

How to Buy a Website with Chris Guthrie

show notes at <http://www.smartpassiveincome.com/session32>

Pat: Hey, what's up? This is Pat Flynn and welcome to the 32nd Session of the Smart Passive Income podcast. Wherever you are, at home, in your car, at the gym, flying through the air, wherever, thank you for listening in. The podcast just surpassed one million downloads. One million downloads, which is just incredible, and so I just wanted to take a moment really quick just to thank you for that, all your time and all your support. Over 300 five-star reviews in iTunes, e-mails every day from people. I love it. I just love it. So thank you so much.

So, 32nd Session, I know it's been awhile since I had a guest on here. I've enjoyed doing the kind of solo shows for you. But today, I'm excited to bring back a guest who was with us in Session #10. At that time, he shared that he pushed over a million dollars in sales in 2010 from Amazon.com as an affiliate, cashing in about \$60,000 in commissions from his sites. Since then, he's actually been heavily involved in a new strategy for building wealth online and which we're going to talk all about today, something that I'm actually really interested in and excited about.

That strategy is buying websites. Not really buying them and then flipping them right away. This is more of a find a money-generating site, fix it up, and then collect passive income and hold it for a long time type of thing. These are websites that are already established that people are selling for whatever reason. I mean, it could be a number of things, and we'll get into that. We'll get into how to determine the right price, how to make sure you don't get scammed, what the process is like as far as domain and host transfer, successful buys, not-so-successful buys, and along the way, you'll hear me. I'm going to try to pick this person's brain because I really want to make sure I understand more about this strategy because, just so you know, I'll actually be buying websites myself and sharing the results of a few of those buys publicly on the blog very, very soon. So look out for that.

So without any further delay, let's hang out with Chris Guthrie from MakeMoneyOnTheInternet.com today. Chris, dude, what's up? We're really glad to have you back. How are things treating you?

Chris: Great. I'm really excited about 2012. I have a new strategy for how I'm going to be hitting my business goals and just trying to accomplish good things and have a good year.

Pat: Yeah, man. We'll talk more about that later, but 2011, I mean, last time we had you on the show, it was Session #10 and we talked about how you just crushed it with Amazon affiliate sales through your niche sites, and you actually pulled in over a million dollars in sales in 2010. So I guess the first question is, before we start getting into the main core of this particular session is, now that it's 2012, how did 2011 pan out for you?

Chris: Yeah. Actually, I ended up selling my top-earning Amazon site in a deal worth six figures so that was actually right before the end of 2010, and it was literally right before the Black Friday week because when the deal closed and I got the bank wire and all that.

Pat: That's awesome.

Chris: Yeah, yeah. It was awesome, and I've kind of been using that money to help fund other aspects of my business. But it was an interesting experience because I used some investment bankers to help sell the site because, we'll talk about this more later, but they have different types of expertise that helped them out to be able to get higher-end clientele to sell websites at a higher level than other types, in general. So last year I was averaging a few thousand dollars per month from Amazon while using more of my money buying websites and investing in other stuff.

Pat: Yeah and that's what we're going to talk about today is we're going to talk about buying websites and probably a little bit about selling them too because I've noticed lately that this is what you're into now. This is what you talk about on your blog. Like you said, it's a new strategy that you're exploring for generating income. This is really, really interesting to me. So I'm going to pick your brain for myself and for everyone else out there listening. So maybe we can figure out how to do this, kind of how Chris Guthrie does it so we can potentially do it as well.

So, I mean, of course you have to have a little bit of money to put down before you can buy a website, but I think the nice thing about it, just first, initial thoughts about buying an existing website that's already making money, is that you're basically fast-forwarding past the whole set-up process, the whole getting to the top of Google, the whole monetization and trying to figure that out. You're basically not starting from scratch anymore, but you can just, with a little bit of money down, you can, bam, already have a website up and running, right?

Chris: Yeah, I still do new sites, but I also kind of like the idea of buying an existing site because, as you said, and this is what I'll be advocating, we kind of get into more specifics, when I'm buying a site, you're buying something that's already making money and getting traffic, and your goal here really is to improve the money and traffic that that site's making. So rather than buying a new site and then dealing with Google, indexing it and ranking the content, etc. over the period of a few months or so, and then even longer to get even more trust with Google, etc., you're just being able to take advantage of someone doing that work for you ahead of time.

