

JAMESSCHRAMKO



9 Invisible Profit Killers - Part 2

James and Business & Investing's Charley Valher started a list of nine things that lower profit margins. Hear Part 2 of it in this episode.



Charley Valher

James: James Schramko here. Welcome back to my podcast. This is episode 969. And this is part two of [Nine Invisible Profit Killers](#). Of course, part one with the great [Charley Valher](#) was episode 962. So if you haven't listened to that, please go and listen to 962 first, because otherwise, this episode won't make much sense. So 962, Nine Invisible Profit Killers, part one with Charley. Hello, Charley.

Charley: Hey, James, thanks for having me on again. And completing this list.

James: Now just a quick recap for us catching up. Like you know, when I watch Netflix or Amazon Prime or whatever, usually in the beginning of an episode, they always sort of have like, what happens so far to date type recap.

So in the first part of this series, Nine Invisible Profit Killers, we covered five of them from memory. One was drama. And I mean, this episode actually went on a lot longer than I had anticipated, because we had so many profit killer stories to share around drama, and that just absolutely landed square on advice that a mentor had given me to celebrate lack of drama.

Number two was bad hiring, gave lots of examples of bad hiring, how much it can cost you if you get the wrong person.

Three was not training your team. So we gave a lot of examples about how I used to train the team and how a trained person is more productive than an untrained person. And you know, what happens if you train someone and they leave and all those sort of things.

Four was being in a bad trend or bad growth curve, like actually entering a market that's declining or being in the wrong industry at the wrong time, you know, having the Blockbuster in the rise of streaming, for example, I think came out.

Five was change of direction, like continually changing direction because you've got ADD, or you get bored easily or whatever, and never actually sticking at something long enough to succeed.

That's where we got to. We're moving on from here in episode 969, part two of the Nine Invisible Profit Killers, we're going to be talking about five more.

How do people perceive you?

So let's kick off with the first of the second batch. Point number six, right, which is reputation and first impressions.

Charley: Completely. When I started in business, I think I was a bit delusional on how important relationships are in general. I didn't realize what a role they played in overall business being successful and like, I'll go as far to say as that some businesses are built on relationships, it's actually the core function of how they've ended up successful in themselves. So the idea being, let's pretend James has put on a SFB event, which may or may not come in the future.

James: Will never come, because I've retired the brand. So let's put that out there. If I have an event, well, the only event currently on my roster is the Maldives surfing event. And at this time of recording, there is one spot left only. I never took it to my list. I never announced it publicly. I might have hinted it in a previous podcast because that's where the second to last ticket went.

Someone said, Hey, you mentioned it on your podcast, is there a ticket? And I said there actually is. I think the room left is a special suite as well. It's like a super luxury suite. It's still twin share. But anyway, it'll probably be gone by the time this episode comes out. But if you surf and you want to go to the Maldives in September in 2023, that is the only event that I plan to run at this point in time. Anyway.

Charley: I wonder how many people got their phone out then.

James: I don't know. I will say this. Every year that I've run the event, something happens to somebody somewhere in the year that means they'd like to sell their ticket to someone else. So I would definitely put your hand up to be on the waiting list, if you want to float around the Indian Ocean with me and a dozen other really awesome people. Like, I mean the people that come on this are incredible.

Lots of guests on this show, actually heaps of guests on the show, partners. Lots of deals are done, lots of business but also good camaraderie, and if you don't surf, you can scuba dive or sunbathe, it doesn't bother me. I'm surfing, just to get that clear.

Charley: Well, I'll rename this event, a future James Schramko event, which kind of caught me, I've been so used to the older brand name, I have to readjust on this one. But let's pretend that a James Schramko event is happening, and we go there, and we're sitting down for lunch, and you meet someone, you go, Oh, look, they seem really, really nice. This is someone I want to do business.

But then they're a complete and utter disgrace to the staff at the event. They treat people there poorly. And you see these signs in them, where it's like, Oh, this isn't someone I'd want to do business with. Now, I have been at events, not one of yours, I will say, actually, other events where I've actually had that happen.

I witnessed someone treat the people at our hotel terribly. And it actually put a point in me, even though this person was like, well known and respected, I was like, I'm never doing business with this person. Because if that's how they behave at these types of things, I can only imagine what would happen if we were to work together.

Now, that's never going to come up on a P&L, right? You're never going to recognize that in the same way. But I often think people aren't aware of like, how they're being perceived by others, and just what a difference that could actually make to their business, if they were to, well, just be a good human in general in that example. But in other ways, like, well, then people who go to make better first impressions will have their reputation managed in a better way.

James: Oh, that's such a deep topic. This topic resonates strongly with me, Charley, because I came from Mercedes-Benz. And whenever there was a celebrity or a difficult client, I was the person that would get sent out to deal with them. In the course of that, I got to meet people like Jamie Packer, who's a billionaire in Australia, Jeff Fenech, the elite boxing champion, Bob Hawke, who was the Prime Minister of Australia, Russell Crowe, who was already the gladiator by that time, pretty worldwide famous Hollywood movie actor, and so on and so on.

Like, I could list a lot of names, but it was pretty amazing to be in their world. I would go into their house or their office, or deal with them behind closed doors, I'd get to see the real person. And it was absolutely fascinating, Charley, and I can't even share with you some of the things that I observed, because it's probably not safe to do so.

I will say some of them were particularly nice and amazing, incredible humans. And one or two of them were particularly bad humans, and it really impacted me. It's like that saying, you know, never meet your heroes or whatever, you will be disappointed. I've experienced that in business, where I finally got to get to know people who were put up on a pedestal. And they'd disappoint me. Like, one guy just dusted me like, 50 times for phone calls, just kept not showing, not responding. It just got to the point beyond rude. And it was just so difficult.

And then like, it was silly, because all I was doing was actually going to promote them to my audience and give them another round of longevity in their career. But they were doing everything to thwart that possibility, and like, they didn't actually deserve it. They didn't deserve to be promoted, because they came down so many notches.

