



**SPI Podcast Session #144 -  
Building a Million Dollar Business in 12 Months –  
With Ryan Moran**

Show notes: [www.smartpassiveincome.com/session144](http://www.smartpassiveincome.com/session144)

This is The Smart Passive Income Podcast with Pat Flynn session #144. Let's do this!

**Intro:** Welcome to The Smart Passive Income Podcast where it's all about working hard now so you can sit back and reap the benefits later. And now your host, who goes through a bottle of Frank's red hot sauce every month, Pat Flynn!

**Pat Flynn:** What's up everybody! Thank you so much for joining me today wherever you're at, maybe you're in the car, on a walk, at the gym, in the sky, and by that I mean like on a plane or maybe you're like Superman and you're just flying around and you listen to the Smart Passive Income Podcast, just wherever you're at, whatever you're doing, thank you so much for spending time with me today. I really appreciate it.

And I'm going to give back to you by giving you an awesome episode. I know this would be great because a lot of you demanded this person to be on the show. After listening to a couple episodes about something specific, ecommerce on Amazon, you wanted this person to come on the show.

So to give you a little bit of background on this, there was a show that I did last year, it was episode 99 with Jessica and Cliff Larrew, they were utilizing Amazon's FBA program, which is Fulfillment by Amazon. And that show was incredibly popular. Jessica and Cliff just helped out so many people. A lot of people started selling on Amazon.

What they would do specifically is go to stores, buy things on clearance, sell them on Amazon for a profit and actually using like an iPhone app to while shopping, see if a product was going to be profitable. I mean it was just so cool. I actually did this myself with just a few products and was successful. It takes some time especially when you're first starting out but a lot of people have been making thousands extra a month as a result of this. That was episode 99. So if you want to listen to that, it's [SmartPassiveIncome.com/session99](http://SmartPassiveIncome.com/session99). Super cool! They're still doing awesome and that method definitely still works.



Then people were like, "Oh, how do we go bigger on Amazon?" A lot of people were apparently making a lot, even more than Jessica and Cliff. Jessica and Cliff were making six figures a year. Some people are making millions a month. So I got a couple of people on the show who were doing that, Ryan and Daniel who were just crashing it on Amazon and who talked about their strategy. Essentially, getting manufacturers overseas to do things and it was mind-blowing. And a lot of people were like, "We want more of this type of episode. You should have Ryan Moran come on to the show."

And I had met Ryan actually in the Philippines at Chris Ducker's Tropical Think Tank event, super cool guy, doing a lot of amazing things. But I actually didn't know exactly what he was up to here until he came on the show in today's episode and revealed everything. I mean he talks about and what a lot of people said about that other episode which was [episode 127](#), they were like, "This information was great but we need specifics like walk us through how this is actually done."

And that's what exactly Ryan does. And so, he actually talks about one of his companies that he has on Amazon. He has a few. And how he built it and how he was able to grow it to a million dollar business in about 12 months. And so, he's going to show you how and explain how he did that. So that's why this episode is called Building a Million Dollar Business in 12 Months with Ryan Moran.

So you can check him out at [Freedom Fast Lane](#). But before that, why don't you listen in. Here's Ryan Moran. Check him out.

What's up? I'm so excited today because we have Ryan Moran on the show with us, somebody who I met in the Philippines actually at Chris Ducker's event at Tropical Think Tank and definitely a standout person who is killing it online in the world of ecommerce. We have interviewed a few people in the past about ecommerce but Ryan is going to help take it to the next level and give us all the juicy fine details about everything that's going on in his business.

So before we get to that, Ryan welcome to the show. Thanks.

**Ryan Moran:** Pat, thanks so much for having me on. I'm so excited.

**Pat Flynn:** I am really, really excited for this too and I think my audience is excited as well. I don't talk about ecommerce so much on the show but every time I have, people are always asking for more. And so, I'm really excited to have you on.



Why don't you just help us understand a little bit about what you do and sort of maybe start from the beginning?

**Ryan Moran:** Sure. So I started my first business when I was five years old. I drew hand-drawn pictures with a pencil on computer paper and I walked around door to door and try to sell them for a penny each. I think I sold five that night, Pat.

**Pat Flynn:** Nice

**Ryan Moran:** Yes, five cents profit, a hundred percent profit because my dad bought all the computer paper and bought two of the pictures. So my dad was my biggest customer. He was my 80-20 rule, we would have said.

And I started my first real business right after high school and I got into affiliate marketing and after a while, I started teaching internet marketing because everybody kept asking me what the heck am I doing. I did that for about six years. I was very successful as an affiliate marketer and teaching internet marketing. I paid for college and then a lot more. It's my full-time thing when I graduated.

But about two years ago, I just couldn't do it anymore, Pat. And I had to make a change. So I didn't know what I was going to do but I knew that I could not spend one more day doing things the way that I was doing it because I felt like I was doing it on somebody else's terms even though I was the entrepreneur.

**Pat Flynn:** Sure.

**Ryan Moran:** So, I literally shut that business down, all of those websites got squeeze pages up that said, "Ryan has retired." I stopped teaching what I was doing. I stopped doing what I was doing and planted some new seeds.

**Pat Flynn:** Can I ask you really quick about that? Because I am big on affiliate marketing but I have sort of a brand and I promote products that I used. Were you doing that as you built the brand or were you just kind of using other products and promoting them in various ways?

