



## The Surprising Way to Turn a Profit Every Year (even if your sales are slow)

THRIVE BY DESIGN WITH TRACY MATTHEWS

*“How do you dictate a premium for what you do? I'll tell you, the opportunities exist in so many ways, we just need to pursue ways to increase margins. If you're profitable, increase the volume, increase the margin, cut the cost. That's the way to insure profitability.”*

*You're listening to Thrive-By-Design business marketing and lifestyle strategies for your jewelry brand to flourish and thrive. Let's get started.*

Intro: You're listening to Thrive by Design, business, marketing, and lifestyle strategies for your jewelry brand to Flourish & Thrive. . Let's get started. Welcome to Thrive by Design podcast episode 161. Hey there, it's Tracy Matthews here, the Chief Visionary Officer over at Flourish and Thrive Academy and I have a really great episode in store for you today. Today I'm going to be speaking with Mike Michalowicz of Profits First, and we're going to talking about the surprising way to turn a profit every single year, even if your sales are slow. So back in the day, one of the things that I was really working on with my consultants and my financial advisors was to pay myself first. Let me give you a little back story. Many of you have probably heard the story of the rise and fall of my first business and then I started over and became highly profitable. Well, there was one thing that I learned very specifically to do during that process of reinvention at the time that I hired my consultants. My business was really struggling. I could barely pay my bills. In fact, I could barely pay my bills so much that I was one of those people that hardly ever got paid. I forwent a.... Is "forwent" even a word? I forwent a paycheck many, many months in a row. And in fact, my sister was working with me at the time and there were months when I couldn't even pay her, and it really, really sucked. I never want you or anyone else in our community to ever be stuck in that situation. Especially if this is your sole source of income because it's really important. So anyway, I remember this one day, we were really struggling and I went to the ATM, I was about to head to a trade show to pull out some cash for a taxi and the bank account balance in my account was \$-2, and I was just like, "Oh my gosh, what is going on? This is not cool, this is not working. I cannot live this way anymore, there has got to be a





better way." Like I feel like I'm, as I'm saying this I'm raising my hands up in the air in my recording studio in my closet, which is so funny. This is a true story, this really happened.

So, finally like I somehow gathered together the money to hire these consultants and one of the things that they told me was that the only way that you can run a successful business is to make sure that you're profitable first. And we're going to dive into some of the things that I was doing that Mike advises back in the day about how to actually get there, because I know a lot of you are thinking, "My business doesn't make enough money to actually pay out profits or anything like that." Well if you think strategically and you're working the numbers the right way, you will be profitable and you'll pay yourself your profits first. I'm really, really excited about this episode today and it was fun to be able to get Mike Michalowicz on the line. We also have a You Tube video coming out shortly.

I have a Profits First professional even coming to speak at Flourish and Thrive Live this year or to teach these concepts in detail. So I'd love to invite you to join us if you haven't joined already, if you haven't already bought a ticket. Tickets are selling really quickly, we only have a couple left, but we do have some spots. The event here is here in New York City in September, September 26th and 27th. It's just really awesome. If you're traveling from out of town or you're nervous to come to the big city, I promise you it's safe and it's so fun, you can come visit the iconic diamond district, here you can bunk up with some of your Flourish and Thrive Academy friends, you can meet other people, it's just a really great opportunity for you to kind of meet Robin and myself, network with some of our speakers, get involved with some of the influencers that we bring to the event and meet your fellow thrive tribe members. It's awesome. So you can check out tickets over at [FlourishThriveAcademy.com/FTALive2018](https://FlourishThriveAcademy.com/FTALive2018). Make sure you grab them now because you want to give yourself plenty of time to book your travel accommodations and to make sure that you get here, we'll put you in a Facebook group where you can network with some of the other designers and for those of you who'd like, there's options to share Air BnB's or hotel rooms and stuff like that. So definitely check it out, we are super excited to be hosting it again. It was awesome last year.





