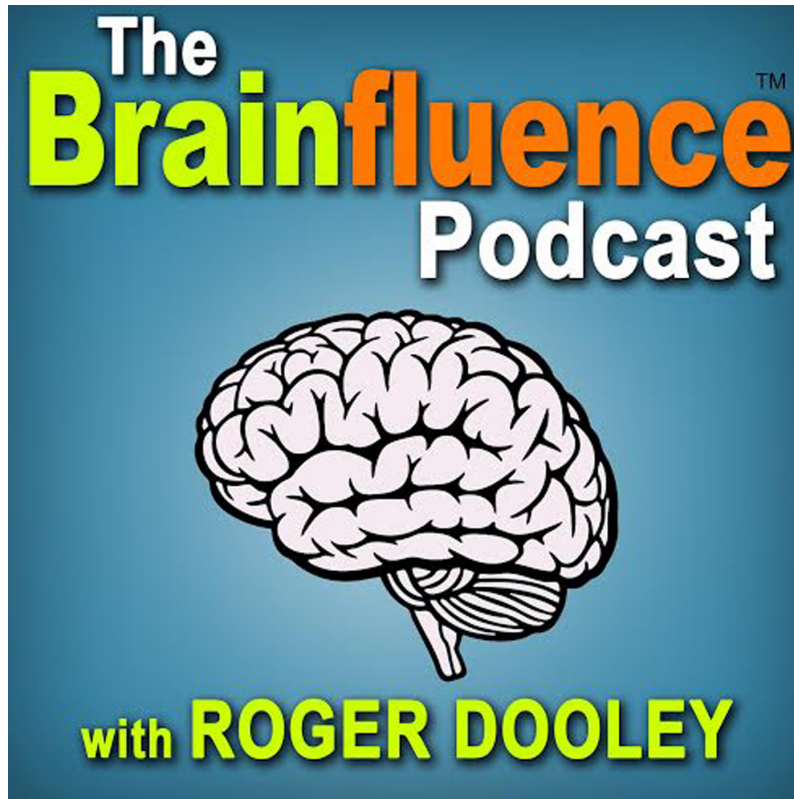


**Break the Rules to Win as an Entrepreneur with  
Nathan Latka**

<https://www.rogerdooley.com/nathan-latka-capitalist>



Full Episode Transcript

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**Roger Dooley**

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# **Break the Rules to Win as an Entrepreneur with Nathan Latka**

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

Roger Dooley: Welcome to the Brainfluence podcast. I'm Roger Dooley. Today's guest is one of the more diverse resumes we've seen here. Nathan Latka is the Principal of Latka Capital, Executive Producer and host of the Top Entrepreneurs podcast, and CEO of two companies he's recently purchased. He's also the star of the hit Facebook watch show, Latka's Money, that draws more than a million viewers per episode.

Nathan is the founder of the software company Heyo and author of the new book, How to Be a Capitalist Without Any Capital: The Four Rules You Must Break to Get Rich.

Welcome to the show, Nathan.

Nathan Latka: Roger, I appreciate you having me on, but I have to tell you, I'm a bit surprised that you were interested, and I'll tell you why. You have such great episodes. I've listened. And they are brilliant people that are ... They've studied, and there's theories, and there's datasets being crunched, and this book is really the opposite of that. I've never done research, but it is a lot of screenshot stories of stuff that has actually worked for me. So I'm curious why you decided to have me on.

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Roger Dooley: Well, Nathan, I think you've got a really interesting story, for one. And I think that most of our listeners are interested in evidence-based content. And while you may not have the academic research to back up your stuff, what you do provide in your book is a lot of evidence. You have screenshots and photos of documents. Basically, the laying out both your process and your results. So I think multiple ways to build credibility and expertise, and I think yours is a valid one, Nathan.

Nathan Latka: Well, good. Well, I'm glad you enjoyed the book.

Roger Dooley: Yeah, I did. I was tuned into an episode of the Latka's Money show on Facebook, and for those folks that haven't seen it, you, Nathan, wander around talking to random business owners and try to invest in their small businesses. It's sorta like Shark Tank, but with no fancy set and no entrepreneur pitches, and no sharks except for you. Are these businesses really random? I mean, do you ... It seems kind of bizarre to just sort of walk into a place and say, "Hey, I wanna invest in your business."