**Ryan Moran:** I'm a little bit embarrassed to tell you the reason why I burnt out and since it will be embarrassing, I'll share it. What happened was I had a business. I started mine actually I think right around the same time you did, maybe sometime before. It was in 2006. A very similar approach with what you were doing but what



happened was I started making all these connections with people and saw what everybody else was doing which was putting up products, putting up a sales letter and mailing everybody else's stuff. And it was a very take mentality instead of a give mentality.

And seeing all these people that I was hanging out with who are making millions of dollars, I thought this is just the next logical level. I just make a product. I get all my buddies to mail for it and then when they have a product, it's my time to promote them.

And I'm not saying there's anything wrong with that, but the way that the people that I saw who were doing it was not in a way that I deem ethical. And I always try to do it way better than everybody else. But after a while, it was – I just – I can't approach a business where I feel like I'm taking more than I'm giving. I want to be approaching a business where I'm giving way more than I'm taking.

So I made a change and I went in a new direction, and that's what led me ultimately to start some new businesses that are mostly ecommerce. And I had never done ecommerce before.

**Pat Flynn:** Awesome. Thank you for sharing that. So, take us from that point. What was it like to get into ecommerce and why ecommerce?

**Ryan Moran:** I was always really fascinated with the idea of selling real stuff because I've been selling digital products for so long and I really enjoyed that model. But I was actually, I was in a mastermind. I was a part of Ryan Deiss' mastermind when I first started a few years ago and I was sitting with one of the guys in there and I was kind of getting ready to make a pivot in my business and I said to him, I said, "Hey man, if you were my age, and you had to start new businesses and go in a new direction, where would you go?"

And he said, "Man, you know what I would do? I'd sell real stuff. Everybody is trying to promote digital products and there's nothing wrong with that but if I were you, I'd start thinking about selling real stuff."

And that always sat with me. And I don't have any digital products anymore so I'm happy to share all the details that we've got and working in my business but that was kind of a first seed in my brain where I was like, "Maybe I need to start looking into physical products." Again, not that there's anything wrong with selling digital products.



It made me a lot of money. It makes a lot of people a lot of money. It's a great business model. But I decided to go in a business where it didn't have my face on it, where it could be completely automated.

And I have a rule in my business, my kind of strategy behind all of my business. It has always been, find out how a channel works and then put all of your emphasis into that channel. Meaning, find out where money is being spent, find out where traffic is being generated and then maximize that channel.

So, Google SEO, that's a traffic channel. And social media, that's kind of a channel. For me with physical products, the obvious channel was Amazon. So I decided to go and just absolutely master Amazon. So, I got really good at figuring out how Amazon's algorithm worked, finding out what produces sales and what didn't. And there's a lot of things in ecommerce like setting up your own site and taking orders and Shopify host, I don't know – I don't know anything about that stuff. I decided I was just going to learn one channel. And I think that's probably the first important point that I say to entrepreneurs, it's figure out one channel and maximize that one channel.

We hear about getting good at one thing. I take it a little bit broader and say one channel, that one place where traffic and money is being spent. Maximize one channel before you start doing a bunch of other things. So for me with physical products, it was Amazon.

**Pat Flynn:** Right. And Ryan, I really love that mindset approach, focusing on one channel. I think this is something that people need to be reminded of. When they see me for example on a blog and on a podcast, on video, on this and that, I have all these things now but they were all built one at a time and focusing on one at a time until I felt I mastered it and then I move on to the next.

So what does your business look like now? So this was maybe a couple of years ago. You decided to go ecommerce and focused on Amazon. Let's fast forward. We'll fill in the gap in a sec. But what is business – what is life like for you now?

**Ryan Moran:** I sound like a sales pitch when I talk like this. I feel like I should put an asterisk. I don't have anything to sell. I work less and make more than I ever have in my entire life.



So before I stated this business, I did pretty well. But my businesses are about three times the size that they were, maybe even four times the size that they were before I made a change two years ago.

**Pat Flynn:** Wow!

**Ryan Moran:** So, the amount of income that I make is about four to five hundred percent higher and I work probably thirty to forty percent less. So I work less and make more than I ever have in my entire life. And that came down to the dedication of just maximizing one channel and putting all my efforts there. And now, anything that I do to work on my business is growth because everything else is pretty well-maintained whether I wake up in the morning or not. And most mornings, I do wake up.

**Pat Flynn:** That's really cool. How many hours a day are you working typically?

**Ryan Moran:** On my Amazon businesses, I probably work two to three days a week for five to six hours or so, two and a half days.

**Pat Flynn:** That's pretty darn good. What does that work entail? Like now that the businesses are up and running, what does that work involve?

**Ryan Moran:** OK, great question. There's a great teaching point. Now, we're building our own channel. So we're building our own – I figured out how to sell on our own website and have upsells and have customer follow-up sequences and all this stuff. So most of my work right now is writing new sales messages, it's figuring out new traffic channels. But that's kind of new and that's the last few months. For the first year of my business, it was how do we get more sales and how do we get more reviews? Because everything on Amazon boils down to sales and reviews. If you're focusing on anything else, you're wasting your time. So it is sales and reviews on Amazon.

But now that that is very well automated and we've got that under control, now my attention goes to, OK, it has been a year and a half focusing on one channel. It's time for us to build up our own channel. So I spent a year and a half doing just one thing and that was, figuring out how do we maximize sales and reviews on Amazon. And now, my attention is mostly focused on the next channel, the next frontier, which is our own sales.

