How To Transform Your 'Personal Brand' Business Into An Independent Brand And Sell It For One Million Dollars
Podcasting can be a great way to engage with your audience, drive traffic to your website and promote your products and services. If you've ever thought about starting a podcast but don't know where to start, Yaro has created Power Podcasting: a step-by-step training program that teaches you:

- The basic technical tools you need to start podcasting FAST
- How to refine the strategic purpose behind your podcast by becoming clear about what you want it to do for your business
- How to conduct a 'Podcast Launch' so you can make a big splash when you first publish your podcast
- The 10 step process for creating a powerful storytelling interview
- How to NOT be dependent on iTunes for your podcast traffic growth by tapping into other powerful referral traffic sources
- Three different options for charging money for podcast content, and what option I recommend you focus on.
Hello and welcome to the Entrepreneurs Journey podcast. Today's guest is Dan Fagella.

Hi there. This is Yaro. Welcome to a second interview with Dan Fagella. Dan's first interview, which I do recommend you go and listen to if you have not done so already, was a really great dive into how Dan does email segmentation with his mixed martial arts or a Brazilian jiu jitsu training business. He had an online teaching business. That interview was done three years ago and was really a great dissection of how to do email segmentation well, to make sure the right emails are going to the right people to increase your sales.

During that interview, Dan made it very clear that the business he was running at the time was being built to sell so Dan could move on to his passion project which is emerging technology around the artificial intelligence world. He had a goal of selling the business within about six to twelve months from the point that we did the first interview. It took a little longer. It's now three years later that I present to you this part two with Dan Fagella.

In this edition, we're actually going to look at what Dan did since that first interview, and to turn his business into a sellable asset, which is really an important topic if you're like Dan was, a very much personal branded expert-focused online business teacher coach kind of person because it's hard to sell that kind of business because it's all about you. It's all about your name, your face, your brand, your content, your information, you're the one doing interviews and writing blog posts, and possibly doing videos and you're the
face on all the products, as well. That's the situation Dan was in and he had to completely change his business to get it ready to sell and to get it into a situation where someone who would buy it could see themselves taking it over without it losing value if Dan is not there.

Dan wanted to step away completely. To get ready to do that, as you're going to learn in this interview, there are quite a few steps. I'm not going to spoil it for you. Dan breaks down absolutely everything he did to prepare his business for sale, and also how he sold it. He sold the business for $1,000,000, which is a great result and he's moved on to his technology AI business. He's just getting started with that now in San Francisco, but if you are a person who is a personal branded expert and you're thinking maybe one day you want to sell your business, this is a must listen to interview.

Okay, I'll press play on the interview in a second, but before I do, if you've never signed up for my interviews club email newsletter, you should go to that right now because that's how you get these interviews and all my podcasts as soon as they're released. I will send you an email once I release a new podcast. You'll always be up-to-date with everything that I publish on the EJ podcast.

Sign up for that. Just go to interviewsclub.com. It's where you'll find the signup form.

Now, here is the part two interview with Dan Fagella.

YARO: Dan, thank you for coming on the show again and sharing, which should be hopefully a very exciting part two to your story.

DAN: Yes, Yaro, I am glad to be back. I literally can't believe that it's been a third of a decade when you and I were just talking. I was totally doing a facepalm, but it's great to be able to riff again and happy to be here, man.

YARO: Let's just put this into context because you had a brand. It was very successful when I spoke to you. You already had a very successful teaching
online business and it was, correct me if I'm wrong, but you weren't working crazy hours. You were making good money. It was an online business, a lot of freedom, but I do remember you had a strong drive to get into a completely different industry, which is what your vision was pushing you to do, and you’ve executed on that. Can you just give us a background of how you reached to where you are today?

DAN: Totally.

We might have touched on this certainly off mic but possibly even in our last interview where Science of Skill, which was the business I just grew and sold on, Science of Skill was built for the sole purpose of funding a market research and media business in the artificial intelligence and kind of emerging technology space. By the time I got out of graduate school studying cognitive science at UPenn, it was dawning on me that technology’s intersection with psychology that is AI and neuroscience, primarily AI initially, would have such a grand ethical impact in the world in it that's kind of policies and how businesses and governments steer those technologies would be so ethically relevant, I would have to have that as kind of my life purpose.

Problem is Yaro, that that idea was not an idea that would make me money on day one, so what do I have to do? I had to start at a location independent, high-margin recurring revenue business, so that I could fund full-time employees for a startup that wasn't making any money. So, Science of Skill was the alternative for me, Yaro, to growing and raising money out here in San Francisco. Instead, I decided to make my own seven figures instead of raise somebody else's. So, maintain, control, and guide into the vision and Science of Skill was the vehicle to the bigger goal that has been my life purpose since I got out of school.

YARO: We should clarify, you actually were a teacher of Brazilian jiu jitsu in physical schools before any of these, right?

DAN: Yes.
YARO: That's how the Science of Skill came about.

DAN: Yes, well actually the way that I... Yes, you're right, yes.

The way that I started, well the way that I paid for college was I taught martial arts. All my friends were delivering pizzas or working at Subway, hashing out sandwiches. I'm in a really small town in Rhode Islander, that's where I'm from. Now, I'm in San Fran. And so, they were all doing jobs. I just could not imagine paying for college like delivering pizza, so I started a Jiu Jitsu Academy, and we built that up to 4000 plus square feet, a whole bunch of different instructors, and morning classes and evening classes, and ended up being for a small town business actually, pretty reasonable fitness and martial arts facility. You're right, it was videos from my competition highlights. I did a lot of national competing and a lot of trophies on the wall and whatnot, selling a lot of that stuff, selling seminars, and then selling footage from my own gym.

So yes, you're right. Science of Skill, the reason it was the funding for my bigger technology venture is because it was the easiest thing to do. Hey, I'm teaching jiu jitsu already. Let's put a camera on this and let's see if we can sell it on the internet to a broader audience than my small town.

YARO: I invite the listener if you're curious about that business and how it got started to go and listen to part one. You can find that at Entrepreneurs-Journey. Just do a search for Dan's name, Dan Fagella. In fact, I did a Google search for your name, Dan, and our interview is on the first page of the results.

DAN: I know. It's crazy, isn't it?

