Verizon

_Innovate for Big Impact: Rewrite the Rules for Your Small Business Now_

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**PRESENTATION**

**Andy Choi**

Hi, I'm Andy Choy with Verizon. I want to welcome all of you back to our Small Business Webinar Series. When we first started this series, our very first guest was Mike Michalowicz. He gave us some very practical business advice on what to do right now navigating this new normal. Mike is back for this episode. He's going to talk about how businesses can innovate right now for success. Also returning is our host, Mr. Ramon Ray. Ramon, of course, just motivates you just the minute he starts speaking. Ramon is an entrepreneur, author, and speaker, as well as the founder of Smart Hustle Media.

Now, for folks who need a little more background on Mike here, Mike Michalowicz is the entrepreneur behind three multimillion dollar companies and the author of a stack full of highly recommended books, including *Profit First*, *Clockwork*, *The Pumpkin Plan*, and his newest book, *Fix This Next*.

So, without further ado, Ramon, Mike, take it away.

**Ramon Ray**

Andy, thank you so much, and again, me and Mike, are so excited to be here again, a double hit or double whammy or second appearance from Mike, Michalowicz on the Verizon Small Business Webinar Series. I think the title of this, Andy, as you so appropriately intro'd us so appropriate today, innovate for big impact, rewrite the rules for your small business now. It's a fact that the country is starting to reopen quite a bit, Mike, and you have a good eye on this, I think better than many other people. You've started companies, you help companies and I know just a few days ago, Mike, I had written a blog post on Smart Hustle called think bigger, think different, because it just hit me. I'm seeing that for the smallest small businesses who I work with that we need to do a lot more. It's evident, but it just hit me a bit late, but before we get into some of your topics, Mike, just some intro from yourself, what you're seeing since the last talk that you may want to share with us about if you like.

**Mike Michalowicz**

Yes, thanks, Ramon. So, there's been a big shift afoot going on right now. My background, I'm also an entrepreneur, I've been through two recessions. This is my third recession. I've been an entrepreneur for 25 years, I write small business books, specifically for small business owners. So, I'm in contact with what feels like countless and countless entrepreneurs from wedding plans, just a couple of days ago, to auto mechanics this morning, to everyone in between, and they're being impacted. The wonderful thing is there's a predictable trend that we're going through. I think many businesses are at stage two, and my goal is to get us on this Verizon call to stage three and four where the opportunity presents itself.

**Ramon Ray**
I love it. So, let's dive into it. Mike, and again, as people are here listening to us, as we said before, you guys know what to do, those of you who come back, do your questions, put your questions. Mike and I'll be done in about 20, 25 minutes. So, fire questions, especially the hard ones at Mike. I know for some of you that is a very challenging, difficult time, some of you are going through personal health. I know I am, my friends and family. I know Mike is as well. So, we honor, we respect that, but for those of us who are plowing through it, we're here to help as well, and/or get people back on track. So, remember, put your questions here, and again tweet Verizon Business, @VerizonBusiness on Twitter, MikeMichalowicz on Twitter. I'm @RamonRay.

Let's dive into it, and Mike has a number of handouts and slides that Verizon will be providing. So, Mike, starting off with number one, this graph, Mike, the business crisis trend, in a way when you look at the bottom, there's a lot of pinholes, man. It's kind of scary. So, explain what this graph is, the business crisis trend that people will look at as we're going along, and why it's so important.

Walk us through that.

**Mike Michalowicz**

Yes, there's five elements to it, so we'll throw it up on the screen. The business crisis trend has five keys and it is kind of scary, particularly when you look at the trough that we're going to go into, but the greatest way through fear is awareness, so let me tell you what the five stages are. The first stage is shock. That's when people respond to a crisis by taking inaction. The analogy I use is a car accident. Hopefully, no one on this call has ever been in a car accident, but if you have, many people experience shock, particularly in a more traumatic accident. What it is, is our brains over processing, there's too much information, so it becomes numb to certain aspects. What happens in the shock stage when it comes to mass psychology, because there's macroeconomics, meaning all businesses are affected, so a mass psychology kicks in, shock happens for a long period of time, there's a numbness and the most common form of it is inaction. Businesses freeze up. From my experience, there's about a four to maybe 12 weeks to three months of this; as of us broadcasting this, we're a little past the halfway point. It doesn't mean everyone's frozen. It just means the mass effect. Some people move faster forward, and that's what I want to do on this call.

The second stage is desperation. It's where people overreact to a situation. Actually, in our last Verizon call we were talking about the run on toilet paper. It is logical. It's funny in the beginning, like who needs toilet paper like this, but at a certain point there becomes a crisis within crisis because people replicate the behavior, stampede effects. We see it with small business loans, businesses racing to get loans without the consideration, why do you need that loan in the first place? If it means there's something fractured your business, that needs to be where we concentrate our effort.

The third stage called evaluation, this is where I spend some of our time. Valuation is picking the right things to do and avoiding the wrong things to do. It's how do we make rapid decisions that are prudent decisions – not desperate decisions, but prudent decisions.

That moves us on to stage four, which is deliberate action. Deliberate action is where we take the actions that will move our business forward, specifically, so we evaluate what to do and we actually execute on it, and positions us for the fifth and final stage.

I've studied every recession back to the Great Depression that was triggered 1929 and found a common trend, and at the end of every recession is a burst or a surge period, meaning there's less supply than there is demand, so this pent up demand may not be activated now, people aren't buying now, but they will buy in the future. The businesses that sustain and maintain through this crisis will then be in the position for the surge and capture all that pent up demand.