I wanted to share a little bit more about one of our sponsors who will also be at Flourish and Thrive Live. Very excited for this. Our sponsor for today's episode is, very fittingly, Accounting for Jewelers. I am so excited. Accounting for Jewelers was founded by Mariel Diaz, and I first met Mariel at a conference, or an event actually here in New York City many years ago and she walked up to me and said, "You're that girl, that Flourish and Thrive lady?" I'm like, "Yes, I am and." She was designing jewelry at the time. But really has this great passion and desire to help jewelers and designers and makers with their accounting, specifically for their jewelry businesses. She's a graduate gemologist from GIA, she's a German trained gemstone carver, and a second generation classically trained metalsmith, when she consistently saw the need for organization and understanding of numbers, especially in a jewelry business. So, she got a degree in accounting, worked in the corporate world for a while, and now she has a business just supporting designers, makers, jewelers in the jewelry industry. They have great services including full service bookkeeping, registration and tax services, verification services, financial strategy and business advisory services, plus she has a DIY online accounting made easy course, specifically set out for you designers who love to DIY and you just want to do it yourself, you don't want to hire a bookkeeper. We've got you covered here. So if you want to check that out, accounting for jeweler also has a really amazing inventory management software called GetBenchworks.com, it's a great app that you can use to manage your inventory. Anyway, if you want to check any of this out, especially the DIY course, head over to [FlourishThriveAcademy.com/A4J](https://FlourishThriveAcademy.com/A4J). We'll also have the link over in the show notes. So definitely check that out. Plus, you can enter the discount code "thrivebydesign" to get \$100 off, either the DIY accounting made easy course, or any of the courses that Mariel and team Accounting for Jewelers offers. Come meet Mariel in person. She's going to be doing a breakout session and chit chat about the numbers, so let's do this.

Alright, I want to dive in today's episode, I am super excited to have Mike Michalowicz of Profits First. Let me do a quick intro before we dive in. Mike Michalowicz it's the entrepreneur behind three multimillion dollar companies and is the author of *Profits First*, *Surge*, *The Pumpkin Plan* and what Business Week has deemed the entrepreneurs cult classic, *The Toilet Paper Entrepreneur*. His next book, *Clockwork*, is being released in August of this year. Mike is a former business columnist for The Wall Street Journal and a former business make over specialist on MSNBC. Today Mike travels the world as





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entrepreneurial advocate and is globally recognized as the guy who challenges outdated business beliefs and teaches us what to do about it. This is going to be an awesome episode, so let's dive right in.

Tracy: Welcome, welcome, you guys, to Thrive by Design, I'm so excited to have someone that I've been following for a very long time, Mike Michalowicz on the show today, and he's going to talk a little bit about profitability in your business and how even if you have a small business you can still have a profitable business where you're paying yourself. So Mike, thank you so much for being here.

Mike: Tracy, thank you so much for having me. This is going to be fun.

Tracy: I'm super excited cause I read *The Toilet Paper Entrepreneur*, like maybe seven years ago or so, and I was at a dinner party and we're going to talk about this a little bit later, and someone mentioned your book, *The Profit Plan*, and I read it now is I basically, you know when you're like walking down the street and you're listening to something, because I listen so audio books and podcasts. I think that's why I have a podcast. You know when you're like walking down a street listening to something, especially like in city or in your car driving and you're like screaming out loud to yourself people are looking at you like you're crazy, I'm like, "Yes, yes."

Mike: Yeah, yeah.

Tracy: Totally. Well I was doing that to your book, just so you know.

Mike: That's awesome, that's awesome.

Tracy: It was super fun. Tell us a little bit, for those of people in my audience who haven't heard about yet, because I know they're all going to be big fans really soon. Tell us a little bit about your entrepreneurial journey and sort of what brought you to this point and why you're so passionate about helping us.

Mike: Yeah, including authorship. So I started off as an entrepreneur right out of college, grew some businesses, sold some businesses, fell in love with the process, but was never profitable during the growing of those businesses, was focused on the top line and while the top line grew I actually grew my stress. When I sold the business is when I made my profit, but also kind of built this ignorance and arrogance, which is a deadly combination in that I thought if you





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go business fast and you pump and dump them, that's where you make your money. I tried that on hyper speed as an angel investor. I was the worst angel investor ever. I call myself the angel of death now.

Tracy: Angel of death?

Mike: Yeah, angel of death. Every business I touch, instantly it sucked the soul out of it and killed it.

Tracy: Oh my God, that's hilarious.

Mike: I lost all the money I made in selling my businesses. That became a turning point my life, I won't belabor it, but I mean I lost every penny, lost my home, destroyed my family financially, my family, my wife and children stood by me but had to start over again, went through depression even. But on the way out of it what I did, it's interesting, there's a saying, if you had all the money in the world what would you do, which I now think is only half the formula. It says if you have all the money in the world what would you do, it's almost whimsical. Like "I'll go to the beach and drink margaritas every day." or, "I would do XYZ as a vocation, because I don't have to worry about money." But the reality life is even if you're wildly successful, you have to worry about money. I think there's a complementary question. First question being if you had all the money in this world what would you do, other question is, if you had no money in this world what would you do because that is the path to sustainability. If you had all the money and you had no money, when the answer is the same, now we found our path. Well the answer for me was being an author. I said, "If I had all the money in the world, I'd be an author because I think you can impact the most people, and I also believe it's the vocation that could support my life financially."

