Daniel Hall Presents

Episode 99

How To Create A Business That Is Founded On A "Productocracy"

with MJ DeMarco

Welcome to this episode of the Real Fast Results podcast! M.J. DeMarco is today's special guest. He is an author and successful business owner. M.J. wrote a book called *The Millionaire Fastlane*.   In it, he describes how he built a company, basically, from the ground up, and then he was able to sell this company for millions of dollars.

DeMarco is also the founder and administrator at TheFastlaneForum.com, which is a worldwide discussion forum that's dedicated to the advancement of fast lane entrepreneurship. This forum has over 130,000 visitors a month, and it is one of the leading destinations for startup entrepreneurs and offers discussions on how to grow a business. What M.J. is really doing, overall, is calling out to folks that are tired of taking a "slow and steady" pace and the conventional ways of growing wealth and a business. Welcome to the show M.J.

Promise: How to Found a Business on "Product-o-cracy"

First, thanks for having me. I appreciate it. **I would say that the big result we're looking for today is how to create a business that is founded on what I call a "product-o-cracy".** That's actually not discussed in Fastlane. It's discussed in the new book that I released, but a product-o-cracy allows business owners to grow virally. It allows them to grow beyond a linear construct. Essentially, it puts them in the driver's seat to, pardon the phrase, "print money."

A "product-o-cracy" is based upon a unique product offering or service that is not offered by someone else. A good example of a way to look at this is that there's always a restaurant in your neighborhood, or in your city, that's always crowded, but they don't advertise. That's the essence of a product-o-cracy. **It's when you have a product that is compelled by word-of-mouth and there's an expansion, so the need to advertise becomes secondary.**

A lot of entrepreneurs are not running product-o-cracies; they are running marketing firms. So if they stop advertising, their business slowly starts to die. That's the difference between just a regular old business and a company that's running a product-o-cracy. A great example of a product-o-cracy is my book *The Millionaire Fastlane*. I think that I must have spent $3,000 in total on promoting it since it was released seven or eight years ago. The growth was not because I'm some kind of great marketer or because I hacked something. The growth was because the product was good enough for people to recommend over and over, and that, in essence, is the product-o-cracy.

Meritocracy

This is founded on a "meritocracy". **In a meritocracy the talented people get the jobs, while in a product-o-cracy, they get the money.** That's the essence of it. In my new book, it comes down to what I call a "value array". That's based upon a value competition. So, think about this. Anytime you purchase a product or service, and you give a company money, what you're saying to that company is, "Hey, congratulations! You've won the value competition."

When you are evaluating Company X over Company Y, in your brain you have a system of weighted metrics that say, "You know, I'm going to use them because they are cheaper," or, "because their packaging is cooler," or, "it's exciting to me," or maybe, "their website is much better designed." Maybe there's an 800 number on their website. Maybe one company is cheaper, but their photos are kind of blurry, and there's no 800 number, or you can't see what the shipping is, etc. **So, basically, the path to a product-o-cracy is isolating the value array, which makes up hundreds of value attributes.** The value attributes are each metric that could potentially win or lose a customer.

When you reverse engineer any industry or any product, what you want to do is isolate every single value attribute. Whenever you can skew that value, and that particular attribute, that's how you skew the value towards a product-o-cracy because what happens is you start winning these value competitions over your competitor. I hope that makes sense.

How Were You Able to Do This with Your Book?

I wrote my book because I thought the market needed it. At the time I wrote it, back in 2011, I looked at the marketplace and found that there was nothing out there like it. Even today, people are still talking about the 50-year-old Wall Street fantasy plan. You know, "Be patient and give

your money to Wall Street, ya ya ya...” **I wrote this based on the fact that I looked at the market and found that no one was really talking about this, and people are selling their souls to some kind of Wall Street show.** That's the fundamental reason why I wrote it. I thought the market needed it, and right there was the value skew, at least in my mind.

Another value skew would be whether or not the writing of a book is compelling. Does it compel people to emotion? Does it compel them to take action? Do they see things differently? If you are putting something out into the market that isn't perceived differently than other things that are out there, you're not building a product-o-cracy, so you just become a marketer. That means you have to market and spend a lot of money to push your product or service since it's not really new.

I own a [forum](#), and I am on that forum every single day. I'm contributing and answering questions from entrepreneurs. You typically don't see that from other authors. I mean, multimillionaires generally aren't hanging out in forums and answering the questions of strangers that are particularly anonymous. In that respect, that's another way that I consistently sold thousands of books.

