



Episode 02:

Why Established Websites Are the Most Attractive Investable Asset Class

[A transcript of this episode.](#)

Welcome to the Professional Website Investor Podcast, the show where we talk about what it takes to successfully buy, operate, scale, and sell a thriving eCommerce business. When it comes to doing business online, we believe that buying an existing website is far superior to building one from scratch. So, if you're a career professional who's looking to become an eCommerce store owner, listening to this show will give you the knowledge, tools, and community support you need to be successful. We've got another great episode for you today, so without further ado let's get into today's discussion and I'll be back on the other side to tie up any loose ends.

JAMES: Hey, everyone, welcome back to the show. My name is James Sowers and I am the cohost of this podcast and I'm joined as always by my fellow cohost Mr. Ian Bond. Ian, how are things on your end of the world today?

IAN: James, they couldn't be better. It's great to see you again and I'm looking forward to today's show.

JAMES: Awesome, me too. And I know the folks at home who heard episode one are as well. We gave a little bit of background on what professional website investing is and what it means to us. We talked about your background and your personal experience starting from nothing and getting to where you are today and some of the lessons that you learned along the way. So tons of insights included in episode one. We're back here with episode two and what we're gonna be talking about today is why

existing websites are the most attractive asset class in 2018. And when I say that I compare that to traditional investment vehicles like Roth IRAs, 401Ks, and things like that. So maybe that's a good place for us to start.

So what are some of those traditional asset classes that people may already be familiar with? And what are some of the flaws or limitations for those when compared with purchasing, acquiring, scaling, and growing an existing website today in 2018?

IAN: So you know probably the easiest comparison since the website's already a business, an operating business, would be kind of an equity index. And the broadest, best accepted equity index is the Standard and Poor's 500. So you know these aren't fixed income instruments. This is not passive income, okay. This is operating businesses. And unlike the Standard and Poor's 500 where you don't get a chance to operate, here you do have to operate. So there's that distinction.

But just to give you an idea of what the valuations are that make this I think a compelling risk/reward trade off for people that have the desire to be involved in the business, the Standard and Poor's 500 today is a little bit below 3000, it's twenty-nine hundred and something. And expected earnings for the Standard and Poor's 500 put the S&P 500 at a multiple of earnings about 21 times annual earnings. So it's about 21 times the annual earnings. Websites sell in the marketplace right now for anywhere from two years to four years times earnings. Four years being for fairly large sites that have lots of processes. The newer sites that are smaller, that most of the people would probably get a start in, probably two to three years times earnings. So versus ... Two to three times earnings versus 21 times earnings, you're talking around probably one eighth as expensive on a multiple of earnings.

And I think that's going up. I think that as this asset class becomes more socialized, be acceptable as I think people learn more about it, as I think that more technology enables to people get involved that it makes it a compelling and attractive place to invest. Especially for my favorite demographic which are career professionals, corporate executives, people thinking about retirement. So that's my case.

JAMES: Yeah and you know what I always like to say is putting your money into traditional investment vehicles, stocks, bonds, portfolios, things like that, you basically cross your fingers and hope for the best. And I always like to say that hope is not a strategy. Right? Like, hope is just wishing for the best and putting your future and your personal outcome in the hands of somebody else, and in this case an entire market. But website investing is something where you take ownership and accountability over your future. You do put in that sweat equity and some capital upfront, but in exchange for all of that hard work, you have a much higher earning potential.

And it sounds like what you're saying here is actually getting involved what over the long term is more affordable than investing in the market. As in your expense to earn the revenue is much lower with a website than putting your money in the market and hoping for the best.

IAN: For people that want to make an outside return, the markets over a long period of time have demonstrated very compelling returns. You know as we sit here today in October of 2018 we're nine and a half years in to a bull market, market bottomed in March of 2009. So one could suggest that while the bull market is getting kind of old, there may be less upside and bull markets don't die of old age, they die for other reasons. But I'm here to tell you that I think that the eCommerce revolution is one that has, you know it's very exciting, and has huge opportunity and can probably continue to grow when the general economy maybe doesn't grow as well. And maybe the regular equity markets don't do as well. So I think that's another one of the very compelling reasons to be involved in website investment.

