

SUBSCRIPTION ENTREPRENEUR



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EP 103: How To Turn Around Online Businesses with Seth Rosen

Intro: Hello and welcome to another episode of The Mouse Speaks podcast where we speak with entrepreneurs and learn their strategies for success. My name is Eric Turnnessen and I'm joined by my colleague Matt Brown. Today we're joined with Seth Rosen who is an expert and turning underperforming websites into profitable businesses. In 2009 he purchased CustomMade, an online jewelry business where anyone can order custom made jewelry. With a \$30 million investment from Google Ventures and other top-tier venture capitalist, he grew that business into a large marketplace for jewelry makers. Since then he's repurchased the business and has grown it to what it is today, the world's largest online custom jeweler. In addition to running the day-to-day operations of CustomMade, Seth and his wife also operate two membership businesses. One is the largest gemology education website, the International Gem Society and the other is the Ganoksin Project, which is a technical resource website for jewelry makers. Welcome Seth and thank you so much for joining us today.

Seth: Thanks guys I appreciate it.

Eric: I know I just went into a little bit of your background, but just to kick things off, do you mind sharing a little bit about your current focus? What you're currently working on right now?

Seth: Sure. I have three businesses that I work on, that you mentioned in your introduction. One is custommade.com which is the world's largest online custom jeweler. We are a bit unique in that everything we make, mostly engagement rings, but we make a whole array of jewelry. Everything is one-off, one-of-a-kind, and unique. We make something new every time for our customer. That's really what's cool about CustomMade. Then my wife and I - probably of more interest to this audience, operate two MemberMouse enabled membership businesses. One is gemsociety.org, the international gem society, which is a community of people interested in gems and technology. It's an educational website that's for anyone who's looking to buy a gem and anything that has to do with gems. We bought that business in 2013 and added MemberMouse to it and turned it around. The Ganoksin Project is a community, a technical resource for jewelers and manufacturers people engaged in the business of fine jewelry repair and fabrication. That is also a membership business. Three businesses and somehow, they are all related to the jewelry space. That is what we spend our days on.

Eric: Each one of them - it sounds like you purchased or acquired at a certain point and worked on bringing it to the place that it is now. Is that correct?

Seth: That's right. Some people love starting things from scratch and I like the process of finding something that has been hanging around for a while, or someone's lost interest in it, or I really see an opportunity where other people may lack the vision, or time, or interest in pursuing it. I prefer to start from some sort of foundation. All three of those businesses were started from an old website where the folks weren't paying that much attention.

Eric: Based on that, there are two directions in my mind that I'm interested in hearing your response to. The first one is kind of related to this subject of this conversation, which is it seems like through those processes, at least from the 1st to the 2nd and the 3rd - you probably fine-tuned or honed some things. Maybe the first time you did something with the first business and now when you're doing the third one, you're a little bit more seasoned. Now, when you're approaching these things what experience are you falling on? How are you guiding yourself to say okay I'm starting with this thing and now here's where I want to go? How do you know where to start because there must be so much to do from day one?

Seth: I've learned a bit about what works and what doesn't and I try to be pretty careful about prioritizing. I learned a lot by purchasing custom made in 2009 and turning it into - its initial iteration was a subscription business. I learned a lot about what works and what doesn't. I tend to fall back on a lot of those core strategies. They really haven't changed that much.

Eric: So, what is one of the main strategies if that's an appropriate question?

Seth: It's all pretty basic. I try to find a niche, evergreen businesses. Here's what I mean by that, content orientated businesses where the nature and character of the content doesn't tend to change that much overtime. Gems is a perfect example of that. The science of a gem. There's obviously new things happening all the time, but it's essentially geology, it's a subset of geology. It hasn't really changed that much. Science is a science. Likewise, some of the techniques involved in jewelry manufacturer and repair, some of the best things that you can learn are the things that people have been doing for a very long time and the way that they've been doing it. I tend to default back to niches that are underserved. Other people may think interest is waning, where I think there will always be interest. I don't think gems will go away as an interest. I don't think jewelry repair is going to go away as an interest. For whatever reason those niches when I got into them, were not being investigated particularly heavily. There's no magic to what I do. I try to find things that are interesting to me and also interesting to customers and then I tried to develop the very best content and offering that's available. I focus pretty hard on being the best resource.

