## Zach Obront- Web3, NFTs, And The Future Of Capitalism Transcript

Ryan Moran [00:00:04]
Welcome back to Capitalism.com. I'm Ryan Daniel Moran, and today we're going to be talking about how NFTs and some new technologies will affect your business and your life in this new era. I'm going to be chatting with my friend, Zach Obront. Zach worked at a company called Scribe Media, which helped me get the book deal for my bestseller, 12 Months to $1 Million. If you haven't read it, go read it. It's really good.

Ryan Moran [00:00:32]
It's a playbook to building a 7-figure business in 12 months or less. But Zach is no longer working at that company. He's now fully immersed in web3 projects. Web3 is everything crypto, blockchain, NFTs, all of that. And he and I have been collaborating on how NFTs and the crypto space are going to impact businesses, including ecommerce businesses.

Ryan Moran [00:00:54]
It's my opinion that using some of the technologies that are now available, we will revolutionize the way that we raise money for new businesses, we will change the way that we have raving fans for our businesses, we will change the way that we reward our investors and our most loyal customers. And we talk about all of that in this episode.

Ryan Moran [00:01:19]
If you're ahead of this curve, I believe that you put yourself in a chance to win, because it's my opinion that over the next few years, this technology and these new ideas will infiltrate all of our businesses, especially ecommerce. Ecommerce is actually kind of behind the curve right now. And so, if you take any of the ideas and just let them be seeds in your brain and see how they will develop over the next few years, I predict that they create new ideas that allow you to stand out from your competitors in your space, because most people are afraid of this rather than taking advantage of some of the opportunities that are being created.

Ryan Moran [00:01:57]
On top of that, most people, in my opinion, have crypto and NFTs bass-ackwards. They are looking at it as a speculation rather than a way to structure the way that we do business. Zach and I go into that in this episode. And we also talk about the NFT project that I am releasing later this year. Spoiler alert, I am building an investor network that gives them first access to the deal flow that I have from my community.

Ryan Moran [00:02:28]
I mentor entrepreneurs and I work with them to be ready to raise capital so that they can grow and scale, and I'm creating an investor group to give that group of investors the first bite at the apple, the first opportunity to invest in the best deals that come from my private deal flow. And the only thing that you need to do to get into that investor network is to buy the Capitalism.com NFT.

Ryan Moran [00:02:53]
We'll talk about that in this episode and how that works and why there's benefits to doing business this way. But if you want to be on the waiting list for that NFT drop, go to capitalism.com/pig. Yes, that's capitalism.com/pig. You'll see why on the page. We're only doing a small test of probably 100 to 200 people, so they'll go really, really quickly. I want to make sure that everything is buttoned up and seamless before I do a big launch.

Ryan Moran [00:03:21]
So, if you want to be first in line and get one of the OG NFTs, go to capitalism.com/pig. And in this episode, you're going to see how NFTs and these new technologies are going to change the way that you do business so that you can be ahead of the curve. Let's go. Zach, welcome to capitalism.com. Good to see you, my friend.

Zach Obront [00:03:40]
What's up, Ryan?

Ryan Moran [00:03:41]
So, let's give some context for this conversation because you and I have known each other for a long time, but this conversation about how web3 impacts business didn't start until I was talking to you about the idea of kind of an NFT being part of a book launch, and you saying, well, hold on a second, I'm sort of building a company around this or thinking about starting a company around this. So, could you summarize how the light bulb came on for you to see that web3 was going to change all businesses over the next couple of years? Let's start there.

Zach Obront [00:04:19]
Yeah. I kind of came at it actually from the opposite side. So, the quick background was after running a publishing company for 8 years, Scribe, I decided last year I needed a little time to explore a few different areas of tech that felt like they had some potential and just seemed fun. And I actually thought I was going to be more drawn to the AI stuff, especially AI as it relates to bio or language.

Zach Obront [00:04:45]
So, I started off focusing there and web3 was kind of on the list of things I'll explore, but that ... I don't know how excited I am about it. Just some decentralization stuff, who cares. And it was within a week of playing with it where there was kind of just this moment where it clicked, where I was like, oh, this decentralization has value in and of itself, but what's really exciting, at least for me here is, oh my gosh, that unlocks us putting ownership and value on the internet.

Zach Obront [00:05:15]
And then how fun is programming and what other things are unlocked when that's just an extra tool in the tool belt of code? And so, it flipped from protecting downside because, oh, there's risk of centralization, to now we've got these tools and we can play with them. What does that do? All of a sudden, kind of, it came in rapid fire after that of what was possible when value is programmable instead of just information.

Ryan Moran [00:05:41]
So, are you able to and allowed to talk about the projects that you were working on or at least what you're working on because that's a really good use case for what you just said. So can you share [INAUDIBLE 00:05:54]

Zach Obront [00:05:54]
Yeah, totally.

Ryan Moran [00:05:54]
... What you can about that.

Zach Obront [00:05:56]
Yeah, and just to be clear, it's not something I'm going to move forward with. So, just to kind of finish that story then. So, I was coming from Scribe, from a publishing company. I was learning about this space and it felt, like others, this kind of natural overlap where in spending time in web3, one of the things that becomes really clear is just how powerful incentivized community is.

Zach Obront [00:06:19]
And we'll talk more about this I'm sure. But when we have a large number of people who are able to really seamlessly get aligned financially or otherwise on a project succeeding how there are things that you can't even predict and benefits that you can't predict in terms of what magic comes out of that community all working together. So, I was seeing that on one side,

and then having worked, especially on the marketing side at Scribe for so long and telling authors over and over, all that matters for a book's success is let's get the first 1000 fans really excited, reading the book, and talking about it.