**Pat Flynn:** Awesome. And we'll talk about maximizing sales and reviews. But I wanted to say, because I was going to ask you a question. It was going to be a tough question





but you answered it for me. I was going to ask you, you had mentioned earlier that when you're doing affiliate marketing, that you were sort of burnt out and worried because you were just kind of – you relied on these other brands for your income. And now, you are relying on Amazon.

But now, you're building your own channels and building your own brands, steaming off of what you've built on Amazon. So I'm glad to hear that. And I think that's the thing ...

**Ryan Moran:** Well, I would like to comment on that if that's cool.

**Pat Flynn:** Yeah, please.

**Ryan Moran:** And that is, I hear this a lot. I have a lot of – I do some coaching with people who are new Amazon entrepreneurs and I hear this a lot like all my eggs are in Amazon's basket. It's the same kind of fear of Google controls all my traffic. What happens if Google makes a change and everything goes away?

**Pat Flynn:** Right.

**Ryan Moran:** Now, I think there's a very distinct difference in the approach if you are building your own brand with good customer relationships because that's an asset that isn't necessarily dependent on Amazon. Could Amazon make an algorithmic change and rankings swap a bit? Of course! Are you worried about getting kicked off of Amazon? If you're doing everything right, you shouldn't be.

There's a very distinct difference between being dependent on a channel and using a channel to distribute what it is that you already have, meaning your brand. So I think – so many people look at certain channels as hacks like, "I'm going to hack Amazon or I'm going to hack Google." I look at, you have a brand, work at developing your customer relationships and having a really great product and then all these channels wherever you decide to go, they're just distribution channels. That's all they're supposed to be.

But I think solopreneurs and small businesses when they get dependent on these channels, somewhere in their mind, it shifts to, "I'm dependent on them and I'm serving Amazon," rather than, "I have this business in Amazon. It's how we distribute it."



The truth is, if Amazon goes out of business, there's going to be – there are 20 other channels out there that you could use to promote your products. So I have a little bit of a different approach to it because I think at least in my business, I want to be focused on something that is bigger than me, that's going to outlast me. And in order to do that, I need to have my focus on building the brand and building the customer relationships and having people raving about our business. And Amazon is just one of the places where they can buy our products.

**Pat Flynn:** Perfect. Thank you for that. And I think we all needed to hear that. Now, I want to get into some meaty content, stuff that people can take home with them and implement. How do you want to do this? You know my audience. You know they love detail and specific examples. I don't know if you wanted to take us through the creation of one of your businesses or perhaps give us some step-by-step information or combination of both.

**Ryan Moran:** Cool. So here's my plan. Now, we can tweak this as we go along.

**Pat Flynn:** Let's do it.

**Ryan Moran:** I want to talk about how I decided to go into one of the businesses that I'm in and then I want to go through my three steps to taking a business from zero to one million dollars in 12 months. How's that sound?

**Pat Flynn:** I think it sounds great.

**Ryan Moran:** Right. Cool. So the way that my – one of my businesses started, I have a few Amazon businesses and I have one that's a perfect example because I started it small and I'm currently, as we're recording this, in the process of selling that business. So it has a nice, complete, succinct – I can run you through the step-by-step of everything pretty easily.

So it started like this. My childhood friend and I were on the phone and he was telling me about how he had followed my blog for years and how he was doing some drop shipping on Amazon and he was telling me what he was doing and I was impressed by his work ethic. And I was like, "You are working way too hard for far too little money. Let's start a business together." Which isn't always the best way to find a business partner, but in this scenario, it turned out to be a good working situation.





We went through and we analyzed what type of a business we were going to get into. I had had some experience on Amazon by this point, about six months of selling on Amazon and I had – I live in Austin, Texas and yoga is huge in Austin, Texas. Now, the reason I bring this up is because there's a 100 people out there that are trying to – that are trying to analyze every little detail about what business or what market do I go into. Mine has always been very simple. I look at what is being advertised and what is growing offline. So if something is growing and I see it expanding beyond what I see on the internet, that's a good sign that it's a market that I want to go into.

So, I didn't do a whole bunch of competitive analysis when it came to getting into the yoga space. I just saw that it was an absolutely booming market where I live and among everyone that I know and that it continues to grow and grow and grow and grow. I didn't do any keyword research. I didn't do any looking at competition on Amazon. I didn't do any of that. I just said, "Is this a growing market and do I think that this is a place that I can serve?"

And at that point when the answer was yes, we made a list of products that we would like to sell in this market and we started contacting manufacturers on [Alibaba.com](http://Alibaba.com). And Alibaba.com just went public. They're all famous now. It's a place where a bunch of manufacturers and suppliers get together and they bid for your business. You can review them. It's almost like Amazon for suppliers.

So, we interviewed a bunch of suppliers. We ordered a whole bunch of samples. Then we set up a poll and we did it on Reddit, Reddit.com where we just polled an audience of people who do yoga and asked them, "What's the most important thing in your yoga products?" And they told us a couple of things. They told us that they like them thicker or heavier duty than what they see in the marketplace. They like the color black and they really like things that are environmentally friendly. That was what we concluded from our market research.

And we said, OK, could we make a thick, environmentally friendly, black yoga mat? And we got samples from suppliers, picked the ones that we like best, and placed our first order which I think was for either a 100 or 500 units and had them shipped over to Amazon and Zen Active Sports was born.