Nathan Latka: That bizarreness is exactly why it works. And it is. It's totally random. People describe it as Shark Tank on the street. So the first one I did of these, I was in Austin, Texas. You know Austin well. It was on Rainey street, and I had my checkbook. I turned on Facebook Live, and I said, "Hey, guys. I'm gonna go try and find a business, walk up to 'em, meet the owner, get their revenue data, and try and see if I can do a deal on the spot." And Roger, I ended up doing a deal with this wonderful lady. Now, she barely spoke English. She was an immigrant from Thailand that now ran her own food truck called Yummy

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Thai Food, and her name is Ning. And so she told me that she was doing about 800 meals per month, or per week. She told me that her biggest expense was the loan on her truck.

So I said, "Ning, I'll make an offer for ya. I will give you \$6,000 today for you to pay off the loan so you don't have to pay \$600 a month. And in exchange, you pay me back \$0.75 per meal until I'm paid back," 'cause remember, she's a food truck, "And then \$0.10 per meal in perpetuity." And so Roger, I did a couple things. I knew the landlord of the people that owned that track of land the truck was on, so I moved her from the back of the lot right to the front of the lot, where the foot traffic is higher. We tripled her meal volume. I got my \$6,000 back in under eight months. And now we're building our business together. It's tripled again in revenue, and I'm making \$0.10 per meal in perpetuity, all from a random Facebook Live that 1.2 million people tuned in to watch.

Roger Dooley: Mm-hmm (affirmative), yeah that's great. I know that one of the businesses you spoke to ... I'm also in Austin, and I'm familiar with 1Up Repairs, and they did a great job changing out the battery in my MacBook Pro, 'cause it's a horrible job. But, for some reason, Apple glued this sort of multi-compartment battery right to the case. So it is not something that is user-serviceable. In fact, it's supposed to be only factory-serviceable, but of course, at 1Up, they do a lot of stuff that the factory says you've gotta do at the factory.

And they did a wonderful job. So you end up doing a deal on that one?

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Nathan Latka: So we didn't do a deal on that one, but that episode went really nicely. Erica and her husband have built a great little empire here in Austin. Eight locations. The average revenue per location is \$500,000 top line. So you can do the math. The margins are actually very high. And they're looking at expanding.

So the deal that I was going to try and do is to help them to expand to a new location, but it actually turns out, they have an investor that really wants to keep being their only funding source. And so that particular investor took that check instead, but it's a great business. I know your audience, from a psychological perspective, one of the very interesting things about this is not only the deal happening in real time, but in the book in pages 187, 188, and 189, there are a bunch of psychological tactics I use in the live video to get people hooked, to watch the whole thing. And so the average watch time on a Facebook video is usually six seconds. And the videos on these were getting 53, 54, 55 seconds, up to a minute, which is really, really high for a Facebook video.

And so that has now lead to a production company developing a linear show for cable based on this concept, which is very exciting. I can't talk more about who or what the network is, but it's deep into development at this point.

Roger Dooley: Mm-hmm (affirmative). Well, that's really exciting. Are you gonna be doing any more episodes of Latka's Money?

Nathan Latka: Yes, I negotiated the right to ... I signed with CAA. I had WME, UTA, CAA kind of pit off, and basically pitch me on who I should sign to rep me. And when they negotiated

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the deal with the particular network that bought the concept, one of the huge leverage points ... And this, again, comes down to psychology in negotiation ... was, I could walk from the linear cable show at any moment because I had a Facebook show that I owned completely. And so I negotiated the right to keep publishing new episodes of ... And I'm gonna put up about one every three to four weeks. That's what we're doing right now. New episode on the Facebook page.

Roger Dooley: Mm-hmm (affirmative). Yeah, and in addition to that, then the other stuff I enumerated, you also host the Top Entrepreneurs podcast. And I looked at iTunes, and you've got an episode coming out every day, seven days a week. And you're up to an amazing 1,300 episodes. They're shot, maybe 15 or 20 minutes, typically, but maintaining that pace has to be a grind. Why did you decided to go daily, Nathan, and how have you structured your schedule to do that?

Nathan Latka: Yeah, well again, this is kind of supply-demand stuff. So when I launched the show in 2015, I had no idea how to get my first guest. Maybe, you had this ... Actually, you have such a big background, you probably had a network already, but I had to try and figure out how to get my first guest. And I was just asking people, "Hey, Roger, will you come on my show and be the first one on?" And no one was responding, 'cause they're thinking, "Why would I go on this guy's show? He has no audience." And so Roger, I just changed the wording to, "Hey, Roger, will you come on my show? We will have a million downloads by the end of the summer." Right? And what people heard was, that you have a million ... They sensed the confidence,

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and I booked 60 people before I launched. And then basically told them all, "I'm only gonna launch with 10 of you, and it's gonna be the first 10 that agree to email their lists about their episode when it goes live."

