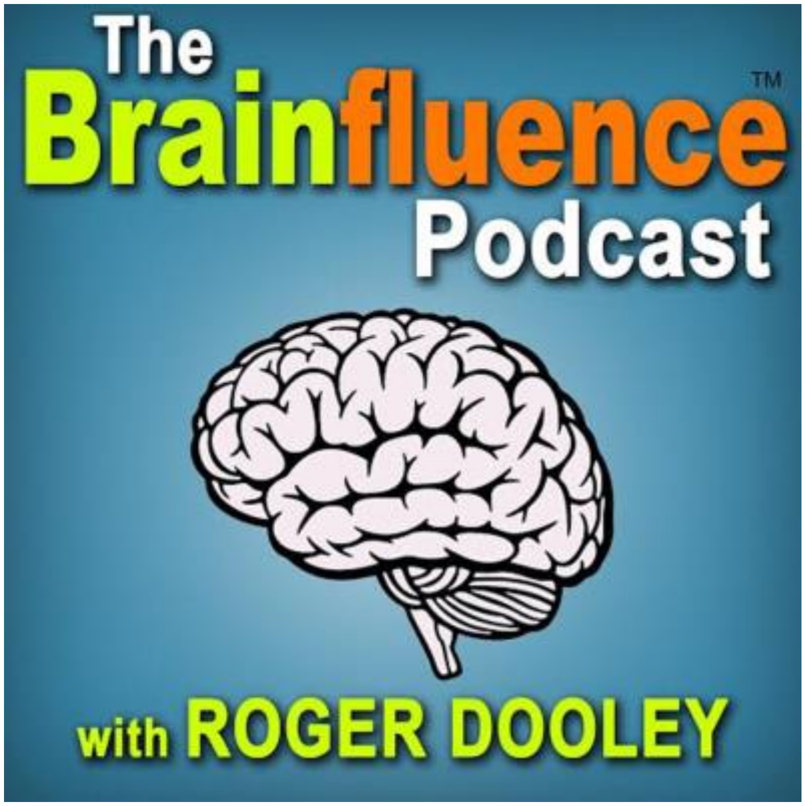
How Profit Psychology Turns Failure into Success with Mike Michalowicz



Full Episode Transcript

With Your Host

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Welcome to the Brainfluence Podcast with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger: Welcome to the "Brainfluence" podcast. I'm Roger Dooley. Joining us this week is my friend Mike Michalowicz. He's a best-selling author, a serial entrepreneur and, perhaps known to fewer people, he's a really creative guerrilla marketer. Last year I had a chance to hang out with Mike at a weekend retreat and a few of his outrageous ploys were so funny that we were almost in tears. If we're lucky maybe we'll get him to share one or two later but the real reason Mike is here today to discuss the ideas in "Profit First", a simple system to transform any business from a cash eating monster into a money-making machine. His bestselling book that's now out in a new edition.

The Profits First strategy is an outgrowth of Mike's own personal experience in building and selling two seven-figure businesses and ending up broke. He'll tell us how this different way of thinking changed his business and dramatically increased his success. In particular, we'll get into the psychology of entrepreneurship and how thinking about accounting differently can actually change our behavior. It's an idea that's been implemented by tens of thousands of businesses around the world and has enlisted hundreds of accounting firms as partners in spreading the Profit First gospel. Welcome to the show, Mike. It's great to have you back.

Mike: Roger, it's always awesome to be hanging out with you so thank you for having me.

Roger: I like books whose title offers the key concept of the book but Profit First seems to be kind of a basic concept, Mike. Just about every business is founded with the objective of making a profit. Every economics book says the purpose of business is to make a profit. What's the big deal here?

Mike: It's just the sequence that we execute things. It is steeped in the behavioral process of how we manage money and the traditional formula for business does not put profit first. It puts profit last. The traditional formula that's actually steeped in the gap accounting methodology is sales minus expenses equals profit. What we're told is that you must sell, that's the start of the formula and it makes sense, to bring in revenue. Then you must incur expenses and we don't like to use that term so we say we invest or plow back or grow. Then the remainder or leftover's profit.