But I want to say this, this is probably the most important point, it's the grapevine that will kill people before they even know it. They'll never even know that they got destroyed in the background, because there is a network, they do interact. I get so many messages, private messages from big players all the time. And they fill me in on what's happening.

I know who's who and what's happening, who's get taken down by the FTC, who just didn't pay out a debt or who got their merchant supplier shut down or whatever. So you find out what's going on in reality, and then you see on the surface, you see this graceful swan paddling. But like, there's like, chains pulling them down underneath. And you think, okay, people probably don't realize how far spread this is.



There is a network. So the main thing is, be aware there is a grapevine, and you either take care of the grapevine or the grapevine will take care of you. And so, in my case, I get a lot of referral business from word-of-mouth referrals, that's probably my strongest channel. I work really hard on making sure every interaction I have is positive and a good outcome for the person I'm having that interaction with.

Even the people who want to share news with me, a couple of things. I'll never, ever share that news with anyone else. So never, ever gossip. And I just acknowledge it, say, Thanks, that's really interesting. I appreciate you sharing that with me. But I don't ever share it. I'm a vault. Like, I house so many secrets, it's ridiculous.

Occasionally, people will call up for a referee or a reference or whatever, and I won't be in a position to give a reference or to referee for someone. Because if I were to, it would say something that's not nice. And I don't want to be in that position. So I'll usually decline to offer that perspective. I'll let them know that I'm not in a good position to offer that.

Sometimes that's enough, says enough for that person to get a hint. But I just want to acknowledge that reputation and first impressions, they just go way beyond the surface. It's not just someone sitting there in first person doing something bad. That has a ripple. I imagine if you observe someone be rude to a waiter and then you found out that I was talking to that person or whatever, you would be compelled to tell me what you observed. And that might form an impression for me about that person. Am I right?

Charley: I kid you not, I just had this happen. So I feel like we could do this as the whole episode, James. But I will share this one.

James: I know, it's such a deep one for me. It's just so on, because my whole business is built on reputation. And it's the bread and butter of what I do, that it's a deep topic for me.

Charley: I had someone last week name drop one of our clients to land another gig. So this is something where I look at it and like, they name dropped us to get a job with someone else. And then that person approached me and I'm like, I'm going to work with this guy. No idea who he is. And I felt compelled to tell the person like, Hey, you've got to be really careful. This guy is name dropping us, he's pulling these sneaky moves. Like, I felt very compelled to do so because I'm like, if he's doing this to get work, what else are they willing to do?

James: Of course, it's the same, when I had clients and we went on golf days, they would play golf the same way they'd do business. If they're a cheater at golf, then they're cheating in business. And when I took my sales team to do recreational things like 10-pin bowling or whatever, they would play the sport the same way they sell, like the shortcut salesperson would just go for the Hail Marys, you know, or just gutter after gutter.

The studious one, he had to observe and adjust and then finally build up to the point where they improve to the level they could get a strike. They're going to be a superb salesperson, because they understand there's a process they can improve and improve. So I found this fascinating. What's the action step for this profit killer? Is it just to be a good person? Is it as simple as that, do good work?

Charley: I want to go further than that. I think that is important. Right? And we haven't even touched on the reputation of like, doing good work and doing what you say you would do. That's almost, we're going to take that as like, of course.

James: I mean, it should be not even have to be pointed out, right? But it unfortunately is. If you're in the rare person, I mean, in the [previous episode](#) to this one, I was speaking to [Greg Merrilees](#). And we talked about how on my website, I have a contact James button. If someone's got a question they want to ask me, then they can ask me, and I'll just answer them.

And we were just talking about how rare that is, to be able to actually have accessibility to a decision maker or someone who you want to talk to. Most people are inaccessible these days. So yeah, back to that reputation.

Consider reputation by association, too

Charley: Can I throw in, too? There was ones I've observed that you've got to probably look out for there is like, who you actually are associated with and their reputations as well. Like, if you were to be known to do business with someone, then all of a sudden it comes out they're a massive racist and ripping people off, you can get caught in crossfire, if you work with them.

James: By association. Of course. I think that's why a lot of organizations have learned this lesson the hard way when they sponsor individuals. You often hear of an organization yanking a sponsorship of an individual when they go on a bender or do something silly, especially in the [cancel culture](#) environment.

Agreed. Negative association by just the fact that you - I mean, this is what I'm saying. I have to be so careful about who I endorse, because it will affect me. I take responsibility, actually, for it having impact on me, which is why if something becomes known to me, I have in the past, I've deleted an episode of my podcast because the person who I had on the show turned out to have lied to me about their achievements and their position.

They said they were a founder, but they were an employee. They said they had grown the business, but they hadn't. And when I got approached by a lawyer asking me to take down the episode, I'm like, of course I'm going to take it down, there's no way I want this guy in front of my audience. Even though I did due diligence, this apparently was quite an accomplished criminal, who had made false representations on layer upon layer upon layer. So first surface inquiries didn't find it.

But I certainly search, when I have guests or whatever, I'm searching for reputational signals. I want to see if there's negative reviews, I want to see what the reputation looks like in the marketplace, the same way I do for my own investments. And even if I'm going to replace a pool pump, or whatever, I'm going to check the reviews on the website, because there are things you can do from a reputational perspective to eliminate bad characters.

Charley: Well, that ties in perfectly to the other one I would point in. One I noticeably see people get caught out at is let's say, two business owners do a deal, and then for whatever reason, it doesn't go well, refund. People with harsh refund policies. Even like, let's say the business owner feels they are in the right, they did everything right, they deserve the money they got, but the other person feels ripped off, well, then they will spread reputational damage around.

So you can see that in circumstance, my default has been like, I think many people have to wait out the cost of a refund, because the price they're paying in this refund is actually reputation management.