**Ramon Ray**
But Mike, that is a key point you just made. I know you're going to talk about this on this slide in the next few minutes, the businesses that survive, so I just want to underline that. That's the big issue, though, to get through this.

**Mike Michalowicz**

Yes, yes, you have to survive, and you have to be prepared. One thing sadly, Ramon, that many people are not prepared for, and I believe it's the first time in U.S. history this is ever happening is we're going to get three tax estimates due within 60 days. I call this the triple tax punch. It's coming starting July 15, so what happened is we had installments typically due on April 15. They were deferred – now deferred, not granted, not waived. They were deferred until July 15. The June 15 installments due from small business also was delayed to July 15, so we have two installments due in July 15. Reserve your money today. This is not money that's granted to you. Do not spend your time tax reserves. Prepare for that, but also on September 15, we're returning to our normal schedule. That's only 60 days later, so within 60 days, we're at three tax installments coming our way. If you're not prepared, I'm so fearful this could be devastating for business, so the action to take right now is that tax estimate, in your mind at least pretend you're paying it, reserve it in a separate bank account. Do not touch that money for any other purpose than when you issue your installments due on July 15 and September 15.

**Ramon Ray**

Mike, who is the best person? I guess the CPA, bookkeeper, accountant, but who is the best person to help us understand? Because you're bringing up a big issue, Mike, the tax implications. That's one issue. Then there's this whole PPP things which we talked about in the last call and Verizon's had other people talk about this throughout, so there's that money, get it or not, and then there's just our businesses trying to right size them, figuring out all the stuff that you talk about in your books, in Profit First and pumpkin principle on down, Fix This Next. So, my point being. who was that best advisor? Because I'm an expert, Mike, in cleaning, I'm an expert in doggy daycare, not money, so who do I turn to help me with this very complex situation?

**Mike Michalowicz**

Yes, bookkeepers and accountants are the best to go to. Admittedly, just going to someone that isn't even familiar with all the tax law, but just outside your business, gets out of that desperation mode, so if you don't have access immediately to a bookkeeper or accountant, at least bring on a coach that can give you direction that's much more thoughtful and less biased and emotional, but yes, work with the counter bookkeeper specifically, because when you get the PPP or get any of these loans, some of them may be granted, meaning may become free money, but you have to make sure you apply and follow the rules that will grant that to be free money. I'm fearful also businesses are just getting the money and then spending it and not considering the rules that they need to abide by, and they're putting themselves in a lark, so yes, a bookkeeper or accountant are the best resources for sure.

**Ramon Ray**

Which is why, Mike, I guess many... as I like to learn from the larger businesses, which is why many of the smarter ones, as it were, those who could, rejected the money. They're like, we don't think we can follow by this, so instead of it being a loan, we'll just do something else.

**Mike Michalowicz**

Yes, and you look for the root cause. Like if you take a loan out for any reason, we have to ask ourselves, why do I need that loan in the first place? There's something wrong. There's only two situations. You're incurring too much cost for your business to handle, so is there a way to cut costs? Secondly, you don't have enough margin, meaning you're not making enough sales and don't have
enough gap in there to be profitable, so is there anything we can do? And even in a crazy environment like this, where we’re seeing this plummet in the local small business economy, that simply means there’s needs shifting. It doesn't mean all these have gone away. What is the new way to sell the clients to get margin and maybe I can forego a loan? That's the best case in my opinion.

Ramon Ray

Yes, I want to get, Mike, to this one step back method. Before we do that, what are your thoughts? Do you think, Mike, and/or do we hope, it's a rhetorical question, but more of us as small businesses, who haven't been so focused on profit first, on money and finances, that maybe... Daymond John talks about being financially literate when he talks about things, so my point being, do you think you'll see a resurgence that more of us are trying to be a bit smarter, more of us are maybe looking at score more and try to be financially literate? Take some courses. I know I've struggled with it. Mike. As you know, we've talked personally about it. Do you see or do you hope that happens out of this crisis?

Mike Michalowicz

Yes, in my mind, there's actually no doubt now, and I'm a little bit of an optimist, but there's no doubt in my mind that we'll see better fiscal discipline than ever coming out of crisis. Because in 2008, there was a surge of fiscal fitness in small businesses that I observed, and I loved seeing that. Now we're getting really burned, we're going to see it again from people that weren't prepared, so that's exciting, and the nice thing is you can implement fiscal discipline in the recession. You don't wait until this is over, you can start doing it now. The method I teach with Profit First, specifically, is as money flows in, take a small percentage of that money out as profit, hide it away, run your business off the remainder. It is the pay yourself first principle applied to business. That will serve you in this economy.

Ramon Ray

Yes, and Mike, I'm telling you, I've told you personally, millions have told you, but again, you're a rock star for me, Mike, I'm a person, I'm just a friend, but man, it saved me. I've only started doing that a year or two ago and I'm always going to tell everybody, I follow the profit first method.

Mike, let's turn to the one step back method. What is that all about? Why is it so important, especially today, Mike?

Mike Michalowicz

Yes, so we'll throw the slide up on the screen here. This slide is, basically it's five squares, and it starts off with the final offering, and we want to work our way back. Here's exactly how it works. We need to reinvent ourselves. We just talked about there's a needs shift going on from consumers. The example I use is restaurants. A restaurant, its final offer, historically, is putting food on the table. It's really that simple, but then we ask ourselves, what happens one step back from that, and what we'll find is our final offering, historically, is usually an accumulation of multiple mini offerings. So, a restaurant before it puts food on a table, carries foods to the table. OK, so a mini offering could be carry-out or take-out. A lot of restaurants are doing that, but you can amplify it to find new ways to satisfy that. In fact, in the town I'm in, there is a food truck and restaurant that have teamed up. The food truck is doing deliveries at night with hot meals and the restaurant is more of a cooking center than anything else, so they've really reinvented themselves and their margins have improved, so really a fascinating spin, but you keep on going one step back.