Zach Obront [00:06:50]
I'm like, there's something similar here. And so, what ended up evolving out of that, it kind of went through some iterations and getting more complicated and more ... Less complicated and different kind of structures. Where I landed was that I wanted to start an organization that helped, say, authors, but also YouTubers or podcasters, anyone creating a kind of discreet creative product to fractionalize ownership in that, sell it to their audience, and then kind of leverage that community who all co-own the project to make the project more successful.

Zach Obront [00:07:22]
So, that could be an author selling to their fans and then using those fans for creative input and marketing support and all those other things, and in exchange, kind of giving them the benefits of access or involvement in the project and financial upside. But I think it applies in a lot of other areas as well. And honestly, where I landed with it and the reason I'm not doing it has nothing to do with the idea.

Zach Obront [00:07:46]
I actually think it's incredibly valuable and something that will happen. There's already some companies doing a really great job, like Royal is doing this in music and doing incredibly, and I'm seeing some more emerging in other areas. For me, it was more personal that I'm coming off a lot of years of running a company that's been focused on growth and I'm having a ton of fun exploring and kind of getting into the more nerdy, technical details of this space. So, I decided I don't want to start a new project right now, but if anyone wants to steal the idea, you're more than welcome to.

Ryan Moran [00:08:20]
Yeah. And it's important to note that this is absolutely going to be how business is done. And that's why that story is important. So, where I was looking at it was as an author, I love the idea of skipping the publishing company, issuing an NFT, having 100 people buy the NFT at $10 grand, so I have a million dollar advance, I say to those NFT holders, I'm going to use the whole million dollars for marketing of the book and you're going to own 50% of the royalties that I earn into perpetuity, which means that now I have 100 people who are connected and financially incentivized to promote the book, get me on podcasts, open up their network.

Ryan Moran [00:09:13]

And I have 100 raving fans who are financially incentivized to help ensure that it's successful and a million dollars in cash to promote the book and ensure that it's successful. You're coming in ... You were coming in and saying, could we do that with YouTube channels? Could we do that with music royalties? Could we do that with anything that does not have a clear owner and create ownership for it? Is that a fair summary of how you were viewing it?

Zach Obront [00:09:38]
Yeah. And I think what's important, especially for people who are new to the space, is this is a common pattern in web3 stuff where if you take what you just said, you could break down a version of that that could exist without any blockchain tech, right? I could say, well, you could start an LLC. You could sell shares in the LLC to accredited investors would own a fraction of it.

Zach Obront [00:10:02]
Now, all the money has been fundraised, so now you could use that for marketing, all those things. You start to be able to say, well, we could construct this. And wow, if we did, it actually would be this really good system, but the complexity comes in where the checks need to be big enough for it to make sense for people to go through all the legal paperwork. They need to be accredited investors.

Zach Obront [00:10:21]
If they lose interest in the project, they're not able to resell it. There's all of these things that are barriers to doing that in a more traditional way that are solved when you're doing that on the blockchain, where you can do small transactions when you have payouts of $83 dollars for the month for one person's investment in the book that you're able to send it straight to their wallet, you don't need banking information and all these other things.

Zach Obront [00:10:42]
So there's very often this pattern of, okay, this would be possible, but there's no way we would ever actually do it, so all of a sudden, well, actually the process for that is pretty seamless and it's easy for people to buy in and out, and they can sell their share if they decide they don't like it and it kind of changes and makes that kind of mass coordination possible.

Ryan Moran [00:11:01]
It's the same thing with raising capital for a startup or for growth of a business. And I'm seeing that web3 and sometimes even DAO structures, which we'll talk about, can be simplifying that where if you have an entrepreneur who casts a vision for a business and is raising $250,000 dollars at a million dollar valuation for their startup, you have to go through the channels of

networking, doing the legal paperwork, wiring the money, then your investor's not happy. So how do they get out?

Ryan Moran [00:11:35]
But if you do it on blockchain and you do it through a token structure, or even an as an NFT, then anytime an investor wants out, they just sell their NFT or they sell their coins to someone else, money shows up in the person's account, and there's not legal precedent on this yet to be able for this to all be approved by the government because of securities laws and all this, but it's coming because it's just a faster way to do how [INAUDIBLE 00:12:03]

Zach Obront [00:12:04]
And that's ... How I've tried to think about this, I had a few conversations about this recently where it's like, one portion of the benefit is that because there's not a legal precedent, there are many areas where you're almost skirting around current laws. And in some cases, I think that's a bad thing and the laws really need to fill in quickly. In some cases, I think accredited investor laws are not really serving people and I think it's a good thing to avoid those.

Zach Obront [00:12:31]
But in the end, we just need ... We need laws that tell us what is allowed and what is not allowed so that we can follow them. Right? It's this weird middle ground. But for ... What gets me excited about this space, it's seeing how many areas there are where if you filled it in with all the same laws that exist now, it would still make things easier.

Zach Obront [00:12:51]
The resell ability, the ability to pay out really easily, all of these things that are like, oh, this isn't just a new framework for dealing with the legality. This is also kind of a technology breakthrough that just enables new ways of interaction, interacting coordination. I think where it gets really interesting, going back to the same example with an author or anything else, is like, okay, now you've fractionalized ownership and the upside of your book.

