

[Transcript] My First Million / #55 - Lead Gen Businesses, Islamic Finance & COVID-19 Virality

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.

Boom.

We're here.

Coronavirus and all.

Yeah.

The streets of San Francisco are empty.

You could have walked down in the middle of the street and would have been fine.

Yeah.

But we're in this studio and Sam's just coughing up a storm, which has got me concerned.

Allergies.

This may be my last podcast.

You don't know.

Allergies.

The type of allergies that you can catch and kill you, the allergies.

So this is for all the students of Stanford, Harvard, Syracuse that have been shut down.

They're at home.

Certainly just listening to the podcast in quarantine.

This is for you.

This one goes out to you.

Yeah.

Good luck.

All right.

What do we want to talk about?

We got a bunch of words on the screen.

They all look interesting.

Where do you want to start?

I read every review for the podcast.

We have 600 reviews, maybe 794.

Just check this morning.

Cool.

So 800.

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Let's say 800.

They're all five stars, except for like five.

And that's cool.

I like reading the positive reviews.

And those five were from early on when you weren't even on the pod.

So really, I take those.

I take those out.

No, there were two not five star reviews and I like listening to negative feedback and

I don't like following all of it, but some of it I follow the first was that the sound

for the guests were bad.

Agreed.

Fair.

We will listen to that.

Yes.

And the second one, and I hate this.

I don't hate it in that it bothers me, but I just don't, like I don't think it's bad feedback, which is we were called bros.

Right.

And I don't really care about that because what's that mean?

How is that supposed to be?

Like people use that as an insult.

I don't understand why that's an insult.

Yeah.

It's an insult for sure, to be clear.

It used to not be an insult, but being called a bro is an insult.

And yeah, I don't know.

Is it the way we talk?

Is it what we talk about?

Is it are we using the wrong words?

I'm not exactly sure.

Yeah.

I don't take offense to that, even though people mean it to be offensive.

So I don't care if people say that.

Yeah.

I'm not a bro.

I'm a lover, not a fighter.

You know, I got multiple angles.

I got gears.

What does the bro mean?

I don't know.

Henry, what's a bro?

We need the get the get you got to go into the mic.

I don't think it's a.

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Come on, bro.

Definitely not a good thing, especially if you're like over the age of 20.

Maybe we have to replace Henry with a female and then we'll get more credit for not being just a bro down.

No, I don't care about being called a bro.

So then it's a compliment.

Yeah, kind of.

I don't know.

Whatever.

I'm not trying to be liked.

I'm just trying to be me.

No.

Well, here's what I'm trying to do.

I'm trying to be me and I'm trying to create stuff that people want.

And if it's predominantly people think it's a broy, but they love it, I'm OK with that.

Yeah, like, for example, I listened to the Joe Rogan podcast.

Joe Rogan talks about his carnival, all meat diet, you know, working out, UFC fighting, cage fighting, hunting.

These are the cars.

Like these are his topics because that's what he's genuinely interested in.

I like talks about everything else.

And I like when people I like listening to stuff where people are interesting and they're interested in certain stuff.

And so for me, the test with this podcast is what I want to listen to this.

And so at the end of the episode, I just sort of think, would I be interested in listening to that podcast?

And if it's appealing to me, then I'm sure it's appealing to other people.

It's not going to be appealing to everybody for sure.

And then the last bit of negative feedback we got, which is we focus too much on the San Francisco Silicon Valley scene.

And I'm from Missouri by way of Tennessee.

You're from everywhere, including Colorado.

I love San Francisco and I hate it at the same time.

I'll be the first to make fun of it.

But also I love all types of cool shit going on throughout the country.

So yeah, that's probably fair if it's interesting.

Let's talk about it.

In fact, I actually think personally, I think we skew a little too far in the kind of like low tech ideas.

And I think there's a lot of interesting high tech ideas that don't require a high tech entrepreneur.

For example, I don't know how to code, but I've started tech startups in Silicon Valley taking venture capital money and worked with an engineering team where I'm the only guy

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in the room who doesn't know anything about engineering.

You can do that.

So I actually think that there's plenty of cool stuff that we're not talking about that I'm going to be bringing more of.

So if you don't like the Silicon Valley stuff, I'm sorry.

I'm going to try to bring more interesting technology to the table because there's a lot of it out there.

And I feel like we haven't been talking about it as much.

The way that I describe San Francisco and Silicon Valley is to me, it's kind of like Hollywood.

But it's only if you're trying to make like a big blockbuster hit.

I believe that you can make those anywhere.

It might be a little bit more helpful if you are physically in Hollywood because not because the chances are necessarily higher, but because you'll be around other people who have similar wants and dreams and your baseline becomes a certain thing for sure.

But you can certainly make it from anywhere.

Absolutely.

It's been proven.

All right.

Let's talk about some of these things.

Let's start with the Sequoia memo.

Did you read this?

No, I avoided it on purpose.

Nice denial, the best approach.

We haven't raised venture capital, so it's a little bit different.

It's not as applicable.

Okay.

So let's explain what it is.

So Sequoia is one of the biggest venture capital firms here in Silicon Valley.

They are famous for back in 2008, I want to say.

They released this presentation called RIP Good Times.

And they basically, they called an emergency meeting of all their portfolio companies.

They invited them to this dinner, locked them in a room, put this presentation up on the screen that was basically like, hey, the good times we've all been experiencing are about to end.

Here's why.

Most of you entrepreneurs, you have not been a part of these cycles.

We've been investors through the dot com boom and the bust and then this new boom.

And this was right before the sort of financial crisis of 2008.

And they told them, look, money is about to become hard to come by.