So, another step back for a restaurant is the preparation of food in the kitchen, cooking in the kitchen. OK, that could be an offering, cooking in the kitchen. People are cooking right now under quarantine, people are cooking in their own kitchens. Why not give them your best recipes? Why not have a cooking video where your chef shows how to prepare these meals or really amplify it and have
a cooking class. In fact, there's a restaurant that I'm working with, that's exactly what they're doing. They're doing cooking classes one day a week for their five most popular dishes over five weeks. They're charging for the service, you must charge for service – we have an obligation to sell. I see businesses trying to give away services and they compromise themselves and gone out of business. You have to be fair to your customer as you're fair to yourself, so you have to sell. So, this restaurant sold their offering of these cooking sessions, the chef is in the restaurant, it's being broadcast over film, over Zoom or some program like that, and now you're cooking a meal at home, but you're also connecting with neighbors who are also on that Zoom conference, so it's a really powerful way to reconnect community, celebrate and have your favorite meals.

And you go one step back and keep doing this, one step back would be the raw inventory of meats, condiments, vegetables, you can become a Blue Apron for your town. Any business you're in, look at the steps you take that accumulate together to get that final offering. All within there are mini offerings.

**Ramon Ray**

And it sounds like to me, Mike, just so I understand, the one step back method is that revenue generation sources or it could be marketing, I just want to push back on one thing about the [pain], and you let me know what you think, and we can push back a bit here, but as you know, I'm all about personal branding, celebrity CEO, things of that nature. I do think there could be something to give away something for free because I'm a believer in generating leads, so thoughts on that, just... any... and feel free to teach me. As far as the free part, is there a place for that somewhere?

**Mike Michalowicz**

Absolutely. There's a place for free. The only time – yes, I totally agree with you, Ramon. The only time free is not applicable is if it's not sustainable, and we go out of business. I see businesses giving and giving and giving. They've depleted themselves, they're out of business. That's the ultimate sin, but free is a great return when it can be marketing, so can you give a free offering or a free sample or something? Absolutely. We've just got to try to control our costs as effectively as possible, collect those leads, as you suggested, and convert them into paying customers.

**Ramon Ray**

Got it, and going back to the step back, I just want to give you a chance to respond to that as well, just clarify that for us. This step back, it seems like it's a part of our business processes maybe that we can do better or improve on. It seems, how can we generate new revenue streams? It seems, how can we do better marketing? Am I on the right track here? That the one step back method is a variety of ways to look at your business? Does that make sense?

**Mike Michalowicz**

Yes, yes, so I call this the great big shift. Make sure you throw the F in there. While we're going this economy, there's a great big shift, meaning there are new needs from customers, and our job as entrepreneurs is to find it. This is the ultimate entrepreneur's petri dish to be honest. I know it's scary and terrifying, but it's really scary and terrifying if you don't change, so ask your customers what they want, reinvent, propose new ideas, but what we did in the past, if it's not working now, we have to find a new alternative way.

**Ramon Ray**
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Yes, and I'm going to challenge people who are listening right now, let's try this for fun, put in the Q&A maybe what your business is, give Mike a little bit of context, because I don't have time for follow-up when you do the chat, but I would like to ask Mike, if we have time, we'll see, hey, Mike, here's Jenny from somewhere in USA or somewhere in the world. Here's her business and let's see, [inaudible] if he could do some one step back method for your business, so right now put in the chat who you are, give a little bit of context so he gets the business, make it a little easy for us, and then, Mike, shall we do that? We'll have some fun—

**Mike Michalowicz**

I'm up for the challenge for sure.

**Ramon Ray**

Awesome, love it. Let's turn to our next portion, Mike. I know there's several things in this amazing thing, again, as we're talking about reinventing our businesses here on the Verizon Small Business Webinar Series. Don't forget to hit us up on Twitter, tag @VerizonBusiness, tag MikeMichalowicz even, ask him questions. Verizon’s asked him, Mike, do you mind answering some questions if we don't get to your questions? Mike said yes, I'll even take to Twitter and do that. You can hit me up, @RamonRay.

So, Mike, the product path has several interesting stages here, beta, core concept, core offer, derivative offers, and scale. Break that down. Why is it so important for the product path for us to understand that?

**Mike Michalowicz**

Yes, this is probably the most important slide I can share, we'll throw it up on the screen for you. It looks like that. There's five elements and it starts off with beta and goes on. Below each one, you'll see a question to ask. Now, these five stages I've used in my own businesses to develop every product I've had and every client I've consulted with. This is the path for bringing a product about. Beta is all the way from the testing stage, scaling it all the way to the rollout, and in the middle there, the core offering, that's when the product starts selling itself, but what I want to talk about and focus our effort on right now is the beta stage, because it's a very important stage in this environment.

It's called sell the tell, and just remember this truth. People speak their truth not through their words, but through their wallets. I don't know if you've ever tried to sell something to some friends, you're like, that's a great idea, I'll buy it and the day you roll it out, all of a sudden, I have to go to the kids' soccer game, I don't have time talk to you anymore, they back out, but when people open their wallets, that means they see what value you have. The sell the tell is a technique to generate revenue on a concept alone within 24 hours.