Tracy: Yeah.

Mike: That's when I made the all in bet all on it. I've written four books now, *Profit First* is my most popular book. I mean you can see if you're watching the video that typically...

Tracy: I like it. That's what I said right when we started out, like I like the title of that.

Mike: I also wrote *The Pumpkin Plan*. *The Pumpkin Plan* is about growth, *Surge* and then flip your entrepreneurial reference. Every book I've written, quite frankly now, and I didn't realize when I was doing it, was to correct my own erroneous





ways. I didn't understand how to manage profit, so I had to figure it out, and it became a book. I didn't know how to grow a business healthily, organically. I wrote a book about it. I did not know how to bootstrap probably from the beginning, I wrote a book about it. So I believe, in honest truth, for everyone, but what we do is a vocation, alternately is we're serving ourselves. What I do as an author, I'm actually trying to fix myself. What I teach is when I'm actually trying to learn, and I think that's true for all of us. And that's probably the point today, the file component, I'm still an entrepreneur, I have my another business I'm running today of accountants and bookkeepers, it's a membership organization. It's wildly successful in regards to its achieving all of the impact I want it to achieve and is a profitable business to boot. It brings me joy, but my number one focus, my full time commitment is being an author. The business is just a really nice secondary benefit.

Tracy: That's so fun. Okay, so you briefly mention what your books are about, because my next question was going to be written all these books... I've read and or listened to the book. I still call them books on tape because I'm still old-school.

Mike: I love it. Listening to 8 track.

Tracy: I know, right? Books on tape because that's how I used to work back in my studio in San Francisco. I mean York City now, but when I used to like be making the jewelry back in the day in the 90's, we would listen to books on tape or NPR or something, because we couldn't read, or whatever. I got hooked on that, I'm an audio learner. I read, listen to *Profit First* and *The Pumpkin Plan* and read *The Toilet Paper Entrepreneur*. I don't know about *Surge*. Why don't you tell us briefly what all your books are about?

Mike: Yeah, each one I wrote kind of built on the next one. I'll start with *The Toilet Paper Entrepreneur*. That was my angry teenage years practically. My first book, just came out kind of angry, but also it's not an angry book, it's kind of retaliation against the belief that we need to follow what we see in the Cover Inc magazine. Sara Blakely, Mark Zuckerberg, whatever names they are, we see them and say, "Oh my God, Sara Blakely, she built a billion dollar business out of her garage using basically spandex to hold your tummy and she's a genius. Why am I not doing that? Clearly I need to follow her path." The thing I rage against that is that those are the lottery winners of entrepreneurship. If you think that a lottery winning strategy... By putting all your money into logs is a good financial





strategy, you're totally, dangerously mistaken. That is a freak chance. They were in the right place, right time and God bless them. Honestly, they didn't make an effort to make it happen. I'm saying if you were in that same place, the same time, it would happen to you. The reality is, the majority of us, it won't happen. It's much more of a longer play, and just takes concentrated effort. So *The Toilet Paper Entrepreneur* is how do you stick with it in the long game when you don't have resources, network, finances, how do you bootstrap your way. It's the ultimate, I hope bootstrappers's guide. My second book was *The Pumpkin Plan*. Once you get your business going, how do you get that organic healthy growth going? How do you hit that growth curve? And I think a lot of businesses are trying to do investments in Facebook ads or whatever. They're dumping money in, but there's actually an internal strategy that cost nothing of amplifying your best clients and seeking to clone them. It's actually a strategy used by pumpkin farmers, that's how the pumpkin plan came about. Right after that I followed up with *Surge*. *Surge* was this realization that once we identify a community that we conserve better than anyone else, that communities go through movements or shifts. Their interests wane, fade, grow over time, and we just have to watch these, I call them wave patterns.

Tracy: Yeah.

Mike: If we put ourselves in front of an imminent wave of a shift in the market, the market actually carries us forward, people come flocking to you when you're the one of the few suppliers that catches, and is serving their new interest. That's what *Surge* is, catching waves. And then the most recent book is *Profit First*, and that is a new paradigm, I hope, on profitability. We've actually been all told the profit last formula.

Tracy: Yeah.

Mike: Where it's profit's the bottom line, profit's the year end. I call BS on all that, because when something comes last, it means it's not important or can be ignored or delayed. I believe profit is the most important thing of business. It brings our sustainability, it supports our life, it removes stress, and therefore, the formula is so simple. Every time you make a sale, take your profit first and then run the business off the remainder.