James: Yeah, and like, all of these matters, it may not even be true. But there are levers that people can pull to smear or cause negative reputation. And I think some people just haven't evolved their relationship and communication skills to a point where they can be reasonable about this. Sometimes it's easier just to make a problem go away, than to stand your ground and win the battle but lose the war, like you might win a refund battle.

By the way, if anyone ever lodges a chargeback, I'll always contest it, just because my reputation with my merchant provider is more important than the reputation with the client. And they're always wrong. And I've never lost one. So there's a good indicator, even if I then give them a refund after I win that battle, which I've done several times, just because I'm a bigger person. And so I've asked them if they can just, new to their claim.

Sometimes they don't. And I say, Well, I will contest it. But if I win, I'll still refund you because I want you to have the money back. That will, in some ways, it gets the process on the correct side of the balance sheet for my merchant facility. And by the way, this is just not a big issue. This happens, like, once every four or five years. There's just that one, there's a one in 100 nutcase who just can't see things the way they are, no matter how you explain it. And then hopefully negate the will.

There'll be no doubt everyone's going to have a troll or a hater out there who's going to say something negative, right? They pop up from time to time, even strangers, even for no reason, especially on YouTube or whatever. Some guy said to me the other day like, Why am I going to take advice from a guy in a T-shirt sitting in front of his house?

And I thought, this is truly bizarre, like, what would he have me wearing? And where should I be sitting to give advice? Like, Hormozi wears Crocs. I mean, so that can't be the criteria. Should I be asking what he's wearing, to pass comment on me? Is that important? Wouldn't it be better that I am not in a suit, sitting in my own residence that I've purchased? Like, am I not in a better position to offer advice perhaps than some of these people with a fake green screen in their rental office, you know, while they're living under a desk, whatever?

Charley: The YouTube comments is a special place in society.

James: It is a special place.

Charley: Very, very special place.

James: It just blew me away because I'm not used to getting so many comments. And people just have this built-in hatred they're ready to spread. But anyway, I think the big point here is you can cause your own reputation to a large extent. Some of it, you can't.

But to a large extent, the impressions you make, the reputation, it's the company you keep, it's the actions you take, it's your behaviors, even when no one's looking, that will form the person you are, that will magnify and people will be aware of it. And if you don't think they are, you're wrong, because they are. They know all about your bad behaviors, and they're talking about it when you're not there, and it is costing you even if you never knew it.

Charley: Profit killer, absolute profit killer, or profit maker maybe, as well.

James: Well, obviously you reverse the profit killers, you end up with the thing, you know, prescription of what you should be doing. Let's talk about number seven.

Sometimes more is not better

Seven is ad hoc services and products. Talk me through this one, Charley.

Charley: I learned this one the hard way, James, I really did. So in my first business, the agency, I thought the best way to drive profit was to offer more products and services. So we were doing a lot of ads at the time. And I thought, well, we'll add on graphic design, we can offer as an extra, or you know what, we'll try and add on this other little website thing.

And in theory, it sounds great to be able to sell more things. But what I underestimated was that when I brought on the team to deliver all these things, it created a huge amount of complexity. And that complexity in itself, like drove down, like it just increased the management and stretched me and having to be on top of so many things just destroyed profits.

Where if I had just stuck to one clean service and product, I could have scaled that much more efficiently. I could have trained the team better, it just would have been a better machine overall. So the hunt for profit in that example there ended up being the thing that just destroyed my profits by just doing too many things.

James: Well, I think it's kind of like investing across a whole bunch of different shares or properties, you're going to average out your wins and losses to end up with average, right? The argument, the counter argument might be, what if you just did that one thing, but that one thing then became the risky thing we talked about before, like you ended up in a bad growth market or a bad trend? So you know, that single point of failure potential.

I know, when I came online, and then eventually, two and a half years later quit my job, that first year out, I stacked a few different profit models together. I had services, I had affiliate income, I had information product income, I was doing CPA offers. And then within six or seven months, I started mentoring and opening up my community.

About a year after [I'd quit my job](#), I had about 10 profit lines. My revenue was growing, and I started to increase. We started pushing out in those, especially with the services that when we added SEO services and the website services, we ended up having the most revenue, we had the most team members, we had 65 people. We were doing good profit, but it was pretty complex.

You know when it became hard? It became hard when I hopped on a plane and I went to a conference. I'm like, Hi, I'm James. And they're like, Hi, I'm Charley, like, what do you do? And I'm like, gosh, you know, like, I don't even know how to answer that question. Am I an affiliate? Do I sell info products? Do we have a website business? Do we do SEO services? Am I a coach? Like, this is ridiculous.

So over the years, gotten to the point where I've streamlined using a process that I'll share in a second. I've actually got on my desk here, one page, I did this page yesterday. I'm deliberately obfuscating it, you can't see what it says, but I'll give you this snapshot. This is my entire online presence now. And it's so simple.

I've just got JamesSchramko.com. And I have my [surfing website](#). That's it. With my surfing website, that's predominantly advertising revenue, and it's very, very passive. So let's not count that. That's a hobby at this point. But if you're from the tax department, it's a business venture that is just breaking even. Okay?

From the JamesSchramko.com side of things is I'm simplifying the product, my next iteration of the membership is focusing on one main product line. And then I've got my partners, they're the two main strings to the bow. I've still got a few SilverCircle members that just will never leave, but that's okay. They're cool.

But that's not a current product. And it's not something I spend any energy on marketing, whatever. That's just purely retention. It's back to point number six, reputation. So how do I get there? Over time, I use the process of measuring things like the [effective hourly rate](#), and then asset value.

So I take into account how much revenue is coming in by product line, how much James hours are involved by product line? What are the team costs involved per product line? What are the total hours, total profit and the effective hourly rate? And then is there any compound, is there any sale value of that business model?

Now, when it comes to partnerships, there is a sale component of that, so that factors in. When it comes to things like affiliate marketing, they knock it out of the park for effective hourly rate, because all I have to do is write an email or two, and I get good income for just a small promotion. And they sort of amortize across all the podcast hours or whatever, and mix it in there.