If you think about it, when we put something last we are saying consciously that it's insignificant. Think if I came out of the hospital or went to the hospital because I had a heart issue and the doctor does the examination and looks at me and says, "You know, Mike, you really got to address your health, better exercise, better diet." When I come out of the hospital, I don't say, "Starting today, I'm going to put my health last." That'd be absurd. I say, "Starting today, I'm going to put my health first." It's human nature. What comes first is the absolute priority and gets all of the significance. What comes last is delayed. It's the kick the can down the road.

In the old formula, sales minus expense equals profit, we basically say, "Let's wait till profit till the end of the year." Most people say, at the end of the year, "Damn it, didn't make a profit this year. Maybe next year. Literally maybe 365 days from now this visit will be a little bit different with my accountant and there'll be a profit." That's absurd. The concept of Profit First is that profit is the first element of a business we must address. Profit must be baked into every transaction. Profit is not an eventuality. It's a habit, must happen today and every day.

Roger: Sounds like a good idea, Mike, but doesn't every business have to go through a money losing phase, maybe even a break even phase for a while? When you've only got one or two customers and you're just opening the doors of your restaurant or whatever, it seems like you're bound to operate without profit for a while.

Mike: Yeah, I would say absolutely not. They don't have to go through that phase. It's the common belief, that's the herd mentality. Everyone says, "You know, you got to grow, grow, grow and then you'll make the money one day," but why can't we have a modicum of profit, at least? Why can't we allocate 1%? It's kind of like giving blood at the local blood bank.

The first time I gave blood, Roger, I remember walking in. Someone was walking out with a pin on their lapel and I asked the nurse there that was about to take my blood. I said, "How do they get the pin?" She said, "Oh, they donated five gallons of blood." I said, "That's great, I want to get a pin. I'd like to donate five gallons today." She starts laughing hysterically. She goes, "You know, that will kill you within minutes because the body has less than two gallons of blood." The five gallons of blood can only be achieved if you do incremental, consistent, contributions.

Even a startup business, if we go in with a mentality of saying, "I'm going to start my restaurant today and by tomorrow I want to have tens of thousands of dollars of profit, you're going to kill the business. That won't work but if you start dripping a little bit of that profit out, even if you're a brand startup and you take 1% of the top line or 0.5% of the top line and start allocating to profit, you won't get rich overnight but you'll start the profit habit. I don't care what stage your business is in. Any business can take a portion of the revenue and start allocation toward profit. It may just be smaller in the beginning and bigger as you get your legs under you.

Roger: I guess probably a lot of the folks look at the success stories of companies like Facebook and Amazon that were unprofitable for quite an extended period of time but ultimately were able to dominate their market. Uber, of course, is the biggest player in its space and it's never turned a profit yet so those are kind of, I think, influenced people's judgements about how they need to run their business.

Mike: Massively, massively. They're also the lottery winners of the business of entrepreneurship. I mean, of the hundreds and hundreds of millions of businesses that get started every year. There's 125 million small businesses in the world alone, 100 plus million are started every year so every decade we're talking about 10 million companies. One Facebook or Google hits it big and then we say, "See, that's the formula to success. Go all in. Maybe steal some intellectual property. Purportedly that happened. Repackage it and just start knocking on doors for investors and you'll become rich. That's the path."

That's the path of the lottery winner and that's not the typical path. The typical path will never be on the cover of "Inc." magazine. It's the business that continues to march forward, makes incremental but consistent improvements, is consistently profitable and, while you won't see one on the cover of "Inc." magazine, they're the rich folks in your neighborhood. There is another path that we don't see and it disappoints me that the media puts so much focus on the exception and we start to believe it's the rule.

Roger: I'll share a story of my own with you and you may have seen it because I wrote a piece on Entrepreneur.com about my personal story and related it to the ideas in "Profit First" but years ago, I co-founded a direct marketing business. This was pre e-commerce days so our business was all conducted by mail and phone. It's fair to say that we were very focused on scaling the business because we felt that we needed to grow, both to keep from being crushed by bigger competitors and also to have this scale to buy at the best prices. The nature of the business was that it had very thin margins and if your competitor could buy a few percent cheaper than you could or could demand more advertising money because they were bringing that vendor more business, they could undercut you and pretty much kill you either way, either take away most of your sales or take away most of your profits so you simply had to be extremely competitive on your purchasing side of things.