We are going to have a giant financial crisis that will have rippled down effects to you guys, to your customers, to your clients, to your investors.

And so you need to start tightening up anything you're wasting money on, you need to stop

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wasting it.

Anything.

If you haven't raised money, if you don't have 12 months in the bank, you need to go raise money right now to sort of be able to endure a downturn.

And they just released another one, which is the new Sequoia memo.

So that was 2008.

Now they released a new one.

And they basically were like, look, this coronavirus stuff is a, this is a once in a hundred year virus and there's this, it's happened in China, which is like, when you shock China, you shock the global supply chain.

And also now that travel is going to stop a whole bunch of businesses is going to come to a halt.

The stock market's going to go into a panic because we've been in a 10 year bull run and that's about to sort of end anyways.

So they told them the same thing, change your spending habits, you need to tighten up, raise money.

If you have an offer out there, take it.

Don't worry about valuation.

Just take it and get the money in the bank and, and you know, you need to go into a sort of survival mode.

You need to change gears and that's what just came out, which I think is very interesting.

Have you made any adjustments to your business?

Not yet, but I live like this anyway.

I'm kind of a cockroach in the first place and, and I actually think that me living this way has kind of been a consequence has been, has hurt me more than it's helped me actually.

I think it made it so I wouldn't spend enough money, which if you have a machine that turns a dollar into more than one dollar, dump the, dump the truck, your money truck.

Like what?

Add spend or what do you mean?

Yeah.

I mean, look, if you have a funnel where you, or a product where if you just spend more on marketing or spend more on engineers or spend more on content creators and it turns that new customer into more than what you acquired them for, then if anyone had a little machine that turned one dollar into one dollar and one penny, the name of the game is throw as much money on into that machine as you possibly can.

As fast as you can.

And I've had those machines and I didn't capitalize on it.

So I've lived this way all the time and I think it's actually hurt me a lot.

But in times like these, bring it on.

Yeah, you don't need to adjust.

We haven't changed how we've done things just because we're always tight.

Yeah.

And your company's in a good position to like just now before this, we were looking at a

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company's P&L and it was like cash in the bank, 220 grand or something like that. Like, dude, you're a couple months away from insolvency, you know, if that was the case. Whereas you guys are in a much better position.

Yes.

I do.

I am.

I do have a little fear.

I don't know how I feel about this Corona thing when it means what it means for business.

I do think that I am on the side of, I think it's bad, but I don't think it will be as

bad as I think or as I originally thought.

Right.

I guess I just have faith.

I have a lot of blind faith that it will work out, which...

So I've been on the other side of this.

So when we were doing our idea lab, I worked with this guy, Michael Birch.

Michael Birch is known as, if you just Google, he's like one of the top growth guys in the world.

He sort of was doing and invented viral marketing before viral marketing was a word.

He did it because he didn't have money back in the day.

So he built one of the first address book importers where for this company called Birthday Alarm he had, he was like...

And I think he did it before that at Marini's company, I forget what that was called.

Birthday Alarm was before that.

So Birthday Alarm was the first one where he was like, Hey, I want people to send this to their friends.

What if I just imported all the addresses from their hotmail and then I made it easy, pushed this button to send it.

And he's like, he literally told me at his house, he was like, I thought that 10 days

later, like I thought there's no way they let this go for more than 10 days.

And he's like, it's now been 15 years and this thing still works.

And he's like, so he was working on viral marketing because he just didn't have a budget.

So he's like, I got to use my customers to get me more customers.

And to explain that, you didn't explain it totally clear, but someone signs up for your thing and says, do you want to invite your friends?

Here's your Gmail contacts, click, select all and send an email to all of them.

And so in this case for Birthday Alarm, it was, I make a calendar where I'm, I'll invite you all say, Hey Sam, can you add your birthday to my calendar?

I don't want to forget your birthday.

This is before Facebook, by the way.

And so you would add your birthday to my calendar.

And then it would say, Hey Sam, don't you want to remember Sean's birthday?

That'd be nice.

Like reciprocate.

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And you'd be like, yeah, sure.

And then it would say, Hey Sam, you got one birthday on the calendar, but you surely got more friends than one.

So why don't you invite some other friends here?

Let me make it easy for you.

Would you like to import all your friends from Hotmail?

And you're like, yes.

And then, and he added one thing at a time to make it more viral.

So he would add a pre-filled message because he's like, oh, there are people are stopping because they can't think of what to say.

So here's a pre-filled message that I know works.

And then I'll just say send.

And so then he got this thing super viral.

So, you know, birthday alarm grew to 50 million members with zero paid marketing, 50 million.

And then he's done this again and again since then with his social network, Bebo and others.

So when I worked with them, the name of the game was viral growth.

And so we did a charity campaign to try to raise money for charity water.

Well, we made a story, a website that was just telling a story of this boy, Jean Bosco with no water.

And then we said, can we get this to go viral?

So we did the same thing, import, import emails, get people to send the story to their friends and raise money for the cause.

And we got it to go viral.

So I've literally been it where like, nothing, nothing, nothing, you'd come into work, nothing, no growth, no growth, no growth, and you would just tweak the right thing.

And then all of a sudden that, you know, between overnight, something would have doubled.

And the next morning, it doubled again.

Next morning, doubled again.

And I remember it just going from zero to five million people signing up for this charity thing within like, you know, two weeks, it was insane.

And so I've seen viral growth and how counterintuitive it is.

Like you don't think, you know, well, yesterday we had 4,000 people.

So today we're going to have, I don't know, 5,000, 6,000, it's like, no, you're going to have 16,000, then you have 32,000.

And it's going to, you know, it's going to go up to the millions within a few days.