Zach Obront [00:13:19]
Part one of that is that you sold that to the investors. But now when you want a cover designer, you're able to reward them partially in up side of the book. And your editor you're able to reward with that, and your person who helps you with marketing. And maybe you set up a program where when people give you valuable introductions to media, you're able to give them some portion of the upside in perpetuity. All of these tools that allow us to be more aligned and coordinated in the value that's created from this are kind of opened up because now you've got this token that's representing that upside.

Ryan Moran [00:13:50]
Yeah. The thing that interests me is what ... You called it aligned incentives. When incentives are aligned, then you have mutual benefit of a project succeeding. It just allows you all to get on the same page, get business out of the way, and march towards the goal of the business or the project. And that's what sold me on crypto NFTs web3, was I saw it as no longer as a speculative thing of what's this art project going to do, but oh my goodness, this financially incentivizes me and the other person to win in the same direction.

Ryan Moran [00:14:28]
That's when it clicked for me. It's when I started going down the rabbit hole of, how do we do this at Capitalism.com? How do we tokenize our memberships? How do we create communities that all have aligned incentives? Because the entrepreneur wins, we win, the investors win, and it just gets everyone on the same page going in that direction.

Ryan Moran [00:14:48]
Now, you said it very interestingly once where you bought into a DAO, which we've talked a little bit here on the podcast when we interviewed Garret Akerson. If you haven't heard that, that explains the DAO structure some more. But Zach, you described it in a way that really surprised me, because you said you bought into this DAO and you found yourself engaging a lot and realizing I'm kind of incentivized to engage in this group. And then, people started collaborating more together and then talking about how to reward one another. Would you share a little bit about that experience?

Zach Obront [00:15:22]
Yeah. So, I think what's interesting is everything we've talked about is saying, okay, there's these discreet things that we already do that become better if we're using a token, right? If that's raising money, if that's rewarding people who are working on the team, but what I see often is that there's fundamentally just a different way of interacting that seems to happen when you are on this structure. And I think the reason is if you think about ...

Ryan Moran [00:15:51]
By the structure, you simply mean you have ownership and I have ownership of a token and we're collaborating on something.

Zach Obront [00:15:57]
That's it. I mean, a DAO is how people often describe it, but really it's just tokenized communities of any sort, right? Because what you end up with is this weird thing where the

lines between investor or owner, employee, user, they all kind of get blurred into one group. And so, there's things like friends with benefits that, say, a token ... A group where you need tokens for membership.

Zach Obront [00:16:23]
And what you see is, okay, the money that's coming to this group is because people are paying for these tokens because they want to be a part of it. So, we're all the users. In a traditional membership community, we'd all be the ones who are paying. But then once we're in, we're the only people there. There is no company. And so, what do we do to make this more valuable? Some people are working to earn more tokens or basically earning a bigger chunk of this membership.

Zach Obront [00:16:47]
Everyone is an owner and everyone's seeing the upside when things appreciate. So, there's this dynamic that evolves where everyone who is contributing to something is an owner, but it's also ... They're also the people who are actually using it and benefiting from it, and it can create this really kind of beautiful mix.

Zach Obront [00:17:03]
I don't want to give the impression that's automatically always what happens. Like what you were saying, aligned incentives just mean that people are going to kind of work together to accomplish something. But if those are aligned incentives kind of within a small in-group, that doesn't always work out well, right?

Zach Obront [00:17:23]
If a bunch of people own one NFT, they've got aligned incentives to try to make people want to pay them more for it. Maybe that means make the community better. Maybe that means lie to everyone that the community is good so that people will want to join. So, I don't want to give the impression that just by tokenizing things, now it's kumbaya, everything's amazing. But it's just this extra tool to get all the people who have a stake in something on the same page moving in the same direction that if people are working towards noble goals facilitates kind of better teamwork.

Ryan Moran [00:18:02]
Well, something else I remember you telling me was a lot of these projects or these DAOs are, we're going to do a DAO, and then we're going to figure out what we're going to do. Whereas something, like you mentioned, friends with benefits is just a community that is looking at benefits and resources that they can all share. It's basically a big glorified mastermind, but ...

Zach Obront [00:18:23]
But I think that the line between those is blurred, right? Because once you have the big glorified mastermind, then you're saying, well, now what are we going to do with this? So, you end up ... Or, hey, we're all members here. What do we want to do to make this more valuable? What do we want to do to make it more valuable to us and as a financial thing?

Zach Obront [00:18:39]
And so, I think that, yeah, you can ... Very often, more than I'd ever seen in any other area of business, community comes first and then they decide what to do with it, more often than, hey, we have this mission, now who do we hire to help accomplish this mission, and kind of keep them on the straight and narrow?

Ryan Moran [00:18:56]
Right. And I look at things ... Where I get interested in this space is from the other perspective of we have this mission, we have this goal. Now, if everyone has aligned incentives that's a part of it, it gets there faster. So, the way that this ... For example, with our project, our NFT, when an investor buys this NFT and gets access to an investor group, we're selling the investor group more than the NFT.

Ryan Moran [00:19:26]
By joining this investor group, you're going to get private deal flow from the brands and the students that my team and I have been mentoring and are raising capital. So, you have the group of investors that wants to buy into that access of deal flow, but the way they buy it is with ownership of an NFT. Now, why does that benefit them? It benefits them because now we have all of these investors who are financially incentivized to bring more deals to that group.