Tracy: This is why I was like so excited after I had listened to your book on tape. After I was talking about this, because I told you briefly, you know, we just met each other now, I told you briefly about my story like in five seconds. I had a business, a jewelry business that was very successful for many years and then it wasn't when the economy crashed. As we started to grow, became much more expensive to run the business. The first thing that was cut was paying myself or paying some of the people on my team. Well the person I didn't pay was my sister, so she was willing to like step back a little bit. I was like paying everything else before I was actually like paying myself first for a while, like when things were tough. That caused me so much stress, sleepless nights; I couldn't shell out my business properly, and had all these like really bad side effects.

Mike: Yeah.

Tracy: I ended up hiring these consultants, and the first thing that they did, and this is why I was like so excited to read your book, and this is what I teach here at Flourish and Thrive, too, is to take a look at everything first, and then start paying yourself first, figuring out how to pay yourself first, understand how much it's going to cost you it's actually like pay yourself first and basically your break even points. I think that is something especially creative types like I mentor and like myself like to avoid is like understanding what it really it takes to run your business, and then work backwards. Like what can you cut out, what can you streamline, what's new restructure or whatever it is. So that was a huge revelation for me, and even though my business didn't make it in the long run, when I started a new business that was a complete approach I took to have like insane profitability very, very quickly. So why don't you tell us like a little bit about the Profits First method, and if you're haven't picked up the book yet, we're going to tell you how you can buy it, but definitely grab it, get the Audible version or the version on Amazon or wherever.

Mike: Yeah.

Tracy: Just tell us a little bit about the philosophy and how it kind of works.

Mike: Yes. So it's sounds like you had great consultants, because what they were doing was leveraging human behavior. Profit First is about capturing behavior. What I found his most entrepreneurs, I suspect most people listening in right now are





like me, and even though my accountant told me, he's like, "Mike, make sure you read your income statement, your balance sheet, your cash flow statement, know all these different metrics, your KPI's, your budget."

Tracy: Yeah.

Mike: I didn't know any of that stuff.

Tracy: I know. I don't have time.

Mike: I log in to my bank account and then I would see if I had money or not, and it was a real simple system, if you have money you can spend it, if you don't, you panic and try to sell something to somebody real quick. Well I realize that changing my behavior was almost impossible, and I believe that's true for most of us. It's easy for me to say I got to exercise and I'm committed to it, but actually showing up and exercising is really hard, because it requires a behavioral change. Well instead of changing myself I found the best way is if we can build a system that captures our existing behavior, so we don't have to change, but channels that behavior to bring the result we want, well then we set ourselves up for success. So the behavior that most entrepreneurs have, I found, is log into our bank accounts. Profit First system sits within our bank accounts. Here's a real basic premise. What you do is you set up multiple accounts. I used to have one account, a checking account where we deposit or money, we pay bills from. Problem is, it's one wad of cash, and when you log into your bank account, you see that wad of cash and say, "Okay, this is what I have to work with." But that's not true. The cash need to serve a multitude of purposes we, what we can't see when it's all glummed together. So what we do is we set multiple accounts. I suggest, I call the foundational five. Here's what they are real quick. The first account called Income Account. This is a depository account, meaning all your money goes in there, but you never ever, ever use money from that account. It's simply a display of the inbound cash. The next account called Profit. This is an account that we're going to allocate a percentage of that income toward profit. Next account is called Owner's Comp, then Tax and Operate expenses. Here's how they work again. Income is a serving tray of cash for the business; you never eat off of the serving tray, just like you wouldn't at home.

Tracy: Yeah.





Mike: Profit account is a reward for doing what's courageous, you started a business. 97% of the world population has never and will never start a business, you started your company, that's pretty miraculous actually. What we're going to do is reward you for having that courage. Public companies do this. If you own stock, I happen to own Ford, not a stock tip by the way, but I own Ford. Ford sends out quarterly profit distributions. They give quarterly profit distributions to the risk takers who are the shareholders. Stock can go up or it can go down. Your stock, your business your business could be a wild success, I hope it is. Some businesses, unfortunately many fail, so this is a reward for taking on that risk. Next account, Owner's Comp is your salary, it's your lifestyle. You are the number one employee for your business. If you're a solo-prenuer, you're the number one and the only one. If you have a few employees or subcontractors or part timers, you are still the most valuable employee. No one is as driven as you, no one can sell as well as you, no one is as committed as you, no one is going to design as well as you. You are the world's best employee, and therefore we need to pay you for that. That's the Owner's Comp. Owner's Comp is to support your lifestyle as an employee, different than profit. Profit's a reward for owning a business, owner's comp is as a reward for being the best employee. Next account is called Tax, we have to reserve money for the government, because our tax bill will come. We are legally obligated. We are effectively an agent for the government. You can now call yourself a federal agent. Congratulations. You are a federal agent. It's mandatory by law that you must reserve money and give it to the government, so we're going to have the business reserve on our behalf. Last account or Operate Expenses. You got to but the gems, the accessories, all the elements you need, it comes out of Operate Expenses. You need to pay your employees, staff, rent comes out the Operating Expenses. And here's the final thing I want to share. Always go in that sequence. Income comes in, we allocate our profit first based upon a pre-determined percentage. Allocate your pay, then take care of taxes, the remainder goes to operate expenses. If you don't have enough money to pay your bills, and in many cases, as you said, you may not, that is your business telling you, if you can't pay your bills, you can't afford your bills. We're reverse engineering profit here. If you want to be profitable, if you want to pay yourself, if you want to take care of your legal obligation, pay taxes, you must run off of these operate expenses. So you've reverse engineered your profitability, and if you can't pay your bills, there are only two things you can do. One is cut costs, and that is usually possible, 10-20% in many businesses,