And so that's how I got about 3.2 million emails going out about my show on day one. And so ever since then, we've had a huge wait list. We're actually booked, recorded, and done all the way through February 15th of 2021. So if I died today, you'd still get an episode a day until 2021.

Roger Dooley: That's great. And of course, when you can schedule it out that far, you can do the recording and the production in a pre-organized manner, compared to ... I know, like you, in the early days, you don't have people clamoring to be on the show, because nobody knows the show exists. So I was kind of hand-to-mouth and just scrambling like, "Holy cow, I've got to get something recorded within the next 48 hours, or-"

Nathan Latka: Yes, yeah. It is a machine. I mean, I'm curious what your operation's like. But I'll tell you, it is a machine. I mean, and I put this in pages 40 through 50 in the book, all the way from how I have hired freelancers to edit each episode. When I was doing it myself, it cost me about \$250 an episode to edit, which obviously daily episode, that gets expensive. I then put out a process on page 42, where you see my calendar. I record 25 interviews back to back every Tuesday and Thursday, which I love. And then it goes into a system on drive, and then I pay freelancers, now, about \$29 per episode to produce it. However, on the next page, 45, you see how we're

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signing big sponsor deals. The sponsor deal average that we've got for the podcast on an annual contract is about \$200,000.

And so you can do the math. The pro forma per day that goes out per episode, is, I make about, call it, between \$4,000 and \$5,000 a day from sponsorships on each episode, but my cost per episode is only about \$29 or \$30. So it really is a machine that works nicely, but it took a lot of work to get there.

Roger Dooley: Mm-hmm (affirmative). Yeah, well you need that backlog. And then you also just need the experience to figure out what works. Where can you streamline things? Because obviously, the first time you do anything, you're not very good at it, but after you do it for a while, you learn a lot.

Nathan Latka: That's right. Do you edit all your own stuff, or do you have kind of a team that you've outsourced this to?

Roger Dooley: Oh, no. I have a team that does the post on it. So that really helps.

Nathan Latka: Yep. No, that's great.

Roger Dooley: And yeah, it also makes it the better product, too, because they actually know what they're doing in that respect.

Nathan Latka: It does, it does.

Roger Dooley: So, Nathan, one of your rules to break is focusing on one thing. That sort of conventional wisdom that, if you're an entrepreneur, you should really just focus on one thing.

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And I've got to agree with your stance on this. In my own experience, just about every successful business venture that I've been involved in started off as some kind of a side hustle, or something like a side activity that I was involved in while I was actually doing something else, and then it turned out that ... Okay, this seems to have promise, and eventually it ended up becoming the main thing.

And so, I'm guessing, that looking at your range of activities, that's been your experience, too.

Nathan Latka: Well, and let me ask you a question, because you and I are well connected in this space. Right? So there are people who have very much respect, like Gary Keller, and the ... Oh, sorry. Garry Keller is one. Right? They put out *The ONE Thing*. And then you've got *Essentialism* by Greg. I mean, there's a lot of these books that sell a lot of copies, selling the idea of, focus on one thing. And I think they sell because it's a very sexy thing to sell around. It's a really good headline. But I just ... It's never made sense to me, to do that.

And I think the analogy, Roger, that I use is, if you and I are driving here in Austin, and we're about to drive over the river, over maybe down Congress, on the bridge. If there was a sign there that said, "Roger, Nathan, warning: If winds are 20 miles per hour, the risk of this bridge collapsing is very high," because there's a single point of failure. Right? We would never drive over that bridge. It's too risky. So why do most people build their lives, and why do people sell the idea that we should build our lives around a single point of failure? I mean, a bridge, when

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it's engineered, has eight, nine, ten ... That ten things have to go wrong in the exact combination at the same time for a bridge to collapse, and that's why very few bridges collapse.

So it baffles me, why people build their life with this idea of, focus on one thing.

Roger Dooley: Mm-hmm (affirmative), yeah. That's a great a great analogy. And boy, a couple of years ago, we had an author, I think it was Pat McGinnis, wrote a book called The 10% Entrepreneur, and his argument was, again, just because you've got this great idea, don't immediately quit your day job and go all in, because if it doesn't work, your business will fail. You'll not only fail as a new business, but you will be failing as a person who can support yourself or your family, and that it's much better to try a lower risk effort, initially. Test the idea. It gives you the opportunity to make some mistakes along the way, where if you're just all in, you really can't make that one mistake.

