

ShoeMoney PlayBook Chapter 7 - Monetizing and Managing

Hey everybody. Welcome to the last video in the series – I think. Because I may throw another one below, but for now it's the last video on the agenda.

This video is the monetize video, and it's a full monetization video so I just – I want to talk to you about raising money for your company, when you should do it, why you should do it. I want to talk to you about how to make money with your site, and hopefully I'm going to come at it with different angles than what you're already doing because you don't have to stop with just one way to make money. I'm going to talk to you about the end result to make money. Once you're going and everything, I'm really bad about ongoing management of a company. So I want to talk to you about how to do that and also how to measure if you should sell and how much you sell the company for.

OK, so let's get started with raising money. OK? So when you get to a point – I can tell you the – the first thing, when you go to an investor – and I've never raised money in my life, OK? So I'm talking – when I talk from my experiences, they're all going to be from approaching investors because a lot of times I want to approach an investor because I want to see what they think about what I'm doing. And most of the times they tell me I'm on crack, which has little weight but it will give me some because I – I didn't – you know, again, I didn't graduate college. I barely made it through high school. I don't have an MBA. So for me to get the perspective of these guys who are MBAs, who invest in other companies, and who tell me what I'm doing wrong, is really good. And they like to feel awesome and on their high horse about it and say they had something to do with it.

So a lot of times you get a lot of free advice just pitching your idea to investors. The first thing they're going to ask you is, who's buy – who's – who's – well, is anyone – are you making any money with it now, right? And you're probably going to say no. And your second one is going to be – they're going to say OK, tomorrow when you launch, who's going to buy this? And you'll say well, all these people will, you know? All these people and they'll say no. No, no, no, I want names. Like who – who signed up already to buy it? You're probably going to say nobody too.

So it's – it's not likely you're going to get any investors that are going to jump on. Guy Kawasaki, who's an investor in many stuff, a lot of – he does a lot of venture capital investing, stuff like that – he – he always says they look for hockey sticklike growth. They don't care about revenues, OK? Him and his company who invest in a lot of stuff – and he'll also be the first one to tell you that he's only ever made money in one investment out of a ton of them, so take it for what you want. But – but he does work with Sequoia and some of the huge ones who have done good things like Google, YouTube, stuff like that. So they kind of know what they're talking about.

And YouTube's a great example, because they raise money based on – completely on user growth. It wasn't based on any money. Skype's another one. Completely on user growth, but not that you're going to make the next Skype or YouTube but you might. You know, you might make something cool like that. So basically they're going to value it on user growth and the value of those users, because there's a lot other ways to monetize those users as we'll talk about in a minute.

So should you raise money? It's a great question, but it's pretty easily answered. What are you going to do with the money if you raise it, really? I – I mean like there's multiple ways. You can go the venture capital route. You can go the angel route. Or you can go to a friends and family route. If you truly, truly believe in your idea, then go to your friends and family, alright? If you truly, truly believe in it. If you feel like it's a one in ten, we have a one – or a ten percent chance of this thing working, then raise money. Go to anyone who will give you money to do it, because why would you risk your own capital?

And the whole venture capital, angel funding thing, can we talk about that for a second? That's just the big shell game. People are going to come in. You're going to come out. They're going to keep – try to get bigger investors and take their money out at a higher valuation. They're going to get bigger investors and pull their money out. They're going to eventually reach like Sequoia or something like that and pull their money out. And then Google will buy your company, because the investors involved are huge investors. And Google, Google's market share will go up more than what they paid for the company and everyone's happy.

I hate that game. That's not a game I want to play. So, if I was to raise money in an idea I firmly believe in, I would go to my friends – well, I would take money out of the bank. But if I didn't have it then I would go to my friends and family and say look, I've got this idea. It's going to work. There's no – there's no way it's going to fail. I've already got people signed up to buy it. I already proved the concept. I'm asking for X amount, you know, and that's it. So raising money to me – I'm not an expert on raising money. That's just the route I would go.

Something to think about, because if – if you don't believe in it enough to ask your family and friends to invest in it – because that's a lot of responsibility. I don't know that I ever would feel safe taking money from friends and family, because a lot of the stuff we do, you know, even when it's making money I don't feel that secure about it. It's just the internet. It's so crazy. But alright, so it depends on how you feel about that.

Let's talk about ways to monetize. I have had the fortune of having websites in a lot of different areas and know of a lot of different ways to make money with the sites. The first one I highly recommend people start with if you don't have a physical product or your own product is contextual advertising, the best one being Google AdSense. What this is going to do for you is many things. One, it's going to make money, right? I mean

it's going to make money no matter what. If you have any sort of traffic, it's going to make money. Number two is it's going to – and this is – this is a really cool thing and something I've exploited a lot – is number two, it's really going to show you what products are selling – what advertisers are selling products on your site, because they're targeting based on the keywords of your site or the context of your site. A lot of times that will lead you to money, right?