And so I've seen viral growth when you're talking about it in the good sense from a product perspective.

Now it's viral growth of an actual fucking virus.

And so, and you could see actually in the US, somebody did a great graph where they mapped Italy where everything's on lockdown because Italy has started spreading like crazy.

And they showed Italy day one, US day one, Italy day two, US day two, number of cases.

And the bar graphs are like identical.

And the thing is we're just in like whatever day six.

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And you can see by day 21 where this thing gets to, if you don't like lock everything down right away.

So I am very fearful because I've seen viral growth, I've seen viral spread.

And I know that it doesn't work the way, it breaks our brains.

Our brains think things go linearly, but this goes exponentially and it's really hard to just comprehend an exponential spread.

And to take the story a different way than coronavirus, which is that stuff that you're describing that Michael Birch thing, you can actually still get all these cool plugins that auto automatically like allow people to share a pre-populated message to all their Gmail contacts.

We used it and people still share.

Yeah, and the math works out where, you know, because you would think I would never do that.

I wouldn't email all my contacts.

No, we had a lot of people doing it.

But people do it.

And what happens is, you know, 1% or less will do it.

But you look at the math, 1% of people do it on an average, they have 326 contacts.

So for every 100 people that come in, you get 326 people blasted out.

It doesn't work as good as that time because the email open rates are much higher than.

Yeah.

But now people are like, Oh, I don't know.

I never talked to Sam.

So if he's sending me this, this is junk.

This is spam.

Now people filter it.

But in certain countries, it works.

Like we were growing, like we could do this like clockwork in India.

In India, people still open it like they did in the US 10 years ago and they forward even even higher rates.

I don't care.

They'll forward everything to everybody.

And so India, Turkey, all these little countries where we would see this crazy growth that you couldn't get in the US or UK anymore.

They kind of suck because the monetary value ends up, you know, the value per user is lower there, but it does still feel good to get like it definitely works.

And people are shocked by that.

Yeah.

We did one through SMS.

I remember and over the weekend it went viral and like, you know, during the week, Monday through Friday, everything looks fine is growing, but like not at a crazy pace.

We didn't realize the viral coefficient was two.

And so over the weekend, it took off and started compounding on a big number and we racked up 120,000 and SMS, \$120,000 bill in SMS is going through Kazakhstan.

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I was like, we didn't even know we're growing.
We're going to grow in Kazakhstan.
And then it went crazy and turns out texting in Kazakhstan is super expensive.
And so \$120,000 in two days, we had to pay off.
That's crazy.
Sucked.
I need it.
We need the texting stuff, which we haven't.
You want to talk about Zumper?
They just raised, was it \$40 million today at a \$400 million valuation total?
They've raised \$150 million in valuation.
It's a cool, it's a cool service.
If you're a consumer, how does it work?
Yeah.
So you want to use Zumper?
If you're trying to find an apartment, you'll probably run into Zumper because you're like, it's a search engine to find apartments to rent.
Yeah.
And typically for these new guys, San Francisco isn't the major market.
It's typically a more middle of a more places where they have high rise buildings, which we don't have a lot here.
But basically if you Google Chicago apartments or moving to Chicago or something like that, Zumper or apartment list, mile the place, rise to work or a bunch of other things like that will come up and it'll be like, here's 843 apartments available in Chicago.
Look here to get information and submit your information.
Okay.
Great.
Here's how they work, which a lot of people have no idea how they work.
Henry, I'm going to explain to you how they work and you tell me if you've ever heard this.
Okay.
So they're lead gen companies.
You know what a lead gen company is?
Okay.
The way it works is, and a lot of people are shocked by this and it's actually way easier to start than most people would realize.
So the way it works is there's, I don't know how many there are who do this, but I know that there are for sure four or five that do this that are big names and so.
Just in the apartment space.
Just in the apartment space.
So there's apartments.com.
I believe there's rent.com and there's maybe two others that are quite large.
And then there's dozens that you don't even realize exist.
You'd have to Google them and find them.

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But what they do is they work with all the big apartment buildings.

So there's gray star, which has probably millions of apartments.

Then there's co-star, which has a bunch and then there's every apartment building that you have.

World star.

World.

What are the other ones?

Gray star and then there's Avalon, Avalon Bay, I think they're called.

There's a bunch of them and they have millions of units and what they do is they go to red.com and they go or apartments.com and they go for every person who signs a lease with us or who calls our phone, we're going to give you a hundred bucks.

And so what Zumper can do or probably how they started out or what anyone can do is they go, hey, apartments.com, you guys are getting a hundred dollars per call.

You give us \$10 per email that we give you of people who are qualified leads.

So what Zumper did, I imagine they did this when they launched and I'll explain why I say when they launched is what they did was they go to these places and they go, all right, give us a cut of the revenue per email.

And so the math works out that if we send you five emails, basically people who said, here's my email address, here's my phone number, I'm interested in a two bedroom at this particular building, apartments will be like, all right, we'll give you \$10 for that because we're pretty confident that for every five of these we collect, one of them will become a lead.

And so now we make 50 bucks in profit.

And so what Zumper does is they create a different funnel where they learn how to rank really high on moving to Chicago, finding an apartment, or they are able to have really good Facebook ads and they get all these leads and that's what their margin is.

And so the margins for these businesses, I know this firsthand could be 60 to 70% gross margin, which means, let's see, what's the math behind that?

A million bucks comes through the door.

You paid 250K on search engine marketing.

But the rest is, because there's no COGS, there's no physical product you're selling.

So you have a very high margin product, 67% margin, plus whatever content staff you have internally, that's your other cost.

So it's just a lead gen company.

And the interesting thing, I've known a lot of people who have these lead gen companies.