JAMES: So here's a question for you that just popped into my mind as you were talking there. So when I've thought about website investing, I kind of picture it as the new age version of real estate investing in that you do have a tangible asset that exists in the world and can appreciate in value pretty rapidly depending on your input and how the rest of the market acts. And in that way I think it's a lot like real estate in that if you buy at the right time and at the right price and things start to develop around that piece of property, around that home, the value of that home can increase exponentially. So would you say that that's a fair parallel to make between website investing and something that traditional investors might be more familiar with, like real estate investing, whether it be commercial or residential?

IAN: Yeah. I think the opportunity to add value to a website is an extremely attractive opportunity that you find a lot. Working with a coaching client right now, he bought a website at an attractive multiple. The website is clearly deficient in some very obvious ways that once we fix those you know kind of deficiencies, it's gonna be much more attractive to people that come there to shop. And I can tell, you know, we all know what crummy websites look like. We all have been to them and shopped at them and browsed them. And we all know what good ones look like. And there are some scientific ways to garner good search engine optimization results and there are some just very kind of common sense things you can do to eCommerce sites to convert visitors into paying clients. And so we're working together on doing that for him. And I think he's got a gem on his hands.

JAMES: Yeah totally agree from the sounds of it. And you know I think one point that it's important to emphasize here is that when we talk about investing in websites, what we're really talking about are established websites. Now can you go into-

IAN: You're right.

JAMES: ... a little bit more detail about what mean by that? Because we don't ...

IAN: Sure.

JAMES: There are a lot of people out putting bad information out there about how to buy a website and make a lot of money over night, but what we're advocating for here is something very specific. So what's your opinion on what defines an established website?

IAN: Yeah. So I mean I think it depends how established is kinda the question. But established would be one that has a track record of revenue. One that has suppliers on board already. We're not talking about a domain. We're not talking about something that's a concept. We're talking about something where actual commerce has happened and whether that is three months or six months of history on the one end, or I own a site that you know when we bought it had one of the worst purchases I ever made, it had 20 years worth of history. You know that can be debated. But it has to have

had revenue and commerce take place. You have to have suppliers already on board, products uploaded, all of that.

So if we were to compare that to a real world example, maybe instead of buying an empty storefront on Main Street, you're buying an actual laundromat that has customers and revenue coming in and inventory and operating processes and everything. So something that is actually a functional business versus just some kind of website with design and maybe a little bit of content, no audience, no customers, no subscribers, nothing like that. So we're advocating for the latter, something that's already established and generating revenue and you're coming in to take over and scale that up and then either continue to maintain it or sell it down the road.

Yeah so to go back to your real estate analogy, you know, a long time ago ... a long time ago, it seems like to me, you know I owned 50 apartments. And it was my plan and my strategy to go in and I picked a wonderful neighborhood and with my sister, working with my sister, and ultimately my brother, I bought ... accumulated these apartments. We refurbished them. We renovated them. We fixed the exteriors, the interiors. And then we rented them out at higher rents. And we were able to add value. And you know I would say that in the website investing world you have the same opportunity. You can take a look at what someone has been able to accomplish with the website that you see, that is for sale, and you can probably identify a half a dozen or more things that you would do almost instantaneously that you think can add value.

This is after you've kind of developed an eye for it. I wouldn't recommend that people go in and change a lot of things right away if they don't have much experience. If it's producing revenue already, there's something that's going on that's right. I'm talking about where you have known deficiencies after you maybe spend some time and learn what to look for.

JAMES: Yeah totally agree. And so we're talking kind of in general terms here about buying a "website". But there are different kinds of revenue generating websites that somebody could theoretically go out there and acquire. So what are some of those categories or some of those types of websites? And then I know there's one particular one that you are extremely

adamant about as the best option available today, or at least your preferred option-

IAN: Sure.

JAMES: ... so we'll get into that. But first let's talk about some of the major buckets or categories and then cleave down into the one that you like the best.

IAN: Yeah. Okay so the major buckets are you know websites that are driven by content strategies. Content can be monetized by Ad Sense review which are those Google ads that are on the side of the website. It could be monetized by any number of affiliate programs, the Amazon program is kind of one of the favorites that everybody has. There are other affiliate programs. And it could be monetized by someone's own product, say those could be informational ... info products that someone might sell. So content sites is kind of one bucket.

