



4 Strategies to Pivot Your Business from Small to BIG

Steve Sanduski:

Hi everybody and welcome to another episode of On Your Mark, Get Set, Grow. This is the podcast of CEO Coaching International, where we talk to the world's leading entrepreneurs, CEOs and coaches who are looking to make big happen. I'm your host, Steve Sanduski and our guest today is Oliver Seidler. Oliver is a passionate entrepreneur and avid learner who's always looking to grow both personally and professionally. He's the CEO of Property Force, which is a company that specializes in the use of technology, marketing, and sales to buy and sale real estate contracts. Oliver, welcome to the show.

Oliver Seidler:

Thanks for having me, Steve. Glad to be here.

Steve Sanduski:

Well, we're happy to have you here. Couple things we want to talk about here. First of all, let's start off with the pivot that you made in your business. So you started your business one way, and then couple years or so ago you made a pivot. So let's talk about what was the business like before and then what was the pivot that you made and then we also want to get into discussing some of the unit economics of the business, how you think about the numbers in the business, key performance indicators, and how you look at the financials in order to think about how you can scale the business and make sure that you've got enough cash on hand, those sorts of things. So lots of great things we're going to talk about, but first, let's go into what was the business like before the pivot, what caused the pivot, and where are you today?

Oliver Seidler:

Well before the pivot the way it was, we started the business with the co-founder, a friend from college named Jason, and right away the market crashed in 2007, a year after we started the business. So from 2007 to 2009 or 10, it was really survival mode and then 2010 we kind of were able to start putting some systems in place and then grow the business. So our main office was in Ft. Lauderdale. We opened up a second office in 2011 in Miami. 2012 we opened up one in Tampa, and then 2013 we opened one in Orlando. The model for the business was to just keep opening new locations and kind of scale the business out that way.

In 2014, I bought Jason out of the business at the end of the year. We made some internal changes. I started getting the PNLs together, and then started looking the it and thinking how can I scale this business nationwide faster. Before we were going out to the properties looking at them, doing inspections, and so that local market knowledge was important, but also we were going to have issues with finding managers that were competent enough to open these offices. Then as you kind of get more offices and you move farther from home, that dilution of the manager knowledge and all that kind of starts to happen. So we started looking at things as like how can we scale this faster.

Then at the end of 2015, worked with some different advisors, talked through it a lot and decided that, hey, we don't really need to go and look at these houses ourselves. Can we get other people local in that market to do it, and what if we had one central location, really utilized technology. If we had that, we would then be able to instill a culture that was much easier to manage, higher better talent, and kind of scale out with that approach.

Steve Sanduski: So you made that shift and so today how are you using the technology today to really conduct the business?

Oliver Seidler: Well, the initial thing was to build a platform for investors to log in and really control their search parameters and all the different things that they were looking at when they're buying properties, and I kind of underestimated how easy that would be to build and we're still actually building that technology. So that outward technology to the customer is still kind of in process, but what we really utilize with the technology is more of our internal CRM, how we manage all the different investors, how we handle leads, and we utilize Salesforce.com and that platform to help us kind of really organize things, keep everything very centralized and easy to manage because we're working with tons of different data on the marketing side as well as all the investors that we sell the properties to.

Steve Sanduski: How do you think about the financials here? The original version of the business you were having these multiple offices, probably a lot of cash required to support those offices and building them out, but now that you've got the one central location, you're using technology, how do the financial and the economic model, how does that work for the business and how do you think about that?

Oliver Seidler: When we initially ... when we did the model change, there was three big revenue sources for our business and one was through auction, the second was through the MLS, the multiple listing service, and then the third was through advertising to distressed sellers, and this was on the acquisition side of the business. So when we changed the model, those three were about equal lets just say in where our revenue sources were coming from. But then when we kind of consolidated the model, we were trying to do those three things, the foreclosures and short sales and all those things were kind of filtering through

the system and they were running out, and the advertising aspect of the business was growing and was able to do a lot more, so we always went in to the month thinking, okay, well this is what we're going to spend on sending letters, because at the time we weren't doing internet advertising and just thought to ourselves, "Alright, well this is what we're going to spend, and we expect to have this amount of calls." And that was it.

So I think when the real a-ha moment come for me was really figuring out well, what do I need to get back from every dollar spent in marketing to make it work on a bigger level. Once I kind of understood that number, I understood that well, if I'm getting over that return for every dollar spent then I can crank up the marketing and turn it up. So I think that when we looked at the business, and you're looking at a \$10 million business, and you have at that time, once we made the model change it was about 50% of the business coming from the advertising and the other 50% coming through the MLS and the auctions, it's a huge chunk of money.