So contextual advertising and I'm going to – so – NextPimp is a great example. I started NextPimp, you know, I was making 100,000 dollars a month with Google AdSense and – but what I saw was everyone who was advertising in the Google AdSense ads were affiliate marketers selling – and they were getting the affiliate commission for selling ringtones. So I was like screw that noise, I'm going to – I'm going to put my own ads there and cut those guys out of the mix, 20 – their 20 percent and whatever 20 – they're probably making 20 percent margin or more. Now I just increased my revenue 40 percent by going directly to these companies.

So, start with contextual advertising. And contextual advertising, for those that don't know you place the ad on your site, it – Google then has a robot that examines the context of the page, contextual advertising. And then it places ads that it feels are relevant to those keywords in the context of your page, OK? Pretty simple, alright? So that's a great place to start and I highly recommend you start there. Unless you have you a physical product, because if you're selling tires or whatever then the only people who are going to go there with Google AdSense are going to be your competitors. They're going to advertise there and now you're just giving your competitors awareness of what they're doing. So that's a – another pet peeve I have, is people putting Google AdSense on their sites when they're selling a product.

OK, so contextual place is a great place to start. I really always recommend using AdSense at the very bottom of your site. I think that's where it's ongoing, because if people reach down there at the bottom of your site odds are their next thing is they're going to leave. My complaint about Google AdSense is you don't make money unless people leave your site. Unlike affiliate advertising or direct sales or stuff like that, you still can retain the user. You still can make them open it in a new window or, you know, retain them. But with Google AdSense it's they're there and they're gone.

So if you're going to put Google AdSense ads on there – I'm not saying don't – put them in places that are right before the user is gone for good, OK? So maybe that's like an exit pop, direct page, maybe that's, you know, down in the very bottom footer of your page because if a person goes there they're most likely to leave. Maybe you watch your ClickTale enough to realize that if people go to this page it's got a huge percentage drop off rate, so let's put Google AdSense on it.

OK. So physical goods, talked about that. Obviously that's a pretty simple way to make money. But for those who aren't obvious – NextPimp was a site I had. I made money

with contextual revenue, right, with AdSense. Then I made money with affiliate revenue. But then I also, you know, with the Coke theory and all that, I then looked and said I got all this mobile traffic looking for ringtones. Why not sell cell phone cases? Why not sell all this other stuff? So I opened a store and I started selling cables. And I mean these cables, I buy them from China for 20 cents apiece. I sold them for 20 - \$19.95 plus ten dollar shipping and handling. And that was a decent profit. And - but that was physical goods.

I also made money with the site through donations, because what I would do is I would actually place, you know, if you like the site keep it running, donate. Boom, get money. You also can sell direct ads on your website. So like if you're doing really well with ringtones or teeth whitening or something like that, let's say Crest approaches you or you can actually call them, you know - well, a lot of times you can't call them. But you can - if you're doing really good with their affiliate programs and stuff like that, a lot of times they'll reach out to you and go direct. And that kind of goes against their ethics and whatnot, but when there's money involved ethics kind of go out the window.

OK, so my whole point to monetization - subscriptions, before I talk to that - before I wrap it up here. Subscriptions with NextPimp, I sold subscriptions \$19.95 for every six months. And what you got with that was in the forums where people would talk you got to make your own little cool avatar. You also got access to members only portions of the site, which basically was support where people would help you load ringtones, stuff like that. Now, it doesn't sound like that big of deal but in - and it doesn't sound like that many people. In 2007 I had - or 2006, I had tens of thousands of people paying me for those subscriptions. And I'm going to tell you what, that's pretty awesome revenue. So, on that site I was making money with contextual advertising. I was selling physical goods. I did direct ad sales. OK. I had subscriptions, donations, and I was doing affiliate marketing all at the same time. And there's no reason why you can't do all of those at the same time.

Now, here's something you can do if you have a - a large enough traffic base, is you can sell user data, OK? So - and it's worth a lot. I'm going to tell you right now, it's worth a lot. Right now on the internet it's super hot, because everyone's going to this whole model of like I'll give you free everything. You just give me all every - your privacy information. And users are becoming used to that. And, you know, all of our privacy policies state, you know, we're going to share your stuff with whoever will buy it, for the most part. So there's a lot of people out there that will buy data. Just search - Experian's a big company that does it. I mean there's - there are just tons of them out there that will buy your customer data.