Now, I've got a whole plan on taking that business from zero to a million dollars a year but I want to pause and see if there are any details that I missed there, Pat.



**Pat Flynn:** OK, so far so good. Alibaba, you're looking at manufacturers. I mean I think we could talk about a whole episode on how to find the right manufacturers. Now, we talked to Ryan and Daniel before a little bit about that so we can go in and link back to [that episode](#).

**Ryan Moran:** I think my big point that I want people to get there though is I know so many people are starting businesses, sweat and slave over what business do I go into, and like analyze a bunch of keywords and analyze a bunch of different products. We just went into a growing market and I've done this with all my businesses, what's growing and – because if someone sees something growing off of – offline, they're going to come back online to a place like Amazon and buy it regardless of what the numbers say.

And so, I just – I don't complicate it. Complication makes my brain explode and prevents me from taking any action.

**Pat Flynn:** Thank you for that. I think that's going to be something the audience is going to love, keeping it simple. We love to hear simple things. But we also want details. Can you give me more details on when you place this order, where was this company from, how long did it take to get the goods, and how much does it cost in total for those units?

**Ryan Moran:** Yeah, for sure. So we placed – I think we got samples from three businesses. And it took anywhere – I think the samples got to us in about a week and a half and we had the samples and played with them and saw which ones we like better. And then we ordered a prototype. I'm glad you asked this question.

And then we took the supplier we like best and we said, "Can we pay you to make one prototype?" And they did. And this took them a while. I think it took them 30 days to make and send this, this one prototype over to us. Played with it, liked it. I ran up to Starbucks, talked to some cute girls and said, "Hey, do you like this yoga mat? How does this feel?" Great pickup line, by the way. "Hey, want to play with my yoga mat?" And they told me what they liked about it and what they didn't like about it. I don't know if we made any changes at that point or not. I think we – I think the beta test at the cute girl in Starbucks was a success.

So, we went ahead and decided to place an order. And I think we did 500 units with an average of – it was about \$6 in cost, so a \$3,000 order.



I have another business by the way where my first order was a 100 units and the cost was five bucks. So it was \$500.

**Pat Flynn:** \$500.

**Ryan Moran:** Yeah, thank you. My math escaped me there for a minute. And with yoga, we placed a bigger order. So, you can kind of customize this to what you're comfortable with as far as how much you want to spend.

**Pat Flynn:** Sure.

**Ryan Moran:** So, our total investment was \$3,000 for the units and then there was shipping. And the shipping is a little bit complicated. And forgive me, I don't take care of this process but I know a little bit of how it works. And I think it works like this. The manufacturer puts it on a boat somewhere and it goes into the Pacific Ocean and it goes to I think a port in Vancouver. And then we hire a freight forwarder company to pick it up in Vancouver and take it to Amazon.

I must confess. I'm not involved in that process so I don't know all the details but I know that the manufacturer sent it to Vancouver and then we hire a freight forwarder company that takes it from there, takes to Amazon and we just get an invoice from that freight forwarder. So we don't do much in that process but we have to set up that freight forward relation to pick it up.

If you have a US-based supplier, you don't have to worry about any of that.

**Pat Flynn:** So I'm assuming that while the stuff is coming over from wherever it is being made to the port, there is some stuff going on between you guys and Amazon in terms of OK, this is how many units that we're going to have. And then because I've done the FBA thing before, I'm assuming that in this process, it's similar where they give you an address where you need to send those items.

**Ryan Moran:** Right, yeah, which is just the FBA warehouse.

**Pat Flynn:** Right.

**Ryan Moran:** Actually, there were two things we needed to really worry about after setting up our Amazon account. It was we had to make our listing on Amazon, what the title and the bullets and the description going to say and what are our pictures. We just



took some nice photos. I think my partner, Sean, took them with his iPhone. But they looked great. And we uploaded those as our starting images.

That took us about a day. The thing where we focused our – a lot of our attention was what do we do now, now that they're on a boat somewhere in the Pacific Ocean and we have a few weeks until they arrive at Amazon? What can we do now to set it up so when they hit Amazon, we can start making sales from day one?

So, what I decided to do was I wanted to develop some sort of a customer base so that once they arrived, we can take an order and day one that they're at Amazon, we could be making sales. The way we decided to do that was we just made a yoga page called I Love Yoga, couldn't be any simpler than that.

**Pat Flynn:** On Facebook or ...?

**Ryan Moran:** Yeah, yeah, on Facebook.

**Pat Flynn:** OK.

**Ryan Moran:** And we just started advertising for five bucks a day to people who do yoga, some of like content that we were putting up on the I Love Yoga page. And we would find Pinterest pictures and we would find inspirational videos and we would just put that on our page and then we would for five bucks a day, be advertising to get that following. And I think in that 30 days, we had about 5,000 likes, which isn't anything crazy but it was enough for us to be able to have an audience where we could launch from day one. And that really set us apart because we can start selling yoga mats right out of the get-go which Amazon really likes to see in their algorithm. Sales are what drives that algorithm. With Google, it's links. With Amazon, it's sales.

So as soon as they hit FBA warehouse, we're able to take sales through advertising them on our Facebook page. And that really helped us rank in Amazon and build up customers and get things moving and making some sales.

**Pat Flynn:** Awesome, awesome. Thank you for that. And the last missing piece here before we move on for me is the packaging. So it goes to the Amazon and then it gets shipped. Is it just like a yoga mat like is it wrapped in anything? And how is that all figured out?