We ended up kind of on a treadmill of trying to grow quickly where investing in mailing more catalogs, selling at very competitive prices, neither of which is probably a good thing from a Profit First strategy standpoint. Ultimately we had one vendor, who was a global brand that was both a huge supplier and also was the basis of the ecosystem for many of our other more profitable products. When they went bankrupt we really found our resources stretched to the breaking point. We went through a rough period and that business never fully recovered so if you had a time machine, Mike, given those constraints of needing to grow relatively quickly to achieve some position in the market, and relatively thin margins, what advice would you have given me then?

Mike: Yeah. I always look for innovative techniques. I would still take your profit first and you may have resisted initially back then but I would say we got to take your profit first because when we're constrained on the obvious resource, which is profit, cash, we then have to find an alternative resource which is innovation.

I have actually a favorite story around this because a lot of our listeners right now I'm sure have heard the story. It's the story of Apollo 13, which became a movie. The story of Apollo 13 is, this was during the space race, Sputnik versus the US. We send up our 13th capsule. It's a lunar landing mission. Capsule launches beautiful until one of the supporting boosters gets loose and it damages the capsule. The rest of the trip becomes a near travesty. The three astronauts are up there and they're circumnavigating the moon, not to land on it but to use the gravitational pull to pull them back to Earth because they're out of fuel.

At the pivotal point in the true actually story and the movie, they radio down to Houston. They say, "Houston, we have a problem." That was the inception, I believe, of, "Houston, we have a problem." They said, "Houston, we have a problem. We have a failing oxygen filters or oxygen recycling system and we have about 10 hours left before we are out of oxygen and we have about 48 hours return. We're sitting ducks up here. We're dead." The next scene in the movie, the lead engineers dump a cardboard box of just weird stuff, duct tape, toothpaste, wires, stuff that was up on that space capsule. The lead engineer looks at the team and says, "We need to build an oxygen filter out of this," and they did, and they did. Those astronauts returned safely to Earth because the radical innovation.

The point of this story is when humans, when we are strapped on resources and time, we become highly innovative at finding a solution. I am not suggesting that rocket ships should be made out of duct tape and toothpaste but what I am suggesting is NASA spent tens of millions of dollars on the original compact solutions for oxygen filters because they had tens of millions of dollars of our taxpayer money but when they didn't have the money, they found a far more economical and effective enough solution. I'm not saying duct tape and toothpaste is a way to build rocket ships going forward but there's definitely a more economical solution if we were strapped for cash.

If we were going back in time, I would tell you the Apollo 13 story and I'd say, "Let's actually intentionally start taking profit out of this business and it'll force us to look at the business from a whole new perspective and find a new way of getting better results, which is the definition of innovation." By the way, my favorite part is it also challenges the industry norms and the companies that have the courage to challenge the industry norms, the industry rule breakers, are the ones inevitably that catch a good strong growth trajectory.

Roger: Great. That's really good advice, Mike. If you do ever find that time machine, be sure to go back and find me and slap me upside the head.

Mike: Okay. I would never do that. I would never do that. I would have a stern talk with you. There would be no physical contact. I would not hurt you, sir.

Roger: Yeah, because I'm sure that in reality there were things that we could have accomplished in a less expensive way. There were probably some diversification efforts that were valuable and seemed important at the time but could've been delayed or done some different way. It all comes, as you say, from having to put that profit first. When you say profit, Mike, do you mean profit as in profit that goes into the owner's pocket or the founder's pocket or profit that stays in the business?

Mike: There's two things I want to define around profit. First, I mean the entrepreneur's definition of profit which is cold, hard cash. There is an accounting definition which is simply accounting and there may be no money available at the moment when you see that profit so I'm talking about a hard, cold cash profit in your pocket. The second component is I mean it is for the owner's benefit exclusively. Think about a Fortune 500. I own stock in Ford. If and when, and Ford does it quarterly, when they send their quarterly profit distributions out I don't take that check and say, "Oh, you know, I should plow this back to Ford. I'm going to return my dividend check here and give it back to the C-suite so that they can improve in strength in Ford."