So yeah, I think it's quite logical. Although obviously, you don't wanna spread yourself too thin. And if you do have something that's really working, then yeah, sure, go all in on it. But rarely is the opportunity that clearcut, in my experience.

Nathan Latka: No, you're right. You're right. And look, my podcast, the Top Entrepreneur was a side product when it launched in 2015. And you read the book, so you saw the bottom of page 18, that email screenshot I got. Right? It was Wednesday, February 24th at 10:47 am, when it basically said, "Hi, Nathan. My name is Justine. I represent X, Y,

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and Z. I'd love to know what sponsorship rate do you charge per episode, and how many downloads do you get each episode?" And I'm going, "What do you mean, what do I charge? I don't even have sponsors right now." So I quickly said back, "Well, our standard terms are ... " Right? And that was actually how I turned a side project, which was the podcast, into this first deal, which you see as signed. It was a \$6,400 sponsor deal when this show was only a couple weeks in. So that was my first indicator that this could be a really big revenue stream for me, but I never would've done it if I was only focusing my one thing at the time, which was a totally different thing.

Roger Dooley: Mm-hmm (affirmative). You know, in another spot in the book, Nathan, you say that you should hire people 60% as good as you. And I think, again, conventional wisdom might say that you should hire people who are better than you. And that's certainly ... Many sage entrepreneurs offer that advice. Like, "Don't try and recruit people who aren't quite as good as you. Get people who're better than you, because it'll end up being good for everybody." Now, how would you resolve that conflict?

Nathan Latka: So this is a mindset thing more than anything. Most people believe that they are the best at some things in their business, and they think, "I could never hire someone to do this. They're never gonna package this soap the same way as I do. They're never gonna write the daily email to my list as good as I do. They can't write in my voice. They can't mock up the product in sketch because they don't understand UI and UX flows." Right? What my argument is, if you find yourself thinking these things, instead of hiring with the thinking that you'll never

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find anyone as talented as you to do it, remind yourself of this fact: If you hire two people who are 60% as good as you, together, they still put out 120% of the output, and you have 20% gains, there.

It's more of a mindset, to get people in the mode of, how do I start replacing myself in my business in these different tasks so they can free up their time?

Roger Dooley: Mm-hmm (affirmative). Yeah, and I think that's a good point, Nathan. Probably many of us, particularly ... I'm a writer, and a lot of business people really pride themselves on their communication. And they say exactly what you were talking about. " Gee, well nobody can write that as well as I can." And if they try and break somebody in, they find, "Oh, gee, I'm having to rewrite this, and there's corrections and what not." But to be successful, at some point, you sort of have to make the break and said, "Okay, maybe that person would not write that letter as well as if I spent an hour writing it myself and really editing it and polishing it, but whatever they write is gonna be good enough, and it's gonna free up an hour of my time."

And so I think that's one way to look at that. You just have to accept the fact that sometimes good enough is good enough, and if you want everything to be at your own level of perfection, you're gonna limit your growth tremendously.

Nathan Latka: That's right. I mean, I remember at my first company, Heyo, when I started freeing up my time ... Actually, it was interesting, 'cause we put in the book ... And actually,

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Random House portfolio, they really don't like this about the book. I'll talk about it in a second, but I put a ton of screenshots in the book. And one of them is my income statement and tax return on page six. And this was in 2013, when I would've been 23 years old. When we passed, specifically, I'm reading it here right now, \$939,378 in gross receipts. And that year, the reason we got so close to a million is because I took myself out of a bunch of tasks, and I was able to go do very, very strategic things with partnerships and even things that require more kind of psychological persuasion. What I mean by that, a concrete example is on page 220, I blocked up the process I invited that year, where we go look at the blog posts, the historical blog posts that ranked really well for terms that my business cared about. Roger, you probably get hit up all the time, 'cause you write for Forbes, of people going, "Hey, would you include me or put a back link in," right?

Roger Dooley: Oh, constantly. Yeah, it's, "Hey, I really need you to write an article that links to me." And it's like, "What?"

Nathan Latka: Yeah, yeah. And do you ever actually say, "Oh, yeah, of course. I have tons of free time, and I-"

Roger Dooley: Oh, yeah. Of course, I'd love to help you out with that, with your need.