Here's the quick breakdown. First, you do that one step back method or you reach out to your customers and say how can we serve you now? It's a very powerful question to ask in this environment. When you get their answers, package it up as your core concept, spend the next few hours just figuring out the concept, what we deliver. Here's an example. I had some of my own readership, I asked what do you need now, right when the COVID virus broke out, and I thought I'd be a new business book or business concepts. No. The number one thing they wanted was simply confidence. Their confidence was shaken. I've never done self-help books or any stuff in that category, but I quickly researched and reached out to my prospect list and said, hey, if I put together a course on establishing confidence, if I ultimately sell this for, and pick a number, say $300 is what I plan to sell it for; if I sell it only for 300, but I'm willing to give it to the first 10 people for $50, would you be interested in being a beta user, and I've put very clearly in there, it's not developed, I'm in the process, it's going to be bumps, it's going to be bruises, but you as a beta user will be able to give me direct feedback. Who wants in? Well, if no one's willing to put down $50 for that, no one signs up, they're telling me the idea stinks, Mike, ditch it. If people do sign up, they're showing through their wallets there's value, so I did in this case get
10 people sign up $50 each. It is $500. Maybe it's not life changing revenue, but that is real revenue, so now I have $500, and then I developed a course specific to those beta users. They're highly engaged, they're giving me feedback, I was able to develop the product very specifically to their needs. Then I went to my list again of prospects, and said now I have this product for $300, and I have 10 testimonials built into it, my beta users. I think any business — let me be careful by saying any, almost any business you can sell on its concept, and for many of us, we can do it within 24 hours. If you can sell your concept and be very clear it’s developmental, it’s going to be bumps and bruises, and customers buy it, they love your concept and you should proceed with it. If you're not making money on the concept, you have to improve the concept itself.

Ramon Ray

Well, Mike, this is powerful, and I think the was one thing you said, Mike, that I want to pull out to get people understand, you said, you talked, you mentioned it and passing the money, $500 isn't life changing. Guess what? The reason for Mike doing this, and correct me if I'm wrong, Mike, was not the initial money. He had the long term game, he needed to get 10 people just to validate because if 10 people will do it, that means maybe 10,000 will. Does that sound about right, Mike?

Mike Michalowicz

That's exactly right, but that $500 in your pocket, as you develop it, that really gives you some muscle to move ahead quickly. Plus, now I have an obligation to deliver these people so I'm not dillydallying. I'm getting right to the brass tacks, and here's a little inside scoop. When it comes to confidence, Ramon, I found... I thought there was confident people and not confident people. That's not true. Every person is confident in a certain aspect or certain aspects of their life. It's how we translate that aspect to where we're not confident. For example, everyone's confident in drinking water I found out I'm yet to find someone who's not. What's the process you follow to get confident in that? I used a sippy cup, I dribbled a little bit as a kid, I laughed it off. Well, then you get comfortable with it, where you're not comfortable, discover where you have confidence and apply it there using that same method and you'll be successful. That was the essence of what I found.

Ramon Ray

This is powerful and I encourage all of you, please download the guide. Verizon is providing these guides from Mike, so download the guide and it's costing you nothing. Download this to hear this knowledge and letting the people know, but Mike, I think this is transformative. I know there's one of the things we want to get to before we dive into questions and things, but I just want to push on another point, Mike, to give you time to talk about it more. I think the aspect also with perfection. Can you just touch on that briefly? Because I think I can hear some people saying, Ramon, well even before I get to the beta stage, the first stage of Mike's five-step process of the product path, and we're going to — again, please get the download, get the links, you can look at it probably on the screen now, but the point is, is that it's not ready even for beta. Mike, it's not ready. It's not ready. I don't know when to launch. Talk about that, Mike.

Mike Michalowicz

That's dangerous. That's dangerous. I think a good friend of yours, Seth Godin, says ship now. He's big into shipping, getting it out the door. The evaluation phase, you'll see if we go back to that slide of the crisis trend, it's in the valley, there's a big danger in the business crisis trend. Here's the problem. It's the analysis paralysis, it is the overthinking. That's why we go to the beta. Beta is deliberate action. It's now trying to sell to the market. We tell people, there's going to be bumps and bruises. It's not a developed product. We're not sure of the ultimate outcome, and are you willing to join us? In fact, there's a very famous historical figure that did this, his name was George Washington. If I daresay, he went to his army and said, listen, we're going to cross the Delaware.
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We're going to take on a superior military, better equipped, but we have a great vision and that's the key to the beta. We can change the world, we can bring about a new free nation. Well, in your product, what is the great vision you have of your concept? That vision and the elements of how you're going to approach it, those should be able to sell and if you can, you're selling the tell.

Ramon Ray

That is powerful. So, Mike, we're going to jump to one more thing here. We're at about 20 minutes or so, and I know people are chomping at the bit. Mike, I want to get you to my question. Hold on, ladies and gentlemen, we're almost there. We're getting there, but I encourage you, please do download the guide as you're taking notes on a piece of paper, whatever it is. This is definitely ninja stuff.