Eric: I think you mentioned that there is no magic in it, but something you said dovetails into what Matt and I talked about last week in our call of this nature. An important ingredient is that you do have the interest. Possibly, the reason why the people you acquired it from, the interest wasn't being lost because of the market it was being lost because the people who were running it didn't have enough of an innate interest in the subject matter to have the conversations they needed to discover where the opportunity was.

Seth: Yeah, definitely. No, you're not going to create a website, install MemberMouse and in a month like you're here immediately generating lots of revenue and you're quitting your job. It just doesn't work that way. The path to the promised land is paved with a broken glass and you have to walk it barefoot. Something you told me once Eric that resonates with me, is you said there's a subset of your customers that installs MemberMouse and just doesn't stick with it for whatever reason. Maybe for a few months and then they disappear. That's not to say that all

those people would succeed if they persisted, but I can tell you from my own experience it's a lot of patience and grit is required to get something off the ground. That would definitely be a piece of advice for your listeners. If you have something that customers really want and it's actually better than other stuff that's out there then you gotta keep working on it until you get there.

Eric: One of the tools that you found - because I agree with you that the path to the promised land is not always smooth and sometimes it cuts your feet. I think I've been through that same experience, you've been through that experience, pretty much everyone that I've talked to who gets to a point where they have success has been through that. What is the strategy that you have? The days that you come in and it could be last month's or periods of time that are challenging - what techniques do you use for yourself to stay focused to push through those times and keep moving?

Seth: It's changed over time for me. These days I think about it like. If you have some revenue, any revenue and you can make something happen. Now, it can't be \$5 a month. but if you have a few hundred dollars a month, just focus on going from a few hundred to \$500. Get that to be consistent. I remind myself that you can't live and die by the updates, which is what my brother always says. You have to just keep working the problem and that will work if what you're offering is truly valuable for the customer. It all starts and ends with customer value. If you have a crappy offering, then that's not an offering that's going to be fixed with with patience.

Eric: So, having a valuable offering is the foundational element. Step number one?

Seth: I certainly think so.

Eric: I agree with you.

Seth: Fads only last so long.

Eric: You can have a bad offering and have good marketing, and you may get something for a while, but ultimately scalability, time - the amount of time you will be around - it will be discovered at some point that the offering isn't good.

Seth: I think so. I've certainly seen people who've had a skill for making soft offerings successful. I've never been good at just selling the dream. I've just had to build reality, unfortunately.

Eric: You've mentioned is a good thing. So, if you have \$300 coming in then just focus on getting to \$500. I don't think anyone would argue with you - if I haven't had the benefit of experience if I haven't had a business - where I haven't gone from any number of revenue to another number of revenue - how do you approach that? How do you say, I want you to get from \$300 to \$500?

Seth: I think if you're focused in an area where presumably customers have needs. If you hone in on a customer need of any kind, even if there's lots of other people trying to fulfill the same customer need, it all starts there. There's no one strategy for getting a product to market. If you have an interest in the space, which is what we agree to start of our prerequisite and you have the patience to keep working in this space then all that's left is what customers are interested in and how you are uniquely positioned to provide that. Presumably, if you have all of that then - look even if you are in a space and you have to do the functional equivalent of "door-to-door." Get a few friends to try it. Get a few of their friends to try it. It's getting the initial ball rolling that's particularly hard.