unnecessary cost, but the bigger thing is you must increase margin. How do you dictate a premium for what you do. And I'll tell you, the opportunity exists in so many ways, we just need to pursue ways to increase margins.

Tracy: Okay, that's interesting, and increase margins and/or sell more.

Mike: Yeah. If you're profitable, increase the volume, increase the margin, cut the costs. That's the way to ensure profitability.

Tracy: Yeah. So this is like what we talk about all the time over here at Flourish and Thrive, is like a lot of designers are underpricing their work, they're selling at wholesale prices direct to consumer, when they should really be making sure that they're getting the right markup for that piece of jewelry. I think it's a huge problem. I don't think people realize how much they're under serving themselves, because in my industry there is this belief that if you compete on price, which it's a false belief, but if you compete on price, they are going to sell more.

Mike: Fatal flaw. Ironically, that's true of almost ever... Actually, everything business I have been in is if I sell at cheaper price, more people will buy. There was a study, and there is a book called *Influence*.

Tracy: Yeah, I read it. It's awesome.

Mike: There's a study about a jewelry designer.

Tracy: Yeah.

Mike: Here's what they found. This jewelry designer designed a particular line that was not selling.

Tracy: I remember this story.

Mike: Her little store is next to cruise line where it docks. She leaves the store and is so frustrated that this line's not selling, she tells her store manager, "I'm going away for the day. Cut the price in half." The owner comes back the day after and all jewelry's gone. She says, "It worked. Cutting the price, people by price. I'm happy we discounted it in half." The store manager said, "I didn't cut it in half, I doubled the price." I thought they said "times two", not "one over two".





Tracy: Oh my gosh.

Mike: The store owner... It's a true story. The designer is like, "What?" Here is the lesson. People on these cruise lines were looking to get a momentum, something of significance to the value. The number one judgment of the perceived value of jewelry or any item is based upon its price. We all know you get what you pay for.

Tracy: Exactly.

Mike: So when we cut the price, people actually cut the perceived value of what you're selling. The irony is increasing price increases the value, the perceived value and the appreciation to the point where I no longer call dollars dollars, I call them appreciation points. In that little terminology change, every time I consider pricing, I'm like, "How many appreciation points should my customer give me for this?" It really emboldens me to increase the appreciation points, you know, dictate that profit.

Tracy: Appreciation points, I like that. You can start calling when you're selling something appreciation points, I love it. One of my questions is going to be can you break this philosophy down simply, but you did it.

Mike: I nailed it.

Tracy: You nailed it without even me having to ask you. I remember it being like you can get it into the weeds and get a little bit more complex. What's that all about?

Mike: Yeah. I gave you the basic premise. There's a few more elements. One is, and I think it's the most critical, is the danger of temptation. Just as an example. I love chocolate chip cookies.

Tracy: I do too.

Mike: My daughter came home from college this weekend and she said, "Daddy, I baked some cookies for the family." Well guess who the family was that ate it? Me. My other children and my wife were like, "What happened to the cookies?" I'm like, "I don't know." and there's chocolate all over my face. I play the same stupid game every time. I look at the cookies and say, "No, I'm





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actually preparing for some athletic events. I got to stay away from the sugar. No." But then I go, "It never hurts to take a little..."

Tracy: Like half a cookie.