So, Mike, the Pareto overlap –

Mike Michalowicz

Yes, we’ll put up this final slide for you. Pareto overlap has four intersections I want to talk about. This is the heart of your organization, and when it comes to reinventing yourself, there's also the retention of what's working. This is not just rebuild yourself. If you have something that's working, we're going to amplify it. Here's the first four elements. If you look at the top elements, the two circles there, one says clients and one says offering. Pareto studied the distribution of wealth, became a standard phenomenon known as the 80/20 rule. For most businesses, 20% of your client base yields 80% of your revenue. For most businesses, 20% of your offering yields 80% of your profitability. Therefore, the intersection of those top 20% of clients with your best offering, that is the essence of your heart, it's the heart of your company, you must protect it. Communicate regularly, make sure you're of extreme service to them. If the phone rings and it's multiple people calling at once, answer their call immediately. The others can go to voicemail.

The lower sections is an interesting phenomenon too, that's the lowest 20% of customers buying your unprofitable items. Those are the customers that are never satisfied no matter what you do, always complaining, sadly they exist, but they exist. Those customers buying offerings that are not profitable is poison to an organization. Jettison, remove those clients.

Two other scenarios is great clients, you love working with them, they pay you on time, but they're not buying profitable stuff. Educate them on the offering. Tell them other things you have available to them. It's got to be appropriate for them. Of course, we have a moral responsibility to serve them, but educate them on the offering.

The last scenario is great offerings but bought by clients that are threatening, difficult to deal with, a distraction. Those clients – it's a tough call, but it's a call on their behavior. Tell them, for us to continue to serve you, you must act as such and such, you must pay on time, you must communicate a certain way. If they're unwilling to do it, it shows you that they don't value the relationship and that it's time to jettison them. Protect the core, the heart of your organization is the essence of this, get rid of the poison and manage the in between.

Ramon Ray

Wow, Mike, as I've hosted the Verizon Small Business Webinar Series here, I've gotten very attuned to predicting what people are going to chat and type, so I can hear somebody typing right now, 'but mike, my business is special, you don't understand my business, I can't tell Becky who has been with me for 20 years that we're not going to serve her. I can't cut this service, it's been in our family business for years. Mike, I've got to push back, Mike. You don't know what you're talking about from our business, Mike'. What do you say?
Mike Michalowicz

Classic momentum trap. I love reading behavioral psychology. I'm not astute in it necessarily, but I just love to read about that stuff, and there is a phenomenon that we get momentum and we stay stuck in it. We get very comfortable with the uncomfortable things that aren't working and actually it feels better just to stay doing what's not working than it is taking a leap, because that's terrifying now to something new.

Courageous decisions have to be made in this environment. The entrepreneurs who make courageous decisions to move their business forward to sustain are the ones who are going to catch the surge. It's difficult to do now, but the payoff long-term is tremendous. Sadly, some businesses are making decisions right now for instant relief but long-term agony. Don't make that mistake.

Ramon Ray

Wow, and with that, Mike, there's no better jumping off point for us to turn into questions and answers from the audience, Mike, are you ready?

Mike Michalowicz

I'm ready, brother, let's do it.

Ramon Ray

Let's do it, let's look at our questions. All right, Mike, so Laura Oldaker, and Laura, thank you so much for your first question. Again, as your questions are coming in, Mike and I are going to answer them, Mike predominantly and [inaudible] I can see in the chat keep asking how do we get the slides, how do we get the content. Remember (a) go back to www.brighttalk.com, where you got to this and the whole replay is there. That's one. You can replay this and take notes if you didn't get it. Two, remember, Mike has generously provided the slides, the things he's been talking about in the "attachments" in the "slide" tab, so all this information is available to you on demand when you like.

Mike, here we go. Laura, thank you for the question. From, by the way, Mike, Academy for Caregiving Excellence, thank you Laura for your great service, what you're doing. Basically, Mike, a question you've heard, she says, Mike, you talk about profit first, you keep saying profit, profit, profit, but Mike how do we profit first if I'm trying to make payroll and keep my business alive. Basically, she's calling you out and saying does profit first still work today.

Mike Michalowicz

Great question. Just to get clear what profit first is, I wrote a book called Profit First and the concept is the pay yourself first principle applied to business. We know when it comes to personal savings, what serves people is if you take your retirement savings first and then pay your expenses, because what's left over is what you truly have available. Well, this translates to business too. You first take out your predetermined profit, maybe it's 5 or 10%, you hide the money away, that's the retirement of your business, that's to afford you a future and runway for your business.

Now, I realize we're in crisis times, but whatever you take out first, the remainder is what you truly have available. The potential trap Laura is falling in, and I don't know, we have to analyze her business, but the potential trap here is you're maintaining expenses with decreasing sales. That means those expenses are actually idle expenses, you're not driving benefit from them, so we do have to look at the hard decisions of cutting costs if we can increase sales.
I would immediately look into new ways of increasing sales. Now, I've been watching the questions coming by just now and there's tons of them, and people are like, how do we get more sales? The number one way to get more sales is to ask your customers, your historical prospects, and clients, how may I serve you now?

Doing things the old way that aren't generating sales are proof the old way is no longer working, so we have to find a new way and our historical customers and prospects often can turn us onto that.

**Ramon Ray**

Great, thank you, Mike. I just want to answer a question that came in. Somebody said they couldn't – probably a friend of yours Mike – but they said, why should you be selected to talk to us. It could have been a gnarly question, but I want to answer it because it's fair. There's a lot of knowledge going on. Mike doesn't need me to say this, but I'm just going to say it. Knowing Mike, two things I like about Mike, one he started several companies and failed at it, so he has a wealth of experience, that's one. Two, he talks to small businesses, so I just wanted to highlight that and bring it out. It's a fair question. There's a lot of people talking during this time, but Mike is a guy who has built purposes, hired people, fired people, and who engages with and listens and hears, like an anthropology of business—

[All talking]

**Mike Michalowicz**

Thank you for that. I have a love for small business. I've had two exits now, a private equity exits, and I sold a company to a Fortune 500 and I had calamities, companies that didn't start and I've seen the differences in my own businesses, and I love to study other businesses. My insights are from that perspective.