I knew a guy who had a lead gen company for swimming pools.

So if you wanted to buy a swimming pool, you'd Google Swing Pool Repairman or Indoor Ground Pool Setup California, or something like that.

He's number one.

And he would be number one.

You submit your information and he would sell it to these people who go and service that.

Who actually do the thing.

Who actually do the work.

You're a middleman when you're a lead gen.

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Now there's pros and cons to this business.

The first pro is you could set these up really cheaply and you could start making cash flow very quick.

If you were able to spend one month just building this site and creating a relationship with this person, you could next day go out and start making cash so long as you were profitably acquire a customer.

So that's great.

The second great thing is you could do this for most anything.

The best way I think to figure out how to do this is you figure out what has the largest total market size with also the largest possible cost per lead, with also the least amount of competition.

And you do like a...

A grid.

Yeah.

So for example, I've been bullish on truck drivers.

The reason why is I think that there's a whole lot of truck drivers in America.

The average truck driver makes a good salary, let's say \$50,000 a year, therefore recruiters would be willing to pay like \$100 per lead.

So I was like, can I send leads there?

Or you could do it for local services.

So I need a landscaper or I need irrigation work done at my home.

And someone will buy those leads for, I don't know, \$50.

So you can do this for anything.

Right.

You just have to optimize for what?

So my father-in-law is in the senior living business.

He owns a couple of facilities and the biggest thing for them, his business looks great when he has high occupancy rates and it looks terrible if he gets high vacancy, so low occupancy.

And so there's companies out there that do this for seniors.

If you start Googling like, memory care and Alameda, California, there's a company that will pop up right in the top of search and say, hey, we've reviewed the top 15 facilities here and come read about them or, hey, are you looking for this?

Talk to our consultant.

Just put in your email address here and we'll help you get land in a spot.

And so then they'll pay these lead gen services a high amount because somebody who goes into a senior facility, they're paying \$8,000 per month and they're usually there till end of life.

And so you get the very high lifetime value of that customer.

So you're willing to pay \$1,000 per qualified lead who's looking in your area.

I don't know if it's that exact number, but high price.

And I have firsthand knowledge.

I know someone personally, and I know the financials of a senior home living or senior living lead gen business.

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It made hundreds of thousands of dollars a month in revenue and a very good profit.
I know someone who did it for rent-to-own properties.
I know people who have done it for, like I said, swimming pools.
I know people who have done it for apartments.
I know a guy who did it for local home services and did about \$60 to \$70 million a year in sales.
And so that's the name of the game.
I also know people who have done it for jobs.
Jobs is another good one.
Now, like RIGUP has done this.
They've raised money at a \$2 or \$3 billion valuation and they've done it for oil workers.
And the way the math works is there's actually way more oil workers in America than you think.
Hundreds of thousands, or it can be hundreds of thousands.
And those oil workers, the barrier to entry is relatively low.
You don't have to have a master's degree in something so anyone can do it, or a lot of people can do it.
And the salary is quite high, a hundred grand a year in some cases.
So they're willing to spend a lot of money.
And so it's a really interesting company, or a business, rather, and a lot of people don't know that's how it works.
Now, here's the downside.
The downside is lead gen companies can be very transactional, which means as a business you only capture value and make money.
The more leads you're coming in through there, and often that means you only make money when you're spending money.
A lot of times they suck at building brands.
So like I said, you could spend something up really fast.
That means you can likely go away just as fast.
Because let's say that if you create a URL that's like, seniorhomelivingCalifornia.com, that is not like maybe someone was just going to Google that and they're going to see it one time.
They don't think of you.
Yeah, and then they're going to get there and they're done.
They're never going to think about you ever again.
And you have to pay for them again.
And so if you want more customers, you got to pay again.
And so that's quite hard.
So if you can build a brand around it, then that's where it's really interesting.
And the second thing is that you are dependent on the person buying the lead.
So in my case, I worked for a person who was doing lead gen and they go, all right, there's a cap on this.
Like we can only make a certain amount of money giving leads.
The way that we become a huge business is we get, we make a relationship directly with

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the apartment buildings and go straight there, go straight to them.

Now the reason why that sucked is because the person buying the leads was like, oh, you're our competition now, you're out and they cut it off and their revenue goes away immediately.

And so what Thumbtack did, I like Thumbtack, what they've done is they've built a direct relationship with the people.

So if you Google San Francisco wedding photographer and you see a wedding photographer on Thumbtack,

they've built that relationship with them and that wedding photographer will pay Thumbtack directly for a lead.

That's great because there's no middleman to cut out.

Now the downside with that is it costs a ton of money to do.

This is like a really big problem.

To build a marketplace.

And so you likely have to raise money or figure out some scrappy way to get it done.

But that's my rant on Zumper.

The big version of these, if you take it to its absolute max is like Expedia or booking.com.

So what they're doing is they're saying, okay, cool, you want to book a flight, I will become the best at ranking for how to search for flights, find a good flight, here's some recommended trips.

And then we just, the airlines pay us a commission and affiliate fee for every lead we're sending them.

And that is a notoriously difficult niche.

Yeah, they've done well, but they're hyper competitive and they're, you know, it's always contentious.

And then hotels is another one that's quite challenging.

If I wanted to make money really fast, I would find a relatively boring one like trucking jobs, which I find interesting, but most people do not.

So they want to enter that.

The flights and travel is a lot sexier.

And so it can be a lot harder.

I'll give you another niche one.

I have a friend who created this business called Apply Board.

And what he was doing was, uh, international students, people, you know, I went to high school in China and when I, when I was graduating in China, everybody wanted to come to the US to study.

Everyone wants to come to US colleges.