Ryan Moran [00:20:00]
Why? Because as the deal flow gets better, as those projects succeed, the value of the NFT goes up as does the net worth of the holders of it. So, if you ever want out of the group, you could sell your NFT at a profit theoretically. So, it's no longer a cost structure. It's an asset that you're getting benefit from. It's like buying an Airbnb. It's a thing that cash flows and you can go vacation there anytime you want.

Ryan Moran [00:20:31]
In this case, you join this investor group, it's not an expense, it's an asset. You're getting deal flow from it and we're all incentivized for the group to win and for the entrepreneurs to win.

That's aligned incentives, and that's where things get really interesting to me. I have even wondered, Zach, are most of the things that we buy are going to end up being assets?

Ryan Moran [00:20:54]
Is my gym membership going to now have a fixed number of people that can work out there? And the gym is now incentivized to just make it cool to be there so that other people want to buy access from the people who already have the access. This is where my brain goes and that's when I go, we're about to have a more collaborative, kinder, more interesting world.

Zach Obront [00:21:21]
Right. It's so interesting because I think we've spent the past few decades going the other way, right? Microsoft word is $800 dollars? Okay. Nevermind. It's $8 dollars a month. Businesses have realized that when consumers are indifferent, when there's no benefit either way, we might as well charge people small monthly amounts because it adds up to big numbers and it feels like a smaller burden.

Zach Obront [00:21:42]
I think what we're seeing now is the beginnings of companies realizing that they can go the other way, that yes, small, monthly payments is nice, but now you don't have people who really are committed or believe or have upside in it. And then, when you're able to let people really get in and participate in the upside, then the pendulum can swing back the other way and say, hey, let's just turn everything into an asset and allow people to buy in.

Zach Obront [00:22:07]
And yes, maybe it's more expensive upfront, but I know how my mindset has shifted with these things where what used to feel expensive, now I've come around to the fact that, okay, this is a thing that I'm buying that it's not a car that I drive off the lot and the value plummets. It's something that should be as valuable down the road, especially if it's something that I really believe in and think it may appreciate.

Zach Obront [00:22:27]
So, yeah, it changes a lot and it changes a lot about how that gym is run when they know that every member is an owner in the gym, but that's ... I think we can't even predict the ripple effects of what that means in terms of hiring or how things are run or how schedules are formed or how community is involved. All of it changes when everyone's an owner in everything.

Ryan Moran [00:22:52]

Yeah. And I think the built-in scarcity of that type of structure creates its own demand, which raises prices and profit margins a lot of the way a lot of the time. And so, as a result, I think the quality of what we buy, anything that has to do with a membership, is going to improve. I even think about membership courses, which everybody's got a course now, and everybody's tired of buying courses, but what happens when someone like you or me launches a course, and there can only ever be 1000 buyers ever?

Ryan Moran [00:23:27]
And the way that you get access is you buy an NFT. Well, why would you do that? Because now, you can rent your NFT to other people who want to take the course. And now, it is not passive income for the course creator, although it can be, we'll talk about that. It's passive income for everyone who bought the course.

Ryan Moran [00:23:48]
And so, I or you as a course creator are now incentivized to make the course as amazing as possible because the only way you're going to make profit in the future is as a percentage of what gets rented, or if the NFT is sold on the secondary market, you get a kickback. So, we're now incentivized to focus on quality and raving fans and letting the raving fans be your distribution. That's nuts. You now have built-in marketers for any project that you want to do.

Zach Obront [00:24:21]
And what I love about it is everything you say makes me think, wow, you're ... And obviously this isn't always the case. People will ... There will be exceptions, but everything said makes it more of an uphill battle if you're trying to sell something crappy and more of an easy downhill ride if you're making something that people actually love.

Zach Obront [00:24:42]
I feel like in the short term, yes, there's a lot of hype in this space, especially when right now the NFT stuff is very focused on people wanting to flip them and all that. But in the long term, all of these aligned incentives, what it really does is it just allows marketing to be a smaller factor and quality of product to be a bigger factor in everything we do.

Ryan Moran [00:25:00]
That's exactly right. It's exactly right. The incentives are now stacked for quality to rise because the owners are distributed and they're your marketers. Your raving-ass fans is your marketing team, and the incentives are for you to do a great job for their value to go up so you get a percentage of that rather than for you to just sell more and sell more and sell more. That's what we mean when we say aligned incentives.

Zach Obront [00:25:30]
Yeah. What I also think is interesting, just one other point on that, because you mentioned, with the example of our NFT project, where, okay, people who are buying in, now they have an incentive for the group to do well because, well, maybe they would want to leave and they would be able to resell it.

Zach Obront [00:25:45]
What's magic in this space is I feel like everyone's mindset goes to the aligned incentives and goes to, well, how do we make sure that everyone's benefiting from everything? So, one example of how we're setting things up is for all of those secondary market resales, instead of having a kickback, just to kind of go back to you, they kicked back a portion of it is going into a general treasury that's co-owned by everyone who owns the NFTs.

Zach Obront [00:26:09]
And so, now there's this central pot that's growing of money that has been earned by everyone that only happens as the group gets more and more value. So, I think there's just ... There's layer after layer in all of these projects of ways that, as the group succeeds, all the individuals succeed too. And I think that just ... It changes everything.

Ryan Moran [00:26:28]
Yeah. So, for anyone who didn't catch that, let me summarize what Zach just said. And again, I don't know how the legal structure of all this is going to play out, but theoretically, if we just assume that that's all clear, because it will be clear at some point, you could set up an NFT so that the kickback that you get, the percentage of profits that goes back to the creator, doesn't go 100% to the creator.