But then I once I blew the PNL up to a \$30 million and then eventually we did a kind of \$100 million mock up on the PNL, I started to see how much bigger the advertising could be than these auctions and MLS which are very relationship based and there's all kinds of things as foreclosures filter through the system. So a lot of it was just feeling comfortable to know that hey, at that \$30 million these other two sources are minuscule. So letting go of those sources and putting our focus into the advertising which was much easier to scale, much faster to scale became easy to do once I saw what the PNL looked like on a much bigger level.

Steve Sanduski:

Okay. So if I'm hearing you correctly, basically, and I'm just going to throw some numbers out here not necessarily suggesting this is the science of your business, but let's say it's a \$10 million business and you've got a couple two or three different sources of revenue, and so what you did was, and I think this is really insightful, is you said, okay, here's our two or three sources of revenue today, and here's the marketing dollars that we spent on each of those revenue sources, and then, and this is the insightful part, you just said, okay if we want to scale this to \$30, \$50, \$100 million in revenue, looking at the marketing dollars, how can we allocate those marketing dollars in a way that's going to get us the return that we need and also allow us to really scale up the business at that level.

I think what I heard you say was, when you did that, you discovered that it was the ... was it the internet advertising, the digital advertising, that was the marketing spend that was going to get you the best return and enable you to really grow to that \$50 to \$100 million? Is that a fair summation of what you just said?

Oliver Seidler:

A little bit, yeah. I mean the digital was one component, but really there was the three different sources to buy houses. So you had auctions where you could buy

houses from, and they're competitive online auctions, you put in bids, you do all this different stuff and get deals there. Then you have the MLS which is reaching out to realtors, building relationships, all these different things. Then the third source is buying properties from distressed sellers, "Hey, we want to buy your house cash. We want to buy it fast." And we've always used letters and mass mailers to do that, and then we just started using the digital internet, we buy houses quickly, somebody types in online "I want to sell my house quickly."

So that, digital is a component of buying from the distressed seller, but still the mailers are the biggest way that we buy from those people. It was more just turning to that third source, which is buying from the distressed sellers, which includes mailers, internet, potentially billboards, TV, radio, and all that encompassed into that one third source.

Steve Sanduski: Okay. Then how deeply do you look at these metrics as you're trying to measure the return on investment when it comes to your marketing dollars? Are you looking at things like payback periods and I think earlier you had mentioned for each marketing dollar that we spend what kind of return do we get, maybe the timeframe of that return. Can you shed a little light on how you're looking at those metrics to determine which one is the better spend for you?

Oliver Seidler: Yeah, right now, now that we're in a growth mode, we're not getting too nitpicky into the marketing. That I kind of look at as the next stage where we start looking at this area versus that area and what the return is and all that stuff. We do that to a point, but right now I'm really focused on that overall number. So when I built the PNL, I built it and said, "If I get X dollars back from X dollars spent, then hey, I can keep testing, I can keep throwing more money out there."

That was kind of the big shift, was understanding that if I could get that amount of return that I needed that works with my numbers with the fixed expenses and the spend that I'm spending on marketing, the cost of goods sold, paying mainly commissions to our salespeople, then once I knew that number it kind of allowed me to freely spend more money each month and then at a certain point, go in there, fine tune that and that's kind of where we're now looking for a full-time director of marketing/CMO that can really dig in there and kind of start that. But for me, it was more like the unlocking of my mind to just know, hey these other two revenue sources aren't as quickly scalable. This one is quickly scalable, and this is what I need to return back. If I can return this back, then I can keep spending on the marketing and I need to make sure that I have the sales to be able to keep up with the marketing, and then the operations that can handle the deals. It's kind of that cycle of balancing between marketing and sales.

Once we kind of figured this out, we went heavy into marketing. We didn't have the sales staff to handle it. So now we're in a place where we've done things on the sales side, built our sales team and now the sales team is actually a little bit

ahead of the marketing leads that are coming in. So now just that's really the balance of the business, but understanding that, looking at those two other revenue sources, it allowed me to let go of them because there was a lot of time spent on those, manpower spent on those, mental energy thinking about those sources, but once I knew that they weren't really significant at a \$30 million budget, it just kind of let us let go of that if that makes sense.

Steve Sanduski: Yeah. So you're in this growth mode.

Oliver Seidler: Mm-hmm (affirmative).

Steve Sanduski: Okay. Now how about the forecasting process? Did you have any type of structured forecasting process? And not necessarily just financial forecasting, but maybe strategic planning, annual planning process? Do you have a regular rhythm of meetings that you work through to continue to plan for the business?