So internationally, India, China, Indonesia, Malaysia, the best students all want to come to the US if they can.

So they want to come to the US, but they don't know where the hell to start.

They don't know what the schools are.

They don't know how to apply.

They don't know how to translate their, their scoring on all these like, you know, aptitude

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test in Malaysia to like what the US schools want, et cetera.

This is a, there's a barrier there.

And the US schools love foreign students because they pay more.

Like I think a foreign student who, an international student who's going to school at Berkeley will pay double the tuition as a local student, not just an in-state student, like a US out-of-state student versus international, the international student pays double.

And Alan, it was you, uh, you paid double.

So I paid more than double.

So I went to school in Australia.

I think the average per semester, like 5,000, 6,000 for like a local student, I paid like 45.

Okay.

So you, all right, great.

So you paid like nine times as much, um, going to go into school.

That's insane.

So basically what he was doing, so he went to colleges and you have all these small colleges that just need applicants because they don't have a brand name.

So yeah, a lot of Stanford and Harvard, they don't really care because they're getting so many applicants anyways, doesn't matter, but like San Jose state, you know, they were like, Hey, we will pay you a thousand dollars per admitted student, \$3,000 per admitted student.

So he was getting three grand per admission, uh, in contract with all these different schools. And then he just had to do lead gen on the other side for students who want to go to school in America, which was actually a big market of people who are searching for what happened to it.

Uh, he's still going.

I don't know.

I haven't checked in with him lately, but hope you're doing good, Martin.

I hope you're doing all right.

Yeah, I went to university of Sydney as well for a little while, it was, it was crazy.

We should actually talk about that on another time because that's an interesting thing there.

But to, uh, get back to this lead thing to wrap this up, there's actually a lot and this is way bigger than people think.

And one of the biggest ones is credit cards, credit karma.

I don't know what they do in revenue, but they just sold for \$8 billion.

I bet they did one.

I bet they did a billion in sales.

And what their hook was, we're going to get you to sign up for a report, a credit, a free credit report, and we're going to recommend credit cards for you use and they'll make a hundred dollars per credit card affiliate.

We get, they get now thinking about credit cards, huge market, huge referral fees, very competitive.

So it's the same thing.

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Uh, they're, they bootstrapped, I think, I don't know, uh, multi-hundred million.

Yeah.

I mean, but I think they bootstrapped to like 50 or 60 million in sales, then raised money. So it's quite good.

Now here's another company and here's one more interesting thing.

You know the penny hoarder?

No, I don't actually, I don't know why I said the penny hoarder, the penny hoarder.com.

Kyle spoke at hustle con.

He's a cool guy.

He, he's was a great success story, still is, but he, uh, started the penny hoarder.

And what it did was he would write about when he was poor, he didn't have any money.

He would say, I didn't have any money.

I was, I was trying to pay my bills.

And so I would do things like drive Uber or I would, um, do coupon clipping and he would blog about it.

And anytime someone saw an article that he wrote about driving for Uber, he would make two grand per Uber driver.

And so he was like, Oh, this is cool.

I should, I'm going to blog about all the ways in which I can save money or make extra money.

And so he did that like through, uh, like there's websites where you can fill out surveys and make dollars and make a few bucks.

And he would blog about it and mostly middle America moms would see and be like, that's great.

And I'll sign up and he would get an affiliate fee.

And he's scaled this thing from zero to 60 million in sales, completely bootstrapped in like six years.

I love this.

That's great.

But here's the problem.

There's this other company called fluent media, fluent.

I think it's called fluent.

Fluent is a publicly traded company and they are performance marketers, which means they do what I'm describing, but across tons of niches.

So someone will say like direct TV will come to them and be like, Hey, uh, we'll give you \$80 for every customer you sent us and they go, great, and they spin up these landing pages and fluent media does this with trucking as well.

They do a bunch of stuff.

It's a big business.

It's publicly traded.

They saw Kyle's website and how much he was killing it because he talked about it a lot for PR, which I mean, it's good and bad, good and bad.

And they just, and they, they ripped them off completely.

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They created like the dollar saver or like something like very similar, like the penny hoarder.

They just copied the website, copied the articles, and then they threw it on Facebook and they drove traffic to an article that said here are the hundred best ways to save money.

And they did the math so they could get a click for a penny or they could get a click for a dime and each person who came, they would make 20 cents because that's the conversion rate of which people would sign up.

And so Kyle at penny hoarder, this is all public.

You can Google it sued them.

And what they found out was fluent media, according to the lawsuit hired one of the penny hoarders employees and they said, yeah, here's how we did it.

And so they just spun this up and it made a ton of money right off the bat.

Yeah.

And so these are the pros.

Did he win the suit?

I think it's ongoing.

It's ongoing, but for Kyle, but this is why this is interesting because I, and the penny hoarder amongst its crew, amongst its audience, I think has a great brand.

And yeah, and Nerdwall actually at this point has a great brand at first.

Nerdwall was simply a, you're just going to Google, you're just going to Google best credit card and we're going to show up one and you're not never going to remember us. But at this point, they're doing all this advertising and commercials and people like turn to the nerds.

Like it's working.

That's the commercial.

So really interesting business model.

I like Lee Jen, but a lot of people didn't realize how that worked.

Henry, was that interesting?

Did you learn how it worked?

That was great.

Yeah.

All right.

I got another one for you, Manzil.

So this is cool.

This is one of my favorite reasons to do the podcast is that interesting people just reach out and tell me about their business.

So Manzil is this, so this guy Sam reached out.

He listens to the podcast.

What's his last name?

Sam Malacco.

Yeah.

Something like that.