Ryan Moran [00:26:53]
Some of it gets just stored in a treasury that is owned by all the other owners, all the other NFT owners, and that could buy Bitcoin, it could buy other NFTs, it could buy equity in businesses. And so, as a result of the value of NFT going up, so does the amount of assets that is owned by the owner of the NFTs. So, it actually builds real world tangible value. This is nuts.

Ryan Moran [00:27:24]
We're flipping the whole model on its head, where the incentives are right now to just sell and sell more, sell more, sell whatever you can, and then going over to the other side, which is about creating an immense amount of ridiculous value for your raving fans. So, Zach, what implications do you think this will have in businesses like ecommerce or software as a service or

the businesses that are known for internet entrepreneurship? What do you think changes as a result of these incentive structures being aligned?

Zach Obront [00:27:59]
Yeah. I think what I see right off the bat is too many people trying to just tack this technology on. Like, oh, we'll just have NFTs for blank or, oh, we'll just sell some NFTs in addition. Part of it's a money grab. Part of it, I think, is just a kind of fear of missing out and being ... Trying to capture what is happening right now, as opposed to thinking about where it's going.

Zach Obront [00:28:24]
And so, at its core, if we get through all of that, I think where it leaves us is that every business realizes that it's community first and that there ... This idea of, we're this little tight knit group of people and we're going to sell to our users who are separate, and they're just going to interact with us and not really with each other, I think that's too much of a competitive disadvantage to work in this landscape.

Zach Obront [00:28:52]
And so, I think for an ecommerce business or a SAS business, as things evolve, they're ... I guess in the short to medium term, the ability for users to kind of pit ... Like what we were talking about, have their costs become the purchasing of assets and have some kind of ownership in the upside of how that business or that product succeeds.

Zach Obront [00:29:18]
In the really long-term, I think it's a melding of all of those groups of stakeholders where the actual company itself is kind of merged in with the community that's using it, and that people who are working on the project are able to be incentivized in tokens or an ownership of that product. And the people who using ... You can have rewards for people who are using it that are paid out in equity.

Zach Obront [00:29:43]
So, maybe as an example of an ecommerce business, what if you get a token that represented the business, and when people made big purchases, they were rewarded with a little bit of a token? Basically, they were rewarded with a little bit of the company that inflated away slightly the value of everyone else's ownership for being a really good customer. And maybe the same thing with referrals and everything else. So, I think ...

Ryan Moran [00:30:03]

I just want to summarize this because you're saying a lot very quickly. And that is, you could create ... For example, I'm the highest level customer at Mizzen+Main. Mizzen+Main is a clothing company. I don't know how to dress myself, so I basically only buy from Mizzen+Main, and Mizzen+Main, I've spent more than $5,000 dollars, which is the highest level access, which gets me discounts once in a while.

Ryan Moran [00:30:31]
It basically gives me nothing. What they could do if they were trying to move in the direction of aligned incentives is they could say, once you become part of the ... I think it's called the Admirals Club. Once you're an Admiral, we're going to issue you $5,000 dollars in coin, in Mizzen coin, which you can use to spend at the store, or you could liquidate and sell.

Ryan Moran [00:30:56]
And what that would do is it would dilute all of the other equity just a tiny bit, but it would create incentive structures for customers to spend more, which would theoretically create more value than what would be watered down with the inflated number of tokens.

Zach Obront [00:31:16]
Yeah. And I think there's still so much for us to figure out, too. People are experimenting with all these structures of, well, what if you've got those coins and they had a program where you could stake the coins and then you earn a percentage of fees on certain other things? There's all this stuff that is ranging in terms of how legally questionable it is, ranging in terms of how effective it is.

Zach Obront [00:31:38]
There's lots and lots to figure out in terms of the models that are most effective for this, but at its core, there's some tokenized way for them to represent value or ownership in what they're doing. And they're able to reward with that, and then users, as they receive that, are able to either kind of increase their exposure to that or sell it if they don't want it. And employees are able to be paid in that and sell it if they don't want it.

Zach Obront [00:32:02]
I think there's just ... There's ... Yeah. There's a ton of alignment that can happen between those groups that would work a lot better in a situation like that. And I think the more ... Ecommerce is interesting because it's ... No matter how much those groups merge, your customers are fundamentally different than the people working at the company. Right?

Zach Obront [00:32:23]

You're not really ... Maybe there's some overlap, but you were buying a bunch of shirts at Mizzen+Main. They're not going to say, do you want to come in and do a little stitching? Or anything like that. But at a software company, if you're a user and ... Maybe you Tweeting about it is valuable, or maybe you have a podcast and having them on is value, or maybe you know how to code or design and they want some help. And so ... And you do it as a one-off project because you're able to be compensated in those tokens.

Zach Obront [00:32:49]
And so, I think the more internet native businesses probably have more opportunity for those groups to really kind of engage with one another and the lines to be blurred than in an ecommerce business.

Ryan Moran [00:33:02]
So, there was something that you said to me once about a project that you were in or involved in, which was as people were participating in the project, the conversation was starting of how do we reward these individuals? And it was exactly what you're saying. Let's just ... Let's mint more tokens and pay these individuals, which waters down everybody's share, but just a little bit.

Ryan Moran [00:33:25]
But that person's value was worth watering down everybody else's equity. And it made me think, is that how all business is going to run? Just theoretically, everyone is going to be freelance and they're not going to have a number of clients, they're going to have a certain number of projects that they participate in. Do you think that that is possible slash inevitable?