Oliver Seidler: Yeah. For us, once I got the financial model right, I kind of look at it as it was the roadmap for the business. It made a lot of decisions easier and I remember I worked on the model with Don, who's my coach through CEO International, and we were working on it for a period of time and he kept saying to me, "Don't try to get the pass numbers perfect. Use the pass numbers to forget the future."

And I worked on the PNL and built it out probably for 60 or 70 hours or so, and I remember one morning I couldn't sleep. I went into my office at 3:00 in the morning and I started kind of messing around with the PNL, and that's when I realized I had kind of had the a-ha moment with I was like, "Wow, if I spend this on marketing and I get this return, this all works." The cost of goods sold are this, the fixed expenses are this. This is what my marketing spend would be. This is all I need to get back for each dollar spent, and as long as I'm getting this, I can just keep growing.

So, first what I did was this was in the end of 2016, so I built a 2017 PNL. Then I built a \$30 million PNL and now what we do is we build an annual PNL at the beginning of the year. Quarterly we adjust the PNL based on the quarter's activity. We go into our quarterly meetings and the leadership team agrees, hey this is the number that we need to hit this quarter. Here's what the spends going to be on marketing, and then we have bonuses to our executive team all the way down to even our admin based on hitting whatever that number is. But that number kind of changes each quarter because we don't know where we're going to be on spending.

That's kind of pushed all the way down to them. Then we go out to our sales team, we tell them what the number is that we're expecting to hit based on the marketing spend. Hey, if you guys hit this number we're going to up, their commission only, so for them it's not like a bonus, but this is how much commission is going to be out on the floor. If we hit this, if you guys hit this number, that shows us you can keep up with the marketing. We're going to

crank the gas up next quarter and we'll spend even more, which means you guys will get many leads.

So it's pushed all the way down and we have daily huddles, we go over that number and then the big thing we do was looking at the lever. So when I built out the PNL, I looked at all the different levers that would send the marketing spend up. What I found was that conversion ratio and the spread that we got on per deal were the numbers that would really blow up the money return based on the marketing spend. Once we kind of knew those numbers, we knew okay, these are the levers that we need to pull to increase the marketing spend. Now what are the activities that will make these levers go up? What are the things that will increase conversion ratio? What are the things that are going to increase the spread?

Once we knew what those activities were, then were able to push those activities to the sales team, make bonuses around them, in our daily huddles go over those numbers and so it was kind of driven from the top all the way down.

Steve Sanduski: Well, if this is proprietary I understand, but can you share what some of those levers are? So you said once you identified what these levers are that really are driving your spread and more business, can you give us some examples of what those would be?

Oliver Seidler: They're pretty simple on a basic level for conversion ratio is how many calls did you make to the person. How many calls per lead? And then for the spread we could get credits on deals for people. So it was credit attempts and how many credits did we get. Those were kind of two basic ones for the two biggest levers which are conversion ratio and spread.

Steve Sanduski: Okay, and when you say how many credits we get, what does that mean?

Oliver Seidler: Let me buy a property from somebody. We can always go back and get a 2, \$3,000 credit from them based on work that's needed to be done to the house and lots of different factors.

Steve Sanduski: Oh, okay. Got it. Got it. Okay. Well lets switch gears just a little bit here. So you're an entrepreneur. You started your company. You've grown it through various different levels. In your experience, do you think that there comes a point in many entrepreneurs life if they do build it to a certain level that maybe there's a point that's common to a lot of entrepreneurs where they reach a ceiling at a certain size of the business and it's hard for them to get above that, and if there is a ceiling like that, what are some things that entrepreneurs can do to try and break through that ceiling?

Oliver Seidler: I do think that the \$10 million is a ceiling. I think you have a business and getting to a million is a lot of creativity or doing everything on your own, and hustling and getting to that million point. Then the state I really liked a lot was the one

million to the seven, eight million dollars, and that's putting the processes in and hiring people in different levels and just kind of building and doing what we did. I found that stage really fun and not that hard, and then I think that the hardest thing that I've ever done as an entrepreneur was building the business to scale past \$10 million, and I think in the Gazelle's scaling up they talk about four out of 1,000 businesses actually get past that. So I think it's kind of a huge ceiling.