Pat: Right, right. And I was actually talking about this yesterday with someone who I speak with kind of on a weekly basis. It's kind of like my financial mentor. We were talking about buying websites, and it's just fascinating because there is really no other way if you at least know how to develop websites and take them and monetize them, there's really no better investment strategy when you think about it. It's basically real estate, but you can get your money back really fast, depending on your strategies and how you work the site. Once you've made up your costs, that site's basically up there, and it's just like having a dividend stock and you're just collecting dividends every month. It's just an incredibly powerful, very attractive model to me, it seems. It appears that you kind of feel the same way, which is why kind of you're investing some money now to buy some new websites. And you're not flipping them, right? Are you, like, buying them and then a week later you add some stuff to it and then turn around and sell them again? Or are you actually holding on to these?

Chris: Yeah. No, I am more interested in buying websites to grow my monthly website income. So I'm just basically trying to add, each time I buy a site, add a few hundred to a few thousand dollars a month, depending on the size of the site, to my website income so I can just grow that income itself.

Pat: Right.

Chris: I know that some people kind of advocate the flipping of sites, getting them fixed, but a lot of times what actually helps a site sell for more is longer income history. So if you buy a site, make these improvements, and then the next month it's made more money, when you go and try to sell it, the buyer's going to be like, "Well, we see, yeah, last month it made more money, but in the previous months, it wasn't." Trying to explain to them, "I bought this site. I improved these things. It will make more money in the future," is more of a tough sell than actually being able to point back to the past and say, "Look, for the past six months or the past year or two years, this site has been making this much. Here's the growth, etc." So, for me, that's kind of why I do that. On the accountant side, I suggest you talk

to your accountant as well, but there's also some capital gains tax implications if you're going to be selling a site sooner than a one year time period.

Pat: Okay. Interesting. So let me ask you, can you walk through your process start to finish as far as how you find a website, how you select a website to buy, maybe your criteria, where to go to find it, and then what you do to improve the site and make sure that you're making a wise investment?

Chris: Yes. I'll kind of talk about this on a few different segments here. The first thing that I really do is try and determine if the website's actually any good. Most of the sites that are for sale, whether they're on a marketplace or you're out there just trying to find them to see if you can try to buy them off someone who is not actively marketing them for sale, they're not that good. Some of the sites that you see on Flippa that are selling for \$197, "Buy it now," are weightlosstactics-awesomestuff.info. It's just terrible websites. So when I'm talking about determining whether a website is good, it's looking at traffic stats from external sources like Compete.com or SEMush.com, then looking at the link quality to help understand how stable the rankings might be, and I'm using a source like blekko.com and Open Site Explorer, now that the Yahoo site explorer isn't around anymore.

Pat: Right. And I'll have all these links in the show notes as well, SmartPassiveIncome.com/session32. But really quick, you mentioned a couple sites beforehand, Flippa.com. That's a marketplace where people actually put their sites up for sale, right?

Chris: Yeah, definitely, and I'll kind of talk to you about how to find websites to buy as well.

Pat: Okay. I just wanted to make sure we didn't skip over that. Okay. So keep going, keep going.

Chris: Yeah, so, I mean, when I'm using those services like blekko and Open Site Explorer, I'm looking to see how have they built their links to the site or were they just naturally obtained. You can kind of tell if they were naturally obtained by just which websites are pointing at them. If they're obtained artificially through software or article marketing or Web 2.0 profile linking, all that type of stuff, anything that can be done with software, generally speaking, are considered lower quality links. That's not to say that you can't actually make money with those sites over a long period of time, because you can. That's what I still do with some of my smaller sites as well, but it's always something to be aware of too. When you're looking at a site that gets a majority of its traffic from Google and you see all these links coming from sources that are more easy to obtain than just

by using software, whatever, then you're going to be more potentially exposed to some risks that the site might be de-indexed or lose rankings or traffic and then, subsequently, income.

Pat: Okay. So to check the links and the power of the links and the quality of links you said blekko.com and Open Site Explorer. Just to clarify a little bit, when you go to those sites, what are you looking for, like page rank of the links pointing to that site or what criteria there?

Chris: Yeah, so I'll look at that. I'll look at the page rank of the sites that are linking, but then I'll also go to where the actual links are located. So if you are on those sites, blekko is actually one that I use more often than Open Site Explorer, and these are both free sources. There are actually paid sources that you can do that provide more data, but rather than talking about those, these are free ones that I've used as well. Blekko, you can go and see where links are coming from. So then you can go to that article or whatever that link is and see if it's some random blog with a bunch of different content about all these different niches pointing back to this other site, if it's an article marketing type thing. Or you can see if it's some type of news source and your niche in the press or something like that. I'm using an extreme example to illustrate high quality. Yeah, basically, I'm going to be looking to see the quality and quantity of the links and just making sure I understand that links coming from sources that are more easy to obtain them are going to be considered lower quality than sources that are more difficult to obtain them in the eyes of Google.

Pat: Okay. So we have the traffic stats. Obviously, we want to know how much traffic the site is getting and how consistent it has been. We have the link quality coming from the back links pointing to that site that we're looking at. What else?