Zach Obront [00:33:51]
I don't totally trust my sense of this, because that sounds really fun to me and it sounds really fun to a lot of people I know. I don't know if it's whatever everyone wants, but there's a few patterns I've seen with that. So, one is it's ... The ability for that compensation to be in liquid equity, I think, changes a lot because it allows the people who are doing it as, I believe in the side project, to be like, cool, this is my way to accumulate ownership in this thing.

Zach Obront [00:34:20]
And for the people who it's their full-time job that they're able to just say, well, great, I sell half of mine every week and that's how I pay the bills because the bills don't take equity. So, I think there's something interesting there. The other thing I haven't seen a lot of talk about but that I think is a possible path that a lot of us could go because I think one of the biggest gaps, or one

of the biggest untapped forms of potential we have as a society, is that the same people are doing the same ... Or different people are doing the same job in different organizations.

Zach Obront [00:34:54]
And the way organizations are set up right now, it's like, of course. You're not going to be ... You're not going to share a role with 4 other companies. I guess we start to see it with fractionalized ... Certain fractionalized roles, but it's pretty rare and only in certain areas. And what I'm starting to see of is people who are really, really good at a thing saying, well, my best use of time is to spend half of my time learning and getting better at that thing abstractly, and then a quarter of my time, or I guess, say, 10% of my time in 5 different places applying those lessons.

Zach Obront [00:35:28]
And so, that's maybe people who are really good at on-boarding into DAOs, or people who are really good at certain kinds of tokenomics saying the learning I need to do for my role is the same across all these different roles, I can set something up where I'm able to take the lessons and apply them across these organizations and help everyone succeed more.

Zach Obront [00:35:49]
And so, I think from a purely competitive sense, I think it's probably unavoidable that that becomes more common because it's just ... It's so much more efficient that I imagine organizations will see pretty quickly that the quality of person they can get is just so much higher because they're able to spend less time on their individual project, but still kind of move the needle. I'm not sure if it'll take over as a default way that everyone works, but I could definitely see the excitement in a lot of people who are starting to work more that way and it seems like there's something magic to it.

Ryan Moran [00:36:21]
And I do think that it gives investors, specifically, more control over the value that they can add to their investments. For example, if I run a fund, I advise entrepreneurs, I can bring a lot of value to those businesses because I'm often the only investor, I'm the advisor, I'm the mentor. It's great. It's why I like what I'm doing. I can't do that with Shopify stock.

Ryan Moran [00:36:48]
As responsive as my audience is, if everyone in my audience goes and signs up for Shopify, it doesn't move the needle on how much my net worth is because Shopify is a really big company. But again, in the example of the project we're launching, if you have an investor who is part of an investor group and owns an NFT as a result, they can bring deal flow, or they can

mentor the entrepreneurs that we're backing, or they can start conversations in the group and just make the group more interesting.

Ryan Moran [00:37:24]
Or they could lead a call on a topic that was interesting to the entire group, which builds the community. And so, your contribution to the project can dramatically impact the value of the asset that you control, especially when you're only talking about a few hundred or a few thousand people that own that asset, and now all of the internal quality or somebody like me promoting it on podcasts and talking about it and show them the deal flow that's coming out, the demand is now increasing and there's pent up demand to be in this group.

Ryan Moran [00:37:59]
And so, individuals, and actually, for somebody like me, it takes the burden of creation off of my shoulders completely and frees me up to do what I do best, bring deal flow in, mentor those entrepreneurs, and the investors have the great opportunity to invest in the good ones. But there's other value there, too. And that, all those aligned incentives, give people control over the potential value of the things they invest in.

Zach Obront [00:38:25]
Yeah. I think what you're pointing to, too, is humans just tend to work better in smaller groups, and the incentive alignment with a stock you own just isn't the case because your actions don't matter in anything that's that big, but in smaller groups, our actions really do matter. And so, I think part of what's happening with all of this is taking the structures that have worked for investments and other things, but that for some reason we've divided where, well, those are only okay with big companies.

Zach Obront [00:39:01]
Those are only okay when you don't have anything to do with what's being created. And this is part of the crutch of a lot of the securities law. The securities law is based on the fact that you, when you're investing in something, you are purely profiting from the labors of others, right? Because you can't have any impact on the success of that thing.

Zach Obront [00:39:18]
I think it's where it breaks down with a lot of web3 stuff where people ... The tokens that people are owning are very often things that they're engaged with and involved with. And so, I think as we're able to translate those structures and that kind of ease of transaction that you would have on an equities market to these smaller organizations where people could have an

impact, it starts to actually move the needle in terms of actions with aligned incentives because people's actions matter at that scale.

Ryan Moran [00:39:46]
There are some challenges that I see in this space, particularly I think there is a different level of economics that needs to be understood in order for people to get this world. I mean, even the idea of a business or a project having a treasury and then releasing coins from the treasury and thus creating inflation for their holders, it requires a different level of understanding, but also creates opportunities.

Ryan Moran [00:40:22]
What do you think people should be aware of at this point in the process? I talk about this stuff because I don't think the technology is easy enough for people to roll this out in existing businesses. I mean, we are, because I don't have a partnership with you, but outside of trying to be early and creating partnerships and doing that kind of stuff, what do you think people need to be aware of now in order to be prepared for the changes coming over the next few years?

