Speaker 1: Welcome to Build Your Tribe with your host Chalene Johnson.

Chalene: Hi, I'm Chalene Johnson. I'm sitting here with my husband, Bret Johnson.

Speaker 1: Hi.

Chalene: I asked Bret to be here tonight because together we have built-

Bret: And sold.

Chalene: ... and sold and created-

Bret: Created products and clothing lines and just all kinds of stuff.

Chalene: Yeah, some that didn't work out so well, some that worked out really well. Tonight we wanted to talk to you about how to decide what type of a product or if, in fact, you should develop a product and some of our opinions and our experiences based on the businesses that we've developed and lifestyle. We're going to share our opinions and we're going to share our own experiences, but we do also want you to know that it's up to the individual. Your definition of success is different from ours. What you would find stressful, we wouldn't find stressful. What you wouldn't find stressful, we might find stressful. We're going to cover all of that.

Bret: To be honest, it's just advice. It's not like it's ... It's just best practices for us.

Chalene: Yes, absolutely. I always wish that there was somebody I could ask these questions to that would give me their honest answer, and I have a few people who I feel that way, that give me an honest answer, but there's also a lot of people who-

Bret: Just going to tell you, re-confirm what you're saying and not make you think about it.

Chalene: All the people, they won't share any of the negative. They don't tell you about their failures. I'm like, I kind of don't buy this unless I know some of your failures too, because it's just not possible, right? In all the different businesses that we've created, we've often tried to talk to people who've done it. Although we've gotten some great advice, I also know that there's been plenty of instances where later the person goes, "Yeah, yeah, yeah, I know. We should've probably warned you about that." It's like, "How could you not?"

I don't think it's discouraging if somebody gives you the pros and the cons. I'm not discouraged if someone says, "You know, here are some of the negatives you want to consider." I think that's for you to evaluate. Anyone who knows anything about marriage will tell you it's not all perfect every day. Your marriage is going to go through highs and lows and the same is true about your businesses and I think people who try to paint a picture about any kind of business, that it's really easy or it's always going to be like up, up, up, up, up is not giving you the true answer. You know where I think we might want to start?

Bret: Where?

Chalene: Just that human nature, that ego thing that says you want to walk into a store and you want to see your thing on the shelf.

Bret: Oh, you want to talk about the book idea?

Chalene: Not yet, but I watched a Facebook video of somebody who's in my industry walking into Target with a camera and all excited because they're like, "You guys, you guys, my video's on the shelf!" They're like, "Wah!" They're so crazy excited, and I know the margins on that. I know what went into it, I know the cost, I know the headache, I know the hassles, I know the returns. I know that that might have looked really exciting and really glamorous, but I also know that that person wasn't going to make any money on it. In fact, it was probably a losing proposition. My point is, you still feel ... We assume that person's rich. They have their book on a shelf. They have their product, here or there. Their product's in 5,000 stores. They must be rich. They must have it all. That's what we define success as.

Bret: Just because you are seen, even known, doesn't mean you're making a bunch of money.

Chalene: Right. There's so many people who are on the covers of magazines and they're trying to get on the cover of Oxygen, they're trying to get on the cover of Shape Magazine, and they're trying to become a fitness model. I'm like, "For what? To be broke and to have people tell you, 'We've selected you,' or, 'We have not selected you based on your physique. You have just been dismissed. You have just been rejected.' Like, what? Why?" I can't think of anything worse, but people associate that with success. If you're on TV you must be rich, and if you have a book. It's just the truth.

If I want to impress someone that I've just met and they say, "What do you do?" I don't tell them that I create online academies, even though it affords us this lifestyle, even though it's made us millions of dollars, even though it's helped hundreds of thousands of people. I don't tell people that's what I do because they don't know. It's hard to explain, and because it doesn't have the same reputation. It doesn't have the same power. It doesn't have the same effect on people as saying, "I'm a New York Times bestselling author," or, "I do infomercials." You say those things, I say those things, and I'm just being honest about this. I will say those things because I know the average person thinks that is a big deal, when it really ...

It is a big deal, but it's not in my mind as big of a deal. It's not as important, it's not as significant, and it's certainly not as financially rewarding as what I do now, but it's perception. A lot of times I'll say, "Oh, I'm an author," even though the book ended up costing us money. I have friends who have made way, way, way more money on their self-published books. We want to just start off by saying that first of all you have to understand how much of your ego is involved in "a product" and you have to do your research first. People have been begging Bret to create a book ever since he started doing cooking shows on Periscope. Bret has decided that he's going to do a cooking book.