So in short, by scoring your different product lines, your different divisions with some significant metrics, you should be able to work out which of all your fabulous darlings you need to cut, and just get down to the core.

So I imagine in your situation, Charley, and I kind of know, because we've worked together for quite a while now, you've gone through this scoring process, and you start to make discoveries that lead you to make decisions as to reducing down all the ad hoc products or services to getting to your core.

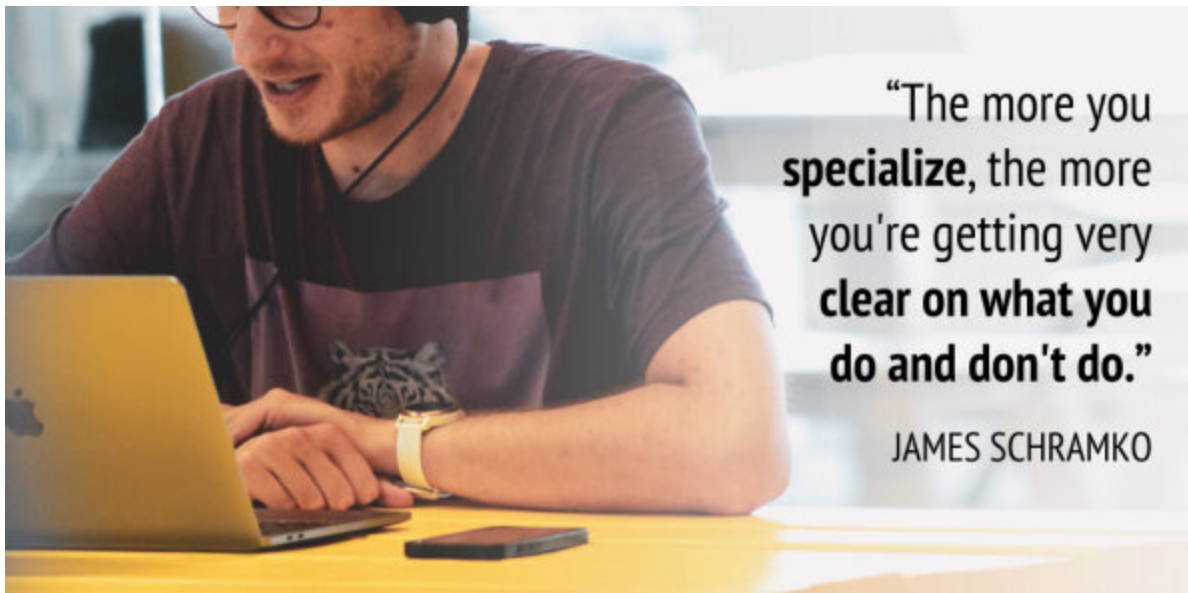
Charley: Yeah, I've definitely learned from that experience. I love how yours stacked better though, to see how you might have different revenue opportunities, right? So you might have, you can coach someone in SilverCircle type setup, or you can partner with someone. Like, you're applying much of the same skills.

James: Yeah, it's the exact same process. Delivery is very similar. The monetization model is a little bit different, because once performance based with a sale value attached, and a long-term implication, one could be more, you know, the risk is all on the customer that they have to make a return on their investment. Some of them are by the month, so there's no real long-term relationship. Although, since I haven't sold it for three or four years, and most people have been there for six or seven, it is a very long-term program, as it turns out.

Charley: Yeah, James's retention is almost, it's unreal compared to what you see in other things. But to the point is the mistake I made is like I'm adding in different revenue lines that come with different process. So I'm having to hire developers who I don't know how to manage a developer, in this case, here.

James: That's where Ricardo Semler can be a handy reference. Like he would go out and get a customer and then he would build on businesses or services that also can serve the same customer. So he might get an air conditioning company and supply that to office buildings. And then he would buy a payroll company and then sell it to the same occupants of the office building.

So you end up building divisions around the same customer. That's one way to do it. I always talked about that as the chocolate wheel, that someone could come into my sphere and then they could consume multiple products or services. Even when I had a website and SEO business and a coaching business, they were very complimentary, because the client really needed all of these things.



And so a lot of the clients were clients of each of those product divisions, maybe two of them, or three of them, or one of them, but eventually they'd be exposed to the whole lot. So the more you specialize, the more you're getting very clear on what you do and don't do. And if you are going to have add ons or ad hoc products or services, it would be good if they had something in common, either something in common with the team you've already got or something in common with the customer you've already got so that you're overlapping resources and getting some efficiency or leverage.

Charley: Completely. And I will say, I've noticed that observation for many business owners is like eventually, over time, they end up disliking their business.

James: Yes, they hate it. There's a major reason for that. But I'll let you extrapolate your point.

Charley: The desire to do something different has them add in a completely different delivery vehicle. So if you've got an agency and you're like, Ah, I'm not enjoying agency, and then you go, well, I'm going to do courses, well, now you've got all the things that come with courses, for example, whether that's learning how to market courses, or you need the team to deliver trainings. But you can kind of scale out those complexities. And that's where I think the danger comes from where you've got an inline example, process doesn't change, but you're able to widen the revenue streams. So important.

James: Yeah, I think for a lot of people, they're too susceptible to other people's plans. You know, there's this great saying, like, if you don't have a plan, then you're going to fall into other people's plan. There's some strong forces in our market, other marketers have strong plans for you. They would like you to do their Product Launch Formula course, they would like you to do their Ask challenge, they would like you to do their whatever else, you know, flavor of the month, whatever launch is on.

If you're weak in terms of your own plan, and you can't resist that, then you're just going to be on to that next \$2,000 entry point, spend time building out this new thing. And then the market moves on to the next thing, and you're kind of like, Ah, I'm exhausted, I'm tired. And then you get stuck. I see this so much, because it's what I fix.

And the thing that I do is help people get under their own hood and figure out what their plan is, and what they want. And then I customize around that. And the main unique method that I have around this is creating a filter. So a long time ago, I published this thing called the Mafia Plan. And in the center of that universe was the recurring membership hub. That was my business model.

