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Episode 122:

“How to be Profitable as an Author”

Mike Michalowicz:

Welcome back to the Don't Write That Book podcast where you can learn how to write your bestseller and own your authorship. Follow along with us as we give you an insider's view of the book industry. Now, here are your hosts. Myself, Mike Michalowicz and AJ Harper. I wanna start off with the desert island question. So you're on a desert island, AJ, you're allowed to bring one book. What book is it?

AJ Harper:

Only one book.

Mike Michalowicz:

Yeah. And I wanna get your why now. I've been mentally preparing for this for a little bit.

AJ Harper:

Oh, of course. And then you put me on this spot.

Mike Michalowicz:

So you want me to go first?

AJ Harper:

Yeah, go first. I have think.

Mike Michalowicz:

Okay. And mine's a little bit of a cheat, or very much so. It's a book on surviving on a desert island. <laugh>, like, it probably exists.

AJ Harper:

<Laugh>

Mike Michalowicz:

But it, it's gotta exist. And, um, but it's funny, I get approached by people constantly saying, Mike, which book of yours should I read next? And my response used to be, whatever my favorite book was, oh, you gotta read Get Different that that's the one, or Fix This Next, or whatever. Now my response is, well, what's the biggest challenge you're facing in your business

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or your life? Get the book that fixes that. And it may not be a book that I've authored, but there's a book out there for it. I think we read books because someone suggested to us without considering the potential impact it could have on our life's moment. So that's my book, desert Island book.

AJ Harper:

Hmm.

Mike Michalowicz:

How about you?

AJ Harper:

Okay, then on that vein, if we, that's the tactic. Um, it would be geography book.

Mike Michalowicz:

Oh, that's a good one.

AJ Harper:

Mm-hmm <affirmative>. So I know exactly where I am, how far, et cetera. Yeah. So basically we just need a suite of books on things like flower and fauna of the air

Mike Michalowicz:

<laugh>. Exactly. Yeah, exactly. Yeah. Plant identification. But, you

AJ Harper:

Know, one of my

Mike Michalowicz:

First

AJ Harper:

I would was though,

Mike Michalowicz:

Pardon

AJ Harper:

Me? My first instinct was I actually just want a blank book that I can write in.

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Mike Michalowicz:

Oh, that's gorgeous. And I think for mental sanity. So, you know, I was going to on Maslov's Hierarchy right. To the Physiological survival component. But you're going to, uh, the higher level, which is perhaps even forms of self-actualization, continuing purpose. It's funny, I think there's different levels. I, I think I would start with, uh, a survival book. The next level I go would be some form of entertainment. I just finished reading Spinal Taps book. They have a mock you book, and oh gosh, I'm so upset about Rob Reiner's passing. Oh. But that book was extraordinary and entertaining and laugh loud, laugh out loud moments. But I think the highest level then is expression. And that's what you went right to, which is interesting.

AJ Harper:

Yeah, because it, I'm always, I remember when I was a kid, my parents, uh, you know, I'm Gen X, so there's no daycare, there's no,

Mike Michalowicz:

No, no.

AJ Harper:

You're going to work with your parents. Um, yeah. So my dad always worked Saturday mornings at his job. And so that meant I went into the office, uh, the CPA office on Saturday mornings. And he never had a receptionist there, though. He just had his appointments. Right. So he figured I just had my Saturday. So later when I was older, I was allowed to do the shredding.

Mike Michalowicz:

Um, oh, that's fun. I love shredding.

AJ Harper:

But mostly I just sat at the reception desk, and if someone came in, I would say, there's someone here for you. But, you know, mostly I was bored, so I was always looking for a piece of paper where I could try, later. I could learn to use a typewriter. And then my mom was also working. And so I'm always looking for a piece of paper that I can write on. And I think if I were trapped somewhere, 'cause I felt trapped in those situations, I felt like I'm stuck here for hours, which feels like days because your children and I need a, I need something to write on. Um, and that's, so I don't think I could be on a somewhere and not be able to write down my thoughts.

Mike Michalowicz:

I love that. Yeah. I love that, that you leaned into that expression. And I, and I think we go mad if we didn't have that available to us. Uh, it would be very much like, um, Tom Cruise. Not Tom Cruise. Tom Hanks stuck on the island talking to Wilson.

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AJ Harper:

Wilson.

Mike Michalowicz:

Yeah. Hey, so we're gonna talk about profitability. Oh. Before we do this, uh, welcome to the show, everyone. Whoops. This is, don't Write that book. I'm Mike Michalowicz, author of Profit First, and a brand new book called The Money Habit. I'm joined in Studio Virtual Studio by my co-host and colleague, AJ Harper. She is the author of Write a Must read, um, the defining book on authoring an extraordinary book. And, and you have two more books in the works, I believe, right?

AJ Harper:

I do.

Mike Michalowicz:

When will those be on pre-order?

AJ Harper:

Not anytime soon.

Mike Michalowicz:

Okay. Who are you publishing through?

AJ Harper:

I'm not talking about that yet.

Mike Michalowicz:

Nice. There's, you are. So, uh, um, so vehement about protecting what it's about. And, and I feel like I have the inside scoop. Like, we're friends. We've done so much work together. We've gone through some life experiences together. I have no idea what you're writing about. I have no idea who you're publishing through. I can't wait. And I love it. And I freaking love it. So it's just kudos for your discipline.

AJ Harper:

Just thank you. It's not because I'm like a secret spy or because I'm, you know, hoarding experiences. It's just because if I talk about something too much, I don't wanna do it anymore.

Mike Michalowicz:

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Oh, that's so interesting. And this is what I admire about you, is that, um, you understand yourself and your, I think just like many of us are discovering more things about yourself and, but you're spinning it to your advantage. Um, too, too many people, perhaps including myself, are not introspective enough. Um, but you're someone who, to me, is highly introspective, but also takes the step of saying, oh, this is how I work with the mechanics of who I am. I really admire that.