Bret: We were just having this discussion like a week ago, ten days ago. We don't do anything just jump in, just dive in. We always evaluate it, have a meeting about it, and talk about it. I remember Kevin and Chalene were like, "So do you want to do a physical book, or do you want to do an eBook, or do you want to self-publish? What do want to do?"

Chalene: Should we go get you a book deal?

Bret: My only response was one thing. I want a book. I want a hard book. I want a book that I can go, "This is my book. Look, there's a picture of me on it, and it's whatever the title is, and I want this book." That was because of my ego. I wanted to say, "Okay, I created this book." Then we started talking about it and I remember what we went through with push and what we went through when we got a great deal. We flew to New York and we got a publishing deal with Rodale. Once you sign a publishing deal, you are now working for them. We just talked about it a little bit.

I came to the realization, was like, "It doesn't matter that I have a physical book. You know what I can do? Here's what I can do, people. I can create an eBook. I can deliver it a lot cheaper so more people can afford it. I can make it cool. I can make it my very own. I'm going to have some cool features that nobody has ever done in an eBook. We'll sell the crap out of it and people will be happy because they're not have to spend $19 for a cookbook. Once I'm selling that eBook, I'm just going to go print myself a copy and make myself a cool cover and I'll have one book. There'll be one copy. The eBook is going to be for everybody, and there's going to be one hard copy and I'm going to sign it. It'll be for me."

Chalene: I love it. The question you have to ask yourself is, "What is your goal?" If your goal is to feel like you're important and you're worthy, I promise you, you will never feel fulfilled. Being chosen, being first, being the biggest, being the best, none of that is ever going to make you feel worthy. No amount of stuff, no amount of money, no ranking, none of that's going to make you feel worthy. It just won't, but a lot of people chase that and they chase it and they ... You're just trying to ruin my podcast, cracking? Somebody's going to think you're drinking a beer.

Bret: I'm drinking Perrier.

Chalene: Drinking Perrier.

Bret: Perrier. I'm thirsty. I just ...

Chalene: Geez. Amateur hour over here. Just kidding. What was I saying though? Oh.

Bret: How people, worthy.

Chalene: Yeah. No amount of money, no particular accolade. Becoming number one, how long does that last? That worthiness lasts until you're number five, right? You can't hang onto number one forever, Justin Bieber. You just can't. Eventually you have to slide back down. Then how worthy do you feel? You have to really ask yourself, "What is my goal?" For us, our goal is always happiness, to be stress-free. Our definition of success is to have the resources that we need to take care of people we want to take care of and to make choices, to make the choices that we feel are right for us. We say resources, I just recently heard an interview with Seth Godin. He made a really good point about resources versus money.

He said, "Money's one thing, but if you have resources then that means you have people. You have people because you have been so generous that you can call upon just about anyone and they'll do things for you in the middle of the night. That's resources." For us, it's about having those resources and being able to make choices. It's not about being on anyone else's schedule. Yes, it is about money because sometimes it requires money to do those things. It's not about accolades, and it's not about being number one. It's not about being chosen. I don't need you to choose me. I don't need Company A to choose me. I don't need to be selected because I've already been chosen by God. We've already been chosen by each other. We don't need some part of society to tell us that we're good enough. You just have to ask yourself, "Why do I want this? Why is this important to me?"

Bret: I'm over the fact that I need a hard copy for my book. I want to serve as many people as I can. I will be a bestseller. Are you kidding me? This cookbook will be unbelievable. I'm even giving you the date tonight it's coming out. We're going to do it the week of Valentine's Day. The week of Valentine's Day.

Chalene: You know what's cool about that, is that he can say February 14th and he doesn't have to check with the publisher. If for some reason something comes up, like let's say there's a family emergency and we can't release it on February 14th, so what? We shift the date. You can't do that stuff when you're answering to someone else. You know what I'm saying?

Bret: Here's why I want to do it on the week of. I want you to get this eBook, and I'm going to make it so simple and you can make your Valentine dinner that weekend.

Chalene: That's huge. That's pretty cool. Bret and I, in 2011 ... Was it 2011?

Bret: Yes.

Chalene: In 2011-

Bret: Was our last full year of our running our company.