YARO: We're dominating the search ranking there, so that's good. You can go listen to that. You'll learn a ton about, I think the best thing about it was segmentation. If you're interested in email marketing, selling digital products and how Dan turned his skill at martial arts into an online business, that's the interview to listen to.
But, we’re going to move on to the second, the conclusion to that story, I guess is the best way to put it because you had built a business that was making good money and you must have, at some point, I think in fact, when I was speaking to you for that interview, you were already saying it’s time to start getting ready to turn this into a sellable asset so you can move on to your next business idea.

Maybe go back in time even until three years ago just after we did the first interview. What was your thinking at that point? What needed to change with your business and what were you learning about to get it ready for sale?

DAN: Yes, there’s so many considerations here, Yaro, but I definitely have had so much time to think and so much face-to-face experience that I think I think I can distill the most important points actually pretty easily.

As I mentioned, again, even in that old interview, this was a third of a decade ago, the goal was build to sell. When I talked to you, when we sold the business we were doing well over two hundred thousand dollars a month in revenue with 20 percent or a little bit more in the margin side. It’s a much bigger business than when we first chatted but when you and I first chatted, we were doing maybe 45 grand a month, mostly recurring revenue. Kind of crazy margins back then. I think it was 28 percent or something ridiculous.

YARO: Just to clarify, Dan, that’s 28 percent you kept as profit, right?

DAN: Yes.

YARO: Okay.

DAN: Yes, 28 percent profit on 45 grand top line rolling month-over-month.

I think our actual, we might have closed that year out over 30 in terms of margin on the aggregate, which was pretty nice because we didn't actually
have that many physical products, then we started doing more physical and hit the margins a little bit.

But, with that being mentioned, the goal was to sell. I thought honestly, we hit 45 grand of recurring, "Hey, I might be able to get a third of a million bucks for this thing and just move right on to my bigger technology venture," and that's what I'm ultimately going to want to do.

What I ended up having to do was spend 40 hours a week on Science of Skill and another 40 hours a week on Tech Emergence. That kind of chopped up my 80 or 90 hour work weeks into two companies instead of one because as it turns out, Yaro, there's a bunch of really important considerations. I'm going to give you the high-level hard core stuff that has nothing to do with personality, but still matters a ton if you want to sell, and then, we'll talk a little bit about depersonalization and kind of making a saleable asset.

The first big thing is, a, if you want to sell a digital publishing company, you're very unlikely to find any kind of strategic buyer. You're normally only going to have somebody with a financial interest.

By strategic buyer, Yaro, what I mean is if you run a biotech firm and you have some drug that you patented for treating some skin condition that 50 million people per year get, you don't have to be making a dime in your profit and loss statement for you to be bought out for large sums of money because that asset is worth more than your current financial turnover to an acquirer. Does that make sense?

YARO: Mm-hmm.

DAN: So, in a digital publishing space, strategic acquisitions of that nature are very unlikely. Financial buyers are almost inevitably going to be the only folks that you'll have to purchase your business. These are people who are going to value your company at a multiple of your profit, or possibly your profit plus your salary. There's all kinds of wacky ways that they do these things. But, if we think about it in easy terms, it's a multiple of your profit.
Most digital publishing businesses never sell because a lot of them are using really sketchy marketing which scares away buyers, and also the vast majority of them are based on personalities that make them unsalable.

If you're going to sell, you're usually going to have a bank do the financing, so a bank is going to throw down most of the money. In order for a bank to do that, Yaro, you basically need three years of tax returns for a bank to take seriously the proposition of throwing down cash for your company particularly because it's an internet business. Banks like hard assets. They want you to have trucks, pizza ovens, buildings, and all kinds of really heavy fancy equipment because if you go broke, they want to be able to have that stuff to sell and recoup some of the loan. They don't want to just have an Infusionsoft account with a bunch of email addresses in it because they don't know how to make that make money. You and I do but a bank is, most of these banks started in the 20s like in 1820 sometimes that they have no idea what's going on with the internet and the appraisers of these these things really are not all that hot and heavy for internet companies.

In order to convince them to get a sale done, you will need very thick cash flows and you will need very thick cash flows for three or more years. Only then will a bank say, "I don't understand this damn internet crap but I'm willing to throw up cash for this thing," only after those tax returns.

When you and I had chatted, I don't even know if we had done our first full year of tax returns. We were like a baby. We were just a little baby, Yaro, when you and I chatted. It must've been December 2013. We hadn't even filed a single year.

We needed more evidence for a bank to be able to throw down. That's the short and narrow of it, and that is a little bit troubling for people like me who went into it saying, "Man, I want to flip this thing fast."
I got three times more than I was expecting. I was never thinking I'd sell it for over a million dollars and we did. But, it took me a little bit longer because banks need that proof of cash flow.

I'm happy to go into personalization, but if you want to ask about that, we could...

YARO: Yes, I do have one question with that.

Obviously, it's not the bank that buys it. The bank funds the buyer.

DAN: Yes, they fund it for a buyer.

YARO: Yes, you would find a buyer. They'd have to get the capital from the bank.

Now, correct me if I'm wrong, that's a more typical scenario because of these higher valuations because I know back when I used to do buying and selling the websites, I certainly wasn't getting loans. I was spending five grand, ten grand here and there, but you don't normally find someone who's got a cool half a million or a million dollars just in cash. They have to go get a loan to buy the business.

DAN: Yes, totally right. Yaro, I will be honest about that, too. I would have had a much easier time selling this company if we stayed at 45 grand a month instead I kept doubling it. I wanted to get to multiple millions in revenue because I needed the funds for Tech Emergence. Tech Emergence is going to be a very, very expensive AI market research venture out here. I want to have as much cash as possible for good talent and for the best website we can have. And so, I'm going to grow, grow, grow and throw that profit into my life purpose. But yes, it would have been easier to sell if we wanted a third of a million because any bank is willing to part with a quarter million bucks, but to find a bank that's willing to send a $900,000 wire, you got to prove a lot more stuff, Yaro. You got to work with a broker who's a real grown-up. You can't just go on Flippa and get that done.
YARO: Right. So, let's not talk about brokers and making sales there. I do want to and we will cover that, but let's just talk a little bit more about the, you call it depersonalization.