AJ Harper:

Do you find that you were more introspective on your four-week vacation this year? 'cause you actually, you, you were so tight about it in this four week, do you feel like you had more time for introspection?

Mike Michalowicz:

Yeah, this was the best four-week vacation ever. So yes. More introspective, more relationship building With Krista discovery of our relationship with my children. I spent time with them. I'll tell you, the biggest thing I've done after four-week vacation, which is something I lost, is intentionally putting myself in a position where I get quote, bored there. There's, especially how, how my environment set up. There's constant greenage available. And while I, I actually have stopped doing social media perhaps about two years ago, I still can pull up my Virginia Tech football news and be scrolling through that. And I'm not giving myself intentional pause, including this morning. I'm very deliberate about it now. And so I just grabbed a cup of coffee, which I now mix with cacao. Um, I found cacao officially for myself as a consumer about six months ago. And I love it.

Mike Michalowicz:

I love the bitterness. So whatever, I got my coffee with a mix of cacao, and I sit there in a, in a room that I let the sun rise if it's rising. And if it's still too early in the morning. 'cause I do get very early. I'm just sitting there in the dark with maybe a small light and just let my mind wander. It is, it's delightful. It's delectable. It's amazing where our mind goes. So that's what I learned to revisit in my fortification is silence and emptiness. It's really powerful. Nice. So we're gonna talk about profitability. And um, most authors, I would argue, lose money in their venture of becoming an author because they don't go about it the right way. They're not invested in it, but they never expect to be profitable. I remember when I was, when I was writing toy paper entrepreneurs, this is before you and I met, I told you aj I met with other people, um, that and telling them that I was going to write a book.

Mike Michalowicz:

And the response in general was like, are you effing crazy? Like no one is successful being an author <laugh>? Well, I, I found there's three people you must talk with. And by listening to the show, you're talking with one of the type of people. But one type of person is someone who's

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never done it before. And whatever they say, do not listen. And the way to do that is by saying, have you ever done this before? The vast majority of people said, as an author, you'll never make money. And I'm like, oh, tell me about your author journey. They're like, I'm not, I'm not an author. I've never done it. That's why, that's why here or no. So discount that the second type of person to talk to is the person who has failed at the process. They've attempted it, learn from them. So I spoke with quite a few authors who said, yeah, I wrote a book and I never made any money about it.

Mike Michalowicz:

Well, or through it. So I bought their books and read it. And there were some horrible books. Um, I looked at their marketing and they didn't even have a website for it, let alone do any marketing. So I started seeing what they failed to do and then talk to people who've been successful to wildly successful. And you know, the story, I by coincidence had an opportunity to sit down with Tim Ferriss for a half hour unabated undistracted time and interview him. And my opening question was, Hey Tim, can you make a lot of money selling books? And it was like, there was like a secret spy in the room. He kinda looks around like, is this a candid camera situation? And he says, you can make a ton of money selling books. I mean, how do you do it? And no surprise, it was the reverse of the, what people were doing that failed. So this show, I would argue, is the pathway to a profitable author. So good job listening here and now, you know, the other folks to listen to aj, you work with so many people in your community, go to ajharper.com right now, if you're listening to this to check out the community and become part of it, one of the most common reframes around profitability is what that you hear,

AJ Harper:

How am I gonna make my money back?

Mike Michalowicz:

So is it that going in like with a negative mindset from the get go? Like, this is a losing venture

AJ Harper:

Because it's the, they wanna know ROI and they want the straight ROI and I get it because if they're talking to me about, say, workshop, that's a massive investment actually. Um, my workshop, my annual workshop is pricey for sure. It's a small workshop, but it's very hands-on. And so they're thinking, oh my gosh. So I get it. They have sticker shock and they could have sticker shock about if you're gonna invest in a top tier hybrid, or, um, maybe they're gonna work with a big book launch coordinator or invest in a monthly retainer with a publicist. Like all of this is money. You know, so they are immediately thinking ROI, and that's where their brain goes. And just wanting to make the money back so that they feel like it was okay that they wrote the book. Which is so interesting. It's almost like, um, if I make the money back, it's fine that I did this thing.

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AJ Harper:

It's, it's odd, right? I think it's, it's part of the insecurity about who am I to write this? I think it's tied to that, which isn't to say I'm, I don't wanna diminish. We all have financial concerns. We all have to answer to people, teams, boards, spouses, about is this money well spent? I get that. And then also for a lot of us, it's a lot of money. And sure, maybe we have to make sacrifices or put, you know, um, uh, it's, it's a lot. So I get that. But I also think it's rooted in an insecure mindset about if they should be allowed to do this.

Mike Michalowicz:

There's a behavioral phenomenon called loss aversion, and it is more painful to lose something we possess than to go through the effort necessary to gain what we desire. So once we have something, we don't wanna lose it. So once we have money and we see that, you know, we're gonna spend over the lifetime of printing this book, if you do a hybrid or sell 50, 60, \$70,000, you know, you got print books and edit it and proof it and we're like, I'm losing this money. And it is interesting how few people are saying, but I'm gaining, you know, uh, all this income from royalties and speaking and whatever it may result in, here's what's funny, aj. I rarely see people going to college saying, I don't know if it's worth it. Like, you, there's questions if college is even worth it anymore today, yet you spend \$60,000 a year to send your kid or yourself to college, you're gonna spend a quarter million dollars at college. And people are like, yeah, of course you just do that. 'cause you know, it'll result in a better career if you spend whatever it is on your book. You have to go in the mindset this is gonna result in a far better career <laugh>. And I think people are missing that part.

