

I just think it could last for like, like Code Academy has been around for 10 years.

You say seven or?

Yeah.

Seven years.

I think Code Academy could be around for another 10.

Right.

So I think it's good.

I think we should do, I mean, that was a pretty good one.

Do you want to end there?

Yeah.

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If somebody wants to build this with me, ideally somebody like somebody good.

So I get a lot.

I always ask that question.

I get one good person and I get 10 like complete jokers.

How do you know if you're good?

You're good if you've like actually like built stuff before that people have used.

And ideally in this case, you understand the problem of trying to learn Facebook ads.

So you've gone down and like, it's kind of like how I've tried to learn, tried to learn how to code four times.

I'm actually the right person to build a learn to code product if I paired with a technical person because I know I've tried this, I had, I am the customer, I understand it.

So ideally somebody who's tried that and also best case would be somebody who understands games, like you play games, at least if not have built a game before, because I think you need those mechanics in order to give it to the games are amazingly designed products.

This is awesome YouTube video.

If you go watch, it's called, you know, Mario, like the genius of the first level of Mario or something like that.

I don't remember what the video is called, but I don't talk about it shows video.

It shows how Mario has no tutorial, right?

Most popular game, no tutorial on how to play, how to jump.

What's the objective?

Am I trying to get coins?

How do you learn all this?

Well, the way he designed it.

So first it shows your Mario, you're standing there and all of a sudden the screen starts moving.

It's pushing you forward.

So you already know.

Okay.

Got to run to the right.

All right.

Like the motion of the level tells me where I'm trying to go.

Go right.

Then this Goomba comes and he's got this angry face.

So you know, this is probably not a friend who's going to give me some potion is probably an enemy that I need to do something with, but I don't know what to do.

And then they show that like where the Goomba meets you.

You also have these boxes above you, the coin boxes to have question marks.

It's like, well, that's intriguing.

I'm going to want to hit the question mark.

And so you jump, you get the coin and then you almost always will land on the Goomba's head and kill the Goomba.

And then you see the satisfying Goomba's gone and you're like, oh, good.

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I know what to do now.

And then you see two more question mark boxes and you're like, huh, how do I get to those?

I guess I could jump on this to get to there.

And it's like, with no tutorial, you've now learned all the mechanics of the game.

You're trying to go to the right to the end of the level.

You got to kill these Goombas by jumping on their heads and you want to collect as many coins as you can in these boxes.

And sometimes there's other stuff in the boxes like a mushroom comes out of one of the first four boxes of Mario.

And that's how you want to design great products is where you actually don't need clippy.

You just make it where there's really only one thing you could do.

And that's the next action you need to learn as a player in the game of like, oh, click this.

Good thing happens.

Great.

Now I know when to use that technique.

You just shared it, it's called how Nintendo made Mario's most iconic level and it looks like to they're speaking in Japanese, looks like the developers are explaining it all.

Right.

I don't think it's the developer, but it's some guy explaining it.

Yeah, it says they're using the word we like, you know, we made it this way.

Oh, really?

That's amazing.

Okay, great.

What's his name?

Mario or something like that?

Miyamoto.

Miyamoto.

Yeah.

What a legend.

Mario, fucking amazing.

Yeah.

Those guys are legends to me.

I mean, it's just so cool.

Like when I think about these Japanese guys making Mario, I like, it's like kind of mythical to me.

Right.

Okay, great.

I got to run.

Good stuff.

Enjoy your new house.

Good episode.

Bye.

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Bye.

Bye.

Bye.