Just to set the scene, if people who are buying all the Science of Skill products, so you've got all these video courses and you had DVDs and all these training, it was all Dan the teacher as the face teaching how to do martial arts. That, in itself and also all the articles, I remember when we did last interview, you were writing articles for all these other publications. So Dan Fagella from Science of Skill was the brand, the name, the face, the teacher, and the content in the products. Dan was everywhere.

As a potential buyer, I'm concerned because I buy this from you and everyone expects Dan to be the guy running the business, and now it's not anymore. It's a huge deterrent for a new buyer. It's also a potential loss of all the customers when they do buy it. You must have considered that when you were going in to prepare your business for sale. How did you deal with that factor?

DAN: Yes, so this is definitely another factor for sale, as well and we would have never gotten 90 percent cash down if it wasn't blatantly evident that if I was assassinated the next day, we would still make just as much money the following month.

In the beginning, Yaro, especially when you and I talked, I don't know if I was nine months into the business when I talked with you, you know what I mean? I had barely sold my martial arts gym at that time. My first exit was for my martial arts academy, which was not a big business. It was about a quarter million dollar a year business, but it was still substantial enough to sell. I had barely sold that when you and I chatted.

The beginning of our products, Yaro, were, because the barrier to entry was so low to getting it done, the beginning products were me Dan Fagella, selling
my competition videos, national tournament stuff, my seminars all over the US, and my classes because it didn't cost anything to film me.

However, one or two years in, it was a huge push for us to get other instructors on board, and by the time we sold it, we had maybe eight or so people everywhere from Norway to Los Angeles to Philadelphia who we could pay them and we could pay a film crew that we knew in their area to go and film, let's say a four-hour course or a two-hour course, and then those would be the products that we would sell in our memberships, and then we would sell in our courses.

In addition to that, we started emphasizing a lot more physical products that weren't even instructional, so we started selling a lot of Smith & Wesson's products. Smith & Wesson is a large firearms manufacturer that also makes a lot of self defense knives, so like tactical folding knife stuff and things like that. So, we started selling a lot more hard products, too.

But yes, about two years in, Yaro, the big goal was we want to be an aggregator of expertise. If you go to ScienceofSkill.com and you look at instructors, sure you'll see me there, but you'll also see a Marine Corps scout sniper. You'll also see a Silicon Valley bodyguard guy who's got crazy experience protecting 100 millionaires. You'll also see Brazilian jiu jitsu expert in Texas. You'll also see a karate expert in the Netherlands.

So, we very quickly expanded it out so that people were excited for the suite of products and we trickled away, away, away, away from me and for the last two-and-a-half years to two years of the business, there were zero new filmed footage pieces of me in a sales letter, in an instructional course, in a membership site, in anything. I was completely void for many videos for two years before we sold and I filled it up with other people who could fulfill our mission of teaching self-defense with a drilling and skill development emphasis.
YARO: I've got a couple of questions about that, Dan because I'm a great example because I am Yaro, the face of Entrepreneurs Journey and all my training products and so on.

Let's say I wanted to replicate what you did with Science of Skill and I was to bring on some more teachers of entrepreneurship and blogging and internet marketing and podcasting and so on. What was the structure? How did you think about the revenue share? If you're not in the sales video, do you get them to do the sales video? What's your responsibility, I guess, and what's their responsibility?

DAN: Sure. This is the way that I did it and everybody's story is going to be different, but for me, Yaro, the most important thing in my life is to move on to informing global policy around AI, and so exit is the only goal that I had in mind, so doing a revenue share is not really going to be viable because I think it's a lot harder to sell a business when it's like, and at the end of every month, you do all this accounting, and then you cut all these other checks to all these other people. It just becomes a little bit less attractive and it becomes a sticking factor.

At the end of the day, Yaro, the way that I see it is this-- someone who does filming for me should not be punished if I sucked at marketing. In other words, Yaro, if I can't move the product, they shouldn't have wasted their time because of that. Does that make sense?

YARO: Right.

DAN: Similarly, here's the other side of the coin. The other side of the coin is if I've worked my nads off for three or four years to build a massively profitable business by forgoing all holidays and weddings of my friends, then by all means, Yaro, that revenue will be mine.

And so, the way I did it was I asked them very straightforward, "What do you charge for a private lesson per hour?"
I multiplied that by two and then, often I gave them another hundred bucks as a bonus at the end of the project, but I multiplied their per hour personal fee that they would do for any other project. I doubled it and then, I said, "If I don't even sell one of these, you're still going to have all the cash in your hand. And, if I sell a thousand of them, there's going to be a lot more people who know your name and I'm probably going to pay you again for another project."

So, the split for me was doing it that way and that ensured that I didn't have any more hooks in the business that would scare away buyers because that was not congenial with my ultimate purpose.

YARO: And they were okay with you on selling their training like that? Did you have a contract for it?

DAN: All day long. So, yes, they were perfectly fine with it and now looking in online businesses, this might be different, but for most hobbies and most activities, I mean let me just ramble for you, Yaro, I don't know mountain biking, boxing, flying drones with a remote-control, surfing, skateboarding, gardening, and growing tomatoes... if you wanted, I would rattle those off for another 7 hours until you fell asleep, but I won't but you get the point.

The point is like skills in general, aren't tremendously high-paying. In other words, most martial arts guys, if you tell them, they're going to make $1000 on a Saturday for spending four hours getting their name and face out in front of a bigger crowd. They're totally going to do it.

Yaro, here's the thing man. I didn't force anybody to do anything so nobody went forward and did these programs with me unless they enthusiastically were pumped up to double their private lesson rate in raw cash for a filming project and to be honest some of those courses flopped, Yaro, and if we did a revenue share, they wouldn't have made a dime.

That was the arrangement we had and I never forced anybody's hand. I just simply asked people. I said, "Hey, here's what we're doing. Here's how we
compensate for it. If you want to get on the phone, I respect your skills. I think our audience would enjoy what you teach and I'd like to catch up."

X percent of them said yes and bada-bing bada-boom we grow a multimillion dollar company.

YARO: [Chuckle] That easy. So, just to clarify that, you go and film with them. You've got all this footage. You know how to create a product. Does your company, and I'm assuming it's your contractor team, they write the sales page, you've got a copywriter, you then run some content through email to launch a new product, or create some sort of evergreen marketing campaign, maybe Facebook ads and so on, is that how it happened? You're almost like a university for selling other people's education, almost like an Udemy or Lynda nowadays. Would that be correct?