AJ Harper:

I think so. Yeah. And there, I I also wanna play devil's advocate in that I think a lot of people have gotten burned by people who promise more than they can deliver, who, um, promised pie in the sky things that actually no one can promise. And, uh, so that's real too. You know, it's just a feeling of, I'm not sure this feels risky. It all feels risky. And I think ultimately it's rooted in the fact that just being creative at all and creating this work of art, 'cause that's what it is, creating this thing, um, is risky in and of itself. And so that risk stays, you know, so we we're looking for is here's how I, I'll know that it, I did the right thing it how, tell me the path to earning back the money. Um, but I think we need to shift our mindset to thinking about profitability in a much bigger way.

Mike Michalowicz:

So how, how do you define it?

AJ Harper:

How do I define profitability?

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Mike Michalowicz:

Yeah, yeah. As an author,

AJ Harper:

For me, it's not even, I don't even think about it as profit, profitable. I mean, we're talking about it in a sense because I really want people to get your strategies for how you use the money. 'cause you're mm-hmm <affirmative>. To me, the king of profit. But I think about it more like, what does this book help me then do?

Mike Michalowicz:

Oh, interesting.

AJ Harper:

Okay. I don't see, I don't, this is because I'm not really focused on money, you know? Yeah. So I'm thinking, how does this play into where I'm going two years, five years, 10 years, and I think about impact. So what's the impact I'm having.

Mike Michalowicz:

Yeah.

AJ Harper:

On the people I'm trying to serve. Now that isn't to say I don't think about money I do. Um, but I know with a good book that delivers on the promise and some marketing that I stick with, I will earn it back. So I'm not actually trying to calculate that as the profitable For me, for me it's more about does this, is this book part of a plan to get me to the next thing I wanna experience or do?

Mike Michalowicz:

Hmm. So my definition of a profitable author is not the bottom line. Meaning how much are you taking home? It's income generation, and what is your primary source of income generation? What leads that? Is it your authorship work or is it something else? And I think that's my definition of it, because profitability is up to the individual. How you manage your money will result in how much is left over and where it's deployed. And, uh, I've seen authors generate a substantial amount of income. Uh, they're exclusively authors and squander that money. So they're not profitable in the definition of a bottom line, but that is their main income source. And I've seen people who, um, have, have managed, uh, their, their income in such a way that they are living off of a, a small amount of money in pennies, and they sell perhaps very few books, but they're profitable. So I just don't like that as a measurement. Profitable to me is, it's a form of devotion that you've devoted yourself to authorship, but beyond that, that it's your primary source of income. So based upon that--

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AJ Harper:

Oh. Primary source of income.

Mike Michalowicz:

Primary source of income. Yeah. When, when you make the flip, because I also see there's alignment with who, what we identify or call ourselves with to income. Um, I, I talked a few weeks ago about the Uber trick. You know, when you're in Uber and the guy turns or gal whoever's driving turns and says, you know, so what do you do for a living? 'cause sometimes that conversation comes up. What we lead with usually is our primary source of income.

AJ Harper:

Hmm. It's true. 'cause I Yeah, that's true. But wait, so for me, when you say, um, being an author is your primary source of income, are you, you including other revenue streams besides royalties?

Mike Michalowicz:

Yeah, yeah, yeah, yeah, yeah. Yeah. That, that the career of being an author is generating that income. Okay. If you're invited to speak on stage because you're an author of a book that's a author income, in my opinion, okay. If a, if a sponsor, uh, reaches out to you and says, we want to pay you money to be our representative because of your book or, or be included in your book, you know, that's it. Yeah. So it's not just the royalty income, it's when your career as an author is your primary income source, as opposed to, you might be a consultant. And I know this is, listen, this gets a little bit gray. 'cause you can say, I'm a consultant around the IP in my book and so forth. But, um, for me, when the title author is the influencing factor, when someone goes on stage and says, the author of Profit First is here to speak, that's author income.

Mike Michalowicz:

When someone says a consultant on profitability is here to speak, that's not author income. It's if I wanted as black and white as possible. So when do you, well, for me, I became a profitable author when the Pumpkin Plan came out, because that's when the identity shift happened and you witnessed it in person. And the income shift, everything happened in that moment in reflection. I didn't see it, but it happened in that moment. The toilet paper entrepreneur, I was a writer, or at best, a asterisk author. I'm an entrepreneur who also wrote a book, the Pumpkin Plan. I'm an author, and if it comes up, I happen to own some businesses and stuff like that too. When I made that shift, the whole identity shift happened. And it's taken years, actually decades now, of building this momentum that all these income sources are coming in.

Mike Michalowicz:

But it's repeatedly, 'cause I'm an author, I've never been introduced on stage since the Pumpkin Plan saying I'm anything but an author of the Pumpkin Plan. When, when I do, I did a TV show

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called The Four-Minute Money Maker. It's like, he's the author of blah, blah, blah, blah. And then they mention, yeah. And he's built businesses, but they lead with that. When, when sponsors come to me, they say, oh, because you wrote Profit First or the Money Habits or Get different that we wanna work with you. That's 'cause I'm an author. And that, that was the turning moment for me. Now, I wanna flip it to you. Was there a turning moment for you when you became a profitable author?

AJ Harper:

It's interesting, right? Because I've been a professional writer since I was, you know, 17 years old.

Mike Michalowicz:

Yeah.

AJ Harper:

Um, but I definitely, I was a playwright, and so I wouldn't, I did say I was okay. So I did say I was a playwright before I said anything else. Okay. But that's primarily because the jobs you're taking as a playwright to support yourself are like, you know, regular, they're not career jobs generally. Um, they're just job jobs. So it's not like you're gonna say, I'm a barista. I'm a, you could, you could say it. There's no shame in those jobs. I'm just saying if you're in an artistic profession, you're not gonna lead with barista. You're gonna lead with the pursuit. Um, so even if you're making, I mean, I think, I think the mo I think I've made less than a thousand dollars as a, well, actually I've taught class, I taught, nevermind, I should probably figure this out someday, how much I actually made. But I'm thinking of just, um, payment for work, like at my actual work places. Yeah. It's probably less than a grand over many years. But, so, but I still had no problem at a party anywhere meeting a new person. What do you do? I'm a playwright. I had no problem saying it. It wasn't about the money. So, um, that was my identity then. I was a ghost writer. So very profitable for me. I was really successful doing that. I think profitable author by your definition, definition. Um, well,

Mike Michalowicz:

Well use your own definition first because they were different.