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And so he was like, Hey, I got this business, you know, would love some help with it or just would love to chat.

And so I said, okay, let's chat.

So I get on the phone and I end up blown away by what these guys are doing.

So they teach me about something I've never heard of and is now very finance, very, very fascinating to me.

So what they do is Manzil does Islamic financing.

Oh, we talked about that.

What's that mean?

We talked about it, not on the podcast, but we talked about it offline because I was pretty interested in it.

So Henry, do you know what Islamic financing is?

If you didn't know Legion, I don't think you'll know this one.

Definitely not.

So are you Muslim?

I'm not.

I'm Hindu.

Well, I'm neither.

But like my family is Hindu.

So I didn't know about this.

But basically, in the Muslim faith, there's actually sort of the advice is against traditional loans.

So interest, which is known as like Riba, I think, in their faith is frowned upon in these so a traditional mortgage where you go to the bank, you have your down payment, you take out a loan and you're paying interest is actually not compliant with their faith and their law.

And which is actually common in a lot of other different religions.

Is that true?

Yeah.

So I'm Catholic Christian and was raised that way.

And there's definitely rules regarding handling money and interest and things like that.

Yeah.

And I think the fundamental basis, I'm going to kind of butcher this.

So I apologize, but I'm just trying to explain as best as I understand it.

So apparently, you know, money, sort of fiat currency, which is just not pegged in anything.

It's just a made up concept.

The belief system is that money has no value, inherent value in itself.

And so you should not be charged interest for borrowing money, which is this sort of abstract concept.

So they have loans or they have sort of agreements, which can work as long as both sides are taking shared risk and getting sort of shared shared upside, shared return in some way.

So there's Sam Islamic, I believe so.

Yeah.

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And his partner, Mohammed is also so they were explaining to me that, hey, there's this big thing called Islamic financing and there's these Islamic challenger banks.

And so if you've ever heard the word challenger bank, check this out, it's pretty, pretty cool. We know that banking's been around forever.

These big bank brands that are, you know, in every country, there's big banks that are worth billions of dollars.

And recently, over the last, let's say five to seven years, there's these things called challenger banks or neo banks they're called.

And so in Brazil, there's a bank called New Bank and you bank and new bank is worth \$10 billion.

It's one of the most valuable startups in Brazil.

In the UK, there's challenger banks.

Oh my God, I'm going to forget the name.

Challenger just means a new one.

It's a startup bank and they offer different things.

So what these guys did was better digital access, so mobile apps, quicker ability to get sort of credit cards and debit cards spun up.

And so there's, you know, there's a couple of them that are huge now, a few different multi-billion dollar startups done this.

What these guys have done is they've done this for a faith based bank, which is basically saying, there's a set of customers out there, in this case, Muslims, who are not being served well by the generic banks.

And we can make a bank that serves them better.

And the way we're going to do it is you want to take a mortgage out, you can either take a sort of a mortgage out, a traditional mortgage, which is not compliant, or you can take one out that's compliant with your faith.

We've come up with a mechanism that is blessed by sort of the village elders, you know, the sort of leaders in the community that says, yes, this is, you know, I think Sharnia Law is what it's called, it's saying it's compliant with Sharnia Law, and then on the other side, this is, this will, this works as a mortgage, you can actually buy your home.

And so these guys have this, have this concept and in other countries, this is apparently really big.

So in Africa, Indonesia, places where the Muslim population is the dominant population, they've already solved this problem.

But in places like US, Canada, where it's just a minority of the population is, is Muslim, they don't have these banks yet.

So I love this startup idea because how are they doing?

So how they're doing?

They've, they've spent a lot of time making sure that they can actually get it to be compliant and actually get the financial mechanism to work.

That took them a while, over a year, maybe two years.

Now they've gotten that to work and they have, basically, they have two sides of a marketplace. On one side, they have people who are investors, because, you know, if you're going to issue

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mortgages, their average mortgage is like \$500,000.

So it takes a lot of capital to start this business.

They don't want to be the one, they don't want to go raise a billion dollars and then start issuing these loans.

They want on one side to have investors who will put in the capital to fund these loans.

And on the other side, they want to have the borrowies who are trying to buy a home who can pull from this pool of, you know, sort of halal financing, you know, this, this financing that's compliant.

And so they have \$10 million committed on the, on the investor side, \$1.2 million in their bank, \$10 million total.

And then, and they're just, every week, they're trying to close more of those checks, which is a small amount, but this is like just inbound interest.

This is not like, they haven't really done anything yet, but \$10 million will let you, let you do, if you just do half a million dollar loans, that means they can do whatever 20 mortgages right now and every mortgage has a certain value.

So it's about worth about, I don't know, \$20k a year to them is that mortgage just in their fee that they get on top of it.

And so, and on the other side, they have all these applicants.

I think, you know, about a thousand applicants and these are what they call super prime applicants because these are people who are doctors, lawyers, they have good jobs.

They have the money.

They have the means to, to, to afford their homes.

They're just looking for a solution that doesn't force them to compromise their faith.

So I really like this business.

There's a working model in the UK.

There's a working model in, in Africa.

There's a working model in Indonesia.

There's nothing in Canada where these guys are and there's nothing really in the U.S. where, where this is.

How many Muslims do you think there are in America?

I think there's, look this up.

I think there's like a couple million, only two, two million, I want to say, roughly.

That's pretty interesting.

I like that.

I think there's a bunch of weird rules around banking.

I mean, they're not weird.

They should be there.

But, um, and so starting, starting a bank, I think is, it's almost nearly impossible.

It's very difficult.

So what all the neobanks do, all the charter banks do is, they're not real banks.

They're not real banks.