What I think the big thing that I saw when I built out the PNL at \$30 million and \$100 million was you need to put the team in place. You need to put the \$30 million team in place while you're at \$10 million. And that means taking a step back on profits that you're making in the business, it's a one step back two steps forward. So I'll give you an example. We were looking for a controller, and we said, "Okay, we want to spend \$80,000 on a controller. That's what we want to spend." But then I started looking at the PNL at \$30 million, I was like this is insignificant if I spend 80 on a controller now or I spend 120 or 140 and get a controller/CFO. It's meaningless. So that kind of was the mentality that unlocked us to get the controller/CFO that we needed, to go out and find the marketing person and not really care where we found someone and they cost 120 or whether they cost 200 because it was meaningless.

So I do think unlocking the numbers and seeing what that roadmap looks like at \$30 million allows you to look at salaries or expanding space or spending a little bit more money on a Salesforce or a customization that you need to do. It gives you the comfort to do those things and some of the more important things that you need to do to get past the \$10 million to do those things. I do think it all starts with kind of the team. As far as entrepreneurs and where their capabilities start to get tested and for me I can say is I think when I bought out my business partner again in 2014, he kind of was that COO/controller person that operational person in the business, and I had somebody that was going to come in and take that role over. They ended up not working out, and so I kind of got put into that role of CEO/COO.

At the time, other people told me, "Hey, this is going to be really good for you. You're going to be able to get back in there and you're going to learn your business. You're going to learn the intricacies." And if I didn't do that, maybe I never would've figured out how to shift the model and make it much more scalable, but there kind of reached a point for me where my capability level as a COO stopped at \$10 million, and I didn't like doing it, it wasn't my thing. I put somebody in that role of COO, got myself out of it, which I didn't like doing, and they're much better suited to kind of scale the company up.

So I think entrepreneurs, they reach their capacity maybe in certain box at a certain level. I do think I have the CEO capabilities to take the company to \$30 or \$50 million or whatever it is, but maybe at \$50 million I don't have the CEO capabilities to go farther and maybe I belong in a different box. I don't know what that box is, but I don't necessarily think just because you're the founder of

a business or an entrepreneur that you necessarily should be in the CEO or COO box. Maybe in Google, the two founders, they brought the guy Eric Schmidt in and one of them went to product development and one of them went to another role, and let that person take the person to the next level.

Steve Sanduski: Right. Yeah, so used to say in horse racing there's horses for courses. So you really have to ...

Oliver Seidler: Correct.

Steve Sanduski: ... be aware, have a lot of self-awareness to understand what is my best role like you said. You may be the founder of the company, but that doesn't necessarily mean you're the best CEO for the company. Maybe you're the best rainmaker for the company or you're the best relationship builder or you're the strategic visionary product developer kind of person. So that's good. I'm thinking a couple thoughts here as it relates to ... as the entrepreneur continues to grow the business and they have to think about them personally, you just talked about the skillsets that the founder, entrepreneur, CEO needs to have, and sometimes the business might grow beyond the technical capabilities of the founder or maybe the interests of the founder. So that's one thing, I think you've addressed that.

How about the second side, which is the mindset of the founder, the CEO. How do you think about that as you've grown your business from zero to many millions in revenue, how do you think about the mindset? How does your mindset shift? Maybe tying into this \$10 million revenue ceiling that you were talking about. Some people just aren't able to think big enough, that gosh, maybe I could be \$100 million or \$200 million. How do you personally think about this idea of mindset and being open to the idea that maybe I really can build a really substantial size company here?

Oliver Seidler: Well that's changed a lot for me I think in the last year or two. My mindset always before was just go as big as possible. I don't really care, I just want to grow fast, fast, fast and so as big as possible. But now I kind of think a little bit differently as I've put all this stuff into my business and I think it really starts with where do you want to end up. What do you even want? Because a \$5 million business might be good for one person and that's all they really want and they take ego out of the equation and they're like, you know, if I make a \$5 million business and maybe I make seven \$800,000 a year, that's what I want to live my life. I want to be the CEO and COO of that company, and I'm good there. And then maybe another person for them it's building a \$50 million or \$100 million business.

I think it starts with knowing what you want, like what size business do you want. Do you want to build \$100 million business and now that hey, maybe at \$100 million I'm not going to be able to be the CEO of this business. Maybe I'm going to be the customer service experience officer or whatever it is, and maybe

you're good with that. So, I think it kind of starts there. That requires I think ego checks and taking your ego out of account, because if you say, "Okay, well I want to only build a \$5 million business." You have other people around you that are building \$10, \$20, \$50 million businesses, and to say, maybe I could do that but that's not really what I want, I think that's an ego check. Or, knowing, hey I can build a really big business but I might have to check myself out of the CEO box or COO box at a certain point.