I mapped it out before I built it, probably 2008. From 2009 on, the recurring hub, which today is now the James Schramko membership, was the center of the universe, and everything was around that. That's how the Mafia Plan looked. The plan was so good, you couldn't refuse it, right? And this is important when you've got all these people trying to influence you.

So if you look to my business and wonder, why is it that I do everything differently to just about everyone? Why don't I do launches? Why don't I have affiliates? Why aren't I running big paid traffic campaigns? Why aren't I doing cold outreach? Why aren't I speaking on stages all year long? Because I got a plan to serve my business the way that it needs to.

And that recurring hub, the center of the universe, has been the strength of my plan. So the filter becomes, does this serve my recurring membership hub? And if the answer is no, I'm probably not doing it. It's as simple as that.

Charley: I wonder how many people started memberships because of the James Schramko factor, like, saw your model and it shifted them....

James: I don't know. I think more people started maybe because of the Stu McLaren models or whatever. Like, there are better marketers than I am who are really good at convincing people to do this thing. And they'll go and do it. But how many memberships that were started under that environment are still standing? I'd say a very small percentage.

I'm good at the long play. And the membership has been the hub for me. I mean, the thing is, we're on this podcast at episode 969. I got into the podcast early, and I've kind of stuck it out. And I got into the memberships early, and I stuck it out. And I've been doing partnerships now for over six years the way that I do them now. I'm sticking that out. These things are working. So I don't mess with them, Charley. The big thing is I resist the temptation to go off and ditch it all to try something else. That's where we're really talking about here.

When you've got to edit and purge

I'm not adding stuff on at this stage in my business, I'm removing stuff. So on this map that I've mapped out for myself, versus the map that's in the bin here, one here, this has more things on it. This one's got less.

And I'm really into the Dieter Rams's design philosophies now. You know, like, less but better. Remove everything you possibly can remove, and have no more than that. And if you remove too much, then just add a bit back in, that's where I'm at. So I'm down to one website for my business stuff.

Charley: Well, business owners appear to be pretty good at adding things in, right? I don't think that should be the fear. We've got to add more in, that's a skill we seem to be great at.

James: People don't talk about editing and deleting. The real stuff is in the planning, the research and the planning. And then, once you are creating, get good at editing and deleting, purging. I mean, I've been here for one year now in this place, and I'm going through my boxes that I haven't touched for a year.

There's only a few left, I've got very few things that I brought here. And I'm going to delete, purge or edit them. And there'll be virtually nothing left by the end of that. It will be put into the form of leverage in terms of electronic format, or it will be put into the shredder. It's going one way or the other. But it's not going to sit there.

We have to address these things. So the action step for this number seven, go and review your business and do a line-by-line review across metrics that will reveal which of your ad hoc products or services are worth it or not. I'll tell you about a customer of mine. I'm not going to mention names. But he's got a division that they've been to trade shows on, they've spent tens of thousands a month sustaining, they run lots and lots of paid traffic.

And the bottom line is it's got like 40-something customers paying a couple of hundred bucks a month. And they're trying to make a decision whether they continue to feed it or get rid of it. Their other division makes tens of millions of dollars a year. And I've said, Is that even a question? Like, the sunk cost on that thing, the amount of effort expended to get such a small result, surely is a pretty strong indicator.

And they're like, Yeah, you're right. I mean, it's amazing how much we will hang on to something that we shouldn't, unless we're challenged by it. What do I do for a lot of people I work with? I'm that person, I'm the challenger. I'm like, Tell me about this, what's going on here? And how do you feel about that? And like, if you weren't attached to whatever, and you just saw this cold as a buyer, if you were buying this thing that you have now, how would you feel about paying money for it?

And they'd say, I wouldn't touch it. Like, okay, why are we touching it? What are we going to do as a result of this discussion? And they say, I'm just going to sell it off or dismantle it, or just going to park it, whatever. I'm like, Great. And then we review. So this constant process of editing our current product line, about deleting, about confronting the things that are uncomfortable at the time, it really has big payoffs when you do it.

Charley: Completely agree. And as I've done more of it following your process, it certainly worked for me as well. And I imagine many others you've worked with, James.

James: Yes, so I suspect as a result of this podcast episode, people will simplify. That's the message, simplify. Even [Perry Marshall](#) has a good book around that, simplify, I think, or he's at least co-wrote or foreword or something. But it was about making things more useful, making things easy to use.

Recognizing that if you just delete poor-performing divisions, it automatically enriches the well-performing divisions. You take the same time and energy that's giving you a crappy result, and put it into something that gives you a good result, you'll lift. Just by killing the bad, you actually lift everything.

Like if you had 10 salespeople, and two of them are really bad conversions, and you get rid of them in a nice way or whatever, make their role redundant or whatever, then improving the conversion ratio of the rest of the sales team will actually lift your sales from less people. It's phenomenal. So shall we talk about number eight?

Charley: Let's do it.

The big events that sidetrack you

James: Life events, major events, things, right, that sidetrack you, I suppose, is a theme here, an invisible profit killer, major events. Tell me about that, Charley, what did you have in mind?

Charley: Well, mine's about to turn three.

James: [laughs] Okay.

Charley: I'll just put it out there as like, these aren't necessarily bad things either, right? So like, I'm obviously very fond of my son, Jack, here. But when you look at the time that a child takes up, a major life event, well, this might be your parents, or maybe your partner, might be your friends, is like, when you look at these types of life events, the time they take away from a business stands to dramatically shift profits if not set up accordingly. And I know firsthand, like many people that have got caught out by these and then it's like, it's been almost a destruction, if not the destruction of a business.

James: Yeah, look, I mean, as a parent, I can say it's incredibly hard to be on your peak performance game or to have the same level of focus or energy for a business, than without kids. There's lots of examples of people who don't have kids who are just business ballers. But they'll never have the experience of their kid taking over their podcasting equipment and recording their own podcast, and like little heart-melting moments.