Instead, I look at that check and I say, "I took on massive risk. I am an owner in Ford. The stock could go down. I could lose my shirt on this. I hope and intend for it to go up. This is a reward and recognition of the risk that I assumed and, therefore, I'm going to celebrate with it. I'm going to use it for my savings, my own personal gain." That's the same idea with the profit from our own company. You are a shareholder in your own small business and when that money comes out, the intention of that distribution is to reward you for taking on extraordinary risk. You do what 99% of the world population doesn't have the guts to do. You started a business so this is a reward for you.

If you decide to plow back, push back, return that money into your business, however you want to call it or label it, all it is is we're deferring an expense. We're basically saying, "Oh, that money, it's really for expenses. I put it in profit account for a while. I reserved it like it was profit but I can't afford to pay my bills off of my current expense allocation so, therefore, I'm going to take my profit and push that back as an expense." If you do that, it defeats the entire process and don't fool yourself by saying it wasn't profit.

It never was. It's either an expense, the company's using it or it's a profit, it goes into your pocket.

Roger: You've got a whole plan of setting up separate bank accounts and whatnot that I find really interesting but we aren't going to get into today. Folks can read the book if they want those details. One of the intriguing aspects of "Profit First" is that it's focused on psychology in many places. It involves some very specific strategies and tactics but it's really a lot about the way of thinking, right?

Mike: Yeah. It's based upon our behavioral mechanisms and this was the foundational kind of a-ha for me. My accountant has been speaking till he's blue in the face, yelling nearly at me, to read my income statement and my balance sheet and all those different accounting statements and I don't. I revert to what I call bank balance accounting. I go to my bank, see how much money I have and make a determination if I can spend or not. I realized, after interviewing countless entrepreneurs, that's what the vast majority does, not everyone but almost everyone that I did meet does revert to bank balance accounting.

What I did was I set the system up to work with our natural behavior. If there's anything I learned from you, Roger, is it's really, really hard to change people so instead of trying to change people, put systems that work with how they already are behaving. Profit First is a bank based system. You set up these accounts at your bank. Profit's one. There's other accounts and just by logging into your bank account you know what money's been allocated to what purpose in advance.

Roger: Right and profit is really kind of an elusive thing in certain ways because your P and L statement could show that you're profitable but if you don't have money in the bank, this isn't very meaningful. You can't spend it. You can't buy stuff. You can't pay yourself or anything else and it's not difficult to end up in that situation where there's a seeming disconnect between the money in the bank and your actual profit. Of course, in some businesses you can have the reverse where there appears to be a lot of money in the bank account when, in fact, a lot of that is committed in the future and if you go out and spend it you're going to have a problem.

Mike: Yeah. Yeah, exactly. The bridge between this, it's basically the old envelope systems that generations and generations have used very successfully. I'm just kind of modernizing it and applying it to business, modernizing it by putting it on the banks itself. You take all these different savings and checking accounts and you give them the new names. What's nice about it is when money comes in and you allocate these different accounts, you know what intended purpose it's going to serve so instead of seeing one clump of money that you don't know, is some of that going to bills, can I spend it and then doing this double or triple accounting in your head where you spend three times what's sitting there because you have no idea what's going on. Because you first pre-allocate money to its intended purpose, you have one in your profit account. You have one to buy your capital equipment, one for your operating expenses. Then you'll know exactly what's available for what purpose and you'll spend prudently.

Roger: We can thank Nobel laureate Daniel Kahneman for many discoveries but one of his important ones is that humans are loss-averse. We try and avoid losses more than we seek gains, even when the final outcome is pretty much the same. That's why marketers emphasize loss and things like, "Don't throw away $100 in savings. Buy now," as opposed to expressing that in some different way. That fear of loss lights up our brain. How does loss aversion fit into Profit First?

Mike: I found loss aversion, in particular seems with taxes, what people do with taxes is tax season comes around. We get that tax bill on April 15th or thereabouts and then we go to extraordinary measures to reduce the tax bill by spending money on expenses. It's often illogical spending. We say, "You know, if I spend $50 here, I can save $3 in taxes. If I spend $10,000 there, I can save $1,000 in taxes." Literally we buy unnecessarily because if you really needed that stuff, if you truly would benefit from this stuff, why don't you already possess it? Why is this reaction happening? It's a result of loss aversion, right? We're literally afraid of losing out money to the government so we spend even more of it almost inevitably unnecessarily to recoup a small portion.