**Ramon Ray**

Thank those of you who are asking detailed questions about PPP. I probably won't touch that in this one, because I want to move to some of the questions that people are asking about their business, but thank you for asking it and there's resources we will try to get to you on that as well.

On the psychological standpoint, Mike, how to encounter negative rumors for us not to get easily in the flow of a crisis. I think, Mike, this is about mindset. Can you talk about the mindset we need during this time? Great question.

**Mike Michalowicz**

Wonderful question, and critical. Actually, mindset is probably the biggest element of entrepreneurial success. Every business I've studied that's navigated, sustained and maintained through a recession and exploded on the other side is because the leader of that company changed their mindset from 'this isn't working' to 'how will I make it work?'

The number one strategy I also see is a technique called “block control”. Here's how it works. When we feel overwhelmed, it's because we're considering all of the elements. There's so much going on in our mind that we just get overwhelmed. I have to pay rent. I can't afford it. I lost employees. My sales are down. We freeze up. Block control is taking those considerations and moving it down and saying, what can we simply do in the next, say, month, so a shorter period. What can I do by the end of this month to move my business forward? If that still results in the sensation of overwhelm, then we condense it down to one week. What can I do in this one week to move my business forward? If that's too much, you move down to a day. I see some people moving it down to the hour. I see some people get so overwhelmed – I've experienced it myself – that just the next minute matters. I'm lying in bed
saying, I don’t even want to get up. Open my eyes. If I simply just open my eyes the next minute, that’s one-step forward. With my eyes open, I say just put my feet on the floor and I move in tiny blocks. Usually, that’s not necessary at the entrepreneurial level, but I just wanted to show how miniscule it can get.

Usually, a one-day level. What’s the one thing you can do in this one day to move your business a step forward. We’re not going to hit homeruns necessarily, but we simply want to get up to bat and get on base.

Ramon Ray

I love it. Mike, this is probably not a fair question, many people are asking a similar question, but I want to ask it. Here is someone who has written in. They’re a custom clothing business, consumer retailer, special events et cetera, but they still have to pay their rent, insurance, and telephone needs. Some of this you’ve answered already. Could you put your mind and kind of make up a business, or if you want to pretend that Mike owns a clothing shop, what would you do, Mike. Governor Murphy here New Jersey or Governor Cuomo in New York says we’re now open. What should this business do? Again, I know you don’t know all the details, but make it up, humor us for a bit. What would you do as a business owner? You finally were able to hold on until you could open. Now, what are you doing? What are some things you would say to this clothing retailer?

Mike Michalowicz

First of all, I empathize with you. We will go through grieving stages. This is not dissimilar to losing someone in your family, a loved one, losing a business in this context in the same way. We go through disbelief, anger, resistance, all those elements and we just need to move that quickly. Because if we simply say this has to work, when it’s going to return back to the exact way it was, we’re going to stay stuck not doing anything and time is working against us, so I’ve got to reinvent myself.

First of all, it’s the acceptance that the business as it was wonderful, but there is a new normal now and I don’t know how long it’s going to last. We have to simply accept that.

The second thing is look at your two biggest assets. Asset number one is your historical client and prospect list, and I hope you’re collecting names and have a way to mail them or email them or call them. They’re such a powerful asset, because they’ve bought from you in the past, it means they have a degree of loyalty and experience with you. Reach out to them, email preferably, I would argue, but calling is great too and simply say, thank you for your past patronage, we’re wanting to reinvent ourselves now. How can we serve you like we served you in the past, what new things can we do? How can we deliver on what you enjoyed in a new way? What do you suggest? When you engage your customers in serving the business and giving it direction, they get engaged in actually buying, because they’re now a part of the business. That’s the number one thing.

The other asset you have is your old inventory, the inventory that’s sitting on the shelves there. How can you reposition it? Can you do a fashion show where you mail it to your best customers and say, here’s the new products we have in, we’re going to go from home and to home and we’re going to zoom in and you’re going to do a home fashion show with 10 people and get your community involved in that. Can you use that inventory in a new capacity, because idle inventory is cash sitting on the shelf? How do I activate it? Maybe it’s a fashion show. There’s a hundred ideas, but that’s just one that came to mind.

Ramon Ray

This seems to be stealing from your playbook, Mike, of going backwards a bit, meaning – I, not going to say it all again, but the aspect of going backwards, backwards –

Mike Michalowicz
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Yes, the one-step back technique, and I believe it applies to every business. It’s nice to know the business intimately, I don’t know much about clothing, but I suspect you have a dressing room, I suspect before you sell clothes people try it on, and that’s why I went to try on clothes, oh, dressing, you have them do it at their homes, do a fashion show. Can you have a contest of people renaming some of your clothing?

There’s a powerful technique, Dale Carnegie wrote a lot about this. What he said is the most powerful name in the English language is people’s own names, or the most powerful word in the English language is people’s own names. That why really smart restaurants will put a booth saying Ramon Ray or someone’s name up there, because it will increase your loyalty. Can you now name your – whoever buys products from you that they own that line, so to speak, for the next month or two and now you can reactivate people becoming energized. Can you do parties like those Tupperware parties, but can you do virtual parties. We’ve got to start thinking outside the box of what we historically have done.