I am very grateful for having kids. I would say that if I didn't have my kid Jack, my first kid Jack, at the age I had him, I wouldn't have gotten into sales, and I wouldn't have been in the position I'm in now. So my kid actually enabled profit, but in an indirect way, like, you know, I could never have predicted it years prior.

If you said to me, like in 24 years old, you have to go out and find a sales job to double your income or else, I'd be like, What are you smoking? But the reality was it forced me out. It basically burned my bridges, I had nowhere to fall back on. And I had to get out and about. So it was huge. But I will say yes, I've also got a three-and-a-half-year-old now. And I've adjusted my work routine around catering for that.

It stacked my week. My work week is stacked to coincide with childcare. And it's when I get my stuff done. And when I'm not working, I'm not working. And it's also made me a better person, having those constraints. It reminds me of an artist, artists who have constraints like the edge of the canvas, and using a certain brush or a certain paint.

If you say to an artist, you can only use this brush and these two paints and this canvas, which I do with my kid, right, just because otherwise she wants to try every single paint that we have in the entire house and it can take a long time and get messy, they can actually produce better art with the constraints. So it brings out more skill, it brings out better development.

So I'd say anyone who has kids would relate to what we're talking about. People who don't have kids, probably it's maybe flying over a bit. But that's a great example of a life event that will definitely change the relationship you have with your business, especially if you're quite personally tied to the business, your business has competition, some serious competition.



Charley: Completely. And I'll even go as far to say, it's interesting you mentioned the, it's almost like a profit motivator long term. So for a lot of people, having a kid turns into their motivation to do well in business. And it's actually a byproduct of the kids' fund.

James: They've even put a number on it, haven't they, like you need a million dollars per kid or something, at least?

Charley: I would say...

James: It'd be more now.

Charley: with inflation, probably more.

James: Yeah, that was how much it was back then. You seriously got to have, just take a 20-year reverse ATM, and you're getting close to the mark.

Charley: So that was an interesting one in itself, the whole kids topic, because you can see both sides of it. Like, I'll go as far to say the first three months when I had Jack, the sleep loss, rocking up to business delirious, like no way I was making my best decisions that first three months. So you would have to acknowledge that that absolutely destroyed some potential profits and opportunity cost and running the business well. It's there, you can see both sides of it.

Parents get on in years

The other ones that get more interesting though is like, and something I'm experiencing a little bit in my own life, is like, aging parents. It's like, of course you want to spend time with our parents and help them through this stage of life. It can be very challenging, and I would be lying if I said I hadn't rocked up to work some days thinking about that, instead of like, mind on the prize for that day.

James: Well, both my parents were in my messaging this morning, just before I went on the podcast. So absolutely in my mind. They've found themselves in interesting scenarios that I'll resolve later. And I won't talk about it on this podcast because I know for sure my mom listens to this podcast. Hi, mom.

But I do want to put aside time to spend with them. And yes, it definitely transforms the way you think about things, because they're kind of like an earlier model of you working their way through the machine. Like, as they get further down the line, it certainly brings up thoughts for myself, having conversations about mortality and the end game. And more than ever, I want to make sure I'm spending my time in a way that would create no regrets later.

We don't think so much about it when we're younger. In my case too, just on the life events thing, yeah, I feel like I'm in a different phase than a lot of the people I'm helping, which is why I'm helping them, because I've been to battle, I've seen what's there, and I can sort of see what stage they're in and help them through that stage with some sage advice.

And I do think all the things that have happened for me in life, not to me, but for me, have put me in a position to be of much value for other people who might encounter some of the wild and diverse things that I've actually experienced. So I think this is a good one.

The major events you put on

When I think of major events, too, I also think we mentioned it before, I used to run an event every single year. And usually, the hotel was a big beneficiary of that event.

They got most of the money, right? A massive, I'd have to pay \$85,000, or whatever to the hotel. And, you know, so making that direct deposit or sticking it on my Amex was always, it's something that could suck the profit out of that month, right? For some people it might be a bigger hit than that. Hopefully, if you're selling tickets, you can stage the timing well enough that you're getting paid and making your payments at the same time. So you've a bit of a cash flow tango there.

I still pay my boat every year for the Maldives event. And I've managed to figure out a nice way to make that flow seamlessly. So they can be profit killers if you're running a real time cash accounting situation. Some people run their books differently, Charley, probably you're well aware of this, but they might break events over and sort of amortize them per month.

Same with income, they might amortize them per month. And I want to say this, some of these people who post income reports on their blogs are bullsh*tting the public because they count sales of things where they haven't cash collected yet, they count the projected cash collection without taking into account refunds. And without taking into account part payment systems.

And I think that is misleading and deceptive. And I just want to call it out and say, we shouldn't be doing that. Anyone shouldn't be doing that. If you're doing it, stop doing that. There are people out there who do it. And they shouldn't do it.

Charley: Oh, do you mean when they quote contract value, and things like that?

James: They don't even specify that. It's only when you speak to them individually and say, Tell me about this number here, like this hundreds of thousands per month or whatever. And when you dig deeper, you find out that's the part payments, if they're paid over the next 24 months or 12 months.

Charley: And that's if they stay the whole time. Right?

James: Which they don't, of course. There's delinquency, right, people who don't pay the full payment. There's attrition. There's all sorts of excuses coming up towards the end of a payment schedule, of course, and but then there's also refunds.

These people are often selling in a high pressure way. And they're going to get 20 or 30 percent refunds, which I couldn't fathom having 30 percent refunds. For me that would be like, basically 30 percent refunds means your product is sh*t, or your marketing is outrageous, in a bad, outrageous way, not in a [Trevor Toecracker](#) outrageous way. Obscene.

Charley: It probably comes back to our previous point about reputation and first impressions.

James: Exactly.

Charley: You've got a 30 percent refund rate, well...