Eric: I agree with you one hundred percent. That's one of the lessons that I learned through my journey. When I started, I must have spent a whole year just trying to build something to get to market. I didn't release anything. Now that I have the benefit of experience, if I could tell my some something then and myself back then would listen to me - I would say "okay just get something out. Just get something out because you are never going to get a hundred percent correct and you don't want to because the whole idea is what you are creating is a partnership between what you want to provide and what somebody wants to pay for." If you're going to remove feedback from the equation altogether then you're just thinking in a vacuum. You're thinking I know what everybody wants so I'm going to build that. Even more naively, which is what I was thinking - I'm just going to build what I think is the right thing and I don't care what anybody else wants. Or anyone else wants and their opinion. I know what they want. Get something out because that dialogue of having people say oh this is great but it would be great if you had this this and that. Then do something with that. Put it back out again and get the feedback again, then it irate, irate, irate. There you go. If something comes from that partnership.

Seth: Not to be an ad for MemberMouse, but the logistics of coordinating all the membership stuff required to run a membership business - you don't really need to prototype that. You guys have been building that for a bunch of years. It's a plug-in. I like that because then I can focus on - right now I'm playing with a bunch of courses that people might want to take about investing in gems. I'm working on that and you guys are figuring out how I can click one button and one click upsell someone on a course. I don't need to worry about that.

Eric: Again, effective outsourcing. Give yourself the opportunity to where you can bring your true value. In this situation, for you it's going to be all about the content. What are these members actually want? You don't want to be bogged in the implementation or the delivery mechanism. Even what I said last time is people often get hung up on a technology question too early on and have it be an excuse to not get started. I think it's far better to put something out, even if you're doing it for free. The feedback is far more valuable than the revenue, to me. I found naturally with MemberMouse, the customers and the market tell the company when it needs to move to the next level. It's like, we're having so many things going on in this area and we need a new process to handle this new amount of volume of work getting. Then you go handle the process, not before.

Seth: There's basically two stages of it. Think of two analogies. If you've never exercised before people are notorious. They start and they are persistent for a little while and then they give up because they don't see the results. It takes just long enough to see results and most people give up before the real results kick in. I think business building is a lot like that. Even though you're not going to see results right away you have to keep going until you have a very good idea of what works and what doesn't and that's going to change? I think on the flip side of that is once you've done it and you've seen the results it's a lot more like - been getting into gardening lately. It's a lot like planting. I'm doing a whole bunch of work this year and I'm not going to see any results until late next year. That takes some time because you have to have some confidence and put forth some effort and put in an investment knowing that you're going to get results next year. The second part comes later. I think first you have to just keep going until you see some sort of traction.

Eric: I find the more demystified the process - when you first start anything and here we're talking about business, so when you first start a business, you have no idea. You decided that you want to walk through a door but whatever's beyond that door is all darkness. It's all you can do is take a step. Overtime as you learn things come to have a clarity of based on experience. Like you said, when you're starting this third business you're still utilizing a lot of the lessons that you learned in the first one. The lessons that are learned are not specific to any particular thing. They're more overarching. Once you've done one thing you can do it again.

Seth: Yeah, these are life lessons as much as they are business lessons. At least they have been for me. We have a bunch of people at CustomMade and I sum it up for everybody in the same way. What are my core values? The four P's: "patience," "persistence," "prudence" - I added a fourth "P" recently, it used to be three P's. The fourth "P" is "people."

Eric: Can you explain the prudence one to me?

Seth: When I first got started, this was 2000 - I had a career before that, but my first entrepreneurial experience was in 2000. I only knew about one "P" which was persistence. Unfortunately, what I lacked in charm and intelligence, I made up for in persistence. You have to be persistent, but you also obviously have to be prudent. Doing something ineffective, very often is not going to get you there. You need that magic combination of patience, allowing things to work, being persistent, meaning continuing to go even when you're getting nixed back. Then evaluating those activities prudently to see if what you're doing - even if it's reasonable to believe that what you're doing will generate the results you want.

Eric: If you're persistently and ineffective then that's just going to lead to an ineffectiveness.

Seth: My wife always tells my son "practice makes perfect." I don't like that phrase because practice increases the probability that that which you practice will repeat later. If you practice the wrong thing then you're going to do that.