DAN: Yes, that becomes the ballgame. If I had stuck around in this business to get it to 10 or 20 million, you would have seen that go to an entirely new level, but again, my goal was artificial intelligence and kind of the implications to transhumanism, much more so than selling things on the Internet.

But yes, if I was still running it, you would see that manifesting even more and more. But yes, the game plan really was to model Udemy. And, of course, this was a stepwise process, Yaro.

I didn't go from it just being me in the beginning to it never being me anymore. It was a gradual transition. I think I would advise for people who are in a similar boat, who want, a, to sell, or b, to have the option to sell later on, if you want to be able to cash out and just get two commas popped into your bank account and just unplug, if you want at least the option, you don't have to do it but if you want the option, I think the thing to do and what I was forced to do, this is three years ago, was lay out in a spreadsheet of some kind, or on a piece of paper, sometimes I think better with an open piece of paper and I don't transfer to the computer until I'm done doodling. I get a cup of coffee. I have no screens around me. I just write it. And, determine a
stepwise in phases, what would it look like to make your value proposition so at the top of the paper you would write down what your core value prop was.

For us, this was a skill development oriented self defense instruction. Drilling real kind of exercises and training in addition to just techniques. Simple, digestible how-to train, not just how-to punch, how to get good at that punch. That was the value prop. That was my graduate school degree in the Ivy League. It was skill development. That's what we were initially selling. That was a value prop.

How can we have that value prop delivered to our audience without the requirement of me as a person. The people who are coming to us, sure some of them like me, but to be honest, they got value out of the program. It wasn't my smiling and my jokes. I'm not that funny and I'm not that handsome. They were getting something out of the content.

What does it look like to deliver on as much, if not more of that value prop? Absent me as a human being.

For me, Yaro, I was still the voice of the emails for multiple years, for like a year and a half to two years. But, what started happening is we would, all the courses we would release were from different people and I was maybe part of them or I would interview them so I would bridge the personality gap to bring in these other instructors. I would have a blog post that I would write with, let's say Mikhail Abdullah or Adam Ticknor, or whatever. I would publish content about or with them that would make it clear that, "Hey, the head of the company, Dan that you all know, he's buddies with this guy. He likes and respects this person and here's what he thinks they're good at and is still coherent with our value prop," so I bridge the personality gap by introducing all these new people.

Then, what happened, Yaro, was I started having Timothy, and then eventually Marcus at the bottom of, let's say half of and then, eventually all of my emails. Tim started sending out the Saturday, Sunday email, went out under Tim instead of me. Then, Marcus was sending out, when he was doing some of
the scheduling, he would do maybe like Wednesday, Thursday, Friday, would be under Marcus and eventually, I wasn't even introducing the new instructors. We're just launching them and eventually, none of the emails even had my name at the bottom of the emails. I was just one of many instructors who had, at this point, been mostly forgotten on the instructor page.

That took two to three years of progress, but I bridged the personality gap with instructional... I faded back my own content output to maybe about half. I faded back my name under the emails to maybe only 70 percent instead of 100%. Then, I gradually dragged those percentages back, keeping an eye on profit, keeping an eye on email response rates, keeping an eye on my metrics. I wasn't doing this blind, Yaro. I'm very much a data-driven guy, but keeping an eye on the price allowed me to do what I just told you-- deliver on the value prop heavily and thoroughly without my personal presence. That's going to be a phasic approach, and I just told you how I did it. You might go about it another way. Somebody else might go about it another way, but you have to deliver your value, but I do think it is quite limiting if that value is entirely predicated on you. Very few businesses of substance are built that way.

YARO: How did you remunerate these instructors when they started writing emails? Did they become like regular contractors? Because it's different from producing a video to actually writing emails every single week for the company.

DAN: Yes. I should totally correct the statement there. Tim and Marcus who I just mentioned, they were not instructors. Timothy and Marcus were part of my team. Tim was really my right-hand man. He was like my real soldier who was with me from the early days like when I first talked to you. Tim was with me and he was just an excellent, excellent team member. He was actually compensated really, really well when we sold because he put up with me for three to four years.

He was a team member. He was not a teacher, Yaro. The copywriting was all done in-house and those were people that I groomed myself and I worked
with one-on-one until I felt confident just letting them do their own thing and not even looking at their emails. It was a grooming over the course of six months to get Tim to the point where he could write emails without my interference or guidance, but yes, none of the instructors were responsible for copy because they are not professional copywriters. They're professional at their skills and I didn't want to force them to do things that were not their expertise.

Our team did all the copy because they were very good at that. The instructors only did what they love to do except they got paid twice as much as they would as if I took a private lesson. That's the only thing they were responsible for. Everything else was us.

I generally did not even have them in the sales video, Yaro. Actually, most of our products interestingly enough, we didn't have sales videos. We just had sales pages and if we ever did a video, it would be Tim or something who would put it together, and the instructor might not even be in it. The demands on them were very clearly stand in front of camera for three hours and show us how to perform these techniques. Show us the drills and exercises that are going to build proficiency in these particular skills because that was really what we were all about. Then, we'll close the camera up and then, your PayPal accounts are going to have a bunch of money in it. Hopefully, we'll catch up in a couple months and do it again.

YARO: Okay, so it's coming together for you. You've got these outside trainers that you're essentially hiring to then create content, which I assume can be both product and content for marketing purposes. You got your team producing email content, which is really probably taking you out of your biggest job. I know email and blog post is my biggest job, as well as the coordinating the team.

The only thing I'm really missing here to create a truly automated business that does run entirely without you is the actual acquisition of traffic and getting these new customers through the door and back when I first interviewed you, you were hustling or you had been hustling like crazy, both
producing content for your own site, and guest post magazines, publicities...
What happened with that? How did you automate that side of the business?

DAN: Great question, Yaro. To be honest, I wish, looking back on it, I wish I had kept up the content game and hired somebody else to do content, but what ended up happening is we got much better at paid email.