James: They're not playing the long game, because it's going to come out eventually that their method of accounting is not real. This is internet math. And this was really tolerated 10 years ago, probably before your time, Charley. When I came online, internet math was a big thing. But we need to look below that.

If you have seen people spout numbers or whatever, just remember, revenue is not equal to profit. A lot of the bros talk about revenue. A \$10 million revenue business is probably lucky to pull a million dollars profit for the person before tax, right? Because they've got to pay all their setters and closers and ad bills or whatever else.

So those big fancy plaques on the wall, they don't really mean that much. You've got to get below it. And as you and I've talked about in our [other themed episodes](#), Charley, what are you doing with some of that money? You're taking it out of the business and investing it somewhere where your money is going to work for you. So that's the more advanced, mature discussion.

Anyway, just wanted to say that on the topic of major events, don't be wooed by people's income reports, because they may need some serious qualification before you would believe them. But I also want to say, yeah, in a business like mine, you can have some spiky times. So I actually have my team flag when we have a big expense, if we pay for hosting for a year or we buy software on an annual thing. Like anything that pops up, or we buy some hardware or whatever, it gets flagged as a one-off major expense so that I can say, Okay, this isn't representative of our usual cash flow.

So they'll give me a profit percentage. And they'll give me an irregular sort of expenses account so that I know, you know, we just paid the boat or whatever, that's going to be a big expense, that's going to eat into the month's profit. But I deal with it on a cash accounting basis, like that's a this-month hit. But I'll be in more profit from now on.

Charley: Totally. You're speaking about the difference between like, cash and accrual accounting there, which, yeah, certainly in certain business models, I can see why you would elect one or the other.

James: Well, you just want a true picture of what's actually happening. I think we've talked about this before. Most people don't really know their numbers. And it helps to know if you're doing one method or the other, because then you know if this is a real number, or an accounted for over time number, and they do make a difference.

Charley: I wonder how many people are listening now. And I'm not sure which method they're actually using.

James: I know. And just to put it out there, you know, I'd never passed my accounting subjects in my accounting course, not the advanced ones, like it started getting harder and harder. So I don't love the topic. But I do know the basics. And a lot of the marketers who are publishing stuff, they don't really know what they're even publishing, maybe.

And certainly, when they were queried on it, they didn't change their methodology, which goes back to reputation. I would never trust that person when it comes to anything financial, for sure. Should we move on?

Charley: Let's do it. Next point.

How are you doing healthwise?

James: Next point, health and wellness. We've sort of touched on this, you talked about parents, we've talked about kids, obviously, when something happens to either of those cohorts, it generally affects us, especially kids, because they're dependent, and you'd rather be in pain than have your kid in pain, right?

I know people right now who have been completely thrown into a major headwind of difficulties with children. And it can be all-consuming. Definitely can take attention, can use a lot of budget, can be a profit killer. And it's something to be aware of. Of course, there are certain insurances you can take to mitigate some of it, but you can never be fully assured. If you're going to propagate or if you've got parents who are still around, there's a good chance this is going to come up at some point.

So it's well to preserve or protect a little bit. One thing that I found helpful is to not block out my whole week, so I've got plenty of free space to be able to manage around things that inevitably come up.

Charley: That's such a good point in itself, right? Having capacity to deal with things when they come up, because we know they will.

James: They will come up.

Charley: I'll go even further here. I'm not sure many people recognize what type of influence they can have here. So for example, James, I know you have a sauna. This is something where you're actually actively taking, I don't know how long you go in there, or how hot it is or anything.

James: It's like 50 degrees for an hour. Forty minutes or something.

Charley: Yeah, so if you do that three times a week, you're less likely to get sick, in general, I believe. I don't know if that's true. Don't quote me on that.

James: Yeah, I'm not a doctor either. But I've seen some research papers from actual doctors. My friend [Anita Chaperon](#) actually sent me a link to a manual, it's like a therapy manual that's been from studies in all sorts of things. But in short, this infrared sauna replicates what your body does when it goes into a fever, it raises your temperature, it kills off viruses and stuff, and then it brings you back down to normal. So it's like a practice session. So your body gets really good at fighting stuff.

Charley: And so that's an example where you're investing time in this ideation of going well, now, I'm not sick this coming week, or whenever it is. So you've actually like, gained in this category from that type of concept. So how well the business owner looks after themselves and has things in place to prevent themselves from getting sick, or their loved ones, can make a really huge difference here.

JAMESSCHRAMKO

“You could lose significant time every year, just through lifestyle decisions.”

CHARLEY VALHER



But then the reverse is also true. Like, how many business owners out there smash a few glasses of wine every night, or alcohol before bed, in turn sleep poorly, which has their immune system be slightly compromised? So when they brush that person on the train, or in the office, or at the cafe, it's like their chances of becoming unwell, because they're compromised compared to James in the sauna, who can fight off this sickness easily, is like, you could lose significant time every year, just through lifestyle decisions. And I think it's really impactful here. And the true measurement of our health could actually be the difference in the profit of a business, in this example.

James: Do you drink alcohol at all?

Charley: I actually have had one glass of wine this year. And it just, I'm not, how can I put this, it wasn't even an active decision. It was just, I noticed with having a kid and being so busy, it was like for whatever reason, I wasn't gravitating towards it. Not to mention the repercussions of being slightly hung over on one Christmas event with a young one, I'm like, Wow, this is a different game. Not enjoying that at all.

James: Yeah, it's interesting, isn't it? I don't drink much. I'm following people especially, there's a guy I work with who's got a whole program around people who don't want to drink anymore. And then I follow a couple of other people, like carnivores and stuff, they just basically, alcohol equals poison is the summary you get. There's not really any positive, Even Dr. Amen makes great content. It basically slows your brain down and kills you early and stuff, is the outcome that they preach.

So I've not really needed or wanted it, I certainly don't need it for therapy or whatever. I've got my ocean, my ocean therapy is good. At the moment, I'm healing some broken bones. So I'm definitely not touching alcohol, because I just want to heal as fast as possible. And so I'm focusing very strongly on nutrition and sleep.