Mike: I sniff it, I take a little bite, it never hurts to take a bite. Well it super hurts because I cannot stop myself. Temptation, how most of us try to resist temptation is through willpower, and willpower is a like a muscle, it fatigues. So what I've learned with profit, when we start allocating the percentage of amount to profit, the day will come where you can't pay your bills. You see that money sitting other account, it says "profit". "I can borrow from my profit and I'll pay it back in the future." Game over. You'll never pay it back, you've eaten those sugar loaded cookies, you're screwed. So we have to remove temptation. Ironically, in fact, when my daughter doesn't bake cookies, when there's no cookies in the house and that's kind of the ruler in our house, there is no cookies, I don't eat them. I am perfect when there's no cookies. So what we need to do is that profit. When you allocate a percentage step to immediately transfer that money to another bank. Here's the rules for another bank. No ATM card, no online banking, no starter checks, it's a bank you transfer money in, and the only way you can get out is a drive that bank and asked the bank manager for her to write a certified check to you. The key is this. I want that bank to be far away from you. I think it's two hour drive. I want to be the drive of shame, because I don't want you going to that bank to steal from yourself, I only ever want you going there when you're going to reward yourself as a shareholder of the business, to celebrate with it. That's the key. Get that profit out of your business. And here's what's interesting that happens. Once that money is removed from your business, you only have a small remainder. You start to adjust your psychology to work with what you actually have. We've all done this already.

Tracy: Yeah.

Mike: I bet your business when you started, maybe was smaller than it is today. When you first start out, you find ways to make jewelry, to create designs without the proper tools and resources, but you pulled it off, and probably pull off some miraculous stuff.

Tracy: Yeah.





Mike: You can still do that, it's still up there, but as money flows in, it is human nature, as income comes in, our expenses increase right with it. So if we take a portion out of it now and we hide it from profit, we can't go any higher expenses, and it becomes controlled. Remove the temptation so we don't steal from ourselves, that's the big kind of hidden secret of profit.

Tracy: Remove the temptation, I like it. That's so true. I feel like every time I've grown a business, I then become better at being focused on the profitability. But inevitably, we just went through an audit over here a Flourish and Thrive of like our business expenses, because we're always trying to cut the recurring expenses that we're not really using.

Mike: Yeah, smart.

Tracy: Take it, like evaluate like our team expenses, etc. I was surprised, I'm like, "Wow, it's a lot more than it was last year at this time." business has grown so much we've had to get more support. So we're really working, as a team, to be more efficient, so that we can increase the profits coming up and continue to grow the business making money. I'm starting to scoot things into separate accounts; I'm setting up my hidden bank account.

Mike: Awesome.

Tracy: I don't even have a car, so I won't be able to drive to it.

Mike: Then you have a two hour walk, that's good. One thing we do, what I believe in is asking better questions, too. The saying, "what got you here won't get you there". We have to make changes, but if we ask the same questions or bad question, it actually stymies us. Like if we say, "Why am I not profitable?" We're actually seeking out answers why we're not profitable. If we instead say, "How do I double my profits with no more staff? How do I double my profits without spending more time in my business?" the answer won't pop in your head immediately, but your mind, almost at a subconscious level starts working at it. You know that moment in the shower or you're out, all of the sudden, you're like, "Oh my God, that was it." and you write it down. Maybe you don't nail it out at the park, but you make a step forward. So one of the key elements to progressing our business forward is to really ask empowering, better questions.





- Tracy: Better questions, I like that. What are some of the favorite questions that you like people to ask themselves about their business?
- Mike: A radical one...
- Tracy: "How can I double my profits?"
- Mike: That's a radical one. "How do I double my profit with half the effort?" That's my most radical, and I always ask myself that.
- Tracy: Okay, that's a good one.
- Mike: And immediately I'm like, "That's impossible, that's impossible." And then I start thinking, "Well maybe I can do this and that." You won't get all the way there, but then the things start adding up. Sure enough, we, in the last year doubled our profits and halved our effort to get there, in my own business, so it's definitely doable.
- Tracy: Amazing.
- Mike: Another question I ask is, "Who outside my industry is someone I want to spy or to copy?" Here's the thing. If you look at other people in your industry, you're going to start having this circuitous conversation, becomes very incestuous.
- Tracy: Yeah.
- Mike: I'm an author. I love hanging out with other authors. The only thing is we talk about the same ten things over and over again, so there's nothing new. I went to a cleaning conference, not because I aspired to be a carpet cleaner, I just went to one just to get out of my industry.
- Tracy: Check it out. Yeah.
- Mike: I discovered the best thing. In this industry, in this presentation, one person says, "On you cleaning products, if you put 800 number with a pre-recorded message on it, you sell 10% more of your cleaning items." because people in the store, they look at it, they make the phone call, and now you have a sales pitch to them. So on my books I have an 800 number to call so you can learn about the book before you buy. And sure enough, Barnes and Noble's had about a 12% increase in volume ever since the introduction numbers. I think there's tons of





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lessons to learn outside of our industry, because they make us break the industry rules, and that's where profit and opportunity is, in breaking the rules.