There is physical goods eCommerce. In addition to what is traditional eCommerce now there's a special subcategory for fulfillment by Amazon strategies. Then we have things like lead generation. We have things like niche things like software as service. So you know if you want to there's an Empire Flippers article that is very popular, I think it's the most popular article on their website that is the 11 Online Business Models. We're gonna have a podcast that talks about the online business models, what drives revenues and what it would take to succeed for someone so that people can kinda get an idea on what might work for them.

Now the reason I like physical goods, I said it in the last episode, is I think it's fairly intuitive. First of all it's the largest category with over 50% of the websites that are being sold are eCommerce websites. I think it's intuitive. I think it's a little bit like real estate. We all know what a good looking website looks like just like if we were parachuting into another city, we could probably pretty much figure out what the real estate market, what had value and what didn't have value. And so that's the way I think about it.

JAMES: Yeah, you know and I think that there is a merit and a flaw to every different bucket that we have. And physical goods eCommerce is something

that we're passionate about here and the one that we're gonna focus on and talk about the most. I'm curious, is there one of those buckets that you might recommend a novice getting involved in versus somebody who's more seasoned, who's maybe been an entrepreneur in the past? Are any of those like better suited for a beginner versus somebody who's more business savvy or more tech savvy or something like that?

IAN: For the bulk of ... I think the bulk of the people that I speak to every day, you know I think most people that haven't spent a lot of time looking at kind of the business models up close and know people like I do that are involved in other strategies, they probably don't really understand what drives success in those strategies, which is one of the reasons we're gonna do the podcast I talked about. So for example, in content sites it generally is not the writing of the content, that's usually outsourced. It's generally very sophisticated keyword research and keyword strategies. And then lots of private blog network and PBN strategies that help give authority to the website and link to the content and drive more visitors. And I think most people think that a content site is driven by someone who happens to write well. It's just not the case. So once you know people that do that for a living and you hear them talk about these arcane strategies, you might have a second thought.

Now the same thing, there is a love for SaaS sites (Software as a Service). Every guy who's been at IBM for any number of years and has tech background thinks that he needs to own a SaaS site. Well I can tell ya I've been in the wealth management industry for three dozen years, over three dozen years, and I can tell you that I think that I understand what would be an incredible killer software as a service for my industry, but I could be wrong, number one, and number two I have no idea how to run the technology. You know I think that most people that have worked at a big corporation like IBM or a big tech place, you know they work on some little area of technology and probably not the same ... don't have the knowledge to do kind of the technology behind the SaaS site.

I'll give you a good example of this. You know there's a very, very well known physical goods eCommerce guy named Ezra Firestone and he owns both a SaaS site and a physical goods eCommerce site, they have about the same revenue, and the SaaS site has two times as many employees

because of the customer service, because of the specialty technologies that I takes to run the platform. So think about that.

So to go back to your original question, you know that's kind of the way that I think about the array of opportunities. I think that physical goods eCommerce is a great place to start. If you ultimately want to branch off from there, you can, and you'll know when it's time to do that. You may see something that's an obvious fit or that you've learned a lot about. But it's a great way to start and you know to get into the online economy.

JAMES: Yeah and obviously joining you here today as your cohost, I'm bought into that concept as well. And you know I think one of the things that makes that an attractive place to start is that regardless of what your personal background is, you are familiar with eCommerce. If you are listening to this show and you've never bought anything online, please send me an email, I'd love to hear your story and how you get all of your goods. Because if you're still going into brick and mortar stores every single day and you've literally never purchased anything online, I would be shocked. And so all of us have this experience. We know what it's like to be an eCommerce customer and that gives you a lot of perspective into actually running an eCommerce business because you can put yourself in the shoes of your customer. And that's not always the same for a content site or a SaaS site or a service site. So I think that's just another reason why physical goods eCommerce is extremely attractive.

And what I think we might wanna do next is click into ... Okay so we talked about the categories of sites you can buy.

IAN: Right.

RYAN: But what makes the proposition of buying an existing website versus building your own the preferred avenue to go down? What kind of aspects of existing websites make them more attractive?