**Ryan Moran:** Those are great questions, Pat. It's in the packaging the manufacturer had.

**Pat Flynn:** They do it. And that's not always the case though, right?

**Ryan Moran:** Well, here's – we did it for a specific reason, Pat. We realized that our market wanted environmentally-friendly yoga mats. So we started looking at where we could eliminate certain resources that would be somewhat wasteful or that the end customer would at least somewhat appreciate that we paid attention to. So we tried to minimize packaging and we just have it shipped with just the yoga mat in the Amazon box. So when somebody places an order at Amazon, they're just getting that brown box that shows up at your front door. They open it up and there's the yoga mat in there.

So, we didn't wrap it in anything. We didn't – there might have been like a protective plastic covering on it the manufacturer put.

**Pat Flynn:** Sure.

**Ryan Moran:** But there was no fancy packaging or anything. We try to eliminate that as much as possible because we have the environmentally-friendly approach.

**Pat Flynn:** OK. And then you had said 500 units. Why 500? I'm just curious.

**Ryan Moran:** So my answer to that is that the reason we did 500 was because our yoga mats were longer than the average yoga mat and that was something we found on our research that the customer wanted. And because they were longer, they qualified as an oversized item to Amazon and they – when you have a starting account, they put a limit of 500 units on there until they see that you're making sales.

That was actually our biggest hurdle that we had, was in order to get rid of that oversized restriction, you have to make a certain amount of consistent sales on Amazon and it was a bit of a balancing dance act to have inventory ready to replace that which was being sold so that we could continue the pace without draining our entire 500 units so that we could get that restriction removed.

Now, that's a detail that would not affect most people. But it did affect us.

**Pat Flynn:** Well actually, the reason I bought that up was why not a 100 just in case it doesn't do well?



**Ryan Moran:** We were comfortable just with the amount that we were willing to invest. Five hundred was not a big deal to us. Though, I recommend doing as much inventory as you can comfortably spend getting because I've had – I made the mistake in other businesses that I'm being protective of that initial investment capital and then you run out of inventory and it can take a week, two weeks, sometimes even longer to get back on stock and you lose that momentum. And I didn't want that to happen on this business especially when we're ordering from overseas. It takes longer to get to Amazon. I didn't want us to have momentum and then have it break because we had to wait for more inventory to arrive.

**Pat Flynn:** Great. And thank you for being specific with all of this. So let's keep going here. What else can we learn from your yoga mat example bringing it to a million dollars?

**Ryan Moran:** Sure. So let's switch now. I have three stages that I like to walk entrepreneurs through that I think my experience is taking the business from zero to one million dollars in sales in one year. And this will apply to any business. But since I did it specifically in Amazon, some of our language is just going to be Amazon-specific but I'll try it to be as clear as possible.

In all businesses, that first stage of business, I call the grind. And the grind is when you are figuring out that channel and you have to kind of scrape and claw and beg for every sale or every little thing that you do. If you are on Google and you're trying to rank on SEO, the first thing that people do is like find every little thing in their network that they can link to their site to get it to rank.

With Amazon, it's kind of the same. You are begging and clawing for every sale and review that you can get. And that looks like – I break that into basically three things that you can do to move through this stage.

And they are first, make a list of at least 25 personal contacts that you can beg to death without sacrificing your relationship with them and have them buy it through a coupon code or a full price or however you want to do it and have them leave a review. So that is your nucleus of reviews because 25 reviews is kind of what you need to have in place in order to move into the next stage, which is Amazon Pay-per-Click. Amazon Pay-per-Click is an internal system that if you just – you pay to show off.





But in order to convert the sales, you've got to have some amount of reviews. Now, I say 25 is the minimum that you have to have in place in order for Amazon Pay-per-Click to work.

And then the third part is doing a product launch which to me looks like either selling to a Facebook page ad like we had or driving some traffic from some place that you're advertising to a sales page or getting blogs that are in your network to syndicate your product out to them and do some sort of a giveaway or a major discount in order to get sales.

The entire point of this process is to get sales moving. Now, I'm speaking directly to Amazon, but this is the case of any business. Your first step in business no matter what it is, is to maximize the channel you are on in order to get sales moving through that channel. And I would say, the first thing that you got to do is identify the closest area to get that first sale, those first couple of sales. If you're consultant, it's who is the first five people that you can reach out to in order to close your first client. And then the second step is some sort of advertising. For Amazon, it was Amazon Pay-per-Click. And then the third part is some of a broad product launch.

So, that is the first step to getting through that first stage, which is the grind. And I say, you graduate from this level when you have at least 50 reviews on Amazon and you're making at least 20 sales a day. If you're not at that point then you're still in the grind and you need to repeat this process until you are ranking high enough or getting enough consistent sales through in order to get out of what I call the grind.

I went through that really fast. But was I clear, Pat?

**Pat Flynn:** Yeah. That was very clear. And the only question I have is about phase two of the grind, which is Amazon Pay-per-Click. I've never heard of this. If somebody were to go on Amazon, where might we see examples of this?

**Ryan Moran:** Cool! So, just like Google AdWords back in the day, they are clearly marked but well-disguised. So if you were to search for yoga mat and scroll down to the bottom, all of the top results are what we call organic listings, which are showing up in the natural search. And then you bid just like any other pay-per-click network to show up at the very bottom of the first page. Those last two spots usually have a little box running that says "sponsored."