AJ Harper:

Well, so that's right. My definition is more about where is it leading me?

Mike Michalowicz:

Yeah, exactly.

AJ Harper:

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Um, so keep in mind I wrote almost a, probably a hundred books. I mean, and keep in mind, some of them were very short, so don't email me and talk about how could that be. It's 'cause some of them were not that long. All right. So, um, but I had been writing books for, you know, so I started writing as a ghost writer in 2005. And Write A Must-Read came out in 2022. So <laugh>, there's a lot of other people's books. Before I was an actual, I never called myself an author. I called myself a ghost writer.

Mike Michalowicz:

Hmm.

AJ Harper:

Um, so if we're talking by my definition of, you know, is it what taking me where I wanna go? I would say it was immediately, honestly like the, when the book came out, because that shifted everything for me away from those other identities. And if we're talking about pure profit, if we're talking about ROI, I can also tell you when that happened. Um, but it, for me, it was when the book came out,

Mike Michalowicz:

I was reading, uh, one of Stephen Pressfield's books last month, and I can't remember the title of it now, but he talks about the resistance and the life he was living. He, he was a trucker for a period of time, a long haul trucker. Um, and carrying around his typewriter with him when he wrote that first manuscript, even though it was never accepted, and in his own words, was garbage and didn't deserve to see light of day, he became devoted to authorship in that moment. And that's the day, by your definition, became a profitable author. And I would say, by my definition, that's the day he committed to becoming a profitable author. It it that, that was the precipice moment. It, what I'm hearing is common between our definitions. Is this all in commitment? Um, but where do you see the folks that are listening in right now, what are the mistakes they're making when it comes to the actual dollar number, the dollar figures, the actual cash that you generate from your books? What are the mistakes they make

AJ Harper:

In managing it or in investing in it? Or

Mike Michalowicz:

I, I wanna do an all of the above and maybe it's too much of a catchall, but all that stuff. But maybe start at the managing what, what is, what, what are the common mistakes? Then we can dig in deeper. Maybe that's the way to do it.

AJ Harper:

I think people spend too much money on hiring experts who don't know what they're doing.

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Mike Michalowicz:

Yeah. <laugh>. Yeah. That's number one in my list.

AJ Harper:

Yep. And I think people spend too much money on vanity metric marketing tactics (Yep.) that make them feel good about themselves and special, but don't move books. (Yeah.) Um, and I think people tend to look at their advance as, um, like, first of all, like it's a cool thing how much advance you got, which actually can bite you in the ass if you can't earn out. So it's not necessarily a good thing. Um, and then they, they don't take that money and use it to invest in authorship. They take that money and spend it on other things. And if you're in, it may not. We, we talked before in an earlier episode, if it's a few million dollars, obviously you're gonna use it for other things besides authorship. But if you're getting a typical advance, you know, you're getting, you know, 10,000, 30,000, 40,000, even a hundred thousand, that's split up into tranches. You need to be using that money to invest in systems, infrastructure, marketing, all of that so that you can continue to sell books and future books, not just that book. So I think it's misusing those funds and investing in BS stuff that doesn't actually move the needle or help you.

Mike Michalowicz:

I know a first-time author who had and still does have a very established platform and required a traditional deal that gave mid-six figures. And what, and I couldn't fathom it happening. And it, and it didn't. They ended up self-publishing. What was interesting was, in my conversations with them, it was really a validation to themselves of who they are and their perceived worth as opposed to the impact on the community the book could have. So I do see that advance really messing with our mind. And it messed with mine too. Uh, you know, I got a mid, near, mid-six figure. It was, I think it was four 400, I can't remember what the number was for Get Different. Yeah. For, you know, which is a, a, a nice advance. The problem was it put me in a sling for expectations.

AJ Harper:

And I think it was the domino that

Mike Michalowicz:

Yeah,

AJ Harper:

Yeah.

Mike Michalowicz:

It, it was the domino. It was the domino. We, I think I did two more books with portfolio after that. But it was the domino and um, it was the best domino ever in hindsight. But also it was a, a

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vanity move by me. The, um, other mistake I had it in my mind, oh, is authors choose to see their book as not a platform of service or of revenue, but a revenue generating mechanism. First and foremost, they convert their book to a marketing piece and basically it becomes this big gross pitch. And that is the most costly mistake. The book doesn't sell. And they wanted the book to sell so they could sell their other thing. But the fact that they didn't see the book as a product, something that can be of service and generate revenue, they lost on revenue in the book because no one wants it. And they lose on revenue and what they wanted to sell in the first place. 'cause no one's reading the book.

Speaker 3:

Yeah. They wrote that book.

Mike Michalowicz:

Royalties, you know, regardless of, you work with a traditional, traditional royalties, in my experience with a print, there's also, of course, audio and Kindle, but I'm just gonna talk about print, about \$3 a book, maybe \$4 a book. Once you sell a certain volume for some people's less. But let's say \$3 a book hybrid, let's say six, maybe \$7 a book, again, for print, and this is just my numbers, I just wanna show is almost double self-publishing, maybe net cost. You can make eight, \$9 a book, maybe even 10. So, or, and I've seen people make more than that, but I'm just giving a sense, you can make more royalty or less depending on the platform you're choosing. But no matter what publishing platform, there's gonna be royalty. So you gotta understand how to manage that profitably. So let's dig into the best practices, aj, that you have for managing your royalty revenue.

AJ Harper:

Well, just a, just a couple little, um, variables on what you just said. Yeah. For self publishing, you are making more money if you're doing offset printing and you have your own distribution mechanism versus print on demand, which is very expensive.