Chalene: We spent more than a decade creating a business that we thought would make us happy and that would make us feel like we were valuable and important and successful. We created a clothing line and exercise DVDs, books, training materials, certifications.

Bret: Manuals.

Chalene: Manuals, you name it. We had at one point over 73 employees and consultants working for us. We had warehouses and storage and people and headaches and nightmare. We had a lot of notoriety and we had like, "Wow, you created that? That's your apparel line? You made those clothes?" Yeah. "That's your DVDs? That's your ..." All the things, but what we want to tell you is that they were all physical products and we're not going to dissuade you from creating a physical product, but we want to share with you some stats. We now have seven employees. What do you think is more stressful, 73 or seven? Yes, 73 employees is far more stressful. Seven employees is beautiful. It's awesome. When we had 73 employees and consultants, they weren't all full-time employees, some of them were part-time as well, our payroll then was ...

Bret: 650.

Chalene: That year we spent $650,000 on pay. Now, some people were just those individuals, some of them were part-time, some of them were consultants. Now, get this. We spend 780K on just seven people. You'd be thinking to yourself, "Wow, so you must have been much more profitable when you had a physical business." No. We had to pay people peanuts because we were working on such incredibly small margins.

Bret: Margins.

Chalene: The stress level was enough to make you want to invest in Botox. Let me just tell you. The stress is unheard of when you have 73 people who all expect, and rightfully so, that you know what's going on in their lives at any given moment and that you don't forget that it's their birthday and that you think about them each and every day. 73, it's a lot. Now, what I wanted to start with is that we're able to pay people what they're worth. We're able to recruit the very best people and feel really, really good about it. In our final year when we had a business that had physical products, guys, we would make approximately 50 cents on each dollar. If we invested a dollar, we could expect to make about 50 cents back.

Bret: 50 cents back. $1 spend, make 50 cents.

Chalene: Profit 50 cents.

Bret: Profit 50 cents.

Chalene: We make $1.50. Profit 50 cents. Let's go over some of our expenses when we had physical products.

Bret: Oh, geez.

Chalene: Postage and printing.

Bret: Postage and printing. You ready for this one?

Chalene: Mm-hmm (affirmative).

Bret: $202,000 on postage and printing. Write this down, postage and printing. That's like stamps.

Chalene: Yeah. See people, they want a t-shirt company and they want to start this [crosstalk 00:14:39].

Bret: Got to mail that stuff out.

Chalene: You got to mail that stuff out. You got to ship it to you. It's got to come over on a boat. It's got to be stored somewhere. It's got to be shipped, and people never factor in that cost.

Bret: Yes.

Chalene: Yeah. Okay, so what did we pay for storage and warehouse in just one year? Almost $40,000 just on storage and warehouse space.

Bret: That's 40,000 extra because we had a physical location that our employees were all in, but the warehouse and then extra storage to have all the extra DVDs and the extra clothing and the extra this, $40,000 extra.

Chalene: Do you know how much we spent on postage this year, just about?

Bret: We sent a couple letters.

Chalene: Couple thank you cards.

Bret: Yeah, 32 cents.

Chalene: Warehouse spaces here, zero. Our warehouse and shipping staff alone that last year was 120K.

Bret: Those are all the people that had to manage all the stuff that was going in and out and coming and going and organizing it and detailing it.

Chalene: Everybody wants their t-shirts and they want their gadgets, and they're thinking about this thing that they invented, but they're forgetting about trademarks and patents and shipping and returns and storage and insurance and product liability.

Bret: Organization used to take, when we used to get boxes in-

Chalene: Inventory.

Bret: ... inventory, it was ridiculous.

Chalene: Not trying to discourage you, but we've been there, we've done that, and we never want to go there again. Let us get right to the meat of the matter and tell you this. With the business that we have now, our primary expense is our people. That's where it should be.

Bret: We can pay them a lot more.

Chalene: We get to pay them a lot more, we get to have a lot more fun with them, and now our business for every dollar that we spend, makes $5 for us. That's a 900% increase.

Bret: Yeah. Spend a dollar with the product company and made 50 cents. Now if we spend a dollar, we make $5 for every dollar we spend.

Chalene: We are certainly are financially much more successful today than when we had 73 employees and a nightmare worth of stress and overhead and you're constantly worrying about products coming in and products turning out right and production and development and shipping and returns. Now we have none of that, and we're making nearly 900% more on our money and our biggest expense is our most valuable asset, which is people.