What took us to over two million dollars in sales was actually not blog post and organic traffic. It's actually, and Yaro, you probably know this yourself, it's very difficult to double your revenue based purely on organic growth. Organic growth is a beautiful and wonderful thing. To be honest, if I could turn back the clock, I would have stuck with more of it, but I was a little bit frustrated and I wanted to grow faster because I want as much resources as I could for Tech Emergence and we wanted to grow quickly. In fact, based on 2016's numbers, Science of Skills should be in The Inc 500, not the 5000, the Inc 500 for 2017 because we have a thousand percent growth rate over the course of three years because we doubled and doubled or more than doubled and more than doubled and more than doubled. A lot of growth, and in order to do that, we needed more than organic.

What became our main marketing channel, Yaro, is we found audiences that were responsive to our offers and we found marketing channels to get in front of those audiences.

Let me give you an example, I personally don't own a firearm, Yaro, and I never have. In fact, nobody in my family ever had. I don't have anything overtly against firearms per se. I think that makes a lot of sense for there to be regulations in that category, but this isn't a political conversation. I'm talking to you about like paying rent.

The firearms community, as it turns out, is actually quite interested in practical self-defense instruction. In terms of hand-to-hand stuff, defending against bladed weapons, on using a firearm indoors without accidentally shooting through a wall and hurting a neighbor or something, being able to control an indoors firearms environment, as much as possible all these
different instructional topics that we were selling, as it turns out, the firearm owners communities were really, really, really interested in this stuff.

Another community that ended up being really interested in this stuff, Yaro, was people who are into homesteading. People that are into self-reliance and living on the land and living off the grid, and those kind of folks, for whatever reason, they were also interested in self defense. So, self-reliance, we learn, Yaro, and I never would've thought this. In fact, I never started the business to do this, that self-defense is kind of a sub-interest of self-reliance. Again, I didn't know that until I experimented. But, what we did, Yaro, is we found people with email list of let's say, a hundred thousand or two hundred thousand people in all these different niches and segments. A lot of the time we would go through agencies.

There is an agency called Emailabilities, for example, run by a guy named Scott. I forgot his last name. This is one of a million agencies. If you google Emailabilities, there's a ton of other competitors to them. But, these agencies build relationships in different niches and industries. They might build relationships in the nutrition and health space, in the firearms space, in the conservative political group space, in the solar energy space.

What they'll let you do is spend a thousand and a half, maybe four thousand dollars, something in that range. Every now and again, you could do small tests for maybe five hundred, seven hundred bucks, and you could put your message in an email out to those audience groups.

What we did is we developed a methodology to test with smaller tests a whole bunch of different industries and segments. We found who is biting and we found a repeatable ongoing process to pay to get more exposure and traffic to a rotation of offers via email. Email end up being the channel that could double us. We could never have done the Inc 500 thing without a channel stronger than organic.
We really needed paid acquisition and as it turns out, email marketing ended up letting us bust that multimillion dollar ceiling and get an exit that was reasonable.

Very important for the buyers, Yaro, was knowing, "Hey Dan, if you leave, can I spend the same 40 grand you do every month and make the same 1.7x return on that forty grand over the course of the next three or four months." And, we had a system where they understood that they could do that. That's one of the reasons they were able to put down such a hefty downpayment.

YARO: Nice. Would you mind sharing, if you have, where do you source these email opportunities?

DAN: Great question. Again, there are agencies like Emailabilities is the only one that comes to mind. Timothy was actually the one managing all the email spin, so I was not actually part of that operational process, but Emailabilities was one of the agencies we used.

Another thing that I did, Yaro, is I would find blogs with a substantial amount of traffic, let's say half a million or more visitors per month, and there's very easy tools for this. A similar web has like a plugin where you can get a traffic estimate onsite. It's not perfect but it's better than nothing.

We'd find people with half a million or more monthly visitors in a niche that we knew was responsive to our material, and what I would do is I would find a forum or a blog and I would go to websites like there's all kinds of websites where you could put in sites like dot com, I think and there's a million URLs like this where you could find 20 websites that's very similar to the URL that you pop in at the top.

If it's a blog all about solar energy or it's a forum all about martial arts, it will find a whole bunch of websites that are very similar, and what I looked for was websites that already had advertising. I'm not going to try to convince somebody to do advertising if they don't do it already, but I would look for people who are already accepting money in exchange for exposure and I
would email them and say, "Hey, I saw you have these banners. This is our growing business. We serve this kind of an audience and I know that martial arts people or firearms people or whoever their audience was is really interested in our material, I'd love to be able to get on the phone and see what your options are for advertising and try to get something in the books for the next couple months."

So, we spend a thousand bucks here, two thousand bucks there, five hundred bucks here scattered across a whole bunch of different websites. We had about 25 percent of our spend per month dedicated to exploring new options and a lot of it was just by doing sites like.

Once we found something with a strong ROI, we would just continue the investment with different product rotations and continue to milk it. That was actually one of our critical scaling factors, was finding a process to source those new sites.

YARO: Okay, so it's all coming together, Dan. I can see it in my head here. You've brought on an external source of content and product. Your team can pretty much handle all the coordination of the content, the sending of emails, the running of campaigns. You've got new sources of traffic that can be tapped into and located by future buyers. They don't feel worried that they're going to have a loss of customer acquisition when they take over the business. You're introducing new personalities everywhere so you're no longer the face, at least you're a face among many, bigger than the business.

DAN: Yes.

YARO: So, it's become something that can function without you and has standalone value, can deliver profit, so a new potential owner can take over and feel confident that that money will keep coming in and potentially, even grow if they do more of what's already working plus other new things.

Let's take the story forward. Once you had reached the point where you've executed on all that, which I have no doubt would have taken probably years,
it took three years since I've last spoke to you probably to set that up, when you think, "Okay, this is all running now without me." When did you and how did you make the initial decision or initial activity to sell this business? What did you do?

DAN: Yes, well I had actually been working with buyers all along. Like I said, I've been trying to sell this thing from day one and scraping to find banks who would be willing to fund a digital business, which is not easy. Half the time, it was easier to find buyers and it was banks who were willing to fund such a young company.

I was working with brokers all along. I didn't decide to get with a broker right before I sold. But, what I will say is this, the threshold for me, Yaro, was when we had three years of tax returns. Not until 2016 came to a close did I have three years of actual tax returns for this company. Only at that point was I basically confident that not only could we get buyers, but banks would now be forced to take us seriously because they would see us more than double too many years in a row. They would see too much margin and even they weren't excited about an online business, they don't understand it. They don't like it. They don't get it. They would have to respect the cash flow enough to value a seven-figured valuation.