Mike Michalowicz:

That's right. That's a great point.

AJ Harper:

Your profit is not gonna be \$10 a book on print on demand unless you are charging like \$40 for the book or something. Um, so keep that in mind. Print on demand is very, very, very expensive. But the benefit of it is you aren't housing a bunch of books. So it's a trade off, you know, for that. But you're not making those numbers that you were just stating. And I'll also say, if you're traditionally published and say a fiction writer with mass market, um, books, uh, you're getting very low percentages and you are not making three or \$4 a book. So just wanna make sure we're clear that it's, you know, know you're coming from a hardcover business author perspective, but

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it depends on the genre, it depends on the, the format of the book. If it's mass market or, uh, hardcover, all of that stuff. These are all factors.

Mike Michalowicz:

I I have a, uh, a crazy episode for us now, based upon what you're sharing. What if we did an episode on bold predictions for the next five years in the author industry? And the reason I'm saying that is I'm gonna make a bold prediction right now. I bet that offset printing within five years of say, so by 2030 is less viable than print on demand. The print on demand is actually a more effective, affordable mechanism. And we're all moving to POD. That's my bold prediction.

AJ Harper:

I mean, I, I would love if that would happen. I don't, I don't know if I would agree with that one.

Mike Michalowicz:

Well, economic, my argument for that is economics are such that, um, warehousing and so forth, what author wants to do that. Um, it's not economically as viable as print on demand. It's therefore for warehousing. So it, it incentivizes pods to drop costs down because there's more increasing demand there. So there's gonna be that competitive spirit. Um, so I have all these different things. I actually

AJ Harper:

Think, reason I think the opposite. You wanna know why?

Mike Michalowicz:

Yeah, why?

AJ Harper:

Because I think we're moving into a dominance of direct sales and.

Mike Michalowicz:

Yeah. That's, that's true way.

AJ Harper:

That's shifting the industry. I, we've always had direct sales, and I just talked about this in my authorship planning, mastercraft, we've always had direct sales, but we've never, it's tipping now. It's tipping into being such a significant amount of the marketplace that it now I think it's going to be, um, offset printing and also specialty printing. And I think because of those direct sales, we're actually gonna see an increase in fulfillment centers doing interesting and clever things. Um, private distribution centers, that type of thing. And I think it's gonna go the other direction.

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Mike Michalowicz:

I love it.

AJ Harper:

That's what I think.

Mike Michalowicz:

We, we, we've got this episode, the, the bold predictions say five, 10 years out, and then we can debate. Um,

AJ Harper:

We love a debate. We've been, we love

Mike Michalowicz:

I love it. I gotta I gotta get at least one win under my belt.

AJ Harper:

You do have one, I think,

Mike Michalowicz:

I think I did get one. Yeah,

AJ Harper:

I think you do have a win.

Mike Michalowicz:

So, okay. So giving you some more best practices for managing the, uh, the royalty revenue.

AJ Harper:

Well, I mean, I'm gonna be looking

Mike Michalowicz:

Or gimme all,

AJ Harper:

I'm gonna be looking to you for what you do with your money, man. But I, you know, okay, here's what I do. I'm just gonna tell you, you are gonna like this. This is how my brain works,

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<laugh>. Yeah. It's not a profit first way of looking at things, but I always consider my royalties as extra. So when I'm, okay,

Mike Michalowicz:

Well, that's okay. No, I'll tell you this. Psychology around money is so critical. I dare say someone wrote a book on that. I think it's Morgan Housel. But, um, it's critical. I love that you categorize. So you are, you are categorizing it. And do you do something that serves that mindset? Like, do you have a dedicated account that says bonus money?

AJ Harper:

That's why I'm saying I don't have a dedicated account. Okay. But when I have my spreadsheets and budget, what I, one of my offer income that I, that I am, you know, counting is, um, I teach classes and programs that are all related to my author career. I mean, my whole world is authorship. That, you know, that's where I'm thinking of the budget, but then royalties. And part of that is, so I get two sets of royalties. I get royalties from you, and I have my own royalties for my own work. And we don't know what the hell's coming down the pike. (Yeah.) So that's part of it is I don't wanna plan on anything super specific because I have been wrong before and disappointed before where I

Mike Michalowicz:

<laugh> Yeah.

AJ Harper:

Right? Where I was like, what in the hell? So now I try to just think, all right, um, this is extra money and I don't plan to have it. (Yeah.) Now I'll say it has, I think that's maybe wrong because I'm not setting this, changing this year. But I'm not, I haven't been setting really big goals for royalties. So I think the, it messed with me the fact that you never know. And the fact that we're getting royalties for some books that were sold a year ago because of how the industry works with returns and how long it takes for reporting to happen, that you start to feel like it's just this giant mystery and you can't really influence it too much. I do. I feel that way. You, I don't think, feel that way because you are keeping very strict data and.

Mike Michalowicz:

Totally, yeah.

AJ Harper:

But I don't see the data. So you see the data, I don't see the data. I never know what's coming. And, um, so I think that influenced me into saying, oh, that's gravy.

Mike Michalowicz:

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Yeah. I, I, I'll tell you why I like that strategy is because of Parkinson's law, which is a behavioral phenomena that our demand will expand to the supply of the resource. And if you're anticipating a chunk of money coming in, it is human wiring that your lifestyle, however you define that, will expand to consume that money before you have it. So I think that's actually a super smart strategy. On the flip side, we measure our sales on a weekly basis. That's when they're reported through traditional. Um, and our, we also self pub and now we have the hybrid. We have set a floor of 3000 units per week as our base that we wanna sell for books. And now you can multiply that by roughly, I don't know what the average is across, uh, 'cause you gotta consider the different formats, the different platforms, meaning traditional versus hybrid versus self, um, international, there's a lot of stuff.