Chris: The other thing too is always look at the content itself. So if you're looking at a site, say it's on a Flippa marketplace, go to the site and actually read, get deep into the content. Don't just read the content on the homepage. Look at all the other articles on the site and see if it looks like it's written by someone that is knowledgeable about the topic or has correct grammar and knows about it, or you can easily tell if it's been outsourced and not outsourced well. There's nothing wrong with outsourcing and there's nothing wrong with hiring someone to help out with your content writing, but, again, that's just something that kind of helps with determining whether or not the site is going to continue to hold its rankings, and that's really what this whole process is about is, "What do the traffic stats look like from third party sources?" Then once you get to a discussion where you're potentially trying to buy the site, you might have access to their Google Analytics data, and you can see definitively what's going on. Then you're also looking at their link quality and their content quality because you want to say, "If

I buy this site, is there a chance that Google will do a new update?" They have Panda now and they might call it, who knows, Snow Leopard or something.

Pat: I don't think they'll use Snow Leopard. Apple already picked that one.

Chris: That's true. I'm a Windows user still.

Pat: Koala? I don't know.

Chris: Yeah. So I don't know.

Pat: Honey Badger.

Chris: There you go. So are they going to come out with some type of a new algorithm update that can just totally tank your site? Looking at those three major factors are things that I do just to kind of make sure that there's a lot better chance. You can't guarantee for sure that a site's going to continue to make its money or get its traffic because that always fluctuates online. So it's all about the mitigating the risk.

Pat: Okay, great. So we talked about traffic, link quality, and actual content on the site. How about income? I mean, you are looking at how much money that site's currently making, right?

Chris: Definitely. I guess in this stage, if I'm just looking for a site to buy, you might not have access to that. If it's on Flippa, then, yeah, they're going to be sharing that type of data, or they'll say that there's no income. But, yeah, I always look at where the site's making its money from, whether it's AdSense, Amazon or other types of affiliate networks. The other thing to consider too is, if it's from other affiliate networks, sometimes it's difficult to actually transition that stuff. Like Link Share, for example, if you were trying to buy a site that made most of its money from Link Share, which is an affiliate network, say from an advertiser in there, you can actually contact Link Share and ask them to transition the site I.D. that the previous owner has into your account. So you'd have to go through and manually recreate every single affiliate link that that site has.

Pat: You may not necessarily be approved for those either.

Chris: Exactly. So you're going to have to go through, make sure you get approval, and then go recreate them all the time. Then if it's a Google Affiliate Network, sometimes with Link Share, if it's just one site on there, they might be able to give you the account. But if it's a Google Affiliate Network, normally no one is ever going to give you a Google account because it's tied to so many other Google

products that they're using, probably, like AdSense. With a Google Affiliate Network, you have to recreate the links if they were created manually, linking to a certain type of product on an advertiser's page. Sometimes you can do that through Google Affiliate Network manually.

So, anyway, those are things to think about when you're looking at the income stats just in terms of dealing with the transition process later. Yeah, so I'll look at the income and, most importantly, look to see how long the site has been making money. I have a few different sources where people will contact me to try and sell their site, and, generally speaking, I don't get very many sites that are worth buying from those types of sources. I'll have people say, "Hey, I have this site that's making \$4,000 per month and I want to sell it for \$20,000." That sounds, on the surface, good because that would be five months to be able to pay off the cost of that site. But then you look at the income history and you see in the previous month, it was only \$1,000, and then the previous month it was \$500 and so on. So, obviously, you're looking at the picture here that the site hasn't been making money for a long enough time period to really full confident that it's going to continue to make that money moving forward.

Pat: Right. So stability in income.

Chris: Yeah. Everything that I'm talking about is all about just making sure you don't buy a site and have it completely tank after you buy it.

Pat: The research is very important, and we'll get into pricing and all that stuff later. So don't worry if you feel like we're skipping over that part. I have a lot of questions for Chris, and I hope I can take a lot of his time today to have him answer them all. Again, Chris, I appreciate you being on here because this is definitely something I'm going to be exploring. So we have how to check to see if a website's good, if it's not going to tank and just to kind of reassure ourselves that the investment would possibly be good. Where exactly can we get these websites?

Chris: There's a variety of sources. There's Flippa.com, which is the one that we mentioned before. It's the largest marketplace and, I'd say, probably the most well-known marketplace for buying and selling websites online. So I like Flippa. Also, website brokers, there are different types of e-mail lists that you can get on for all these different types of brokerage houses that you can hope onto their email list, and then they're selling higher-end properties, typically mid to high five figures and well on up, up even into the mid to high six figures and maybe even the seven figure type sites. So those are when you're dealing with people who are high-end brokers that have contacts with people at publicly traded companies and those types of people.