Sleep is like, the absolute miracle that most people, if they fixed that, would fix just about everything. I'm going to say sleep really is the number one in the health and wellness. If you can get good sleep, and then if you can eat well, then you're going to be in such a more resourceful position to make better choices to deal with setbacks, to have the resilience to push through.

Like you, when I had my kid, at the time, I was using a brain training app. And as soon as Lucy came, my scores just went, they plummeted. They were down like 20 or 30 percent. I couldn't get anywhere close to my best scores, because of that initial not sleeping, because I had such good sleep.

I noticed also when I went on my last trip, which was to Singapore, Maldives, Phuket and Singapore, back home, I had a sleep deficit for about three or four days after that travels - like, pretty exhausting, lugging bags, managing a baby on a plane on a night flight, don't recommend it. And then driving and unpacking, and I'd surfed 15 kilometers a day as well, it probably didn't help.

I was pretty much physically exhausted. You know when you come back home from a holiday so you can have an actual holiday and rest? It was like that. But where I live is like a holiday destination. So I'm very lucky. It took me about four or five days to top back up, just catching an hour a day, get back up. But once I was back on, I could tell.

I can tell, if I lose sleep, it's like a hangover. It's so critical. I have a dark room, I put my devices in another room, I have it cranked to nice and cold. So I've got a really good sleep routine. Luckily, my daughter's a great sleeper as well. So that is the reserves that powers you through. [I've had old guests on just sleep](#), this topic is so significant.

Even putting the little orange glasses on at night when the sun goes down can block blue and green light, can help you sleep, I've tried that, it's been working really well for me as well. But anyway, health and wellness. Sometimes you'll get setbacks. I had a setback, you know, I mentioned I've got some broken bones. So basically, there's some things I can't do at the moment, in particular, I can't surf today, which is, of course it then can potentially compound on to other things, like you could be upset about that, or you could be depressed about that.

But I have a different way of processing it that I'm okay with it. But I'm really savoring and looking forward to the next paddle out, because it'll be more special, it will be a bigger reward. And I'm rechanneling that time that I would spend surfing doing other productive things like editing and deleting my files, going for short nature walks with my wife, etc. Just redeploy the time into super productive pursuits and get back on track.

So anyway, that's my thought. Health and wellness, absolutely can come, you don't always dial in when you're going to have a health and wellness setback, it can just arrive, and you need to be ready for it.

Charley: Absolutely. And I even go as far to say prepare for it, like we know people get sick, like you can make choices to reduce how you are sick, how long it takes to recover, all kinds of things.

James: And I think your attitude around it as well. Those things are critical. Most entrepreneurs are fighters and can get a good management plan. Surround yourself with good advisors. That's something I've noticed. I've got a guy in my corner who can help me through just about any ailment. He seems to know exactly what to do, and it works, which is great. Some of it's less conventional. I'm not talking woowoo stuff, I'm talking like it's science backed but not mainstream.

Because a lot of doctors, they only spend a very short amount of time on keeping up to date with health practices, and they get bogged into their practice. So sometimes you need to have a panel of people who look outside that to help you.

So anyway, gosh, we've done well with our series. Two parts here, Episode 969 is this one, the one before was [Episode 962](#). We stack all these profit killers up and reverse them, then we're going to be profitable, which is my ideal outcome from this series. What about you, Charley?

Charley: Absolutely. I look at that in a big way. Do you know my number one here, I feel like I need to delete some more things of like, as you said, that point I'm like, Alright, I got a refinement. Right? I think that's a really powerful one.

James: You'll feel the weight lifting off your shoulders as you let stuff go. For me, the biggest delete that I've done in the last long period was chucking several boxes of automotive-related material. I think I've detailed that in previous episodes, but I thought I'd save it and have a go at that market at some point in the future, because I was really good at that market.

But when I did, I hated it so much, it brought back bad memories. The dealers have not evolved, they're still dinosaurs. It made me sad in a way. And so just, I just basically shredded it all. It's gone. And I've let that part of my life go. Never going back to it. It was the only nightmare I ever had, still working in a car dealership.

So I feel like that was 2008, the last time I set foot in the car dealership, and that nightmare still creeps up occasionally. So it was part of the cathartic process. The big homework is, what are you hanging on to that deep down in the heart of hearts you know you'll never really use or need again that you should just let go?

And I'm big on recycling. In Australia, we have Gumtree. But in America, you use Craigslist or whatever. Craigslist, even though it's not spelt that way, let's say Craigslist. Anyway, I will list things even if they're cheap or even free and get people to come and get them. So they can use them in their household and not go into landfill or whatever. I'm pretty big on that.

I like to let things go and have a life somewhere else. If it's not going to have a life in my garage, or my room, let someone else have it. I've sold a lot of my old equipment, my microphones and stuff to film grads and uni students who are learning, you know, making documentaries and stuff, I hope they go make something amazing with it. That will be awesome.

And I also just gave away a whole stack of duplicate books that I had from here. Over the years, I've collected a few duplicates, and I give them to people who I know is going to get something from that book.

Charley: Yeah, I like that concept as well, James, very powerful.

James: All right. Charley, where do we find out more about you? I think you've been such a contributor in this series. I'm sure you got lots of useful insights on your own web properties.

Charley: I do. How convenient. So businessandinvesting.com. We have a podcast there as well discussing a lot of similar topics and things we like to cover here. But if anyone wants to go deeper into those, I think they'll have very good fun exploring that podcast.

James: I love it. I really appreciate our conversations. I know you've always got great ideas for stuff that's coming up. If you're listening to this episode, and you want to ask Charley and myself something that we should cover in a future episode, fire off an email, James@JamesSchramko.com. I answer it personally.

I'd be curious to know, what do you want to hear from us about, where can we go deeper? Or what did you like about this series? Is this something that resonated with you? Did you action something and get a great result? I'm really keen to know how it went. Until next time.

JAMES SCHRAMKO

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business and your
life**