Nathan Latka: Never, ever. And so by the way, maybe I was one of those people at the start, who would write an email like that, but I quickly realized the way to make this work is ... It took me forever to test this script, but there's a script on page 221 in the book, where you see me reaching out to

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a company called GuavaBox, which had a post called Facebook Contest Apps: Top Five Apps for Your Next Contest. Now, my first company, Heyo, was a Facebook contest app builder, but they didn't have us listed in that article, and it was ranked number one for critical search terms. So they were driving a lot of traffic to our competitors.

I reached out to 'em via their contact form, and said ... And they wrote back, Andrew, their VP of inbound, said, "Hey, Nathan. Thanks for reaching out. Happy to take a look at Heyo and give my feedback." So what I did is, I reached out and I didn't say, "Put me on the blog." I said, "Hey, we have a new product. I know you care about this space 'cause of this article. Care if I Skype screen share with you our new product idea?" We got on a Skype call, and long story short, when you flip the page to 223 and 224, I got him to basically put a whole section in that old blog post that had a lot of long tail traffic. He put our tool at the top of it. And so what that did is immediately, it stopped driving all the traffic to our competitors, and it started driving us about 300 clicks a week, and about 15 new, \$30 a month customers every single week. And it still works today. And Roger, it's been up for many, many years. So you can imagine over time, the power of that.

Roger Dooley: Mm-hmm (affirmative). Well, you did something really important, there, Nathan, that the typical outreach email does not do. You offered some value to the person. Because everybody has the what's in it for me psyche, and it's just the way people think. If you go to someone and say, "I need you to do this for my new product, my new business," or whatever, people really aren't that

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interested in helping you out. Not because they're bad people, but because they've got a million other things that're really important that they need to work on before you become their priority. But if you can help them create better content, more relevant content, more up to date content, then that's good all around.

They're updating themselves, and from Google's standpoint, that changed article is a little bit more value, because it's fresh and helps them. And of course, it helps you, too. So I think that's a good lesson for our listeners. If you want somebody to help you, show how you are gonna help them first.

Nathan Latka: Yep. No, that's exactly right.

Roger Dooley: And it's funny, because I was gonna ask you whether your publisher pushed back on some of the imagery, because unlike most business books, there are a lot of images in this book. And there's everything from correspondence scripts and stuff that people sent you, and even a tax return image. How did you resolve that with your publisher? I guess you won.

Nathan Latka: And did you see my big one on page 243? It was the biggest mistake of my life. So this was a company called iContact, October, 20th, 2011. So I'm 29 today. That was eight years ago, so I was 21 at the time. And Roger, you can see it on that page. This was them basically saying, "Nathan, we'd like to buy," I'm reading section one, part B. "The purchase price will be up to \$6.5 million, and will be paid in the following manner." There was an acquisition offer to buy my company. I turned it down, because I had

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a huge ego. And I still probably do, actually. I'm still learning this. But I turned it down. And so I told Random House, I said, "Guys, I read so many books that are all theory and number crunching, and the people haven't actually done it." I said, "I want this book to be the opposite. I want to put real screenshots, real things in here. Real scripts, how I get an Air Bnb penthouse for free using triangulation between big CEOs, the penthouse imagery, and the Air Bnb owner."

I wanted to show how I negotiated my way into the Oscars. I wanted to show how I got \$30,000 in free travel in Bali by using my very small, 5,000 follower Instagram account. I wanted these scripts. I wanted to show people my Stripe account so they could see, on page 178, how I bought a Chrome extension for \$1,000, put up a \$5 a month paywall at a critical psychological point in the user flow, and that's now done \$130,000 over the past two years.

So I did win the battle, but Roger, the problem with the book is, it's not timeless. And so from an economic model for a publisher, you know this, you've had many hit ... Well, you've had one hit book, and you have another one coming up. They want the book to sell a decade from now, 'cause they wanna look at it like an annuity stream. And what I told them was, "Guys, this book's not going to be that. It's going to be an urgent book." The tactics in this book will work, but once everyone does it, they lose value. They won't work anymore, 'cause it's limited. That's why they work. We're the first ones to be doing it.

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And so ideally, what happens is, the first person that buys the book gets the biggest advantage, and the person that waits and buys it five years from now has a very small advantage. But I think urgent is really important.

Roger Dooley: Well, you know, I wouldn't sell yourself short, Nathan. I think that, while obviously, some very specific strategies you talk about in the book may not be valid a few years down the road, or may work less well, I guess you could look at it something like Tim Ferriss's 4-Hour Work Week. That book continues to sell well because it's an inspiring book. It gives people a different perspective on thinking about how they use their time, how they set their priorities, where they are located, whether they should go into an office everyday or not. And even though some of the strategies he talks about like outsourcing drops your products, and this kind of thing, aren't really useful now, the book itself continues to sell well.