Mike Michalowicz:

But let's just say we're netting \$4 a buck, maybe four and a half. That's kind of, I think where we're falling in. And so we've set this, uh, this floor. I also want to note is we are not at that floor. The money habit is, will play a massive role in that. Right now our floor has been about 2000 units per week, and we've actually slipped below that in the last three to four months. And the authors I've been talking with are also in a downward, these are prescriptive, nonfiction are in a downward sales trend. Um, currently, which is kind of peculiar because we just passed the holiday season when there's usually a burst, uh, of additional sales. So it's interesting, what we do with that revenue is when it comes in, um, we allocate it to what's called a drip account. So we have an account literally at our bank with the word drip.

Mike Michalowicz:

What we realize is while we're recognizing sales on a weekly basis, the royalties are distributed every six months in traditional, I think quarterly, in hybrid, monthly and self. I think that's roughly the breakdown. And so we assemble that money and once a quarter, we divide it up to cover, I'm sorry, once a, every six months we do this, we divide that money up to cover the next six months. So real simple is \$16,000 of royalties came in, we would, that's a bad, that's a bad number. If <laugh>, if \$6,000 of royalties came in, we would put into the strip account and each month we take 1000 out. So that, the trick here is that when you earn royalties, when those checks are distributed, it feels like, wow, I made tons of money this month. But the reality has to cover you for a period of time.

Mike Michalowicz:

So we slice and dice it to kind of normalize the income. And it's a big reality check of how much really is available. Because when you see a big deposit come in, it's like a paycheck. A big paycheck comes in the beginning of the month, but you only get paid every two weeks. We spend a lot more in the beginning of the month than once we're getting closer to the next paycheck because we've depleted everything and panic sets in. Mm-hmm <affirmative>. The, um, other thing is you and I have agreements on the royalty, um, distribution, and it's, it's been standardized for the last x number of books. And there's, there's performance thresholds and so

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forth. Um, but there's other settings. So we have a, a, a tracking system managed by, um, Nina, who works with Kelsey. She, she does her bookkeeping. And we, we track this religiously so that we get our distribution to you.

Mike Michalowicz:

The first payment we make is always to you. 'cause the other danger is money comes in. It's like, oh wow, look at this big check for 150 grand or whatever. This huge check came in. This is amazing. Well, no, like, we gotta send a check to AJ for 30 grand or whatever it is. And it, emotionally, it's very easy to spend that money. So the second it comes in all the distributions to the supporting individuals yourself, that's sometimes Lee Hayes, she's my speaking agent, um, doesn't, she's not involved in book royalties typically in any capacity, but there is a nuanced component where she could be, where I do a speaking engagement and book sales are part of the speaking fee. Um, but we send those out and that shows where we set. And then we take that money up, we, we carve it up.

Mike Michalowicz:

The funds then are used based upon the Profit First system. Once we get to the net received revenue, you're, you've been paid, the Lee Hayes has been paid, we then say, okay, this has to be carved over six months each month. And their six month period, we put it into another account called Income. 'cause now it's recognized income. So the, the money's in a drip account, and then once we quote, earn it, that's what we call it, we put into the income account. But then the income account gets divided up on a percentage basis. 23% of our money goes to profit. So I know if a thousand deposit 230 is gonna profit, uh, 50% is going to operating expenses, that's payroll for the company and it gets carved so the money gets carved up right away when we recognize it. And so it sounds like we're going through many machinations, but we are assuring ourselves profitability.

Mike Michalowicz:

Profitability is distributed to the owner of the business. I happen to own the business outright, so it gets distributed in this case to me, uh, we actually share profits with our employees too. So 20% of our profit gets distributed equally with our employees. So that's, it's all reserved based upon the Profit First System. The last thing I wanna share on the subject is I've been living with Profit First. Living by Profit first since the day I created it for myself. When you author a book, one of the greatest things is you're accountable to your own system. Just like we were talking about Vickie was that last week, he cannot Oh, she's living, yeah. Yeah. She's living the life that she outlined her book. I Live Profit First, I Live the Money Habit. And so we use that exact system to manage our profitability. So I will boldly encourage every listener right now, if you have not read or deployed Profit First, get a copy of the book, um, or listen to an audio or get in a format, um, that you haven't yet. If you've read it and, and, and deploy it, I, I sure. I promise you it'll serve you. And I'm gonna bold boldly ask one more thing. Get a copy of The Money Habit,

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because your personal finances will run in parallel to your business finances. You gotta nail both. Both those books are available. Get them, they will serve you. I'm sorry to interrupt you.

AJ Harper:

I actually just wanna say for, for authors, I think I love Profit First. Of course. I gotta say, I think they should get The Money Habit because I think it's easier to think about in the money habit when it's just when you're just dealing with say, money, money related to authorship. And yeah,

Mike Michalowicz:

Maybe, I

AJ Harper:

Don't know, maybe I just, I just, I I feel like sometimes authors don't see themselves as entrepreneurs and so I feel like maybe the way that book works will be better for

Mike Michalowicz:

Yeah, I appreciate that. I I I'll do a challenge. We can make this as a little debate, but the money habits for your lifestyle, your personal lifestyle, uh, Profit First is for your business's profitability and sustainability. Yeah. So I, yeah, but if you gotta start with one maybe as an author, start The Money has both. Both. Both. Yeah. Both. Well, listen, you do the Triad, you get Write 'em must read stat.

AJ Harper:

Got no.

Mike Michalowicz:

You know, and I know I'm saying this kind of quickly, but the reality is, if you're not producing an extraordinary product, you're screwed. Like the Money Habit, profit First doesn't matter. If you don't have something that's extraordinary. Write a Must Read will make an extraordinary, it gives you the opportunity to make something that's extraordinary.

AJ Harper:

I appreciate it.

Mike Michalowicz:

And then Profit First and Money Habit will help you manage what you've done.

AJ Harper:

Zero, zero money advice in Right amongst Read, just so we're clear. Um,

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Mike Michalowicz:

Pitfalls.