Zach Obront [00:40:52]
Yeah, it's tricky because it's one of those things where we will end up with standards and clear metrics and whatever the things are that make it really easy to say, yes, no, or is this okay? We're still in that wild west phase where you need to think for yourself, which sounds kind of condescending, but you need to think for yourself, which means you need to have the tools to understand what all these things even mean.

Zach Obront [00:41:17]
And so, we see tons of these protocols, especially in DeFi that are coming out that are creative in how they're setting things up, and it's hard to parse some of the time whether that creativity is actually doing something different or whether it's just kind of playing mind tricks and convincing people that that value should be higher because we're not used to inflation or intentional aggressive inflation. Or you see Olympus and a lot of the forks there. Their whole thing is we're going to mint so many tokens that we're going to pay you an outrageous percentage interest.

Zach Obront [00:41:51]
And at its core, I mean, I actually believe in the protocol, but I think at its core, what that's doing is saying the market cap is not changing at all. We're just adding zeros to the number of tokens everyone has and it doesn't change anything. And that some of ... As soon as that

happened, people started taking it to such an extreme. You'd see some of these copycats where the percentage interest you'd get would go off the screen because they're like, it doesn't matter. We're just hitting zero more times. It doesn't do anything.

Zach Obront [00:42:15]
And so, I think it's an important skill ... Here's the thing. If you're going to invest in this space, I think it's an important skill to be able to sit down and look through either a white paper or an explanation of how something like this works and say, where's the money actually coming from? What is it they're ...

Ryan Moran [00:42:32]
As business owners, as entrepreneurs, what should we be aware of? Because I think this space is going to impact all of us, and it would be a who of entrepreneurs to think about how could I work this into my company over the next couple of years? Maybe not now, maybe not even a year from now, but the technology is going to emerge fast enough for you to be able to take advantage of this in a year or so.

Zach Obront [00:43:01]
Yeah, yeah. That makes sense.

Ryan Moran [00:43:02]
That's important to know from that perspective.

Zach Obront [00:43:04]
Yeah. So, on that side, then the biggest thing I'd say is, then you're not trying to be at the bleeding edge, right? If you're trying to learn the space deeply, there's a whole lot to learn and I can share some resources if you want to post them after of where to go to really be thinking creatively about this.

Zach Obront [00:43:23]
If you're just trying to make sure that you're not falling behind and you're paying attention to it, I would spend some time understanding the very basics of how ... Even just this, what we're talking about right now. What changes when you can issue tokens for ownership in something and what are the ripple effects of that? What are the ripple effects of being able to inflate equity in a business? Because that's not something we've ever been able to do before, at least not in any kind of easy minute by minute basis.

Zach Obront [00:43:54]

And so, just a little thinking about, what are the ground rules here and what are kind of the basic building blocks? And then just pay attention to what people are doing, right? If you're not trying to invent some new way of doing things, watch what you're going to do over the next few years, watch what Gary Vaynerchuk is doing. Just watch what people who are very public and are kind of at the intersection of web3 and business are doing.

Zach Obront [00:44:19]
And when you see things, think through, oh, how would this apply to me? And you'll think a lot of it, you kind of have to force to make it fit into your business but occasionally there'll be something where you talk about this NFT project and use it and someone says, oh, I've got a community too and I think maybe it would better if my community all had ownership in the upside of the community, and what would that look like for me and how would it work? So, a lot of it's just playing with ideas.

Ryan Moran [00:44:44]
And thinking about what is best for that end user, not what's best for you, because what's best for that end user ...

Zach Obront [00:44:50]
That is the challenge.

Ryan Moran [00:44:52]
... Is what is best for you. For example, the day is coming when an e-commerce company launches their first product and they say the first thousand buyers are going to be in our VIP club. VIP club owners get access to all of our early products and they're going to get 1% of all profits are going to go into a treasury to reward those early buyers.

Ryan Moran [00:45:22]
And that, those thousand people, are going to be your VIP marketers that take you out to podcasts and blogs and open up their network, and then they're going to sell ... Some are going to sell their NFTs and it's going to be an asset. That day is coming. The day is coming in which membership communities like the one we have are all NFTs. They are, you buy the NFT for the access, and then the community all has aligned incentives for the value of that NFT to go up.

Ryan Moran [00:45:50]
Or instead of it being an NFT, you're buying a coin. You're buying a certain number of tokens to get into this and everybody is collaborating on making the community as valuable as

possible so the value of that token goes up. So, it's a question of, how do I align my incentives as a business owner with the customer?

Ryan Moran [00:46:10]
And when you answer that question, then everything we've talked about in terms of technology is just a faster and cheaper way to make your product or your business better for the end customer. That's what matters. That's what makes us, what I think, is the purest form of capitalism I've ever seen.

Zach Obront [00:46:29]
Yeah, it's so true and it also is what makes it the hardest because for someone starting something new in this space, it's really easy to plug into the way it's done in this world where it's like, oh, tokens are distributed. They're airdropped to people who are early users, and owner ... People who started things only take a small percentage.

Zach Obront [00:46:48]
But the community is also engaged that that kind of replaces a lot of hiring and it's just a different dynamic. For traditional business owners to flip into this world is difficult because, very often, the ownership that you've worked hard for and feel you deserve is what needs to be sacrificed in order for the community to have ownership. And so, there may be alternative paths. There may be other ways to think about it. But very often, I think, especially with membership communities, what you're doing is something that's really different, right?