I was trying to sell all along, but I went a little bit extra hard after the end of, yes basically, after 2016 was coming to a close because I knew I had the tax returns to back up the sale.

One of the first things I did, Yaro, and looking back in time, this is about as valuable a bit of guidance as I could give anybody who's your listener is I found a broker who I was very confident, had sold businesses like mine.

Let me go into a pinch of detail.

Most online businesses are not going to ever sell for seven figures. Most online businesses are not ever going to ask for 90 percent cash upfront.
Those are just not things that happen with digital publishing. It's just not really a very... One out of every X hundred digital publishing businesses sells for those kind of numbers.

What I needed was a broker with seven-figure experience. What someone tuned into this episode, Yaro, might need is someone with a broker who sold at their price point. In other words, I realize looking back, two or three of the brokers that I had talked to in the past, some of them I worked with, some of them I didn't, had probably never sold a seven-figure price tag company, ever like not even one. And so, I realize that could have been a big hindrance for them trying to have buyer conversations when I was working with them because this is like making them shake their boots. They don't know what to do. They're not comfortable asking for this kind of money.

So, I needed to find a broker, very experienced with my price point and also experienced with my kinds of business which was digital publishing. I found a guy named Jason at the Quiet Light agency and I'm perfectly fine. They have kept my name protected in terms of testimonials. They're not going to write about me, but I'm happy to talk about Jason. Jason is a great guy.

He had done a ton of seven-figure deals and he had done bigger seven-figure deals than mine was. He really doesn't sell like $200,000 exits. He doesn't even do that stuff. He doesn't do anything under half a million bucks or more.

I made a point, Yaro, to chase after him. He had a good rep from a couple people that I had talked to in the industry to chase him down and say, "Hey, here's why I think you're the man for the job. Here's why I know this is a good business, and let's get on the phone and talk together." I made him feel like he was the golden hero and the champion for this thing and that gave him the motivation to want to sell it and I also knew he had the requisite experience. So, finding the right broker and having three years of tax returns were two very critical factors for us getting a seven-figure exit.

YARO: Okay, so it sounds like the broker is a really, really big part of this equation. How much of the brokering process do you know about? Did you
just say, "Here's my numbers. Here's my tax returns, my financials," and then he goes and does his work? Or are you heavily involved in the actual selling process?

DAN: It was pretty back and forth. To be honest, one thing that I've learned a lot about brokers is that they are more motivated when you're more motivated, so if a broker asks for information, even if it's annoying, we just send it to them, and if a broker asks for help on something and you email them back 20 minutes later with enthusiasm, what that does for them is it makes them more excited to sell your offer than the lazy buyers who never helped them.

It is a little bit of a back-and-forth process and this is why it's very important that by the time you're at a point where you're selling your company, you should be away from doing too much daily operations because I've spent days where six hours of my day was helping the broker, and if I was 100 hundred percent necessary to operate the business, we would have flopped on that day. We would have not delivered on our key objective.

Working with a broker is time-consuming but his main job was getting out listings via his email list, via some other business listing websites, and basically putting up our business for sale, and fielding initial phone calls.

He would take initial phone calls. He would figure out who's good, who's bad, and I think he got me on the phone with like seven potential buyers in the first five days. We had a lot of early interest because with the three tax returns, we had very clear steep growth, very strong growth, and the multiple we were asking for was not egregious. It was not outrageous.

The cash payment was actually pretty outrageous but people kind of overlooked that because the overall asking price was not overly aggressive. His job was get all the data for me, work a lot with me, ask me a bunch of questions, and then blast out his listings and then, it was his job to vet out the viable versus nonviable potential buyers, and arrange conference calls for us to move forward together. We eventually settled on a small set of these
guys that we believed in, then we eventually boiled it down to one buyer
group that seemed to have the most promise and seemed to be the most
capable actually, of running the business and I just felt like they would be the
right people to hand over the business to and we just kept a conversation
going.

Luckily, four months after talking with Jason, we got the deal closed. It doesn't
always work like that. Again, I was trying to sell this thing for years so I don't
want anybody to think it's easy, but that's how the process went. Once we
had the tax returns in place, it was a much easier process because all the
banks were ready to give the green light.

YARO: I find it interesting that you focus so much on the banks because I
would assume it's the buyer who has to really organize finance, but I can see
you saw that as a major stumbling block for selling your business. When it
came to doing the deal, did you say, "Here's a bank that can fund you?" Were
you that connecting with the buyer or did they still sort out their own
finance?

DAN: I actually had a connection that I had built with Bank of California out
here. They see a little bit more transaction volume with internet businesses.
They respect that unlike most kind of small-town banks, but the buyers who
ended up acquiring our company had previously acquired a number of
companies in the past and they had bought some softwares of service
businesses that were selling into governments.

They had already done recurring revenue businesses. They had already done
software internet-based businesses and they had used a bank partner in Ohio
where they live to actually fund those other transactions. They already had a
banker who believed in them, believed in their financial performance, and it
helped them acquire software companies in the past.

So, when they had this recurring revenue online publishing business, that
bank and that relationship ended up being the one that got the deal done,
not my connections. But, that was just a pure point of luck. A lot of the time, I
think, it would have been me fighting for the banking relationships because to ask the bank to put up 90 percent upfront is a big ask, Yaro, especially when you're talking about a million bucks. That was a major hurdle. Tax returns helped but that was a big point of emphasis.

Luckily, as I just said, these buyers were quite experienced. They were capable. They had relationships with bankers for past deals and those bankers felt great about cutting a big check and sending a big wire and calling it a day.

YARO: That's how it goes. Is it simply a case of deal gets done, sign the contracts, and then you just get this massive deposit into your bank account based on the terms of the deal?

DAN: Yes. Luckily Yaro, the terms of my sale, a lot of people that sell companies like this, they sell for thirty or forty percent cash down and then, they're legally bound to six months to 18 months of ongoing work.

What is that mostly, Yaro, that's a signal that the buyers didn't think it would run without you, right?

YARO: Right.