Pat: What's the average price on Flippa, or does it kind of range?

Chris: It ranges. They've been doing a lot better. From what I've seen, when I first started doing this dealing with higher-end websites now, so they have a lot better sources for you to be able to make a listing more confidential and have an NDA that you have to sign if it's like a higher-end site, because you don't want your site that you're trying to sell for \$200,000 that anyone can see and, "Oh, look, I see this person is making that money from these traffic sources, and I can just go and try to copy the same type of site they have."

Pat: Right, right.

Chris: So they're getting better with that. On the lower end too, you can see, most of the time, they're under \$100,000 and there's routinely sites selling for less than \$10,000 that are decent sites to buy.

Pat: Okay. I've gone on Flippa.com. For those of you out there listening, it's Flippa.com. I've seen sites on sale for like \$200. Is that even worth anything?

Chris: Yeah. It's one of those things where I think that those sellers are trying to take advantage of the fact that people might not know what it takes to make a website that makes money. In most of those cases, where there's no traffic and it's like tremendous potential, as they might say, lots of potential, that's like a keyword that you want to . . . I mean, everyone kind of says that in any site they sell. I sold one recently through Flippa. Normally I held onto them. But I even mentioned there was potential. I mean, I thought there was, but it's always something . . .

Pat: Potential's worth nothing.

Chris: Yeah. All you really have is, is this site making money and how much traffic has it had? Then, how long has it been doing both of those things for? So those are factors that you have to think about when you're looking at any website, and oftentimes, those really low end, "buy it now at \$197" sites aren't really worth it, in my opinion. It's better to just take the advice that you've learned from Pat, myself and anyone else that's talking about making money with websites. Do your own research and build out your own site.

Pat: Okay.

Chris: Another source, too, this is one that I've mentioned on my blog that I use just to refer people to, is GetRidofYourWebsite.com, and that's my site. So if someone fills out something, then I get an email that says they're looking to sell a site. Like

I said before, most of the sites I get through there, people want \$20,000 for a website they started last month that gets no traffic and makes no money. Sometimes I have had people that have decent sites. So that's not really one that can be replicated by people who are listening unless you have access to people that have websites and they might be interested in selling them. I just do that because I like to be able to point someone.

But the other method, and this is the one that I do a lot more of and I kind of called the "niche research method," and I'll talk about that here. Basically, it's taking a lot of the concepts that you've shared on your blog and I've shared as well, about how to start a niche website or even an authority-style website. Doing some research about whatever niche you might be interested in, but instead of looking at it from the perspective of you're going to start this niche website or this authority website on this topic, find out if people are actually searching for this topic. Then I want to buy a site that's already there so I don't have to start one from scratch.

Pat: Okay. Do you buy like the number one ranking site, or do you usually get like one that's in the middle of the first page or not even on the first page?

Chris: What I'll do is I'll look through the first three pages to see. I generally won't really even contact people that are on the first result or sometimes people on the first page. Usually, I'll have a pretty just scripted messages that I send to everyone and I say, "Hey, I'm looking to buy a site around this topic rather than start one from scratch." I mention my name, and actually, I was thinking I should probably use a pen name soon because I've had people that I've contacted that find my blog and then try and charge me more.

Pat: That's funny.

Chris: I should probably do that, but I always include my phone number too because, actually, in all the times that I've been doing this, whether it's contacting owners for buying a site or just the domain name, no one's ever called me. But it's good just to put that there because they see that you're more serious than someone who's just kind of . . .

Pat: Emailing?

Chris: Yeah. Anyways, I'll do the niche research looking at the number of keywords that are searched, checking the exact box in the Google AdWords keyword tool to see how many people are searching for it, and then I'll go do that search on Google, look at the top ranking sites, and then look for factors like, when has this site last been updated?

Pat: Good one.

Chris: And that's one of the biggest things that I look for. For example, I bought one site for \$500 that hadn't been updated in six months, and I could see he already had some traffic to the site using Compete.com just to check the traffic stats and I used, at the time, it was Yahoo Site Explorer, to check the links. So I could see here he already did some link building. I think it was just one of those things where sometimes people just lose the motivation for something and they don't take it any further. Then I bought that site, added some Amazon affiliate links, AdSense, etc., and that one since has made me about \$7,000.

Pat: Nice, dude, nice.

Chris: Yeah. So that one wasn't ranking number one for the primary keyword, but I found it while I was looking at either starting a new site from scratch or just buying an existing one. As I was saying before, buying one is just kind of leapfrogging ahead of all those factors that you have to deal with when you're staring a site from scratch, Google sandbox, indexing times and all that other stuff.