Zach Obront [00:47:21]
For a lot of people who have a business that a lot of it is based around a membership community, they'd be really reluctant to launch something where they no longer are getting annual recurring revenue from membership. It's nice to be the business where you're collecting all the money, and all of a sudden you're flipping it and saying, I'm going to sell these things once and now we're all a community, we're all in it together.

Zach Obront [00:47:43]
And so, I think it takes a certain type of person and a certain kind of comfort with giving up some of that ownership and upside in order to make something bigger with that community.

Ryan Moran [00:47:56]
Yeah. And it reminds me of, we talked about this one of our long hikes of, I've considered taking one of the projects that I'm a part of that didn't work out, that's been a failure so far, and

just saying, all right, let's convert it into a DAO structure and see what happens. And as people buy the token, they now have voting rights over what we do with the brand.

Ryan Moran [00:48:17]
And that can only happen when you stop thinking about, what am I going to get out of it? How do I do what's right for the other stakeholders and the customers? Which is what capitalism is supposed to do in the first place. I think this is just a way to make it very tangible. There's another thing that Gary Vaynerchuk brought up where he said that because web3 is on blockchain and permanent ... Has permanent record, if you do a raise for a company, or if you do an art project or whatever, and it doesn't work out, you permanently can make it up to those people.

Ryan Moran [00:48:55]
So, Zach, if I invest in your next thing and it doesn't work out, but then 10 years from now, you become a world famous rapper, you could say, I'm going to do what's right to those 1000 people who bet on my previous career and I'm going to airdrop them 10% of my new record deal. And it now creates incentive structures for everybody to win, because that's great for your reputation now and people are more likely to buy your next thing. That to me is fascinating.

Zach Obront [00:49:29]
Yeah. Yeah. That's a really cool idea.

Ryan Moran [00:49:31]
So, Zach, we're doing this cool thing where we're starting an investor group. You have to have an NFT to buy into it. Is there anything that I didn't ask you or we didn't talk about that project that I should have brought up?

Zach Obront [00:49:44]
No, I don't think so. I mean, I think there's lots of ... I think what's really cool about it is we've got so many ideas for it and we know the things that we're going to want to work towards launching that way, but like everything else in this space, the most exciting part is that there will be the hundreds or thousands of people in that group and then the real fun starts, which is, hey, we're all co-owners.

Zach Obront [00:50:08]
We know that there's some value that we're coming to the table with right away to make this worthwhile, but where it goes and what makes it become more valuable over the years is going

to be a function of people in the community and kind of the exciting thing that we all come up with together.

Ryan Moran [00:50:21]
Yeah. So, to piggyback off that, the investor group is the product and you're getting this deal flow of the brands and the entrepreneurs that I've been mentoring, and you get first dibs on investing in them. That's the product, but there's ... The other benefits are you're in a room with other investors with cool ideas who are doing cool things, and it has a mastermind effect.

Ryan Moran [00:50:47]
And as another side benefit, there's a chance that as that community gels, the value of the asset you bought goes up. There's a chance that could happen. It could go down, too. But rather than it just being a thing that you buy that is an expense and sort of a risk at that point, you're buying an asset that you contribute to that has tangible value, intangible value, and could go up in value.

Ryan Moran [00:51:15]
So, this to me is why this world is fascinating because it's the first time that incentives are aligned and I think the customer is in control of where the whole thing goes. That's what converted me on crypto, converted me on web3.

Zach Obront [00:51:32]
Hell yeah.

Ryan Moran [00:51:32]
Zach, it's good to see you, my friend. I'm very excited to do this project with you.

Zach Obront [00:51:36]
Yeah, me too. Thanks, Ryan.

Chris Van Loan [00:51:39]
And now, a quick word from Jared, one of our members in The One Percent.

Jared Springer [00:51:44]
I was bankrupt and crippled to making a million dollars in a year, and then I grew that business and kept growing it. So, my whole world changed financially very quickly. It was amazing how fast it was able to transition and turn once things got rolling. Ryan and Capitalism.com pretty much taught me everything I knew about ecommerce and specifically branding was the biggest

thing that I think Capitalism really does well and they focus on teaching their students about building a brand and just teaching business to people.

Jared Springer [00:52:20]
Everything he teaches is stuff that he's done. It's not from theory that you're going to learn. It's all stuff that he's done. So, I think the biggest thing that Capitalism.com helps you with is that you're getting to learn from somebody who's done the exact thing that you want to do, which is the most important thing in the world. That's how you fast track your results.

Jared Springer [00:52:39]
So, if you want the fast lane and to get your results really quickly, you go to Capitalism.com and you have them show you what to do so you don't make all the mistakes and you get there really quickly. And it was the best money I ever spent because I went from bankrupt and crippled and all this other stuff to a million dollar a year business in one year, which is exactly what he teaches. And I was like, holy crap, this stuff works. So, it was a very healthy exit and was able to let me focus on many other things in my life and not have to worry about that stuff anymore.

Ryan Moran [00:53:11]
If you found value in this podcast and you're ready to go deeper, here are 3 resources where we can help you. 1, you can grab my book 12 Months to $1 Million on Audible or Amazon. It has over 1000 reviews and it's the playbook to building a 7-figure business. 2nd, you can join our community of entrepreneurs who are following a plan to build a 1% net worth by building businesses and investing the profits.

Ryan Moran [00:53:35]
You can get plugged in at Capitalism.com/1. And 3rd, if you're looking to go deeper and build a 7-figure business that you can sell, you can work closely with us inside the Capitalism Incubator, and you can get on the waiting list and find out what we do over at capitalism.com/inc. That's capitalism.com/inc.