DAN: It was very important for me to build a business that did not require me. I did a lot of work proving how little work I was actually doing in the business because I had to validate two things, Yaro. I had to validate, "Here's why you should trust giving me 90 percent of the cash upfront and here's why you should trust not having me obligated to doing very much for you at all. Once you have the passwords and once you get a little bit of help with some of the meeting rhythms, I'm basically expecting you to be on your own, and if you need me you can call me, but there's really no strings attached here."

Those two things, 90 percent cash and very low obligation in the long term. Those are very dangerous for buyers. In order for me to get them to... but I
need my time for Tech Emergence. It's not a question. I'm not allowed to stick around in e-commerce land forever. I have to go.

So, in order to convince them of that, I had to build all the systems and processes to make the business run without me. Luckily, it very much did. If they really needed my help and if anything fell apart, I definitely would have been there for them. I really like the buyers. I think they're awesome people. They're treating my employees like gold. They're investing in all kinds of cool areas in the company with a lot more resources than I ever was and I have a ton of respect for them.

But, we did come to an understanding that in this case, not for all sales, Yaro, but in this case, I would have to go. I could not stay.

They had to be convinced in the systems and that was it. I cannot tell you that everybody listening will sell their company and be able to unplug, but I've literally had four or five operations related phone calls, all of which had been no longer than an hour with the buyers since we shook hands. So, in my case, it's on the very far extreme of completely unplugging and the very far extreme of heavy cash down.

I built a business explicitly with that in mind. If you haven't built a good enough process, you might not be able to do that. If you don't have the same luck, and it wasn't luck for me, by the way, Yaro. It's just three years of trying to sell it [chuckle]. Fortune and fate don't treat me any different than they will with any of your listeners. I was not smiled on by fortune.

But, we found the right fit. In my case, yes, you're right, but not in every case.

YARO: You're reminding me, I sold a business for $100,000, so ten percent of your deal. It wasn't quite all cash up front. It was half of it upfront and half of it a month later once they got the website and everything. They felt comfortable.

DAN: Oh, nice.
YARO: I remember, too, the post sale, how much interaction I had with them. It was similar. It was a couple of phone calls, maybe in a month or two afterwards, and then, I never spoke to them again. It was just like you because I structured that business to run as much as it could without me. It was actually 100 percent without me by the time I sold it.

DAN: That's awesome, yes.

YARO: Yes, it can be done. I think it is the important point, but it really does take strategic intent to build a business that way.

DAN: Deliberate, yes, deliberate, consistent, systematic intent beginning with the end in mind. That's definitely not an accidental result. I wish I could tell you I was such a genius that I did all the right steps on day one. I had to learn the hard way on all this stuff, but once I knew what would be most valuable to a buyer, I basically built a business that I knew is going to kick butt for them, be very easy for them to operate, and they felt that that was fair.

I built something that was valuable for them and they were able to agree to terms that serve both of our needs. That was, again, a very deliberate effort just like it must have been for you whenever you sold that one. So, yes, that was the story.

YARO: Let's head towards wrapping up the interview, Dan.

DAN: Sure.

YARO: Let's just factor in the people listening into this and they're now thinking, "Okay, I really do want to build this to sell. There is another direction I want to go in, but I'm already vested in my expertise, whatever it is." You gave plenty of examples from skateboarding to boxing and I've got examples from my students, from skincare experts to writing about sports or back pain, whatever it might be, but they already have businesses there. They're making
money in that space either as a coach, maybe they're building up to sell digital products, and they're committed to that for the next few years, but they really do want to sell it and they know they can't sell something that's 100 percent their personal brand, and they're doing all the work especially if they're a coach, for example. It's difficult to sell.

You could sell a jiu jitsu studio to another coach, I guess, but with the online world, with all the contents from you, it's very hard to take over that kind of business. What would be (and you can tell me whether it's one, two, or three pieces of advice) that they might not be considering right now, even if they're just getting started to implement, even if it's something simple like don't register a domain name as your own personal name, get something like ScienceofSkill.com that's a brand, that's not your name, anything like that you can think of to offer advice to people?

DAN: Totally.

One thing I'll say is I definitely don't want to tell anybody else what their goal should be. I think some of your listeners, they don't ever want to sell.

My goals have explicitly been large, multinational enterprise-level, big business like I'm going to require a ton of resources, I'm going to require a ton of work. My goals preclude me building a personal brand.

Many people, to feed their children and live a life that would make them happy, they don't need the same number of things. And so, they shouldn't necessarily do it for its own sake.

But like you said, to your point, if they did want to sell, what's the advice? Certainly, Yaro, if the entire brand is predicated around your name, that's tough.

Now look, who do you got in that category? You've got Tony Robbins and you got Oprah and God bless them, okay. God bless them.
But, Tony Robbins can't sell Tony Robbins company for as much as Michael Bloomberg and sell Bloomberg because if Michael Bloomberg gets assassinated tonight, which I hope doesn't happen. I don't know the guy but he seems to be a nice fellow, Bloomberg is still going to make a tremendous amount of money. It's probably going to continue to grow.

If Tony Robbins gets assassinated tonight, which again, totally hope it never happens, right, but whenever he perishes, Tony Robbins companies is not exactly a viable business anymore.

If you do want to build something that you want to exit, yes, unplug it from your own personal name in terms of the URL. That's like step one. If you got to make a gradual shift, make a gradual shift.

Step two, in terms of eventual sale, and we didn't talk anything about this, Yaro, but know your books in and out. If you are better at Infusionsoft than you are at QuickBooks, that's called a phase and you move beyond that phase.

Eventually, if you want to build a business of worth, your core skills are knowing where you are with cash standings in terms of growth and profitability, and those are actually more important skills than tactics because you can tactic your way broke.

But, if your books are in order all the time and you're able to execute on decisions based on cash and on growth and profit, you'll actually build a company not a bucket of tactics. Very strong finances from day one is what I advise. I definitely advise people to have an experienced bookkeeper who they speak with either weekly or monthly to hit them with all the questions you can and make sure your books are clean as a whistle at the end of every single month. This is not because learning finance is fun. This is not because learning finance is it has to be your favorite thing.

It's because if you don't understand finance, you can't build a worthwhile business. We didn't talk about this at all, but QuickBooks is a grown-up tool.
MailChimp is a tool that is a phase, and then eventually, you hand that off to somebody else because if you're a CEO, your biggest thing is not going broke and it's feeding your employees. It's not tactics.