Now, what's interesting is that when it was first launched, I didn't sell thousands right off the bat. It has been a consistent drive over seven or eight years. That's another part of a product-o-cracy. **I wrote something that I thought would be transcendent.** So, it's as valuable today as it was six or seven years ago, and it should be as valuable 10 years from now. I wrote write anything unless it's transcendent. So, these are all aspects of a value array and what I'm trying to produce. If I can't verify a product-o-cracy, I move on.

I'm not interested in just being a marketer. If I have to spend $50 to get $60 in sales, I'm not interested in doing that because that doesn't expand. If you find a new customer, and they aren't going to recommend it to their friend or their neighbor, without that loop in the works, it just doesn't make sense to me.

Tip: Bring Something to the Market that Is Different

Bring something to the market that's different than what's already there. **Another aspect of that product-o-cracy is that you can dispense value that's already out there, but you can do it better.** You can be the most talented writer and distribute information that's already out there, but because you are a talented writer, and you write so much better than other non-fiction authors, you create a value skew. This is why there's opportunity everywhere. You try to reverse engineer the value array, the value competition, and all of the attributes, and there's always value to be skewed when you're dissecting every single item. That's how you get beyond relative value.

I always say that you have to have relative value. You might have a fitness blog, and it might be valuable, but it's not relatively valuable because there are 20 gazillion other blogs. In that

case, you have to skew value and say, "Well, I'm a better writer. I've been writing for 40 years." That's how you skew value. I'm not suggesting that any of this is easy.

Obviously, becoming a top-notch writer wouldn't be simple, and I'm certainly not suggesting that's me. But, that's the path to skewing value. The excellence becomes the cream of the crop, and it doesn't necessarily have to be the writing either. The more variables you skew, the more valuable the competition becomes and works in your favor. It could be the writing, or you may have a different message. It could be that you are more humorous. It could be numerous factors.

The best example that I have, and it comes from an industry that I'm very familiar with, is the ground transportation industry. I owned an internet company for 10 years that was involved with ground transportation. Well, Uber came along and disrupted that industry, which was specifically the taxi business. **If you were to reverse-engineer all of the value of that particular industry, you would see that Uber would not skew one, two, or three variables. It skewed the entire pool of them, and that's why they are a billion dollar company now.**

The path to a product-o-cracy is skewing these variables. The more you can skew, the better, but of course, we don't want to disrupt price too much because that, in itself, is also a value attribute. It can be cheaper. It can be more expensive. This is why the best price doesn't always win. There are more attributes that have been skewed, and the buyer says, "You know what? I'm going to go this direction as opposed to the other direction."

Applying this Technique for Authors and Entrepreneurs

I believe a path to a book that can make a difference is the three P's, which are "Product, Process & Platform". Too many people don't address any of these. Self-publishing was kind of trendy a couple of years ago, and authors were putting stuff out into the marketplace, but it was maybe a $1.99 book with 30 pages, they had no platform, and there was no process behind it. A lot of these authors just fizzled out after one or two projects because they didn't have that mix. None of that is easy. A process is never easy, and building a platform is never easy, which is why it's not terribly easy to publish a book and sell hundreds of thousands of copies.

We want real fast results, but we also have to have the expectations of, "What is fast?" You know, fast could be a year or two, and compared to the alternative, that's super-fast. I think expectations are also a big part of it. You want to swing for the fences, but you also want to be able to swing and get singles, and you just want to keep getting up to the plate and batting. Having those expectations aligned, and not expecting overnight results, or results in one week, is important. Sometimes you may have to think in terms of one or two years.

I'm not exempt from any of this stuff. We're talking about books, and when my book was first released, I had a hideous green and orange cover. I was getting signs of a product-o-cracy, and people were saying things like, "Hey, this book is awesome. Ignore the cover," or, "You've got

to read this book, but pay no attention to that ugly cover." What I saw was, "Okay, I've got something here, but I also have a problem." **And, a lot of people did not buy the book because of that ugly cover.** So, that was an element where the value skew was detrimental to me.

Even today, I still hear people comment on the title, saying things like, "[The Millionaire Fastlane](). That sounds cheesy." I can tell you that has cost me thousands of dollars in sales because that is an element of the value skew that people are turned off by. I guess I could change the title, but the entire brand is "Fastlane," so it's not something that I really could change. But, that's an example of how a value skew could win sales for you or lose them. I'm not immune to these pitfalls.

The title and subtitle of your book are more value attributes to look at. So are the cover, the layout, and what people see when they use the "Look Inside" feature on Amazon. That's another element, to have the introductory material be your right hook because that's what people look at when they are thinking about buying a book. So, you have to have that introductory material looking "A+."