**Pat Flynn:** Oh, I see right on it.



**Ryan Moran:** And those are the ones – those are people who are paying to be there. Now, Amazon is currently testing different places to have those sponsored ads. So if it changes in a month, don't hate me. I didn't lie to you. Amazon is split testing a whole bunch of stuff right now including having some sponsored listings inside of existing products. Meaning, if you are looking at a specific product, it will advertise another one to you while you're on that page. But I only see that – they split-test things very slowly but they are changing the way that they are going to be showing these ads. But right now, it's those last two spots on the first page.

**Pat Flynn:** OK. I see them here and they're clearly marked sponsor at the bottom.

**Ryan Moran:** Yeah.

**Pat Flynn:** How much would one expect to pay for that?

**Ryan Moran:** It depends on what market you're in. But I think in yoga, we probably bid \$2 a click which sounds really high until you factor in the fact that on Amazon, your conversion rates are usually really high. A low conversion rate would be 10% on Amazon. So 10% of people who actually view a listing end up buying that product, and that's below. I mean you can examine in yourself. If you go to Amazon and you're searching for a specific item, do you look at more than ten listing before you buy something? I know I don't. I might look at four before I buy something.

So for me, I guess my conversion rate for the stuff I buy is 25%. Conversion rates on Amazon are 10 to 50% on the low side. I have one product on Amazon that converts at 25%. So, paying \$2 a click, I don't even bat an eye at because even 10% conversion rate, that means I've got to get a customer for \$20 which for our yoga mat, it's about break-even because we make about \$20 per sale on the yoga mat.

So we'll bid – I think we bid about \$2. I know people who bid higher than that in other markets. I say, you bid as much as you can to break even. If you're not breaking even. I'd probably back off a little bit. But if you're breaking even on sales, go ahead and keep bidding and up your bid until you are breaking even because, we need to spend a little bit of money to get Amazon's algorithm seeing us as authoritative and they realize that through sales whether they're coming organically or through PPC, it doesn't matter. They just need to see sales coming through in order to rank you for keywords.



**Pat Flynn:** I see. OK. Great. Thank you for answer that. And quick question, I think people are wondering how much is the yoga mat being sold for.

**Ryan Moran:** We're selling it as of today, it's selling for \$35.99.

**Pat Flynn:** OK. And then again, they are \$6 to create each, right?

**Ryan Moran:** They are \$6 to create and then there's shipping cost and then Amazon takes a pretty healthy cut. So we're all in – at the end of the day across all my businesses, my profit margins on my products are about 50%.

**Pat Flynn:** OK, cool. OK. So, we get out of the grind like you said, once we get to about 50 reviews and averaging 20 sales a day. What's that next stage?

**Ryan Moran:** Cool. So we get out of the grind through driving sales through the algorithm, starting to rank for keywords. And again, this is no matter what your business is. When you have consistent sales and you have a system and a channel for getting those sales, that's when we're starting to get out of the grind. Until we have consistent sales and we're established in a channel, we have to go back through the process that we have and repeat until we're making consistent sales. Otherwise, you will be trying this channel and this channel and this channel and you will make no progress and you will never get to the second stage, which I call the groove.

And the groove is we've got consistent sales, we have a channel that's sending us those consistent sales. The next thing that we do is we release as many products as we can comfortably handle without detracting from our existing products. So, I would never recommend rolling out – if I was in yoga and I had a yoga mat, I would never then recommend rolling out a cat scratcher. They are completely different. And they don't complement one another. That's not a real business.

So for us, it was rolling out two additional products, which was a towel and a block. So now, Zen Active Sports has yoga blocks, yoga towels, yoga mats. My supplement company will have a line of supplements even though the first one that we released was a fish oil. Then we'll have other products to complement that. And we roll out as many as we can comfortably handle without detracting from the original products, from the things that are already making sales.

Now, in one of my businesses, in my supplement company, the first product that we released, we hit number one in our category after making about 25 sales a day. And at



25 sales, they were number one and that's kind of low to be number one in a category. So we calculated this as anyone would by saying, "All right. I guess we need to have about four products to hit our goal of a 100 sales a day, a 100 sales is about a million dollar business. And a 100 sales a day times about 30 bucks of sales, \$3,000 a day, about a million dollar business." That was our math. So OK, we'll have a 100 sales a day and that will be a million dollar business.

Our first product does 25 sales a day. So we need four total products. We released product number two and an interesting thing happened, Pat. The second product that we released was a perfect complement to the first one. So when we released that second product, we did the same process. We looked at a grind process again to get it up and selling and we got it to about 25 sales a day but then sales of product number one doubled.

So now, the first product is selling 50 a day. And when that one grew, product number two doubled too. And we weren't doing anything additional. So, when we released that second product, we didn't go to 50 sales a day, we went to a 100 sales a day. When we released our second two products, we didn't go to a 150 sales, they went to 250 sales a day.

Now, what is the reason for that kind of exponential growth? The reason for that especially on a site like Amazon is you have these cross-sales that are happening where you've got Amazon saying, "People who bought this product also bought this product." You have repeat buyers. You have buyers who say, "I love this first product that this company gave me. I'm going to order this second product as well because it's perfectly in line with what I ordered originally. So that is the power of building a brand or a suite of products.