With Profit First, we pre-allocate money to tax so that sense of loss aversion, or that experience around loss aversion is mitigated because the money drips to the tax account over time. Every time income comes in, we're allocating to these different purposes. Now when the tax bill is due, the money comes from the business itself. The business writes a check to the tax man and at the end of the day the tax bill may be the same but the sensation around it is radically different because the business is paying for it and not us and, therefore, it mitigates or reduces that loss aversion significantly.

Roger: Yeah, that's really true. Friend of mine had a small computer business that sold businesses and network services and so on to mostly small to medium sized business and he would always have several small business clients who, at the end of the year, would place these really big orders to get them in before tax time. Maybe they were going to buy that stuff in January anyway so it made sense. Just accelerate it a few weeks into December and get the tax benefit a year earlier but you really wonder if it's not exactly what you're describing where somehow it seemed like it's better to buy this stuff, whether or not they needed it right then, to avoid actually giving it to the tax man.

Mike: Yeah, I think we back-fill a lot of emotional decisions with logic. Emotionally, we experience loss aversion. We say, "I need to spend money. Oh, here's where I can spend it because I was going to buy this," but if you didn't have to spend it, the question, of course, that will always go unanswered was would you really have bought it in January or could you have gone a full 'nother year without it? Maybe you never needed it. Maybe new technology came in. That will never be answered but I do know that we fill our very emotional decisions with logic to feel comfortable.

Roger: In fact, I think the conclusion of that particular story is that the biggest one of those clients was an attorney who, later, like maybe a year later, had ended up going bankrupt. That was probably not the sole cause of that but it probably reflects the way that we're thinking and not really allocating money the way they should or really understanding what their profit situation was.

Mike: Yeah, I believe it.

Roger: Yeah. I think loss aversion affects entrepreneurs another way. Sometimes you find you're in a situation where you should cut costs because your revenue is under pressure or it didn't go up as fast as you planned. Now you know you should reduce head count or maybe make some change in your office facility or something like that, and particularly head count changes are difficult, especially if you like and respect your people. If you've got a jerk on the staff, okay, that's an easier decision but in general hopefully you don't have those and the people around you are good people.

Then you start to think about how you worked to find them, to train them and how you're going to be in a bind if business does increase next month and you don't have their skills. You just don't want to lose them. You don't want to lose their contributions, even the contributions they're making right now. I think that's another form of loss aversion. It's really easy then to say, "I'll give it a month or two and see how things go," because it makes that decision really difficult. It's only when you are finally up against the wall, when your money's just about gone, that you have to make those hard decisions and at that point you're already in a hole.

Mike: Yeah. You're totally right and I've gone through that. Sadly, I had to let go of many employees, not because of their fault, because of my financial mismanagement. Before I discovered Profit First, I had multiple businesses and really did not understand profitability. At one point I had 30 employees, had to cut back 15 because we didn't land a key project that I was begging to get but I couldn't sustain and I had these people on too long. I did find one thing that kind of helps me bring some more clarity about the health of my business and it's a percentage game.

If I have, say, 10 employees in my business and two of them are not doing anything because they're idle, I just look at percents. I say, "20% of my company is static. Would I accept this as a large organization?" If we went to Google today and said, "Hey, 20% of Google is not doing anything for your business, 20% of your employees, what would you do, Google?" They'd say, "Sadly but true, we have to let go now." There would be an outcry from shareholders for allowing 20% of the organization to be stagnating.

When we're small business, look at the percentages and realize that it's not the individual so much but the percentage impact. Really, in a micro business if you have one other employee besides yourself and you don't have enough work for them and the business is hurting, 50% of your company is now stagnating. Half of your company. That's like being paralyzed right down the middle and one leg and one arm works but the other doesn't. It is impossible to walk, let alone run.