Eric: Exactly. The people one was an interesting one for me too because when I first started, I was the same - persistence. I didn't have the patience, but persistence. I thought I was building a software company because all the focus was on the software. Then after many years and different things learned and the business asking to go to different places, I realized what my job actually is - is to build a team. Ultimately, it's the people involved who are providing the value. Of course, you deal with the thing on the surface which is the software or the support, but people created those things.

Seth: People are the leverage of the business. As a business owner you are a machine designer and a machine artist. One person no matter how smart you are can only do so much stuff. People are your leverage and their people are their leverage. Really, it's about building a culture of excellence that filters down through all those levels of organization. Whether you're a membership organization and all your people are remote, or you're a Fortune 500 company, it doesn't really matter. People are everything.

Eric: Right, there's just more parts maybe. While you were talking, the vision that came into my head was - I don't know what they're called. Those contraptions where you put a ball at the top and it rolls down and and it starts a fan going and it lights a match.

Seth: The Rube Goldberg machines.

Eric: Right. So, you're basically designing one of those. You're constantly putting a ball through it and testing it.

Seth: Right exactly. I love that.

Matt: You started your journey, your entrepreneurial journey in 2009 when you bought CustomMade. What was the day like in 2009, what were the tasks that you were working on and how is that different from almost 10 years later now in 2018? How has your role evolved and what tasks are you involve solved with? What are you working on now compared to back then? Were there distinct stages you had to work through to get to where you are now and what were those? Does that make sense?

Seth: Yeah, I think that's a fabulous question. I don't think anyone's ever asked me that. I do much, much less now. I know how to do, ironically much less. I like to joke that I've gotten dumber in my old age. When I first started, I did a lot of stuff. I was like, "I'm going to do this and I'm going to do this." I was very busy. I am far less busy now. I don't spend my days doing a lot of stuff, in fact I find it kind of hard to do stuff now. I spend most of my time trying to figure out what needs to get done, why and in what order. And then, what resources are required - human resources, financial resources, time and I try to put that all together into a cohesive plan that I think has of high probability of being successful. Then I try to quantify what success looks like and make it happen. I would say I spend 90% of my day doing that now. I would say the opposite was true 10 years ago - I would say I spent 90% of my day doing stuff. Obviously, time and experience helps. If you're reasonably intelligent then you start to see patterns. You say I've

tried that a couple times and it's not working, so clearly, I need to try something else. You try on a lot of hats as a company builder and as a manager. One thing I would encourage MemberMouse users - not to think of themselves as website people or content people, these are company builders. It doesn't matter if it's a \$300 a month enterprise or \$3,000 a month, or 3 million dollar a month enterprise, whatever it is, you're a company builder. That is a type of person. It's a whole mess of skills and it's going to take a long time to perfect that journey. That's what makes it really cool. It's hard, but it's really fun and fulfilling. You will make progress.

Matt: What was your learning process like? When you're doing everything in 2009/2010 and you're working on a bunch of stuff and you're trying a bunch of stuff, what was the thing that shifted your level of awareness? Where you said either need to hire someone to do this or create a better system to get these sorts of things done? Was there a moment or an insight that got you there?

Seth: There's no one moment. I often thought that, probably for the first five years in this journey, you're going to get a lucky break or there's going to be an epiphany of some kind. There is no epiphanies okay. The good news is there's no one meeting or no one customer or no one bad event is game changing to a degree. Like this is a meeting of a lifetime. If it goes well it's going to be great and if it doesn't go well, it will still be fine. That attitude came about after seeing - like holy crap if I don't make this happen, we got a big problem. Well, I didn't make it happen and we did have a big problem, but I fixed it.

Eric: That's been a similar experience for me. Exactly what you're saying. I'm wondering as we continue to do these calls if it's just you and I happened to be really similar or if this is - or there's some blueprint or pattern that people who build businesses, like we do - company builders. It's just a similar Journey.

Seth: I have a lot of friends who own a lot of different types of companies, and they would all say the same thing. Either that's an amazing coincidence or... Obviously, there's selection bias. A lot of people try to do this. There's nothing wrong and they can't do it or they don't want to do it. There's nothing wrong with that. A lot of people realize, holy crap it's a lot harder than I expected and I'm not willing to put forth the time or effort to keep going. It's tiring.