Pat: You said that you can tell how or when was the last time that particular website updated. Was it a blog that had dates on it, or how can you determine that?

Chris: Yeah, in that case it was a blog that had dates on it. It seems like, for the most part nowadays, every site has some type of a dating mechanism for the content that's being put on there. Now, some people with SEO, they advocate disabling that so that Google can't date your content and then rank you lower or anything that like. But generally speaking, there's still going to be lots of dates on there, and that's not really stopped me from contacting someone. I'll just say, "Hey, I see you have this site." If I notice that it hasn't been updated, then I'll mention that in my email and then use that as a way to kind of signal, "Hey, maybe you're not interested in running this anymore. I could take it off your hands," sort of thing. So that's kind of the approach.

Really just to kind of summarize those methods for finding sites to buy, I think Flippa's kind of like a shopping mall where everything's for sale. If it's on Flippa, then it's for sale and you can come and buy it, whereas this other method of doing niche research and then trying to find sites that way, you're kind of like a door-to-door salesman. You're knocking on people's doors, and not everyone's interested in selling.

Pat: Right, right. As the door-to-door salesman doing the niche research method, do you get into niches that you may not necessarily have a passion for, or do you always look for something that you have some sort of interest in?

Chris: That's a good question because I think that that's always something you want to think about when you're looking to buy sites. If I buy a site that I'm not interested in the topic, and I know we'll probably talk about some specific examples later, but I'll always try and make sure that there's someone who's going to be taking care of the content, someone who's already going to be writing or that I can make sure that I can hire someone to help cover it, because the worst thing you want to do is to buy a site that looks like someone has lost their passion for it and then become that person because you aren't interested in the topic.

Pat: Right, right. Okay, perfect. Thank you. Now let's talk about pricing. I know this is something on everybody's mind. What is the fair price for a website? I mean, I've heard many things before like you take your last year of income and just double that or 10 to 15 times the monthly income. What's a sort of standard formula in there?

Chris: Yeah, so it's one of those questions where there isn't like a fixed amount. I'll share kind of some of the factors that kind of give it a good range, but it really does vary based on the size of the website, any types of unique selling points that the site have, that maybe it's the biggest competitor or the biggest site in the competition. But it's usually based on the trailing 12 months of the income. If you have a series of writers and you're paying your writers \$1,000 a month to write the content and you're getting \$2,000 a month from AdSense, well, for starters, I'd say you should continue to use some other monetization methods, but you're really not looking at \$2,000 a month in profit. You're looking at \$1,000 a month in profit.

Pat: Because there are expenses involved.

Chris: Exactly. It sounds obvious, but when I get emails from people that are either through the GetRidofYourWebsite.com site, I see them kind of making that mistake. So they're trying to price something based on revenue numbers and not really on the profit numbers. So that being said, I typically do, when I make offers, between 8 times to 10 times monthly because I'm leading out with an offer. Well, first I have to get them to share at least, if I'm doing niche research method and contacting people that way, then I have to find out roughly what the site's making. But then I usually try to do it based on 8 to 10 times monthly, and that usually ends up getting to the point of around 12 times monthly earnings because, in negotiations, I don't know if it's just human nature or whatever, but people want to win. So, if you're going to be negotiating and you're the first

person to make an offer, I always make it lower, and then it ends up where we both kind of want it to be at anyways.

Pat: Right.

Chris: And that is just usually what I go for, but really there are sites that are so unique and so valuable and have so many other factors, like they were started in 1997 and they have been making money on AdSense since 2004, whenever AdSense started. I can't remember what year it was now. Those types of sites are going to be looking at 24 times monthly or even 36 times monthly earnings or maybe even more because there's so much more value to a site that has been making money and has traffic for, literally, years and years when compared to a site that only has those factors for roughly a year or two.

Pat: Right. Okay. So when you're buying, you generally looking for, just to summarize, 8 to 10 times monthly and then usually through a negotiation process, it'll kind of become just a year's worth of income. That just seems pretty incredible to me that, at the base amount of income that that site is making, you could make it up in a year, and if you improve it by 50%, you could make it up in half the time, or by 100% you could make it up in half the time. It just seems pretty crazy that . . . I thought it would be a lot more, actually.