Following the "Product, Process, Platform," method, on my platform I give people the ability to download the first couple of chapters of my book. If they are reading the first couple of chapters for free, you want to make sure that you strike an emotional chord. That's my favorite, striking an emotional chord. Show them what kind of value you can provide and let them make a decision, but that has to be quality material. It's like the old "freemium" model. You download an app and think, "Hey, this is really fun, so I'm going to upgrade to the $2.99." That's essentially what it is.

Striking an Emotional Chord

I believe that you have to tap into your audience to accomplish this. Try to think what they're feeling. In my second book, *Unscripted*, I open with the story of a young man being awakened by an alarm clock and having to drag himself to the car. It's cold out, and it's Monday morning. There's traffic, and he's going to a job he can't stand. The elevator opens, and there are cubicles everywhere, and he calls it purgatory.

That's how you do it. **You look at who it is that you're trying to reach.** Then you try to impress upon them that you are familiar with what you're trying to explain. Now, that story was part of my story because I have walked in their shoes. If you can show your reader that you have walked in their shoes, that's how you can draw that emotional connection, but you also have to paint the story properly. You know, you can't do that well if you aren't a very good writer. If you haven't written much, and you are just trying to write so that you can make some money, that's going to be a detriment to you. I've been writing my entire life, so that has helped me.

My platform, [TheFastlaneForum.com](), has thousands of entrepreneurs coming and going every week. It has given me great insight about how entrepreneurs think and how they don't think. Again, that is another particular value attribute that I can bring to the table. I can accumulate this data and see stories and whatnot. I can see how they react to certain things, and

what they are having trouble with, and what their problems are. I can gain insight into the things that they struggle with. That comes back to the point about the platform and how platforms are not easy to build.

So, I Need to Have a Forum?

Yes, that can be part of it. **Your platform can also be your email list, and basically, the people that are disciples of your message or your product.** These are things that many people don't have when they first start, and it takes time to build up these things. They don't happen overnight.

Sometimes people just want someone that they trust, someone that's capable, to be their leader, and that can be part of the value array too. Just hang out on my forum for a little while and you'll see that. A common thing that's said over there is, "Tell me the exact steps." There are certain types of people that don't want to start anything unless they know exactly how to go about it. In entrepreneurship, that just doesn't exist. There are no exact steps.

An analogy that I use is that you are going into a dark forest, and you don't know what kind of challenges you'll face there. So, I'm not going to tell you that you should take an axe, or a knife, or a sniper rifle, or a hammer. I don't know what you should take in there because you haven't encountered it yet. So, this thought process people have that they can get all of the exact steps before they start is just a foolish way not to start.

Generally, you just have to figure out the first step, and then you can move on to figure out what the second step is. I call this "The Kinetic Execution." That is acting before you have all of the answers, and it's acting on the first problem that lies in front of your face. That's the only problem you have to worry about. Then once you solve that problem, there will, of course, be a new challenge, a new obstacle, or something that you can learn. That's the next step.

If you look at all these things, it's easy to get frightened and say, "Oh my God! I don't know any of this." Well, of course you don't know any of it. Just start at the beginning and tackle it one step at a time. When I reflect back on my life and my experience, I say to myself, "You know what? Everything that I've had some success with has come from new knowledge, new learning, and new experience." It wasn't from graduating in college. That knowledge doesn't serve me today.

I never knew how to self-publish a book, how to run a forum, or how to run a business. I could go on and on. You just have to learn one step at a time. Again, this is about expectations. You have the expectation that you're not going to know all of the answers, but you're going to tackle it one step at a time.

Final Tips

I would like to say to steer away from guru mantras. "Do what you love," and, "Follow your passion," and stuff like that because those things are independent of a value array. **You know, if you bought my book, and you absolutely loved it, you aren't going to give a crap if I loved writing it or not. You just want to know what's in it for you.**

What passion comes from is when people value your work. That's a whole other topic. It's a feedback loop. The feedback loop fires and it inspires passion. That's what people confuse with "follow your passion." It's this feedback loop that fires which creates passion. There's a very big distinction there, and I think a lot of people get confused by this, especially when they hear billionaires say to "follow your passion." That's a longer topic, but I do cover this in my next book, *Unscripted: Life, Liberty, and the Pursuit of Entrepreneurship*.

Connecting with M.J.

You can connect with me through TheFastlaneForum.com. It's a forum with hundreds of thousands of entrepreneurs. Feel free to join. It's free!

Resources

The Millionaire Fastlane

Unscripted: Life, Liberty, and the Pursuit of Entrepreneurship

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