Eric: What I have come to perceive it as - the company building process was the chosen form for personal evolution. The reason why it can be hard and the reason why there's so many times that you may want to drop out is because the things it is asking you to do is actually testing you, personally. It's like, what's the difference between the guy who does 20 sit-ups and feels the burn and can push through that - and the one who stops at that point? Whatever the difference is, it is the mental game. It's what's going on in the mind and how are you going to perceive that obstacle and how are you going to coach yourself to move through it?

Seth: Yeah. I think it really is - I couldn't have put it better. I think that's exactly right. When we started CustomMade, I went to computer camp for two years. I'm a non-technical founder of what I was pitching as a software enabled global platform funded by a company like Google. I

think of all the companies in the valley and in the whole world is as technical and technically focused enterprise. I'm a non-technical founder with a non-technical co-founder at the time. I just didn't really care. Not because I'm some visionary. I was just too dumb to realize that that was an obstacle.

Eric: That's actually an interesting snippet because I find that ignorance was a very useful tool, in the beginning. It's kind of like the audacity to try. If you feel like you know what the result is going to be, then you're going to talk yourself out of it. If you don't have the mind to know one way or the other, then you just think, "well I might as well do this because I'm interested and it's right here so I'll try it."

Seth: Especially if you have some humility and you can digest the feedback the world is giving you without assigning some level of - without making it so personal. A lot of people it's hard to take feedback and internalized it.

Eric: It's one of the hardest things that I've had to grow and work with throughout MemberMouse. It's such a personal, at least MemberMouse, it was such a personal thing I was delivering. I was writing the code. I was putting the finishing touches on something. You can imagine like I'm a painter and I'm really enjoying the process and I'm looking at the painting and thinking, "this is great!" Then you show it to somebody and they're like, "yeah, but it doesn't do this." The first reaction my mind is well you don't know what you're talking about. It was years of having to work with that aspect of myself. It was a trial by fire - learning that lesson. Being able to put things out, take the feedback that comes and incorporate it. Also, I went into a time where went to the opposite spectrum where I said I need to listen to everything. I thought I just need to please people. It took me awhile to come back to center where I realized my job is to to have that prudence, have that discernment. Like, what is a valid thing in the context of everything else that we're keeping our eye on in the business? And, what is just a pet thing for this particular person?

Seth: One of the things that I noticed in talking to you too, about MemberMouse versus subscription business, how do you define your value? I think at the beginning you define your value as a software business. When you start thinking about just me, for example, you have in many ways your software has enabled my entrepreneurial experience. My kids' college savings plan will be funded in large part because of the pieces of software and business that you conceived. It can't just be about the money. If you're just a membership website and you want to get membership fees - maybe there's people who can work like that. You have to actually believe that you add value and care about adding value to the people you work with, and the people you sell to. That matters.

Eric: I agree with you. I also don't think it can be a viable option to just be about the money. The patience aspect is too much. You're not going to get the money in a short enough period of time where if that's your motivating factor to stick around. That's one of the primary reasons why a lot of people drop out. That motivating factor just doesn't carry.

Seth: Those people will always be there. There's so many people who are like "oh yeah!" We were talking about some idea. "I had that idea like three years ago. I should have done something." Well are you going to do the three years of pain that that guy went through to figure out if it can happen. There are 20 other people who tried to do some iteration of the same thing and didn't succeed. The grass is always greener, I guess.

Matt: Since the discussion began I've come up with a thousand more questions. I think like we've just started -all of the things that we could potentially talk about.

Eric: I'm of the same opinion. I think there's a ton of directions we could go in, but we'll save that for future things. There's definitely been tons of stuff in this conversation that have been helpful for me. I certainly appreciate you joining us Seth and sharing your experience. It's been great.

Seth: No worries. Thanks for putting together some kick-ass software that's made me some money. I appreciate it.

Eric: [Laughing] You're very welcome.