They sit on top of BBVA or they sit on top of these other banks and they're just the applicant.

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They're the consumer facing layer, but the banking happens with their underlying partner. And it's sort of like the lead gen model that you're talking about.

They go to these banks and say, Hey, I can get you a whole bunch more customers.

I'm going to spend all the money doing the marketing.

They'll be banking with you, but we own this sort of relationship.

Yeah.

And that's actually pretty common.

I use this thing.

My debit card is simple.

You're simple.

I've heard of it.

Yeah.

Um, this is my debit card.

It's pretty cool.

I like it because the customer service, I can just text and they're like, these like young guys in Portland and they, they're easy to chat with and they answer 24 hours a day.

They were acquired for a hundred million dollars and I was like, this is like a freaking bank.

That's it.

Yeah.

Yeah.

And it was what's it called BBVA.

Yeah.

That's who they use.

BBVA compass.

I think it's exactly.

They're under there.

There's a few that are underneath all these.

Now the very first, there's a now one of the challenger banks got their very first banking charter banking license, which is very rare.

I forget their name, but they just announced a couple of weeks ago, the last two weeks.

So now it's very interesting.

Now once that seal broke, because it was so hard to apply for this.

Yeah.

And they all want it.

Robinhood wants their license.

Brex wants their license.

It's just very hard for them to get this.

I think you need 5% or what's the number?

I think you need 10% in reserve.

Yeah.

You need a certain amount of reserve.

That's not even the problem.

It's just that there's no incentive for the government to give these out.

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They're like, ah, you kind of highfalutin, you know, tech startups, do I really want to give this to you?

You've only been around for so long.

I don't know if I have the trust in you.

So now the seal is broken.

The first one got it.

We'll see what that means.

But what I like about these guys is they're not a bank.

They're not taking your deposits.

They're just doing loan issuance.

So on one side they have the reserve cap, the investment fund.

What they're using?

Other people's money?

OPM on one side.

Yeah.

Other people's money to make the loans.

And they're the broker and they take 1% to 2% of the transaction fee.

And people are willing to pay a premium to have halal financing.

Just like people willing to pay a premium for halal meat or for vegan or kosher meat, you know, whatever, like people are willing to pay a premium for things that are compliant with their faith.

So I think this could be big.

And what's interesting, I think that they've had a hard time raising money from traditional VCs because this is hard to understand.

Yeah.

I mean, you know, most VCs are old white guys and, you know, it's the sort of cliché and, you know, I know they do look into it, but I think that there's the natural challenges of any high aspiration startup.

They have those.

They have the problems at any startup that's really ambitious.

But then they also have the problem of like, first they need to educate you about this problem.

Like you saw how I stumbled through this explanation and I talked to these guys for an hour, you know, and that's where I am after an hour of really trying to understand it.

And you read this by Furkan, your best.

So I ran it.

Yeah.

I ran it by him.

I introduced them yesterday.

I said, hey, Furkan understands this.

He's Muslim.

He's an investor.

He's a technologist and he's an entrepreneur.

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If he doesn't like this, I don't like this.

And what did he say?

And so he, so he, he's like, I've looked into this, he's like a lot of my friends really wanted this.

I tried to look at what options are available in the US.

They suck.

They're really super high premiums.

Is he practicing?

Yeah.

Like, you know, to an extent, like what I want to know is do really like, like he doesn't pray five times a day, but he doesn't eat pork.

Right.

So he's like, culturally, he drinks, but like his dad runs the mosque in San Jose.

And you know, like it's, it's even people who are like culture, who aren't incredibly devout are into this.

If he had the option, he would prefer whole financing over not if it was convenient.

And he's like the problem with all the existing options are not convenient, they're not easy to use.

And they're very high premiums.

He's like, if these guys did it conveniently, I think this could be big.

So he's going to talk to him.

We'll see.

Like I'm not a practicing Catholic anymore.

Are you guys Catholic?

You're Catholic for sure.

Right?

I am.

Yeah.

I've been bad about it.

Honestly.

I went to like all boys Catholic high school stuff.

Me too.

I went to an all boys Catholic high school.

I don't practice anymore, but that's another thing.

I don't eat meat during Lent on Friday.

So I try not to.

So it's kind of, it sounds like that's what it's kind of like where it's like people.

It's a spectrum.

It's a, you prefer it, but not, yeah, you prefer it, especially if it's convenient for you.

You, you know, the way Henry just said that a lot of guilt there of like, yeah, I should, but I don't.

So there's, you know, if you can make it where people do what they want to do without

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lifting a finger, then they'll do it.

You know, that's great.

That's pretty cool.

I like that.

I like that thing or I like that angle of finding, because I don't know anything about Muslim culture.

I don't know anything about Hindu culture, which is where you're from.

You, I don't know.

You probably don't know too much about Catholic.

Yeah.

It's kind of an interesting way to like look at how other religions do things.

Right.

Another thing that we should talk about not today, because I don't think we know what we're talking about.

We definitely don't yet is building things on top of banks.

I think that's super interesting.

What do you mean by that?

So like what simple did and like, what's the name of this company?

Manzil.

Man.

Spell it.

MANZIL.

Manzil.

Okay.

Kind of like what Manzil did.

A building, a building, a front end on top of someone else's back end, which is the bank.

I think that that's really interesting.

Simple.com is my card.

I didn't know they did this at first.

This is kind of what dropshipping is.

So where you build the layer that says, I'm going to get the customer to a landing page and they buy, but it's just going to place an order with this other manufacturer and they'll ship it directly to them.

But it's super effective.

I like that with banks because like simple, they did this all, I mean, it's a little different.

The card is all white and it's a slick looking and their app is really good.

And so it's kind of interesting.