He's actually resisted revising it so far, as far as I know.

Nathan Latka: Did this book remind you of that?

Roger Dooley: Yeah. Oh yeah, it did. That was one of the first thoughts that came to mind, mainly because you're talking about sort of an entrepreneurial approach to life, and the real specific things obviously aren't gonna work for everybody. And in the same way, that not everybody wants to do things. Even if you bought Tim Ferriss's book on the day it came out, you might decide that, "Gee, outsourcing products from offshore manufacturers and drop shipping 'em, that just isn't what I wanna do." And when I read it, I did not immediately start doing that, but it did alter the

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way I thought a little bit about what I was doing and the way I was running my business.

Nathan Latka: Well, we're seeing presales orders come in, and the numbers are ... I mean, they're staggering. And a few people that have got an early copy, there are many of them making the same comparison, which just makes me tingle inside, because I think Tim is very smart, wrote a great book, hugely successful. You're a guy that interviews many, many ... Tom with the Neuroscience of Change. I mean, you interview people for a living. Mark with Marketing Rebellion. Right? And so hearing that from you means a lot, Roger. I appreciate that.

Roger Dooley: Well, thank you. And Tim is a fellow Austinite, as well.

Nathan Latka: He is? Now he is, yes.

Roger Dooley: There's a great sucking sound, as all the smart people end up in Austin.

Nathan Latka: You know why? No income tax. That's why.

Roger Dooley: That is a big difference. Texas and Florida do uncommonly well with entrepreneurs, in part because of the fact there's not a state income tax. And compare that to New York or New Jersey or California, and it makes a difference. Yeah.

Yeah, so Nathan, a strategy you talk about is buying companies without investing a lot of money. And first glance, it sounds like one of those no money down real estate pitches, but businesses are a lot harder to value than a house. Walk me through your process.

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Nathan Latka: Yep. Well, I was very concerned with this section. And this is why I put screenshots here, that people would see and go, "Oh, this is some theorist with some bologna." But we start on page 171 and really talk about how to buy a tech company, even if you have no tech experience, and then how to negotiate the deals. And so the story that I shared, and I've done this a couple of times now. This is why I have a private equity firm, now.

the first deal I bought was a company called SendLater, which had 30,000 users on the Chrome app store. So for those of you not familiar, that's the little extensions you put on your Chrome web browser, and this allows you to send emails later in Gmail. And Roger, what I saw was the developer hadn't updated the extension, the tool, in over a year, which was a signal to me that he or she didn't care about it anymore. But I saw value. It had 30,000 active users. And once I did diligence, I realized it had 75,000 on in their email list.

So what I did is, I reached out and said, "Hey, I'd love to buy this for \$100 bucks from you." Now, we negotiated back and forth. And the real life negotiation is in the book, so you see the scripts. I ended up buying it for \$1,000, and paid in two chunks of \$500, and put up a paywall. And the reason I chose to put the paywall at a certain point, is I said, "I only want the paywall to be seen of 5% of the users." So I sorted by what was the activation metric I'd have to put the paywall up around so that only 5% saw it. And I realized that number was 15.

So anybody who used SendLater 15 times in the past seven days, those were the top 5% of users, and they'd

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see a popup that says, "Hey, you've used your credits. You're a super fan. Click here to purchase for \$5 a month," or, "Click here to use one more time for free," which is critical, 'cause I didn't want to lose them as customers. They could keep clicking that to use it for free, but it got annoying after a while, they ultimately paid. It's a little psychological trick, but this was the key to spotting that business was, I went on the Chrome store, I looked at one that wasn't updated in a long time. I reached out to the CEO using Hunter to find their email address, negotiated and closed the deal.

And anyone can really do this, now. You can look in the ... I put in the book, 15 different places to look for companies like this to buy. And so the Chrome store's just one idea.

Roger Dooley: Mm-hmm (affirmative). You know, and I think your comment about making things just a little bit less convenient when you wanted people to upgrade is a good ... It fits in completely with my book, Friction, that it's out in May. And in there, I talk about another online app called Citation Machine, and it's a little app that, if you're writing a book and want to list footnotes or end notes in a, more or less, standard format like APA or one of the other ones, they will generate that for you with just a little web form that you fill out. And it's quite convenient. Saves a lot of time, but it has a horrendous ad load. I mean, the ad load is so bad that if you create a citation, it might take 10 seconds to load the page, then it keeps flipping around. An ad higher on the page loads, so your content shifts down. It's like watching a bucking horse or something. Eventually, it settles down and you can get your citation, but it was just so tedious that after experiencing that for a

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little while, I coughed up and I paid the \$10 a month or whatever it was to use that tool.