Bret: People.

Chalene: That's fun. That is really fun. Let's give you some of the other expenses. In our last year we spent almost $400,000 just on the cost of goods, on apparel and DVDs, et cetera.

Bret: No. No DVDs.

Chalene: Oh, that was just apparel. Oh, wow.

Bret: That was clothing only. $400,000.

Chalene: That was our cost. That was our cost. What happens when the apparel comes back and there's an issue with it? You eat it. There are third-world countries all over the world that are wearing hip hop pants that didn't come out to specification and we couldn't sell them. You eat it. You eat it. Can you walk into a store and see my products? Is my name on the butt of your jazz pants anymore? No, and I'm okay with that. When people are like, "Oh, you should do this," I'm like, "Oh hell no. No, no, no, no, no. I know what I want now."

Bret: This whole discussion stemmed from me wanting this book. I quickly went back and pulled our 2011 Powder Blue profit and loss for the year, and started looking at all these things to remind myself of what a physical product does to the stress level and what you have to do. It's not worth it.

Chalene: I wish I would've known. I wish someone would've said, "Why do you want to do that?" I wish someone would've said to me, "How do you think that's going to make you feel?" I wish someone would've explained that it wouldn't make us feel more important. It would make us feel overwhelmed. I wish someone would've explained what it really felt like. I wish someone would've told me, "You're not going to feel important. You're going to feel overwhelmed. You're not going to be able to take care of the people you want to take care of. I wish someone would've told me what it would really feel like, you know? You just look, and you're like, "Wow, I want that."

Unless you ask the questions and unless someone's willing to tell you what really goes into it, you can't decide for yourself if that's what you want. Now, if I was single and I didn't have kids and I didn't have a husband, I'm a workaholic so maybe I'd feel differently. Maybe that would've been okay. I don't know, but it's not now because my family is more important and peace of mind and actually being able to shut off. Those are true and legitimate goals. I wish someone would've told me, and no you don't have to go through those things, but you do have to do your research and you do have to know what you're getting into before you get into it, number one.

You got to reverse engineer these things. When you've got great ideas, you guys, take out a pen and a piece of paper and research, research, research, research until every single possible question has been answered, every stone has been turned, and you've looked at the negative with an open eye, not with blinders on, not with rose-colored glasses, but you really listen to when someone said, "Yeah, but you know what? You're not going to be able to relax on Christmas Eve. You know what? You'll never really take a day off."

Bret: When you're buying $4,000 worth of clothes, you're not buying them down the street. Everything was made in China, and we had to wait for it to come over on boats and literally would get stuck in customs and you got to deal with customs and then what happens if you ... It's a nightmare.

Chalene: I don't want to discourage anyone who has an invention or a really phenomenal idea, something that you know is revolutionary. I just want you to know that I believe that you should build businesses to exit out of them. You have to build them with the end in mind. We may have a company at some point down the road that involves physical products, but we'll do it in a much different way. We'll invest in companies that have physical products. We won't run another company-

Bret: Company that has a physical product. No.

Chalene: ... that has physical products ever again. That's not to say that you shouldn't be pursuing this incredible idea that you have, but just understand why you're doing it. Understand that if it's to make you feel important to walk into a store and see your name on something, it won't make you feel any more important. It really, truly will not. Got to know why you want to do it. We just want to take this opportunity to thank everybody for listening and for spending this time with Bret and myself. We also would like to invite you to a free webinar. Depending upon when you're listening to this podcast episode, you can go to getavirtualbiz.com. There, Bret and I would like to share with you the steps I requires to set up a virtual business.

Now, just to be clear, this is not a webinar about attracting customers or social media marketing or any of those things. It's the answers to the questions that we had when we were trying to transition away from a business that was a physical business that had a location, that had products, that had lots and lots of people and lots of things. Because we didn't know anything, really, about setting up a virtual business, we just didn't know anything about what it would require to set up a virtual business. We would like to share our answers with you, so we invite you to join us on that free webinar. Again, it is getavirtualbiz.com. We hope that you will join us there. We would love to have you. Thank you so much for listening to this episode of Build Your Tribe. As always, my goal is to be brief, to be bright, to make it fun, and then be done. Mr. Johnson is hungry so we are done, y'all.