I think this is kind of what Brex is doing.

Right.

Totally what Brex is doing.

They're layered on top of Mastercard.

I love these things.

I really like that.

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Let's talk about how many minutes are we in?

We're about an hour in.

Okay.

You want to, we can answer some questions or what do you want to do?

Let's do one of these fun ones.

So let's do the rebranding words.

So this was in the hustle trends, the trends hustle Facebook group, which is like a source for entertainment and gold, which go to trends.co and sign up.

And if you use the phrase million, million, you'll get 50% off.

Trans.co slash million.

That's my plug.

I believe that's it.

Is it slash million or is it promo code?

Both.

Both will work.

Trends.co slash million or trends.co.

And you guys have this thing where you can sign up for a dollar, which is pretty dope.

Yeah.

And it's working.

Great.

I love it.

Okay.

So somebody in the group, can you scroll up?

I don't remember if I have their name.

I should have their name too.

Your other up.

Yeah.

There you go.

Okay.

We don't have the name.

We should, we should find.

Alan, will you find the name of the guy who wrote this because I want to give him credit.

So somebody was just talking about like, Hey, isn't it funny how people just rebrand this stuff and like give it a whole new meaning.

So he's talking about MSG is like, Oh, MSG, which was like, got this really bad reputation for being a food additive, whatever.

And just rebranded as umami.

And now it's this like foodie word that like is good.

And somebody came into the, the comments with like a bunch of really funny ones.

You want to know another food one, aioli aioli manaze, aioli is mayonnaise has a little garlic flavoring.

Look it up.

I don't think that's true.

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I'm pretty sure it's better for you than mayonnaise.
Look it up.
Aioli is flavored mayonnaise.
Look up aioli versus garlic and olive oil.
Is aioli mayonnaise?
I'm telling you, aioli is mayonnaise.
But there's like way more.
Yeah.
You have to do it in a separate tab.
Yeah.
You can do this because we have to over here.
Right there.
What's the answer?
Say it says it right there.
What's the top result?
What's it say?
Is aioli any different than mayonnaise?
Garlic and olive oil on mayo is made from egg yolks and canola oil.
Am I off?
All right.
Henry wins.
Okay.
Let's go back to the doc.
Chilean sea bass is actually called Patagonian tooth fish.
Yeah.
That's awesome.
Yeah.
I love it.
So this guy had a bunch of them for business, which I like.
Or nerves.
You know, when you skip, you know, I don't know, I'm like this.
I skipped breakfast for years because I'm just lazy.
It didn't wake up early enough.
And now it's intermittent fasting.
It's like this health trend.
It's like, oh, I'm fasting till noon.
It's like, yeah, you skip breakfast.
Marlin Montgomery.
Okay.
Marlin.
Yeah.
So this is the original post.
And then who posted all these comments in it?

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So Logan Jeffries.

Logan had a bunch of them that were fired that I like.

That's the reason I put it on here.

Okay.

So when you just quit your job because you want to travel, now that's called disperse retirement, which I like when you're a grossly underemployed writer or marketer.

Now you're a digital nomad because you have to go live in some low-cost area or a coach.

When you just like to eat beef and cheese because it's delicious.

And now that's called the carnivore diet or keto.

I used to call the salami and cheese a redneck charcuterie.

Sleeping around, online dating.

I don't agree with all these.

I'm just, I'm relaying Logan's good ones.

When you quit your shitty business idea, that was bad all along and everyone told you it was bad.

It's called pivoting.

I like that.

Failing fast.

When you have a fear of commitment and therefore do not own anything and do not settle down, you're now practicing minimalism.

I love that.

So these are great.

In general, funny shit aside, I think there's a lot of power to this.

I think as a leader, you often have to rebrand stuff so that it's more palatable to your team or to your customers.

Packaging.

Yeah.

You have to frame things, package them up in a certain way.

We did this with our sushi restaurant where we realized that if we just described things better or differently with better words, people would buy more and we could charge more because people wanted to have sushi that was more sophisticated.

So when we called it whatever, Atlantic salmon with blah, blah, blah, rather than just saying salmon, that was better.

Or if we would create a whole new word altogether and put a little trademark next to it, that was even better than using common words.

Every once in a while, there's certain things that they use the positive phrase and just generally accept it.

I like to use a word that means the same thing but is generally regarded as a negative just to fuck with people.

For example, instead of saying, well, we're going to get the customer to do this, we're going to get them to buy by doing this, or we're going to influence them by doing this.

I like to use the word manipulate.

I'm like, yeah, let's manipulate them and get them to do this.

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Words that buy definition work just to kind of throw.

What happens if we call it what it is?

Yeah.

Let's just say, so we're going to manipulate them.

I'm going to manipulate this person to like me and they're like, well, how are you going to do that?

Well, I'm just going to be nice and charming and listen to what they say.

But if you use that word manipulate instead of influence, it fucks with them.

I love using that just to screw people.

When political people say, well, they have an agenda, I'm like, yeah, well, so, guys,

I'm here to talk to you about my agenda, which is to do, of course I have an agenda.

I'm trying to get you to do stuff.

I'm like, yeah, you're targeting someone who has a political agenda.

They should, right?

Yeah, they should have a political agenda.

I love using those words.

Henry, if you scroll up for a second, so that's the end of this episode.

Thanks for listening.

Tell your friends.

Make it all happen.

Leave us a review.

We like that.

Give us the real talk in the reviews because we read all of them and we like it or tweeted us.

Sam's got 12,000 Twitter followers.

Now he has surpassed me in the Twitter rankings.

11,300.

11,300.

He's counting.

So he's winning.

Great.

All right.

We're out of here.