Tracy:

That's so smart. Yeah. One of the things that, I was in a business mastermind for many years, and I'm part of another one, just more in the fashion industry that's locally here in New York that we're just kind of starting up, it's a peer driven one. One of my piece, that's a philosophy, is it's important to be in groups where you're around like-minded people who understand your industry, but also to get outside and learn from people in different industries. My business tripled when I was able to start learning from people, how people are doing things in completely different industries. Because what we do with a physical product based business is so different and someone technically with like an information business. But part of the reason why my second jewelry business was so successful is because I was taking things that I learned from content marketing practices, which not were not common at the time in the jewelry industry. It's something I teach now. You know, different types of email marketing practices that were very prevalent in the info product world where they are doing like up sales and down sales, or just different sorts of hooks and content hooks in there that ended up being like super relevant. So there's so much that you can learn by different kinds of industries.

Mike:

I was just returned from India, I was there for two weeks. Part of my trip out there was mostly about *Profit First*, but I met with amusement park. Kind of like Disney, if you will, or Six Flags is probably better. Six Flags of India, I met the owner. He's in a group of other amusement parks, and they've all been talking about how do you improve the experience for kids who they entertain. I sat down with them and I said, "I don't know if that's even your customer." He said, "What do you mean?" I said, "I think it's the parent. The parents are looking to give their kids entertainment but also a break for themselves from the routine." and while we're out there we ran a in a quick focus group of parents, and it was a whole different paradigm. Instead of these crazily amazing rides that kids rave about, the focus came about how do we give the parents a more relaxing experience instead of running around chasing kids. It became this big paradigm shift. I don't know if that ever happened when you had that internal conversation with people who had the same problem, so I love what you're





doing. I just want to acknowledge that. Getting outside your industry, all the sudden, it can give you a radically new perspective.

Tracy: Absolutely. The fun thing about this mastermind that we're starting to form here is that now that I've done like all these different kinds of industries, a lot of these people come from traditional. like some of them are buyers, like one of them is a buyer for stock, the other one was a director of merchandising for anthropology, they're thinking about careers shifts. As we're starting to age and get a little older, I mean we're still all 25 maybe. A lot of my friends are starting to age out of their jobs, not necessarily in the fashion industry, but my friends in finance are getting replaced by younger people, so it's like how do you pivot and think strategically outside of your industry to stay relevant and also continue to grow what you're doing, which I think is really important.

Mike: I want to mention the word "pivot". It's funny, I was just interviewed about "pivot", and I think that's half the formula, so I just want to add a little component.

Tracy: Yeah.

Mike: The concept of pivoting is to, at least from the customer perspective, I know you're talking about our own pivots to satisfy career moves, but a pivot in regards to the customer is we look what the customer is buying, if they're not buying effectively we adjust our offering to match what the customer wants more and sell more, and we keep on pivoting adjusting our offering until we nail what the customer wants.

Tracy: Yeah.

Mike: I believe that we have the formula, because I've seen businesses that pivoted into a business that the owner hates. It wasn't the original idea. My original idea was this and now I'm doing that and I hate it. Customers are buying, but I loathe my experience." I believe the other element is satisfying our soul, so I think it's actually aligning is the better choice of words, that we have to look at what the customer wants, we surely have to adjust to them, because without any income, we're stagnant, we're dead, but we also have the costly check that is the still satisfying what my calling is, what my soul wants to do, what my passion is





about. If we stay in alignment with that and what the customer wants, that's where we have explosive growth because it's backed by explosive energy.

Tracy: Exactly, exactly. To be excited about what you do and be behind it and get in that excitement and wave. I think that's something... Do you know what the Kolbe is?

Mike: Kolbe index?

Tracy: Yeah, assessment, entrepreneurial assessment. I'm a 10 on quick start, and then like really low on everything else.

Mike: Yeah, you're right.

Tracy: I get lie bored super quick, so for me, I'm always like, "New idea, new idea, bright, shiny thing." I think like when I'm most excited about something that's when it's like inline with what someone in my audience or in my sere wants. Like that's the most exciting time when I feel like things get really get off the ground quickly, which is fun.

Mike: Yeah.

Tracy: This is awesome. You have a new book coming out in August. Do you want to tell us about that?