Now, if you're not on Amazon, if you're a digital marketer selling information products, this is the beauty of upsells. They bought one products. Here are the next products that they would buy. If you work in fast foods, it's, "Would you like fries with that?" It is the process of rolling out additional products where you make your real profit.

After that first product is really growing and making sales. So that's why it's important no matter what business you're in to make your subsequent products complementary to the first products that are actually making sales. It would be a mistake to deviate from the niche market that you're targeting first going into a completely different direction.



So, does that make sense how when we released those subsequent products, the company overall grew exponentially because of cross sales and repeat customers? And it grew to dominate the market much bigger than how thought we could maximize the market.

**Pat Flynn:** Yes, that makes complete sense. You're staying in the same verticals as supposed to moving outward, of course it could also lead to other which is – and I've noticed this myself actually with GreenExamAcademy.com, site that I used to help people pass an exam in the architecture industry.

My first product was an eBook. My second product was an audio guide to go along with that eBook. And some people bought the audio guide alone. Some people bought the eBook alone. Most people actually bought the combination of the two, and they did cross promote each other as well. And I have the upsell option. I definitely saw a huge increase in income, more than double as a result of just adding one more product.

**Ryan Moran:** Yeah.

**Pat Flynn:** And I've seen this time and time again, physical products, digital products, authors and their books when you come out with your second book, new people are going to find that second book and they're going to be interested in your first one. It's all around.

**Ryan Moran:** My best friend is an extremely successful internet marketer and has been doing it since he was a teenager. And when he started his first business, he was an affiliate marketer. And he told me a story about how he decided he wanted to grow his affiliate marketing business. So instead of promoting other people's products, he decided to release his own product in the same vertical.

And what he expected was that his business would go up maybe it would double. But what happened is, it went up like ten times. That's the power of being able to leverage that customer in a positive way to be able to sell them subsequent products and control that customer experience.

So, that's why I belabor this point of – I get a lot of people saying, "I've got two products that I want to go into. They're completely different markets, completely different verticals." What I'll do is I release this product first then I'll go to completely different vertical and do that one too." And I think that's a mistake. I think you build brands, not individual products. And that I think is one of the biggest mistakes as a new



entrepreneur to make is – they try to chase cash rather than a brand. So that’s why I belabor this point.

**Pat Flynn:** Awesome. And so, for the yoga example, you have the yoga mat and you released the yoga block and the yoga towel, each of them going through the same grind. What is business like after this point?

**Ryan Moran:** So, business is increasing exponentially at this point because you have cross promotions and cross sales happening. And we actually – we have plans to release other products as well but the purchase conversation started to come. Meaning, we started to get asked if we are interested in selling, and I can go to that process if you like to it when we conclude this.

When you’ve got this down where you have multiple products that have graduated from the grind stage and you have several products, I say three to five products, each doing 20 to 40 sales a day which isn’t all that hard to do on Amazon especially if you are aggressive during that grind stage.

Then it’s the gold, that’s the third stage of this process. And this is the point where I say it’s OK to start paying yourself, so I call it the gold. Now, this scares some people when I say this but I feel like it’s important to be honest. And that is, I did not take a salary from any of my physical product businesses for at least the first year. There was a year of rolling the profits back into more inventory. And when you’re making ten sales a day and you want to get to 20 sales a day and you order more inventory, it takes more of an investment because you’re growing. So, it takes more inventory to cover those daily sales. So your first order is maybe 500 units then it’s a 1,000 units then it’s 2,500 units. And each one of those, you have to reinvest your profits to get the larger inventory orders.

And then there’s the new products, the second product, the third product takes a new level of investment that comes from profits. So this scares some people from getting into this market, which is fine. But I feel like it’s necessary to be honest that there was a full year of growing these businesses before I took any salary. And it wasn’t until stage three that I felt comfortable taking a salary. And I feel like it’s important to distinguish that so that people know that you will grow much faster if you continue to follow this plan and put off paying yourself until this third stage, which is the gold.

And the other important factor of this stage, this third stage is your primary objective in that third stage of business is how do I increase my customer value, my total customer





value? So the first question in your first stage was how do I make sales? In the second stage, the primary question is how do I release as many products as I can comfortably handle? And the third is how do I increase my total customer value?

And it's at this point that we can start to think about how do we really get engaged in the process of encouraging cross sales, of encouraging upsells? And since you don't get that customer data on Amazon, you have to be a little bit creative when you're using that channel.

Now, if you have other channels, it's going to be a little bit different. But on Amazon, we do things like we offer a bonus to the customer if they'll come back to a website, enter their email address and they'll get a bonus or a discount on a future order, which encourages them to order again and then we have a follow-up sequence that will tell them about our other products for encouraged discounts or do whatever copy we want to do to be persuasive to convert them into other sales.

We also – we call our customers and we just make sure that they're happy. We make sure that our product arrived on time. And we do that in order to encourage brand loyalty to make sure they have an awesome customer experience so that they'll come back and buy from us again. And it's during this process that we'll also tweak our listings a little bit to talk about our other products so that we hopefully will get people to order multiple versions of our – or different combinations of our products so, two of something or two different products in the same order. So our primary objective in that third stage is we grow by increasing customer value, not by releasing new products.

So just to recap, first part, how do I make sales with this one product I've got? Second stage, how do I duplicate that process as many times as I can comfortably handle without detracting from the process? Third, now I have a business that has several products, selling comfortably, selling a good amount every day, how do I increase the customer value so that this business grows without increased investment or increased work? So, how do I increase that check out value and get people to come back and buy more? How do I build a real brand in business?