AJ Harper:

Pitfalls. Yeah. Um, when,

Mike Michalowicz:

When it comes to profitability,

AJ Harper:

I think we actually already talked about a bunch of them, but you know, what I wanna say about this is I don't think that authors are creative enough about how they can make money off their book.

Mike Michalowicz:

I a hundred percent agree.

AJ Harper:

We have a couple monetization episodes, I think, at least in our history. If you go back, um, and Mike and I have very different approaches. There's some overlap, but we do have different approaches for how we monetize. But in my experience is most people haven't thought about it in a creative way. And so they're missing out on opportunities to, to make money from their book that's not just royalty related.

Mike Michalowicz:

We are making an additional right now, Kelsey has to hold me to this one. I wanna say 200 a month. And it's about to jump on automatic by doing a real simple thing that I've never seen an author do before. We, when I was in studio recording the audio book, I brought in a camera guy, Matt Robinson. And by the way, if you're looking for someone who is extraordinary in doing photography, he also does author of photography, but also audio and video production. A guy's name's Matt Robinson. Just emails at hello@dwtbpodcast.com. We can make an introduction. Came to, he came to our studio when I, when I was doing, there was a common mode where you recorded your book too. That antiquated studio from like 1930. And he's there filming. We are putting it on YouTube. The entire audio book is on YouTube with me reading it in video.

Mike Michalowicz:

And we are getting ad revenue from it. Now, what you may be thinking is, are you effing kidding me, Mike, you're putting your audio book on YouTube for free. You, you're, you're compromising your audio sales like Audible and so forth. You're, you're destroying your

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revenue. You idiot. Well, here's how it came about. I was doing some, I think, I can't remember what book it was, but I'm just gonna say it was Atomic Habits. 'cause I remember that one specifically. I looked up Atomic Habits and it came up as a YouTube video. Someone had bootlegged it. Basically they took James Clear's work, his audio book, ripped it, put on YouTube, and it's a static image of Atomic Habits. And it's him reading his book. Um, and whoever posted that had hundreds, maybe it was over a million reads of it and comments too, love this book.

Mike Michalowicz:

So good. Giving it away, quote for free. Well, that person that ran that is making ad revenue off of it, it's totally a rip. Um, and I'm like, you can't fight 'em. So join them. So I'm gonna be the first one to rip myself off. Well, we started testing this out with other stuff, just by posting videos, mostly speaking engagements and so forth. And right now it's generating 200 bucks a month when the Money Habit comes out. And we're gonna post it on there, not day one, but within a month of it before the ripoffs do. Um, we expect it to generate additional revenue because it's already happening. Listen, the Grateful Dead did this. Concerts would say no recording devices. You can't, you know, 'cause if they were afraid of Ripoffs, grateful Dead said, we can't stop it, let's empower it. And they gave, if you were gonna, uh, record their concert, they gave you the best seats for the sound. So you got the best recording. They encouraged it, and the Grateful Dead leveraged that to gain exposure. That was just epic. I'm trying to do the same thing with books.

AJ Harper:

Yeah. They, they're bootleg.

Mike Michalowicz:

Bootleg, that's the word.

AJ Harper:

Yeah. Um, um,

Mike Michalowicz:

Okay. Are there other profitability pitfalls?

AJ Harper:

Pause, pause, pause. Yeah, that's a really cool idea. And I just wanna say, I'm immediately thinking, okay, so you're at Common Mode. That's a a even though it's kind of scrappy in there, it's a big deal recording studio that they do Stephen King's books, they do a whole bunch, you know? Yeah. It's amazing. It's not like it's a stinky place, it's just Oh,

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Mike Michalowicz:

No, no, no. It's just old school.

AJ Harper:

That's cool. You're paying somebody to come do that. So I'm, I'm immediately thinking of my authors thinking, okay, I've got authors who are recording their audio books in their closets with their Yeah, yeah. Their fake, you know, as their like soundproofing that they're trying to do. And they certainly aren't gonna be able to afford somebody to come record the whole thing. Correct. I just wanna say, I would, I actually think, and this is a little bit of Sade Amherd, who's my marketing person. I bet Sade will agree with me. We'll have to see when she listens to this, if they did take a video of themselves recording it in their closet, that that would actually be even more interesting.

Mike Michalowicz:

A hundred percent.

AJ Harper:

Don't have to be fancy with a, you know, photographer, videographer, fancy studio. I mean, uh, what are you gonna watch the ripoff or the person sitting in their closet? And then all the outtakes of it would also be so interesting, like when you, you know,

Mike Michalowicz:

Imagine, uh, Stephen King in his closet doing that. Wouldn't that be so fun to watch

AJ Harper:

Stephen King sitting in his closet with his, you know?

Mike Michalowicz:

Yeah. I don't think his creepy outfits around him, I don't think all

AJ Harper:

Black he has any freaky outfits. And I think he has can have his own studio, but get, let, let us see the, ah, I love that. Now I'm thinking about that. I think that's, so

Mike Michalowicz:

Now listen, here's another way to do it. You don't have to do the video. I just noticed that there was a static image. So I said, what can someone else not rip off of me? Well, they can't get that video. That's why I did it. But you can have all the behind the scenes images just flashing on the

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screen as the book goes through. Oh yeah. Pictures of you writing the book, the manuscript, you pulling your hair out, just static pictures work too. Yeah.

AJ Harper:

I love that. I love that.

Mike Michalowicz:

Uh, references, like you reference stories. You could have pictures come up, you could have a little text below, so Oh yeah. There's a lot you, you can do with it. Yeah.

AJ Harper:

Like if you're talking about your childhood or a friend or whatever, you could pull up some images there.

Mike Michalowicz:

You can show, uh, your childhood picture, uh, of you flexing. Um, that's a card by the way, but it's one of my favorite pictures of all time. Can you see it right now on the screen?

AJ Harper:

Um, let me see.