Roger: Actually, you bring up an interesting point, Mike, where talking about large companies. Large companies generally don't employee Profit First because they have legions of accountants who are tracking profits and trying to squeeze some predetermined amount of profit out of each of their divisions and so on. That can also lead to counterproductive behavior. I've been associated with some large companies and have seen some really stupid decision making where, because they're running behind for their number for that year, they don't spend money that they really should be spending. Even the small few thousand-dollar expense that would bring a lot of benefit, it's like, "Nope, we can't do that until next fiscal."

How, in a smaller business setting, how do you sort of strike that balance between having your Profit First deduction but, at the same time, not spend money when it would really make sense to spend it?

Mike: Yeah. Profit First is a daily cash management system so Profit First, most entrepreneurs that I've worked with log into their bank accounts naturally before they had Profit First. They just naturally check in once a week, many of them once a week, some folks once an hour. Profit First, since it sits at your bank, all these different accounts, you're managing it on a daily basis. The large corporations, they're looking at quarterlies. They're looking at projections and this is real time. I found, just by looking at your real-time cash, you can make a decision in the moment to spend money, not spend money based upon what you see there and then tomorrow is another day and you see if income comes in or out.

Since your thumb is so much on the pulse, you're not looking from a Profit First perspective at the six-month trajectory and the impact it'll have. You're not looking at historical. You're always looking at the moment. It inherently reduces that let's not spend cash, let's spend cash gamesmanship that often goes on.

Roger: Yeah. Another psychological aspect that you write about is accountability. Sometimes accountability can be really tangible, like if you have a deadline you have to meet and there's a penalty if you don't meet it. Really, accountability often is in our minds. If I said I was going to write a book chapter this week, I might get to Friday and not really finished it and say, "Okay, well, there's next week," but if you and I were in a small group keeping each other accountable, I might take that deadline a little more seriously because, even though it wouldn't affect me financially in any way, I'd know that I would have to explain to you why I failed to meet my goal and you'd probably give me a hard time about it. How does accountability fit into your system?

Mike: Yeah, so I take it to another level where there's cross-contingency and when I find that there's multiple people involved in completing an action, there's absolute accountability but there's this dependency. It's cross-dependency more than contingency, more of a dependency. Here's one way to do it. What I teach in "Profit First" is when we allocate money to the profit account, that money can only come out for celebratory reasons, right? We don't want to push it back into the business because it's a deferred expense.

What I have is I have a friend who has no equity interest in my business. He's not part of the business. He has no relation to the business except, for my profit account, he is a dual signature on that account. When I want to withdraw profit, his name's Larry, when I want to withdraw profit from my business I can't just write a check out to myself. I can't just transfer the money, by the way. It's a bank that I don't have any online banking, any ATM card, no starter checks. I just have the standard checks. When I want to withdraw money from it, I got to sign it and then Larry has to sign it.

Larry, quite frankly, is a pain in the ass, Roger. He goes, "So Mike, what are you going to do with this money?" I'm like, "The business needs it." He's like, "No effing way, you're not touching it," and he won't sign the check. If I say, "Larry, I'm going to take my family on a vacation. We're going to celebrate with this," he's like, "All right. You got to send me the pictures and show me the airline tickets. I go, "Okay, here they are." Then he signs it off and I can release the money. When there's that contingency on another person, that dependency on another person, the accountability happens.

I have now certified accountants and bookkeepers in this process because I believe in that accountability so much, kind of like the gym. If you want to get the best workout at the gym, you don't go by yourself. A better workout is by going with peers. You go with some other people that are working out because there's that competitive spirit and that cross-accountability. The highest level is a trainer because now you have someone that has specialized expertise in exactly what you need to do, knows how to help you avoid injury, not overdoing it and, because you're paying them, by golly, you're going to show up.

I've taught now hundreds of accountants and bookkeepers and certified them on Profit First. I call them Profit First professionals but they are doing this level of accountability where instead of hiring just an accountant, you hire an accountant specialized and certified in Profit First and now they're holding you accountable, just like a trainer, to the health of your business by driving profit.

Roger: Makes a huge amount of sense. What's your experience been in working with businesses? I'm sure you've seen some real turn-arounds happen.