And it's at this stage where if you are making multiple sales, 20 to 40 sales a day from multiple products and increasing your customer value, congratulations -- you have a million dollar a year business.



**Pat Flynn:** And probably at this point, a lot of it is automated in terms of the marketing because your authority in Amazon but not only that, with the customer value that you're adding, they're going to spread the word for you too.

**Ryan Moran:** And that's why I'm less concerned about Amazon making a change or Amazon going away or having my eggs all in one basket because you're right, there's that brand equity there. You have that brand awareness. You have customers coming back.

But now, yes, we're in a point where it's mostly automated and we can think about starting over from zero in a brand new channel.

**Pat Flynn:** That's really cool. Ryan, we're already 45 minutes in this conversation. I didn't even realize until just now.

**Ryan Moran:** Holy Moses!

**Pat Flynn:** It's what my – time moved so fast and I think it's the same way for people listening. I would love to invite you back on because before we got on the call, you had mentioned that you also have some interesting passive income strategies after you build your business and what to do with that money, something that I don't talk about much on the blog but I am interested in. I do participate in and I have my own thoughts on that. Perhaps ...

**Ryan Moran:** Can I tease that?

**Pat Flynn:** Yeah, yeah.

**Ryan Moran:** So, we talked a lot about entrepreneurship and business in our little circle. I talked about it on my podcast, Freedom Fast Lane. We talked about it at conferences. But we so little talk about what we all got into this for, which is passive cash, having our cash – building wealth passively, yeah, and having cash come in without worrying about Google making a change or ClickBank making a change or affiliate going down.

We all got into this so we can live a better life and grow our cash flow without necessarily having to raise a finger. So, I wrestled for this for a long time of I have these businesses but they're not really passive. I do have to think about them. So what do I do with the cash once I have it?



Now, I've developed a strategy that has worked really well for me. And when I talk about it, it seems really simple to those other people of building wealth and cash flow from the money that you're making from your business. What do you do with that to wisely invest that growing wealth and getting that to spit out cash?

And there are ways that you can with low risk and even low investment have very high yields that for whatever reason, very few people talked about. And I have made it kind of a part of my mission to make them available at least knowledge wise to people who want to really have passive cash from the businesses that they are making and the best vehicles that are going to grow in value and also put cash on their pocket without them having to do anything. So, we'll talk about that on the next one.

**Pat Flynn:** OK. And you talked about that on your site too, right?

**Ryan Moran:** I do, yes.

**Pat Flynn:** And you tell everybody where they should go to find out more information?

**Ryan Moran:** Cool! Here's what I'll do. I will set up a page for listeners of Smart Passive Income where I'll have a best of my podcast where I talk about investing and we go into more details with Amazon. So I'll just conglomerate the best of according to this interview. So if you want more, I'll take some of the best stuff and put it over at [FreedomFastLane.com/Pat](http://FreedomFastLane.com/Pat), P-A-T, [FreedomFastLane.com/Pat](http://FreedomFastLane.com/Pat). And you can also find my podcast on iTunes. It's under Freedom Fast Lane where you can just look under the best business or the top business podcast. I'll show up there.

**Pat Flynn:** Awesome! Thank you so much. For everybody listening, Ryan teased a little bit about the sort of post building a business, investment, wealth building and passive income. If you're interested in that, I'm curious, are you interested in that? Go ahead and come to the show notes, leave a comment. I'm just curious because I don't talk about that, what do I do with all the money that I get and things like that.

So yeah, and let me know if you'd like to have Ryan back on. I mean this is a great, great show, very actionable. And I am so glad you broke everything down for us and give us real life examples. Thank you, Ryan, for being here and sharing everything with us today.

**Ryan Moran:** Thanks so much for having me on, Pat. It was a blast.



**Pat Flynn:** All right. I hope you enjoyed that interview with Ryan Moran. Again, you can check out what he has to offer at [FreedomFastLane.com/Pat](http://FreedomFastLane.com/Pat), such a good interview. I know we're going to get a lot of comments on this actually. And if you go to [SmartPassiveIncome.com/session144](http://SmartPassiveIncome.com/session144), that's where you can leave comments and talk about everything you learned and listened to on this particular episode. If you have any comments, I know a lot of you do similar things to what Ryan does, I'd love for you to come in and chime in and add your thoughts as well. So again, it's [SmartPassiveIncome.com/session144](http://SmartPassiveIncome.com/session144) which will also give you access to all the links and show notes and everything for free as well. So check that out.

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And of course, with the brand new year, tax season is right around the corner. April is just a few months away and you want to make sure you have everything easily organized in terms of finances so you can make an easy income tax season for you so you don't have to have headaches and you can just have more success moving forward. So if you want to try [FreshBooks](http://FreshBooks.com) for free for seven days, you can get a seven-day free trial by going to [GetFreshBooks.com](http://GetFreshBooks.com) and enter SPI in the "how did you hear about us" section. Again, it's [GetFreshBooks.com](http://GetFreshBooks.com) and enter SPI in the "how did you hear about us" section.

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I'm asking this year, I really appreciate it. Love you guys. Take care and I'll see you in the next session.

**Outro:** Thanks for listening to the Smart Passive Income Podcast at [www.SmartPassiveIncome.com](http://www.SmartPassiveIncome.com).

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