IAN: Well you know kind of the first and most obvious one I think you kinda have to look deep within yourself and say am I the creative genius or you know should I allow someone else to spend the time and try to do that? And take a, what is already a proven or semi-proven idea and grow it? I think

being you know older affords me the opportunity, or requires me actually, to substitute money for time and I don't want to spend a lot of time kind of testing ideas and failing. I'd rather look for what I think is an opportunity where I know I can add value or I think I can add value and do that as opposed to kind of be the creative genius. So you know kind of new businesses, 90% fail in the first five years. Probably ... Easily that true in the online world. You know I'd rather try and find one that I think has got a much better than even chance of, you know, lasting a lot longer than that and with kind of the changes that I can make or tweaks that I can make, profit from that. As opposed to kind of starting from scratch. That doesn't appeal to me.

JAMES: Yeah and I think really you hit the nail on the head there when you said you're buying your time back. When you buy a website rather than build one, you're buying all that time that the original owner spent putting that together. And, at the same time, you're mitigating a lot of the risk that they took on by building something from scratch that maybe nobody wanted. Or maybe they made a mistake in the website structure or the product offering or the value proposition, and it just doesn't resonate with the audience and then it fails. But if you buy an existing website that has revenue, that's generating revenue every single month, that has an audience, that concept and that offering has already been vetted to some degree. And your proclivity to fail, I guess, is much lower because you have an established theory and value prop that people seem to be resonating with.

So all you have to do is focus on not screwing it up basically. You getting things right and growing it from where it's at versus starting from scratch and hoping that somebody listens to your message and it resonates with them and they become customers.

IAN: Look you can fairly quickly kind of do an analysis, use Google Trends, look at the products, look at the suppliers, look at the competition. You can pretty quickly figure out ... Look at the margins. You can pretty quickly figure out what the prospects are for something that's already up and running and in business. That is not the case when you're starting from scratch. You don't have any of those guideposts to help you. In my day job, in the wealth management world, I look at prospectuses for different types of investment strategies every day. So you know when I have the opportunity to look at a

prospectus for a revenue producing physical goods website, you know the numbers kind of jump out at.

You know I'm very facile with the numbers and I would say ... I would challenge anyone listening to this program, if you kind of go to the WebsiteBroker, subscribe, get the prospectuses, start to look at kind of the different offerings, particularly in the physical goods space, you will start to see patterns. You'll start to see things that beg a question or two. You can then have a conversation with a broker or through email and ask questions and learn. And you know that's the way ... That's the way you get started.

JAMES: Yep, definitely. And I think that's a perfect segue into our last point here today which is if somebody has heard everything we talked about today, they've heard about buying established websites and why that's attractive compared to traditional asset classes, we learned about the different categories of websites you can buy and why we think physical goods eCommerce is the right space to play in right now. What kind of person, listening at home, is the best fit for becoming a professional website investor? And assuming that they are a good fit and that they're interested in taking that first step, what would you recommend they do to get started learning and actually taking action toward becoming a professional website investor?

IAN: Well I don't wanna be biased, but I think it's someone that has worked for some period of time in a career profession, has good organizational skills, is also someone that is a self starter, you know kind of anyone who's gonna work in business needs to have some kind of understanding and empathy for sales for sure. But you know kind of the older you are, the longer you've been a career professional or a corporate executive, kind of the easier it is. Particularly now that the technology is so enabling and it's not a tech hurdle that you have to get over. It's really very easy from a technology standpoint to run physical goods eCommerce business. You know you have your supply chain, you have kind of the marketing component, and then you have the customer service component. And the things that you can outsource and that you can organize if you're a career professional, which if you've been on any kind of a team and ever delegated would come natural to you, makes it I think a slam dunk.

I think that's why it's gonna be an incredibly good opportunity for the people that I'm kind of referring to.

JAMES: Yeah and I think what we're really targeting, from the sounds of it, is that mid-stage to later-stage career professional who has the capital to play with to make the original acquisition, who has the professional experience managing and leading teams and driving strategy, and then some of that operational experience and knowing what it takes to keep the wheels turning and keep everything operating smoothly. If you are in a position on your professional front right now that requires all those skills, then it sounds like you're gonna be a great fit for becoming a professional website investor and kind of dipping your toe into entrepreneurship that way as a means to generate revenue and definitely through the rest of your career and the rest of your life frankly.