And so I mean, it's kinda what you're talking about, there. You can still enable those users who are super price sensitive. You got somebody who's in a third-world country in a basement, who just does not have the money to afford it, they can still use your tool, and the trade off being convenience.

Nathan Latka: That's right. No, that's exactly right. And by the way, this is kinda the future, I think, of a lot of things that you're gonna be seeing happening on the internet, which is where to put a paywall where active users are happy to pay. So my paywall conversion rate, the conversion rate of people who see it to who sign up to start paying is almost 97%, which is a signal to me that I'm showing it at exactly the right spot. Right?

If that was only 40%, I'd say, "Oh, too many people are seeing this and choosing not to buy. I'm showing it too early. I need to figure out how to get them using the tool more before I show them the paywall." And so this is a critical decision, and it sounds like you're talking about this a lot in Friction.

Roger Dooley: Yeah, Evernote is a freemium product that's been very successful, experienced tremendous growth, and only a very small percentage of their users are paid users. They deliver tremendous value to the vast majority of their users who don't pay at all. But for those people who really wanna use it for work, where they're storing lots and lots of data of some kind ... I use it for my book research,

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where I every time I see something interesting, I just dump it into Evernote. By the time you reach that point where you're starting to surpass their storage limits, you've got so much value invested in there, that not paying would seem like a foolish decision.

Nathan Latka: That's right. That's exactly right.

Roger Dooley: What do you think about affiliate marketing as a channel for growth?

Nathan Latka: Oh my gosh. Well, first off, do you do any kind of affiliate marketing?

Roger Dooley: I have done some as an affiliate of other people's programs.

Nathan Latka: Like courses and stuff, or books, like Amazon?

Roger Dooley: Mostly, most all of the book links that I publish are affiliate links, but I mean, the amount that you earn from Amazon on that is minuscule. But for instance, I have a affiliate link to my email list provider, GetResponse. And it doesn't generate a lot of income, but it's something that I can feel good about promoting, because I use it, and I've been using it, and I like the product. I'm not really what you call a serious affiliate marketer, and this is more incidental than strategic.

Nathan Latka: Well, let me ask you another question. If you had to choose between owning the product or owning the distribution channel, what do you think is more powerful?

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Roger Dooley: I think it depends a lot on the product, but in many cases, the channel's gonna be more important, unless the product is so unique. When Apple came out with their iPhone, the product had no peers, and so everybody wanted to be the distribution channel. But it depends on what you're offering.

Nathan Latka: My thesis ... And again, I only have 29 years of life history to go off, here ... is that distribution channels are more powerful to own than the products, because you can then own the channel and put any products you want through it for the rest of your life. The compound interest on a distribution channel is way higher than the compound interest you can make off a one hit wonder product. Even the iPhone, which might only last five, ten years before they have to go find some new gimmick like AirPods. Right?

So the reason I tell the story in the book, and I think ... And this is on page 198. There's a guy named Ian Blair, who is a young guy. He was stuck in corporate, wanted to get out, but didn't know how to hire developers to build his own product. So he said, "You know what? I'm gonna start writing about a space, and then I will just sell another company's application through my channel." So that's what he did. He was writing about mobile app development, and he found a company called Bizness Apps, that Andrew Gazdecki had founded back in 2010, and they had a 30% affiliate program.

So Ian started selling a lot for Bizness Apps. And then when Ian realized, "Wow, I'm only making 30% per sale," he said, "It's worth me to use the money I've made from

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the affiliate commissions to hire my own developer," for \$1,000, \$2,000, "To build my own tool, and launch it." So he launched a company, then, in 2012 called BuildFire, which competed directly. It was a direct replica of Bizness Apps. And by the way, I think there's nothing wrong with copying like this, as long as you add your own twist at the end.

So he copied it exactly and raised some money, grew it to 31 employees, and in 2017, did \$2.4 million in revenue, or about \$77,000 in revenue per employee across over 1,000 customers paying \$400 bucks a month.

Now this, compared to Andrew, who owned the initial app that Ian was selling, Bizness Apps was founded in 2010, so two years prior. They'd raised almost no money, 90 employees, and they were doing \$18 million in revenue. So Ian went from being an affiliate earning 30% commissions, but not having the risk of having to launch his own company. He got the distribution channel first. Once he did that, he then launched his own product. And now he's doing \$2.4 or \$3 million, or about, call it 30 ... Well, not 30. Maybe 15% of the total revenue of the parent company he used to be selling for.