Ramon Ray

Very nice. By the way, if you’re hearing this and you asked this question, if you want to email me, I’m going to buy and send you a copy of Mike’s book, ramon@smarthustle.com email me and I will send you a copy of Mike’s book. I just loved the question.

Another question Mike is a question coming from an advertiser. Another tough question but, again, this is to pick your brain. They’re saying here, Mike, advertising is dead, as it were, it’s not going to happen. The last thing people want to do is advertise, which I would disagree with, a bit, the premise of the question, but let me ask it. The last thing they want to do is advertise, so what do you Mike for an advertising company. What would Mike’s playbook be? If you owned an advertising firm, what are some things Mike would try to do to get back in the game if you’re an advertiser?

Mike Michalowicz

What’s the new type of advertising people want to do or what’s the new way they want to get the word out? We’ve amplified our advertising, so I’m with you, Ramon, not every business has decreased advertising, or stopped, it’s just new packaging. The interesting thing is we got a call right when this was breaking out from a firm who said, what about educational marketing right now. Get the word out in a new format, use the established platforms like YouTube and these other platforms that are out there that will get good natural SEO. That advertising agency called S3 that reached out to us, S3 is directing us through how to do these new forms of educational advertising, and it’s starting to show returns.

If we say something is not working, I just challenge us to ask what is not working about it, because there’s probably a new way to form. But if we have this belief saying it’s just simply not working, our mind will start affirming that and we won’t look for alternatives. If something is not working, say, OK, the old way wasn’t working, what are new considerations, what’s no one before, or what’s a new way to make a new flavor out of this.

Ramon Ray

I agree, Mike, because I just want to underline it because I think most of the time in my experience and just echoing what you’re saying, Mike, it’s not that it’s not working necessarily, sometimes it is, but oftentimes you just didn’t... and we’re all working hard, but you didn’t push enough, go long enough, try enough different combinations to unlock that.

Mike Michalowicz

Try [inaudible] get out of our industry. Six weeks ago, I called an emergency meeting with every business owner I knew that was not in my business space. In fact, there was one from each different business space. What was interesting and what I was finding
was that when a collective industry meets, we start affirming our beliefs. Retail is struggling, yes, retail is struggling, retail is never going to make it, yes, it’s never going to make it. But when you start getting people that are outside your industry that don’t have the context, they start bringing in really thoughtful out of the box ideas. So, we had this call and started generating all these new ideas, it brought about new products for our own company. Can you meet up with people outside your industry and get their thoughts? It may not fit within the rules, and that’s the best part.

**Ramon Ray**

This is powerful. Again, a shout out to Paulina, thanks for asking Paulina, the high-end consignment store you have. I think Mike touched on that with clothing, but Paulina I see your question and thank you.

Let’s talk about non-profits here, Mike. The problem we have is getting the word out to donors with deep pockets to assist us in getting started. We don’t have a trailer, a house, a facility to get started. How do you see marketing working, in essence, is the question, marketing for non-profits, talking about getting the prospect list out and things of that nature?

In essence, recurring revenue, Mike, non-profit getting the word out, reaching high-end donors, rip that apart however you like.

**Mike Michalowicz**

We have a very compelling reason or need to the audience and pictorial wins over every other time. There was this—all of a sudden, this sudden shift towards giving meals to doctors and so forth in many areas, our area include, and they put pictures of doctors holding signs up saying, please stay safely at home so we can serve you safely here, and it started this movement, while homeless shelters started to drop and their food supplies, and someone in our community brought an awareness to this by showing people that were hungry, and changing the direction, so how to make it very visual.

The second thing is big donors may be hard to come by because they’re being pulled in so many directions right now. Sometimes smaller donors win. If I recall, the Obama Campaign very effectively, he leveraged the power of small momentum over these big one-time donors. Can we consider small donations as an option, just look outside the box? It’s got to be a need that’s very pictorial and very much pulls to the heart strings right now, because so many people are trying to pull the heartstrings.

**Ramon Ray**

I think, Mike, what you’re saying is it seems like all of us just need to dig deeper. Again, you referenced Seth Godin earlier, he’s famous for saying raise your hand, raise your hand higher.

**Mike Michalowicz**

By the way, I'm not saying... I'm watching some of the chat here, I know everyone is working extremely hard. I'm not actually talking about working harder, because I think the reason we're working harder is we're trying to do what isn't working and we're pushing harder at it, which I think Anthony Robbins says is the definition of insanity, doing what's not working but more of it, expecting different results. What we need to do is start behaving or doing different things, so I want to challenge you, what are things you've never done and look outside your industry and start testing with that.

It is work smarter not harder. I know that's easier said than done, but that is what's necessary.

**Ramon Ray**
Someone here Mike has a financial literacy business, I'm imaging not quite like yours, you do a variety of things, but this is kind of in your wheelhouse. Just in brief, Mike, share your playbook as much as you can for this person, financial literacy business, what should they start doing? Maybe you have some ideas because this is kind of what your company does well.

**Mike Michalowicz**

I have a company called Profit First Professionals, we do financial literacy for entrepreneurs and we are on an increase, we're growing now, and the reason we're growing is we're not doing the, I told you, you shoulda coulda type thing, and I think that's the mistake. I'm not saying this person is doing that. I do see, well, you should have bene prepared six months. Ok, great, thank you for telling me the blatantly obvious, what do I do now. So, we're introducing what's called micro-change. We're saying in this environment it's the smallest wins that are confidence builders, so we're not going to focus on getting rich, we're not going to focus on accumulating wealth. We're simply going to focus on can we pull this off for one day and make a little bit of money today and a little bit of money tomorrow by doing proper savings, by taking your profit first and so forth. Those little wins start building momentum and strength, even in an environment like this, and that's why our business is growing. A lot of clients are coming on doing these micro wins, feeling something positive in such a negative environment and they're getting more engaged and making more progress.