IAN: Well you know having said that, the gentleman I referred to before is 26 and working in the technology world and he wants to be self sufficient with online earnings by the time he's 30 so that he can enjoy spending time with his wife-to-be and his and her parents and do some traveling. So we just qualified probably the 40 plus crowd and yet we've got people that are thinking about this that kind of get the joke already in their 20s.

JAMES: Sure so it's certainly not an exclusive club, but there is probably a best fit population.

IAN: Absolutely.

And then there's some folks like him who can also get the job done, but might not be as high a number or as frequent in the general population as you might expect.

JAMES: So you know if you're listening at home and you like what you heard today and what you heard maybe in the first episode and you wanna start taking action, obviously the first best step is to go to Ian's website, ProfessionalWebsiteInvestors.com, and engage and read everything that's on there. He's got educational resources, case studies, and things like that that can actually paint a realistic picture of what it takes to be a successful website investor. And then one thing that we definitely want to mention

today is that if I have specific questions, if there's something that we haven't answered yet, we'll probably answer in a future episode, but to make sure that we do, you can send those questions to IanBond@ProfessionalWebsiteInvestors.com. We'll take a look and we might feature your question in a future episode of this show.

So I think that's gonna do it for us today. Ian, is there anything that you wanna leave the folks at home with before we sign off?

IAN: Yeah. Let me just mention that one of kind of the favorite places I go when I'm looking for inspiration and when I'm looking for kind of what's going on in this world, I read a book by a professor, Professor Scott Galloway from New York University called *The Four*. It's about Amazon, Apple, Facebook, and Google. And it was fascinating. When you read or listen to the chapter on Amazon, if you don't get excited about what's going on in eCommerce, because one out of every two dollars spent online goes through Amazon, and they're establishing kind of customer expectations and the kind of all the protocols that the rest of us kind of have to live up to. But his YouTube channel has just some fascinating information that's on the big picture. So I would tell you Scott Galloway's YouTube channel and his book, *The Four*, are kind of fabulous I think resources if you're looking for inspiration and if you wanna start to become a student of particularly the physical goods eCommerce. He's very entertaining too, by the way.

JAMES: I love that. That's on my reading list. And so I think we covered both boxes there, we covered the motivation, inspiration. If you're not committed yet, then check out Scott Galloway's work. If you are committed and you wanna take that first step and start learning and doing, you're gonna visit ProfessionalWebsiteInvestors.com or send us your questions to IanBond@ProfessionalWebsiteInvestors.com. So I think that's gonna do it for us today. Ian, thank you so much for your time and we'll look forward to talking to you the next episode.

IAN: James, it's been a real pleasure. Thanks for the time today. I think I had a lot of fun.

JAMES: Yeah, same here. And we'll look forward to talking to you soon.

IAN: Okay.

JAMES: Take care.

All right, folks, so there you have it. That wraps up my conversation with Ian Bond who always comes to the table with valuable knowledge and insights and usually a great story to go with it. So let's quickly recap what we talked about today. First, we talked about traditional asset classes, things like IRAs, 401Ks, portfolios of stocks and bonds and some of the limitations that exist around them. Then we talked about why buying an established website, a revenue generating website, is the most attractive investment class available today. Then we talked about the different kinds of websites that are out there that you can buy and why Ian recommends getting your start in physical goods eCommerce and why it is the most attractive category of existing established website for people to acquire, maintain, grow, and eventually even sell if they'd like over the long term. To wrap things up we talked about what kind of people are a good fit to become professional website investors. And if you are one of those people and you're ready to take the next step, where you should go to do that.

So throughout this conversation we shared a lot of tools and resource, and of course we'll link all of those up in the show notes that are available at ProfessionalWebsiteInvestors.com. And we also requested that if have specific questions that we haven't addressed yet on the show, or you haven't found on the website in the form of an article, then please send them to IanBond@ProfessionalWebsiteInvestors.com. So that's I-A-N-B-O-N-D at ProfessionalWebsiteInvestors.com and we'll take your questions there and we will incorporate those into a future episode.

So I hope you enjoyed our conversation today and that you'll consider subscribing to the show, sharing with a friend, or leaving us a review in your favorite podcast directory if you haven't already done that. So until next time, best of luck in all that you do and we'll look forward to seeing you on the next episode of the Professional Website Investor Podcast.

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