Mike: Oh my god. I've seen miraculous things. My favorite story, which I included in my updated book. My first book I wrote two and a half years ago and I didn't have the case studies out there. I actually had a few of people I was testing with but two and a half years later I had countless case studies coming in and wanted to publish my top 15 or 20 favorites. My favorite of all favorites is a baseball team in Savannah, Georgia. They're called the Savannah Bananas and great name. They're the only minor league to do this. They've sold out every single baseball game since they've started, which is three years ago now, every single one of their games. 5,000 people in the stands every single game.

How do they do it? They put their profit first. The owner of the business moved into it. It was ready I had $1 million of debt on its head or $500,000. He added another mil to that when he bought the team. Now he owed somewhere between 1.5 and $2 million of debt that he had and no one was coming to the games. Literally a turnout of a couple hundred people was a good game. He starts taking his profit first. From those 200 people that showed up to that game he would take a percentage but immediately what it did is it required him to think about it in a whole new way. He's like, "For me to be profitable and to be sustainable I got to get at least 3,000 people here and, if I really want to hit it out of the park, I got to do things that no one else does at a cost point that no one else does."

He became extremely innovative. One of my favorite stories is the ticket machines for baseball games are these automated tickets. You show up, you can show your phone or you can have that printout from your printer and you use the barcode. Those systems, even for a small stadium, will cost somewhere between 50 and $100,000 to have it, plus they take an override of 20% of every ticket. He said, "Forget it." He took $5,000 and he had old school tickets printed up but he ramped up the innovation. He made them in the shape of a banana. Now, with a little bracelet, now they are souvenirs.

People now just buy the tickets and use the tickets to get in. They have them on their social media pages. They pretend to eat their tickets. They're all over the place and for $5,000 he's done a competition spend hundreds of thousands of dollars over the years because for the overrides and he has more social media exposure than ever. That's just one example of about a dozen things the guy has done because he took his profit first and now this time is wildly profitable and, like I said, every single game is sold out because it's such a unique special experience.

Roger: I bet they sell a lot of tee-shirts, too, with a name like that.

Mike: Tons and I own like 15 of them now.

Roger: I don't doubt it. We'll see if we can link to their merchandise site on the show notes pages. Hey, Mike. At the start I mentioned your success as a guerrilla marketer and how you had us in stitches. Marketing tactics require thinking outside the box that are cheap but really effective dovetail pretty nicely with the Profit First approach, almost like what we were just talking about with the baseball team. Do you have a story or two you could share with us that illustrates what I'm talking about?

Mike: I'd love to. I'll give you two stories. I'll give you one old, very successful one and one I just started that I've never shared with anyone before but I thought no better place than your show. As an author, marketing your books is very difficult, especially as a self-published author and that's how I started. I called Barnes and Nobles, asked them to put my book on their shelves and literally got laughed off the phone by the small business acquirer, if you will. At the time they didn't take self-published authors and surely wouldn't take someone with the title called "The Toilet Paper Entrepreneur" who had no proven track record.

I'm not one to take no for an answer and I do love behavioral and guerrilla tactics so what I did is a self-publish books. I had stacks of them in my basement. I called my closest friends and said, "Would you do me a favor? I'll give you 40 or so books. Go to a store and put like six or seven in a Barnes and Noble store. Actually sneak them in. It's like the reverse of stealing. We're stocking. Bring it in. Put it on their shelves. Make it prominently displayed and let's see what happens." My hope was that some customer would try to purchase it and sure enough, we did this with about 30 or 40 stores. I got a phone call from that same person who did not recall me, thank God, who I was.

I remember my hands shaking as the caller ID came up that said Barnes and Nobles on it. I answered the phone. I said, "Hello?" First words out of her mouth, she goes, "We have a problem." I started to panic. I thought they were going to sue me. She goes, "We are selling your book," because there's a thing called an ISBN on the back. It registers each book sale. She goes, "We don't know why it's in our stock or how it got there but our system indicates we need 3,000 copies as of a week ago. Can you please ship them to us and tell us what's going on?"

I said, "I would love to. I don't know how could that ever have happened." I said, "How do I get it to you?" They said, "Through your distributor," which I didn't have one. They found me a distributor. They negotiated the terms, everything within hours and they said, "Here's your new distributor. They're going to come to your home," because that's where I had the books, "And pick up 3,000 books tomorrow," and they sure enough did and it was right before Christmas when this happened. Gary Vaynerchuk had just released his first book called "Crush It" and right next to it, prominently displayed, was "The Toilet Paper Entrepreneur" and that book exploded in popularity.