**Ramon Ray**

I think that is important to highlight. Mike and I going through the same – we're in the same earth that everybody else is in, and the same thing with my business. I've had to so some of your principles and Smart Hustle is growing, profit first is growing and other things we're doing, I'm blessed to say that.

Mike, here is another tough one, I'm trying to trip one. This is Wendy who has a limousine business. Again, I wonder, Mike, is there a point where some businesses you just say, listen, it's not going to work, but let's try it. Luxury transportation, weddings, proms, sporting events, airport transfers. Anything you want to say to Wendy from Linahan Limousine Service, ideas for her as the car service is a tough industry, things she should consider.

**Mike Michalowicz**

So, transportation may be gone, but what can your vehicles still be used for. Can they put in movies or something like that? Could they be used for pictures? Graduations are happening right now. I am seeing a lot of graduation pictures (college graduations) where students are going back to their old school and they're taking a picture there. I see proms coming up. Well, people still want to take pictures in front of the limo, it may just be one person in front of the limo, but maybe there's a way to use that in that capacity.

Here's the thing, I don't know the exact idea, but I do know who knows, your past customers, so reach out to them and say what's the new way I can serve you. I gave you an idea with these prom pictures. It may be a stupid idea or maybe a great idea, the only way you're going to know is to test it. I told you to sell the tell technique, send out an email saying, hey, prom is approaching, do you want to get a picture with these beautiful vehicles in the picture. We'll drop it off, our driver will stay 12-feet away or whatever like that so you can take pictures and then we'll remove it from your facility and it's only X number of dollars. Who is in? If no one is willing to open their wallets, it's a bad idea, throw it out, but it costs nothing. We just explained it in 30 seconds and that's all you need to do. If it's a good idea and people start opening their wallets, then you pursue it.

**Ramon Ray**
I love that, Mike, and I think it’s powerful. Shout out to John [Dimado] who is a photographer here in the New York area. He started taking photographs of virtual events. It sounds weird, but Mike you and I are people who need photos. I’m calling him up and saying, dude, next time on video like this, I want – because my cellphone doesn’t come out so well, he takes nice shots with the blurry background and his with a nice setup behind it. To Mike’s point, we have to think different.

Mike Michalowicz

I’ll tell you, some smart photographers are taking great action. I see one photographer actually exploding in revenue right now because they’re not doing photos. They realize everyone has gone over to Zoom, BrightTALK, these different platforms and they said most offices are staged like this, this is a white wall, you need background staging, you need appropriate lighting, you need key light, back light, fill light, I'll design it all for you over $100 consultation and companies are picking it up left and right. In fact, I need to get myself on the schedule for that.

Ramon Ray

Mike, what do you say to the businesses that are completely closed? Again, you need to, of course, understand a lot more about finances and all this, but just talking to people who say, Mike, let’s pretend we’ve tried everything, this is not going to work, I’m the sole owner, we’ve let go of our employees. Can you talk to that individual who has tried it, they used to five employees a month ago, or two months ago, they're done? What do you tell them personally, Mike, they’ve got their family, their wife, or their husbands in turmoil, any thoughts?

Mike Michalowicz

First of all, that you successfully built a business is tremendous. Businesses won’t survive when there’s a lack of money, so when a recession hits in the spend of money drops. We can’t all take that same dollar and tear it up into little pieces and hand it to each other, some businesses will go by the wayside, but the business owners that take that failure as a learning lesson to start a new business or pursue a new opportunity are best served. My biggest collapse cost me my house, it cost me cars, it cost me everything. When it happened, I wish it upon no one, I don’t ever want it to happen again, it’s been the greatest learning lesson of my life. I was committed to understanding my business intimately and moving forward very prudently and maintain the finances appropriately. That past loss is not a loss, it is a lesson. Now, can we spin to something new?

But the other thing is, let’s not hang onto something that’s dying. I hate to say this too, but if a business isn’t working and you're proving it can’t work, don’t try to cling onto something that’s not working. It’s just going to put you deeper and deeper into the hole. I believe, there's no data to back this, but I don't believe we're returning to how business was pretty soon, and I don't think we actually may ever, for some inventories it may permanently shift here.

Let’s take that lesson of loss of what we had of that business, take the best out of it, and spawn something new. Go about it in a way, but go after it full throttle and don’t cling onto that loss anymore.

Ramon Ray

100%, Mike. Mike is very responsive on Twitter, you guys can just look up his name, Mike Michalowicz, I encourage you to go to his website, look at his books. He has a boatload of free stuff, in fact, I think it's too much free stuff that he has to give away, so check out his website. I'm at [www.smarthustle.com](http://www.smarthustle.com), [www.ramonray.com](http://www.ramonray.com), remember, you can go to the same website link you’re looking at now to get this webinar, to get the slides. Before we do that Mike, let’s hear a final message from Andy. Thanks for joining us.
That’s it for today’s webinar. Our big thanks to Ramon and Mike for all their insights and ideas on continued success in business. You can check out the other webinars in this series on our BrightTALK channel page as well. You can also register for our next webinar, it’s Tuesday May 19, we are excited to have Mr. Steve Strauss talking about affordable ways to find customers right now. Please join us next Tuesday and for all of the events to come during our Small Business Webinar Series.

Have a good one, we will see you then.

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