Mike: Thank you. Yeah. It's called *Clockwork*. Like I told you earlier on, like every book I've written is really, really I'm trying to answer my own challenges. When I'm teaching, I'm trying to learn. So I look at my own challenges, but also, I've been very blessed with it, with a large readership now, where I get a daily stream of, "Hey, here's my challenge, here's my challenge." And the common theme is time. No one has time. I found is, it's kind of Maslow's Hierarchy of Needs. The base need is profit. If you don't have any money coming in, that's where all the focus is. It's so stressful to be impoverished. What I call on entrepreneurial poverty. But the next level up is once you start making some degree of income and some kind of sustainability and predictability, then we start saying, "I need time back. I don't want to work all the time. I want to be is my family, I want to enjoy life." The next book is about that next level up in the hierarchy. How do we recapture time. The book is called *Clockwork*, subtitle is *Design Your Business To Run Itself*. The whole idea is how do you build your business so you can have independence from it, and have the ability to do what you want within it, get





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back to that heart of joy you had in your business. That's the whole reason we started a business in the first place.

Tracy: Yeah.

Mike: I spent six years researching, studying, experiment with it. I wrote a whole book, threw it out, started from scratch, wrote the whole book again. I'm very proud of what I'm about to present this August, and I think, I hope many entrepreneurs find it to be a game changer in recapturing time.

Tracy: That's amazing. I'm really excited about it, because I know that each stage of growth, I think for most entrepreneurs, most people in our industry, in the jewelry, and basically any industry, you start something because you love it.

Mike: Yeah.

Tracy: You start running your business and then realize like, you know, for me what ended up happening is like I love making jewelry and that's like sort of I started a business, but the I started getting all these orders, my business is growing, then I started to hate making jewelry. I'm like, "What did I do?" Because like the joy was like sucked out of the making, because I would sit there producing.

Mike: It's such an important industry, and I'm not saying that flippantly. I remember meeting with a jeweler and they made really kind of bulky, it was fashion accessories, but kind of bulky stuff. She was so passionate about her business, I said, "Why?" She goes, "The bulky items, it captures your own body warmth, and itself reflective. You experience your own warmth through stuff when you wear my jewelry." I started tearing up, she's tearing up, I'm like, "I get the impact you're having." I met her two years later and she's like, "I hate my business." I'm like, "What happened?" She's like, "All I do is work. All I do is work." It's so bad to see someone have such a beautiful purpose in their business being worn out by this relentless requirement to do and not experience anymore, not to serve. My hope is in a small way that *Clockwork* will get entrepreneurs back to serving, to delivering their purpose, to expressing themselves and reduce the doing. The doing needs to get done, but the business can take care of itself. We need to get out there and express ourselves and serve with that passion.





Tracy: Yeah, that's so important and I'm so glad that you're doing this work, because I think once like, at the moments in business that I actually figured that out, like it's just like so amazing to be able to experience that opportunity, because I really do believe it's not pretty to be an entrepreneur. I can't imagine working for someone else and building someone else's dream. We're all so lucky.

Mike: Great.

Tracy: Yeah. Where can everyone find you in your books and all that stuff?

Mike: My name is Mike Michalowicz and my website's MikeMichalowic.com, but that's the worst last name ever, the worst last name ever. Worst combo, Michael Michalowicz, like what were my parents thinking, but whatever. That's my issue, that's my issue.

Tracy: Did you get the nickname Mike Mike or something?

Mike: Yeah, M&M. My high school friends like to call me Mike Michalishits. If we're at that level... There's two ways of finding me. If you go in Google, my first name is Mike, that's pretty easy to spell. Hit the space bar then and type in "Mic". So, "Mike Mic", the drop down, you'll see this long Polish name, that's me. The second thing is my high school nickname, the good one, was Mike Motorbike, and if you go to MikeMotorbike.com, that's another easy way to find me. You'll find my website, and what's up there, that may be of value to your audience, is all my books, free shopper downloads so you can experience it before you even pick up the book at your library or decide to buy. You're going to instantly get it. The second thing is I'm a blogger, I'm a podcast, but I also wrote for The Wall Street Journal for many years. My best articles are in the Wall Street Journal Archives, so if you're a subscriber to The Wall Street Journal you can go in there. If you're not, you can get them free on my website when you sign up. I give you all of the best articles.

Tracy: Oh, that's awesome, awesome. Well thank you so much for being here, this was such a fun interview.

Mike: Oh, it's a joy, thanks for having me, Tracy.

Tracy: You're welcome.





Wasn't an awesome episode? I just love Mike's energy, he is amazing. So we'll have links to all the books and everything that we spoke about, especially our sponsor and Mike's books in the show notes, so you can head on over to [FlourishThriveAcademy.com/episode161](https://FlourishThriveAcademy.com/episode161). Also, if you haven't bought your ticket yet, make sure that you buy it now. Come join us for Flourish and Thrive Live here in September, September 26th and 27th. We are going to have a Profits First professional there, so if you like what you learned on today's episode, come learn it in real life and figure out how you can do this for your business super easily. Alright, this is Tracy Matthews signing off until next time. Can't wait.