Chris: And it can be. I mean, that's what I go for specifically when I'm trying to contact people that aren't necessarily selling their sites actively, because it's basically just, here's someone here offering you money. It's kind of like, you know, I watch Pawn Stars and it's kind of like that. You can, right now, we can draft up the contract. I will wire you the money through escrow, and you can get this deal done right now, or you can go to the auction and hope it does well that way. So that's kind of the approach that you're doing to kind of draw an allusion between the two, but that's really why I think some people go for it. I should say too, again, I have bought sites for more than that. So it's not like a hard and fast, that's what sites always sell for. That's roughly where I try to go, but I've bought sites at 18 times monthly earnings or more. It really just kind of depends on a lot of those factors that I shared earlier about how long the site's been making money for, where the traffic is coming from, the link quality, and then additionally too, I'll look at, "Does it require upkeep? Are there multiple writers or are you the sole writer?" Because those types of things can help determine how easy it will be for you to take over that site. You might find that you don't want to buy a site where it's just one person writing for it and it's about a topic that you don't know, because it might be difficult to find someone to fill their shoes. That's why a person, like a blog, that's very personal and focused would be incredibly difficult to sell. You would never do this, but it would be nearly impossible for you to sell SmartPassiveIncome.com because it's so tied to your name.

Pat: Right.

Chris: So that's something to look for as well when you're looking at sites to buy.

Pat: Yeah and also something to think about when you're creating a website too.

Chris: Definitely.

Pat: Okay. So let's say I find a site and it looks great. It has great traffic numbers. It's in a niche that is doing awesome. The thing is there are no monetization strategies on the site yet. Would that be something you would go for or be interested in? Is that an opportunity because you can negotiate something a lot better than if that person actually had some numbers to go off of? Or would you just pass on it because you don't really know for sure if that site could make money or not?

Chris: Well, I won't really turn down anything. I'll always look at something, right? But if it doesn't have any income, then I'll definitely look to see just how much traffic it's getting, what keywords it's getting the traffic from using Google Analytics, getting that data from the seller. What I'll try and do is just Google AdWords keyword tool, I mentioned it before, and everyone that's listening has probably heard about it, but you can look to see the advertiser cost per click for a keyword. So you can look through the various keywords that the site's ranking for and then run it through the tool to see, roughly, how much per click a site like that might get. Again, that's just an estimate, but that kind of gives you a rough idea. Then if you also apply it to, based on what you see your click-through rate on other sites, if you have your ads in the in-line content right beneath the article title using an AdSense block or something, your click-through rate at 5% or something, you can kind of begin to look at the traffic and then what the click-through rate might be and then what the average cost per click might be and then you can kind of come up with an idea for how much it might make money. It's tough, and generally, I don't buy as many sites, actually, I'm trying to think, I generally don't at all really buy sites that don't have income coming in. But those are the factors that I would think about if I was doing it.

Pat: Right, right, because I'm just thinking about if I had my Green Exam Academy site and I hadn't monetized it yet, but it's ranking at the top of the niche, and obviously when I started to monetize it, it did really well, but if I found a site that was like that, there's a lot of potential there, I guess you could say. But it's hard to determine for sure. Because when you're buying a website, you're actually using historical data to make sure that your investment is actually going to be good for you and doing your best as far as research with the links and traffic and existing

income that it's going to be well worth your while and it will pay off for you, right?

Chris: Exactly. But I think that's a good point. If you can find someone that has those rankings and if you're listening to this podcast right now and you have a site with top rankings and you aren't monetizing it, then I would suggest that you start. Yeah, that's definitely worth considering, and in that case, it's almost like you have to just talk to them to see what they think. I was trying to think of an example of a site that I bought without income and that, the site I shared earlier for \$500, it wasn't making any income. He didn't have any ads on it. So, yeah, I have done it that way.

Pat: Well, there you go.

Chris: I just kind of offered him. I was like, "Hey, this is a shot in the dark, \$500. I can see you registered the domain name less than a year ago, and I see that you already did a lot of the early work," and because I knew the niche pretty well I thought, "Okay. I can make more money off this."

Pat: Cool. Well, can you give us like a specific example. I mean, I know that's one example, but maybe another example that you've been pretty open with on your site as far as what you bought, how that went down, and kind of how much you paid, if you can share that, or how it's been going as far as taking that site and improving on it?

Chris: Yeah. So this is one that I bought and I bought it specifically with the idea that it would be one that I would share. So I have it on the same server that my blog is on so people can . . . anyway, if they look through my, rather than getting too technical about it, but if people are really technical, they can go and see what sites are on your server. So I kind of make it a point to make sure that sites I want to protect are on a different server. In any case, and then they're using different AdSense I.D.'s, but that site was CopycatCrafts.com.

Pat: CopycatCrafts.com. So like a crafting type of website?

Chris: Yes. It is a blog about do-it-yourself crafting, and I know nothing about do-it-yourself crafting. The site I bought, it was \$4,000. At the time I bought it, it was making roughly \$200 a month. So I'm already kind of breaking my rule I shared earlier about the 8 to 10 times monthly, because it's hard to just rely on a formula because you have to look at so many other things when you're looking at a site to buy. In this case, that site, it was getting roughly 200,000 page views a month.