Nailing your QuickBooks, really knowing your numbers, I'm not a math person, Yaro. I was not born a math person. I didn't want to be a math person. I'm still not one. However, I know my books and I know my books inside and out because I want to build something that's saleable. I want to know where I'm steering. I want to base all my decisions on where I'm going with cash.

Yes, so know your bookkeeping and your accounting, know what your profit and loss looks like every month, know what your balance sheet looks like every month, and talk to a bookkeeper actively. Be a really active participant in that. It might take you six months or a year to really feel like you have a great pulse on your books, but when you do, you become a rarity. You make banks and buyers feel excellent about the company because they're talking to somebody who knows what happens with the cash.

If you know what happens with the cash, you are an excellent seller. You're going to have enthusiastic conversations and people are going to actually respect you. If you don't know your finances, you're in huge trouble.

That's big and then, the second thing, Yaro, is to go through the exercise we talked about with the white piece of paper. Put your value proposition at the top of the piece of paper and then, write down in phases and in steps, what does it look like to have somebody else or a team of other people deliver on that value proposition without you? What can you do over the next two years to make yourself completely unnecessary to deliver on your core value proposition, then you're going to have a fully saleable company.

Brainstorm that out loud, set up your steps, and then execute on a basic plan there. I talked a little bit about how I did it, which should be helpful, but I think everybody else would be served by going through the same exercise.

Those would be the two big ones that I would say would be necessary.
YARO: Fantas’c, Dan. While we have a stable internet connection here because we had a few hiccups at the end there...

DAN: Yes.

YARO: Just a good time for us to wrap up. I think you’ve done a great job of connecting the dots from part one of this interview and how you sold the business and prepared it for sale, just out of curiosity for everyone and myself, the vision was to sell to get capital to start an AI-related media company, I believe. Where are you at with that today? Where can we find out more about what you're currently doing or any websites you want to share with us?

DAN: For sure, yes.

Tech Emergence is the market research firm that I built. Actually recently, Yaro, this would probably be pretty interesting for your folks, we do a lot of market specific research on where AI is impacting different industries and we just did a really big one on artificial intelligence in marketing tech, which is pretty cool as an internet marketer guy myself. I'll zing that along to you.

TechEmergence.com is the website. I'll send you that specific report, which actually might be kind of interesting. It's an easy crossover for your audience. We're actively working on in building that.

My goals right now, Yaro, are to find a head of editorial, and then a main person for development skill and then, really continue to scale and start making sales with that company for market research related stuff in the next maybe six months or so. That's where we are with Tech Emergence.

I should also mention, although I don't often do interview things on the marketing side, I still actually write about marketing tactics and marketing automation at CLVBoost.com, which I mentioned I think the first time I was on your show. I still have the blog and I still send out an email on a regular
basis. So, if people want to know the specific stuff, I talked a lot about email today, if people want to know the email strategies that we used to grow the other business, CLVBoost.com has a white paper on that stuff that could be useful.

In terms of value for the audience, Tech Emergence is the market research firm. I'll send you the cool stuff on marketing there, and then CLV is the place where I still talk about all these kind of online growth strategies, so if people want to find me, those are probably the easiest ways or just hit me up on Twitter, and I can send you the link later, Yaro, but I'm always happy to answer questions there, as well.

So, yes, that's where I'm at today.

YARO: And of course, ScienceofSkill.com to see the business you sold.

DAN: Yes. I'm totally not there anymore, but if you want to take a look at what it looks like today, people can check out Science of Skill and see what it looks like. You can go to Instructors. You can see that I'm listed as one of twelve instructors or something like that. You'll get an idea of how depersonalized the business was by the time we had the exit.

YARO: Okay, great stuff, Dan. Thank you.

So, TechEmergence.com, CLVBoost.com and ScienceofSkill.com...

DAN: You bet, man.

YARO: ... to see the past, the present, and the future, I guess [chuckle].

DAN: Yes, that is the best way to put it, yes, man.

YARO: That's awesome, Dan. I'm excited to keep following you. I know you you pop up now and then on my Facebook feed of having done something, "I just sold my business. I just launched my business."
I'm sure there's going to be something related to Tech Emergence very soon, so I'm looking forward to seeing that.

Keep up the good work and I guess, I'll talk to you soon.

DAN: Yes, thanks, Yaro. Glad to be here, man.

YARO: Okay, wow that was a great interview with Dan. I love that because I personally am an expert-based entrepreneur. My business is very much about the Yaro brand, so my head was always spinning as Dan talked thinking about, well, if I wanted to one day sell the Entrepreneurs-Journey business, my brand, then I could do the things Dan did.

Hopefully, if that's the kind of person, the kind of business you are running, you are also getting a lot out of what Dan was talking about and you might make some changes now going forward that one day, and maybe the months, or years, or future might lead to a big sale of your business like Dan has with that million-dollar result. Thanks, Dan for sharing that story.

Just before I wrap up this episode of the EJ Podcast, make sure you go to InterviewsClub.com. Enter your email address into the form you find on that blog post and that will sign you up for the email newsletter I maintain to update people whenever I release new EJ Podcasts like this one with Dan.

To make sure you always get them as soon as they're released direct to your email inbox, go to interviewsclub.com. Sign up there and you'll get everything I release as soon as it's released.

Okay, that's it for me. My name is Yaro. Thank you for listening to this EJ Podcast episode. I'll talk to you again on a future episode very soon.

Thanks for listening.

Bye.
Podcasting can be a great way to engage with your audience, drive traffic to your website and promote your products and services. If you've ever thought about starting a podcast but don't know where to start, Yaro has created Power Podcasting: a step-by-step training program that teaches you:

- The basic technical tools you need to start podcasting FAST
- How to refine the strategic purpose behind your podcast by becoming clear about what you want it to do for your business
- How to conduct a ‘Podcast Launch’ so you can make a big splash when you first publish your podcast
- The 10 step process for creating a powerful storytelling interview
- How to NOT be dependent on iTunes for your podcast traffic growth by tapping into other powerful referral traffic sources
- Three different options for charging money for podcast content, and what option I recommend you focus on.

SIGN UP NOW