Roger: That's a great story. I heard that one at our retreat and I related my own story from that catalog company I mentioned. One of our first actions as a business, we had our first catalogs printed up and they were really pretty ugly. They were sort of monotone black and white inside, not a very fancy look for sure. We decided to put a price on the cover, even though we weren't actually selling them. We put price of like 2.95 on the cover in part so that when people got it in the mail they might think it was valuable.

Then we decided to just carry a few into big box retailers with K-Mart, who was huge at the time. Not so huge now. I just put them in their magazine rack and, believe it or not, we would get phone calls saying, "Yeah, yeah. Hey, I found your magazine at K-Mart and I'd like to place an order." We knew it was working and that was before they were really highly computerized so they just probably rang it up and sold it, didn't think twice about it but ultimately the ending of that story was we did get a contract with a distribution company that actually legally placed us in lots of magazine racks. That was our first effort but, yeah. It's surprising what you can accomplish. I don't know how many sales we generated but it was, if nothing else, sort of a proof of concept.

What's your other story, Mike?

Mike: Here's one I just discovered about two, three weeks ago and I'm doing it now. It's a fun little thing and I think the lesson, before I share the story, the lesson is we must be very observant of the world around us. I'm constantly just paying attention to what's going on and kind of making note of it. One thing I realized, I travel a lot, Roger, like you. I'm in airports constantly. When I hop on my phone to activate it for a hotspot, I then go to my laptop. It shows my phone as a hotspot so I can connect it to the internet but it also shows people within a 20 to 30-foot radius of me. All these things come up.

What I did on my hotspot is I renamed my phone to say, "'Profit First' on Amazon Now, exclamation mark." It's an advertisement. I have my hotspot on constantly. I'm often in airports. I'm in this congregated area where hundreds, if not even 1,000 people are all congregated within a football field and I have my phone on. I know every time they're turning on their laptop, that they're seeing me as the hotspot and it says, "'Profit First' on Amazon now." It's a real simple, effective way to advertise to the people that are sitting right around you.

Roger: Do you let them connect or do they try and connect?

Mike: No. Oh, no. It's all password protected. They can't connect. All I want them to do is see that there is a hotspot with this special name. Most people's hotspot says, "Joe's phone. Mike's phone. Roger's phone." Mine says, "'Profit First' on Amazon now," so I'm assuming they're going to look at it and say, "What the hell is that?" That's what I want, just people saying, "What is that?" Curiosity makes sales happen.

Roger: I love the idea and it gives you other ideas, too, like maybe dropping a bunch of burner phones off in airports and let them ...

Mike: Yeah. Yeah, there you go.

Roger: ... sit there advertising or maybe carry in a really high-powered hotspot and plug it into the wall in the United lounge or something and broadcast for a bigger area. Anyway, that's great, Mike. Say, let me remind our listeners that we're speaking Mike Michalowicz, author of multiple best-selling business books including a new edition of "Profit First", a simple system to transform any business from a cash-eating monster to a money-making machine. Mike, how can our listeners connect with you and your content online?

Mike: By all means, I would love for you to visit my website. It's MikeMichalowicz.com. Here's another marketing technique. I know you can't spell Michalowicz. I can barely spell it. Here's the shortcut. Got to MikeMotorBike.com. That's called a pneumonic, right? It's easier to remember. That was my nickname in high school. You go to MikeMotorBike.com. It'll go to my website. I used to write for "The Wall Street Journal" for a couple years. If you sign up I have free downloads of my 10 most popular archives articles with "The Wall Street Journal".

Roger: Great and we will link to the website with the correct spelling of your name, Mike, on the show notes page and any other resources that we talked about will be there, too. We will have a text version of our conversation, as well. Mike, thanks for being on the show. It's always a pleasure.

Mike: Roger, it was an absolute joy. Thank you.

Thank you for joining me for this episode of the Brainfluence Podcast. To continue the discussion and to find your own path to brainy success, please visit us at RogerDooley.com.