Mike Michalowicz:

Oh,

AJ Harper:

Oh,

Mike Michalowicz:

Good. It's, uh,

AJ Harper:

<laugh>. It says you didn't choose the Stud life

Mike Michalowicz:

And then you open it up

AJ Harper:

Glasses, oh my God. The good work. And

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Mike Michalowicz:

You open it up and it says this,

AJ Harper:

The Stud Life chose you, <laugh>

Mike Michalowicz:

<laugh> for my children, one of the best books ever. I mean, best cards ever. So I had to post that up. But, uh, you can show those awkward, funny pictures. By the way, if you're not watching us on YouTube, we have a YouTube channel and you can be getting this. And yes, we are monetizing it. We are making easily 5 cents per episode over its lifetime on YouTube <laugh>.

AJ Harper:

Um, you know, let's talk about what you wish everyone did with their money.

Mike Michalowicz:

First of all, I wish you would actually take a portion of it as profitability to celebrate and reward yourself. We as humans need reward. And if we deprive ourselves of it, we become resentful. So go out to dinner and say, my book paid for this, or whatever it may be. For me, it's buying a guitar and say, this is thanks to the Money Habit and it's gonna be sitting there and maybe I've named the guitar the Money Habit, but do something to reward yourself. Secondly, deploy the Profit First system or the Money Habit System that's more personal. I would do both so that you carve up the money for its intentionality. The book's Momentum can, and sales can carry more momentum. Use some of that money to maybe hire that assistant to keep it going, to pay for your subscription for webinar software, um, so that you can do webinars with fellow authors to attend author conferences.

Mike Michalowicz:

I'm, I'm heading down Miami, um, in two weeks to go to an author conference, uh, just to spend with time with other fellow authors. I host my own author conference I go to, but it's, it's, I still gotta fly down there and, and, and spend some, you know, costs on more than that lodging and food and so forth. But I'm steeping myself in the network. Uh, I dunno if I told you, I went out to dinner with Ramit, Sethi, uh, him and his wife Cassandra, and Kristen and I, we all went out to dinner in New York City. 'cause he was coming through town. Guess who paid for the dinner? Uh, Profit First. The, the book, the book sales, the royalties. Uh, we actually split it. He, he used, uh, I will Teach You Be Rich Royalties to pay, uh, in part for his dinner. So the thing is, it can continue the momentum. That's how I'd use the money. Do you have any wishes?

AJ Harper:

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Yeah, I, I do. I I wish for the same. I think people should use it for their heart's desire. I think when you have a meaningful financial goal that's dream focused, that actually helps you to sell more books. And so use it for your heart's desire.

Mike Michalowicz:

Next week we're gonna talk about the big book launch Debrief of the Money Habit. When I say next week Yeah. In the next week episode. Interestingly, as of this recording, the book launch is happening next week. So we are gonna record just a week or two after. So we'll have all the data in. We're gonna crunch the numbers. You're gonna learn how many books sold. You're gonna learn what money we made. You're gonna learn what worked and what didn't work. Uh, what you can r and d rip off and duplicate from my launch and using your own launch and the stuff that, uh, I tried because I thought it'd be fun or interesting and it totally flopped and maybe you wanna avoid it. It's gonna be a great real live learning session. But you got something to do between today and next week. And it's a join and sign up for AJ's mastercraft class that's happening on April 8th, I believe. Okay. Can you just gimme some details on that?

AJ Harper:

Yeah. I'm doing a mastercraft on the Call to Greatness, which is how we like to wrap conclusions and why does it matter? Because we need to take control over how we close our books so that we have control about how our, our readers feel. And so I'll be sharing in my mastercraft, it's a three hour deep dive on how do you construct a call to greatness on April 8th. You can go to, um, uh, ajharper.com to learn more, or if you don't, if or at the guard the show notes. And you can also direct questions to hello@ajharper.com if you have questions about it.

Mike Michalowicz:

The book All In which is, uh, my prior book to the Money Habit, AJ and I wrote The Call of Greatness around a woman named Helen Fuller in right of must read, uh, forgive me. Is it the basketball coach when he comes back to you

AJ Harper:

In Right. I must read, it's the story of my son Jack, who transformed himself from a bad basketball player to a mediocre player, to a great basketball player. And he had the way he did that. And, uh, so that's, I I share his journey, my son's

Mike Michalowicz:

Journey, and the feedback from the coach. I, I haven't read the book in quite a while. I try to make that a, uh, an annual thing. And this year actually, I, I plan to, and then I, I read something else. Um, but that story, it's a great call of greatness sticks in your mind forever. Like, I, I can see the coach, I can see you talking with maj. It's, it's such a good read.

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AJ Harper:

You're thinking of the line where he says, uh, I said I thank him so much for after the big game and they win the championship. Yes. Which was against his coach, his previous coach.

Mike Michalowicz:

Mm-hmm <affirmative>.

AJ Harper:

Mm-hmm <affirmative>. Playing the championship against his previous coach who had seen something in him. And we were walking out and I said, thank you so much for taking care, you know, taking him under your wing years ago. Right. And he said, I hate that kid

Mike Michalowicz:

<laugh>.

AJ Harper:

And with a smile. Right. With a little smile. Yeah. Because, uh, Jack was a beast and they won the championship against that coach. So you might be thinking of that moment.

Mike Michalowicz:

Yeah. Well everyone get your copy of Right. I must read. I know you're saying, but Mike, you, you, you already told me that again and I already got it. I already have a copy. Yeah, but where's your second copy? Where's your fifth copy? Give this to other authors. There's so many authors out there that unfortunately won't ever discover. Don't write this book. Please tell me about it. But give them a book. Right. I must read so they can follow their journey, their calling. Alright, we'll see you next week. A reminder, uh, dw tb podcast dot com's, our website, hello@dwtbpodcast.com is how you communicate with us. And never forget this, please don't write that book. Write the greatest book you can.