Pat: Okay, 200,000 page views a month. It was only making \$20 a month.

Chris: No, \$200.

Pat: Or, excuse me, \$200. How was it making money before?

Chris: It was using a banner network that is specifically for . . .

Pat: Do-it-yourself crafts?

Chris: Yeah. Rivet Media is the name of the banner network.

Pat: Okay. And you paid \$4,000 for the site?

Chris: Yes.

Pat: Okay. Got you.

Chris: So the biggest thing I saw is that you have a site that had a 300 x 250 pixel standard size banner ad in the sidebar and then a 728 x 90 above the content area, kind of right above the site logo, and that was the only advertising. But I knew that it was getting 200,000 page views a month, which is an absolute ton of traffic. So I figured even just improving the monetization by adding in additional advertising in better locations would more than make up for, you know, would help me make more money because it's just getting so much traffic. So I bought that site in late June, 2011, and actually at the end of 2011, I had already paid it off.

Pat: Nice, dude.

Chris: So now it averages about \$600 per month in profit now because I bought the site and it's just running it there.

Pat: Nice. Well done. How did you find that site?

Chris: So that was an example where it was through an email list that I was on, and someone was saying that they were looking at doing Flippa but they didn't want to deal with the process, trying to go through setting up all these things. So I just quickly asked her what the site was about, how much traffic is it getting, and how much are you looking to get for it. Did a little bit of negotiation, and then I just bought it from her. That one is a good example of finding one and buying it and then fixing it up. But it's still kind of the same matter where, and she recognized too, she knew that it could make more money. She had even said, one of the reasons for her selling it is that she had other projects that were making her more

money, and she was more focused on being in that one specific area. So that's oftentimes why people are selling. Then you can make more money with a site that they just sold you.

Pat: Right. Awesome. How do I get on that email list?

Chris: I'll have to share that later.

Pat: Okay. So I guess it's something that you don't really want to public, and you have to go out and find those types of places on-line on your own.

Chris: Yeah. It's more of like a mastermind email list.

Pat: Okay. It wasn't like a site broker email that's sent out.

Chris: Yeah. I'm not holding anything back there.

Pat: Okay. Great discussion so far about researching a site, finding one, and pricing it. Let's say we find a website. The owner is interested in our offer. We negotiated. How the heck does transfer work? I know in Flippa it's a little bit more set in stone as far as the process, because you can pay through PayPal and then they give you the site. Even then, I don't even know how it works. I have so many questions about this. We're only 40 minutes in, so we're good and you're cool with time, right?

Chris: Yeah.

Pat: Okay. Thanks. So how does that work? We agreed to something. What is the next step?

Chris: Yes. Generally speaking, when I'm doing sites off Flippa, and because if you actually looked at my Flippa profile, you would see I haven't bought sites from Flippa because I don't like people to see the sites that I'm buying because I have my blog and people are more likely to . . . I don't know. I guess I'm probably maybe too paranoid.

Pat: You can never be too paranoid online.

Chris: But you know the challenges even just with your security guard training site that people see something that's successful and they automatically go to copy it, rather than try to do something original.

Pat: Yeah, and just so you know, in case you're copying the security guard training site, for any of those listening out there, I am talking to my attorney. That's all I'm going to say.

Chris: Yes. I'll do a contract that I've had lawyers written up. So I'll just modify it to fit whatever the price is, and then if there's different aspects that are being included with the sale, including those in or removing them, etc. Again, actually, I know this is before the actual transfer process, but I just wanted to mention this too. I steer clear of non-U.S. based website owners, particularly if you have something in the contract that requires their ongoing work, like a transition period, unless you really trust that person, it will be very difficult and probably cost prohibitive for you to pursue them across country lines legally.

Pat: Like if they were supposed to still continue doing work for you and they just left.

Chris: Exactly. So that's why you always use a contract, but it's just something to be aware of if you're going to be buying a site from someone in another area.

Pat: Even on Flippa, would you use a contract?

Chris: No. Well . . .

Pat: Because they kind of have their own terms and conditions.

Chris: Yeah, they have their own, and I don't think you'd really be able to do that, I don't think because most of the time with Flippa, it's like the seller is saying, "This is my site. This is what I will do for you when I sell it." Whereas when I'm trying to find sites to buy that are on Flippa, it's like, "What other types of things can be negotiated that might not be in a Flippa deal?" So it would be like, a 3-month transition period, a minimum of 20 articles over that 3-month time period, etc. So those are the things that would be outlined in a contract.