So I think the affiliate model is very powerful for discovering what your next business might be.

Roger Dooley: Mm-hmm (affirmative). You know, I can underscore your channel point, and owning the channel. And it brings to mind one of my own kind of more dubious business ventures. Back in the-

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Nathan Latka: Roger! I would never expect you to be the dubious type. Tell me more. I think your audience is on the edge of their seat right now.

Roger Dooley: Weirdly, not everything that I've ever done has been a wild success. You know? It's ... I guess I'm unique that way, again.

Nathan Latka: Well, I thought when you said dubious, you meant risky. Something on the edge.

Roger Dooley: Well, no. Not quite ... No, nothing unethical. Just questionably successful. In the earliest days of home computers, we were a direct marketing company, catalog company, selling products to end users. And in our niches, there were just a few magazines that catered to that audience. And they really had you. I mean, if you wanted to advertise to those groups, you paid their prices. And there wasn't a lot of competition. So they had control that way. Plus, they owned the mailing list. So if you wanted to mail to their subscribers, they made money that way, too.

We saw that there was going to be a home automation market. This was just in the nascent stage, then. Big manufactures were getting together and setting standards. So we had our ah-ha moment, and said, "Okay, we could be the channel in home automation." We could start the first magazine in that niche, and pretty much replicate what the specialty computer folks had done. Had a near monopoly on access to the buyers.

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Well, as it turned out, we were about 30 years too early. Home automation is now taking off, and I would say ... The only reason I would say that the effort wasn't a complete failure, was we did invest a fair amount of money in it, that much of it we didn't get back, but we did sell it to somebody who was actually wanted to be in the publishing business, where we really wanted to be in the distribution business.

Nathan Latka: What'd you sell it for?

Roger Dooley: Oh, it was pretty much a pittance with a little bit of an earn out on the end. The good news is that it still exists today. So 30 plus years later, that magazine is still being published. You can still find it on a newsstand. So it was a good idea, just way, way too early for us.

Nathan Latka: what works ... By the way, it's funny, bringing it up. I mean, we just launched our own magazine in September.

Roger Dooley: Well, I hope you do better than I did with that one.

Nathan Latka: Well, we ... I'll tell you, it is shocking to me. So first off, you guys can reverse engineer the funnel. It's at [nathanlatka.com/magazine](http://nathanlatka.com/magazine). Just go there. Don't buy it, just reverse engineer the funnel. But Roger, people pay \$7 a month for it. So you could argue, it's one of the most expensive magazines out there. We have over 1,000 people paying for it, and then we ship it to another 9,000. And it's all ... We ship it out to 10,000 B to B, so business to business, software CEOs every month. And because we are the only player in this space, and it's the only way

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to physically mail this group in one shot, we have ad rates that would shock you.

Roger Dooley: No, if you've got that channel and other people don't, you can really do very well with that.

Nathan Latka: Yep. No, it's killing it for us.

Roger Dooley: So that's excellent. Good idea. Sounds like a promising venture. See, I wanna be respectful of your time, here, Nathan. So let me remind our listeners that we are speaking with Nathan Latka. And he is an entrepreneur, podcast host, Facebook video host, and author of the new book, *How to Be a Capitalist Without Any Capital*.

Nathan, how can people find you and your ideas?

Nathan Latka: Yeah, the best place is to go to [nathanlatka.com](http://nathanlatka.com) or [capitalistbook.com](http://capitalistbook.com). You'll see a big, beautiful, blue cover. I would tell you do not buy the book in a year, because it won't be as valuable as it is today. So if you wanna grab it today, go do that. But most importantly, for whatever reason, you are a student in your basement hustling, and you don't have money to spend on a book, I'd encourage you to go to [capitalistbook.com](http://capitalistbook.com). Scroll down halfway, and get a big, beautiful, free preview of a bunch of the screenshots and stories Roger and I have talked about today.

You can also tweet me, I respond personally.

@NathanLatka, and I'm eager to connect with all you guys.

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Roger Dooley: Great. Well, we will link to those places and to any other resources we spoke about, on the show notes page at [rogerdooley.com/podcast](http://rogerdooley.com/podcast). And I'll have a text version of our chat there, too.

Nathan, thanks for being on the show, and maybe one day, someone listening will answer their door and find you standing there, checkbook in hand.

Nathan Latka: There you go, Roger. Thanks for havin' me on.

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