Go to Best Buy. You know how they want you to get on that rewards thing? They're selling your data. You go to Toys 'R Us, same thing. They're selling your data. It's just - it's funny how all those companies have been doing it for years and now it's moved to the internet. It's big. It's big on the internet. It's really big. And you don't have to have a

whole lot of data. You can just have somebody's IP and they came to your site. That's all you have to have to start and you can sell that data for as much as a couple dollars CPN, per thousand visitor. So we've got one thing right now that gets just over a million unique visitors a day in the U.S. alone. It's just a little widget. And so we figured out a dollar - it's like ten grand a day, something like that, in pure profit just for - it's a widget that we bought, right? So big money in - in that as well.

OK, so that's monetization. I want to talk to you a minute about continued success. OK, so you've got this thing, great. You've implemented all this monetization. You've got all this stuff going. You're prepared for success. Your ship's come in and all this stuff is great. But you - you're - you're an idea person, man. I mean - I mean it - that's how I am and I'm guessing that's how you are if you're - if you made it this far, is we're - we're right here, right? So there's - there's many ways you can go.

So, one way is to sell the company. That's the way I've pretty much always gone. And - but there's a - and this is something I want you to think about. So, you - there's - well, the one way which is very simple, and I'll just get this out of the way, is you could hire somebody in to continue running it. I've never had success with that. I just haven't. So I can't really talk too much on that. But obviously that's an option for you.

The option I've always gone with is selling the companies, right? So what I look at is - and I'm going to be honest, I don't even look at it from a valuation standpoint, because I don't take money from investors so I don't care about the return. When I had AuctionAds, you know, it was generating two million a month in revenue. I sold the company for - I can't disclose, but let's just say that somebody might think that it - I - I should have sold from a lot - for a lot more money. I think I can say that.

So here's the way I look at selling companies. And I may look at it completely wrong, but this is the way I look at it, is that I say OK, if somebody wants to give me five million dollars for this company, what am I going to do with that money? Because this company's growing at a ten percent rate every six months, so that's 20 percent per year that I'm making. What am I working on now that I can invest this five million dollars in that's going to give me that kind of return? OK? Otherwise, if I just get five million dollars, what am I going to do with the cash? What am I going to do with it? I - am I going to buy a house? Am I going to waste it on - I hope not. Am I going to put it - I - I'd put money in the bank and get two percent return and I'm happy. I hate - but I'm losing money, right, because of inflation and cost of living going up and all that stuff.

So what I like to do is if I don't have anything else appreciating faster - I almost don't care how much [INAUDIBLE 0:14:41.5 sounds like: I mean to an extent], but for the most part I don't really care how much money people want to buy it for because this thing's growing so fast that it would be stupid for me to sell it for now. Because I have nothing that's going to give me a 40 percent per year return on my investment, that's ridiculous, right? But if I - maybe I do have a new idea that's growing faster than that.

Well, then I take that money and wrap it into this thing, OK? So that's what I look for in selling a company. Some people might look at that and say that's stupid. You know, I'm sure MBAs out there are rolling their eyes at me. But guess what? I've sold seven companies, so scoreboard. That's what I say. And I've been able to keep going. That's my method, alright?

So, if you have any questions, you know, feel free to ask below. I've had a lot of fun making this series and my whole plan was to take you through the very beginning, building your team, what do we look for in all this stuff, and how to grow, how to monetize, how to launch, how to market, you know, how to treat your employees, you know, how to build a team, how to do all this stuff, and then how to continue success and make money and prepare for success and all that good stuff. So hopefully you found this valuable. I've had a lot of fun doing it. It's been completely off the cuff. I just have had notes from my book all around me here. And I'll - you know, let's stay in touch.

Keep coming to my blog. Let me know what content I can make to help you, because I really feel like - and this is going to sound egotistical or whatever, but I feel like this is what I was born to do. I feel like I'm a pretty good oral communicator and I'm rambling now, but - but just to make the point, I mean you know - a lot of you know my story. I was 420 pounds, on unemployment, and I started making hundreds of thousands of dollars a month and went on to sell companies for millions of dollars and all this stuff.

So I kind of feel like I owe a little bit, you know? And so I'm - I'm really happy to help people. Those of you I've met, been fortunate enough to meet, probably tens of thousands of people at events, I love to meet you. I'm not one of those guys who's a recluse and hangs out - I love to hang out with people, usually drink all night with people. So if you watch one of my talks you'll see one night I went out and drank all night and then had to give a talk with like no sleep at all. So that's not one of my shining moments, but I'm just a guy's guy and I was fortunate enough to trip over a rock and discover a few things along the way.

So again, I hope you've enjoyed this series and stay in touch. Read the blog and buy my shit. I'll talk to you later.