I kind of think it starts there, and then the next thing is learning, just attending as many different seminars, getting involved in as many different programs, surrounding yourself with people that are on that next level and learning what they've done, picking their brains, being a sponge. Taking as much as you can from those people, prioritizing all the different things and actually implementing and actually executing and getting those things done, not executing too much, prioritizing what you're going to do, and then I do think then that you tie the PNL back into that and whatever you decide that number for your business is that you want to grow the number, just reverse engineer the PNL, build it backwards, start with it and say, "Here's the number that I want to build," and then reverse engineer the whole PNL and then that kind of gives you that roadmap and gives you the freedom to spend the money, build the team you need to build, cut revenue streams that you might need to cut, understand the numbers basically and let that kind of guide your decisions, but you're guiding those decisions based on a bigger vision.

Steve Sanduski: Okay. So let's jump into some rapid fire questions here. So I'm going to ask a few questions designed for some short answers, so we're going to put you on the hot seat.

Oliver Seidler: Sure.

Steve Sanduski: First question is what is one of your favorite business books?

Oliver Seidler: For sure Rich Dad, Poor Dad and Cashflow Quadrants. I read both of those when I was 23 years old. I think it's such an easy concept but hard to actually do, and I think if somebody can build a passive income stream, it opens you to taking risks, opens your mindset and then you know, the second book Robert Kiyosaki is the author, the second book of his is Cashflow Quadrants that's understanding an employee self-employed business owner, investor, and those two books are by far and away the best and fundamental and good for anybody.

Steve Sanduski: Okay. And next question is name one daily behavior that will help a leader grow.

Oliver Seidler: One daily behavior. I think a good -- I'm going to give you two. One is I think is a really good morning routine is good. There's a great video about making your bed in the morning by a general, kind of doing that, whether it's a meditation, a workout, also just clearing your brain for the day is big, and then I think just getting into a cycle of learning something new each day. People I think they

know what Google is but it surprises me they don't utilize it enough and there's just so many great 10 tips on this or quick little articles that you can read through Facebook or subscribing on Facebook to Business Insider, Entrepreneur.com, and then just looking up one or two of those articles each day. I think that's definitely good to do.

Steve Sanduski: Okay. Now are you a leader who says, "Just give me the data," or are you someone who likes to go with your gut feel?

Oliver Seidler: I like both. Now that I've gotten much better at the PNLs and unit economics, I want to see those first and I want that to guide the big picture, but then on a lot of other decisions at some point you just kind of got to go with your gut too. So I think both are important, and just for different things. I think in the big picture the PNL is important and the numbers, but then on certain decisions you've kind of got to try stuff and adjust and try and fail, make moves, it kind of makes business more fun, and yeah.

Steve Sanduski: Okay. How about this? Are you someone who tries to be better and more successful than others or are you just trying to be the best that you can personally be?

Oliver Seidler: This is kind of what I alluded to before in the conversation is that I think that you need to know what you want and really get out of the race. There's a great podcast I listened to about six months ago from a book called Ego is the Enemy. It's on Tim Ferriss' podcast. It really just talked about when you're young and you're successful and you're ambitious how easy it is to get caught up in just more, more, more. And do you want to be one of those people who just fills a bank account and dies with a big bank account because you're competing with others or do you want to race your own race and do you not want to get caught up in that and not let ego get caught up in that.

So I would say that's where I am different a lot more now than I was two years ago, is that I know what I want and that's all I really care about. For me, it's not just how much money because that really isn't as big of a motivator as is how much time do I have and how much am I enjoying my life and how much fun am I having and how happy am I.

Steve Sanduski: Okay. And then the last one here, I'm going to start a sentence and I'd like you to finish it. So I'm starting with the best way to accelerate personal growth is ...

Oliver Seidler: Learn.

Steve Sanduski: Excellent.

Oliver Seidler: Sponge information from as many people as you can, attend as many good quality learning seminars as you can and when you're with somebody ask them

as much as you can, figure out what their specialty is and pick their brain until they stop you.

Steve Sanduski: Yeah. Well and I'd add, listen to podcasts, particularly this one.

Oliver Seidler: Of course. Yes.

Steve Sanduski: On Your Mark, Get Set, Grow.

Oliver Seidler: For sure.

Steve Sanduski: Well alright, fantastic.

Oliver Seidler: Exactly.

Steve Sanduski: Well great, well we will wrap there, Oliver. I really appreciate you taking some time here and sharing some of your insights and your story and congratulations on your success and we look forward to watching your continued success down the road.

Oliver Seidler: Alright. Appreciate it and thanks for having me.

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