But, in any case, once you actually buy a site and you've agreed to the financial terms or bought it and won the auction on Flippa, then I always use Escrow.com. I have used PayPal in the past. It's really risky, because with PayPal you can always just say you haven't gotten something and then PayPal can either side with the seller or the buyer and it's kind of tough to prove one way or the other, whereas with escrow, you agree to the terms. I like the website and the content and then an inspection period. You send the money to escrow. Escrow then says they have the money from the buyer, and then as the seller . . .

Pat: I know it's confusing. Escrow is basically like a third party that holds the money so that the person buying the site can say, "Yes, I agree. The site's good." Then they will issue that money to the seller.

Chris: Yeah, the point being that they have the money while that transition period is going on, and then you confirm, once everything's been transitioned and the site's up on your server and it's running all right, that you have the website and everything's good. Then they release the money to the seller.

Pat: Okay. Instead of just directly paying the seller and then wondering if they're ever going to send you an email back.

Chris: Exactly. That's why it's kind of an industry standard. Everyone just uses escrow. I bought a domain name from someone for \$300, and he wanted to use escrow instead of PayPal and it was like \$25 in fees for both of us or something like that.

Pat: You can never be too safe though.

Chris: Yeah. So, I mean, it's really the most common way to do it.

Pat: Awesome. Cool. So then say payment went through. We went through escrow, everything was good. How does the actual transfer of the website work? So there's the domain part of it, transferring the domain to my domain carrier or whatever. What about hosting? It just seems like there's a little bit of technical stuff that has to happen.

Chris: Yeah, so there's a couple things when you're dealing with the site transfer. So the first thing that I always do is a domain transfer. Typically, you're going to be just transferring from one registrar to another. If you have a domain at Go Daddy and the other person has it at Moniker, you're going to set up an account at Go Daddy if you don't already have one so they can just do a domain push because that's the quickest way to actually transfer between registrars, whereas if you go across registrar, then it can take three to five business days or whatever. It takes longer, basically, than just an account push between the two.

Then during that transfer you want to make sure that they leave the DNS information to point to their server because you want it to be still from their server and not being transferred, because you want to wait until you have time to bring that content up on your server before you change the DNS information back to your hosting account.

Pat: Okay. So basically, they have a domain and a hosting account, right?

Chris: Yes.

Pat: Then you transfer the domain to your name, but it's still on their hosting account, right?

Chris: Exactly.

Pat: And then you create a hosting account using that same domain name, but until you change the DNS information, it's still going to be on their hosting site, right?

Chris: Exactly.

Pat: So you want to make sure you pretty much have an exact copy of their site set up before you change over. Is that right?

Chris: Exactly. And what I'll generally do to is if it's just making money from AdSense or whatever, I'll change it while it's still on their server.

Pat: Change like your AdSense I.D.?

Chris: Yeah. And then I'll put in my analytics as well. So that way, once I've transferred it, it's done. But the actual transfer process, because it can be kind of technical, you can either do it yourself or you can always have your hosting company help you out with that.

Pat: That's what I would do.

Chris: Yeah. Whichever one it is, there's always some type of transfer fee that they can charge you, and it's probably under \$20. Normally it's like \$10 or something for a WordPress site. So it's not very expensive. Then they'll transfer both the public HTML folder with the Java, which is just all the files of the site and then as well as the database, if it's WordPress again, just the blog database. Then once you've transferred that, again, your hosting company can generally point you to something that shows that the site is on your server and actually still running before you actually change the DNS information over so you can make sure that the backup went all right, etc. Then once you finally have all that done and it's over on your server and, again, this can be done pretty quickly, then you change the DNS information over to your server so it's pointing at your hosting. Then you just go to a website like WhatsMyDNS.net and then put in your domain name and it will tell you the IP address of the website and that will help you determine whether or not the DNS has propagated so it's showing the correct server and not the old one.

Pat: Okay. So then at that point, if he were to do anything on his site, that's not the site that would be online, it would be yours.

Chris: Exactly. And then usually that takes 24 to 48 hours, so I just usually tell the seller, "Hey, I'm transferring this site right now. Just don't make any changes because they're not going to do anything."

Pat: Right. When during the payment process is this happening? Is it during the transition period in escrow?

Chris: Yes. So this is still the transition period, because technically you haven't received goods until it's on your server. Depending on your contract, you might have something that said, "You just need a site backup," but I always just say, "Until the site is over onto my server."

Pat: Perfect.

Chris: Because then that gives you the time to transition.

Pat: Perfect. Okay. Say we did all that, we got the site, escrow is good. That's when you would release escrow is when you have the site and everything looks good on your host, right?

Chris: Exactly.

Pat: Then if you have AdSense on your site, you said you would change the AdSense during that transition period.

Chris: Yeah, I mean, you don't necessarily have to. You could just wait. You could just quickly get the domain transfer, get them to send you the back-up, use your server company, again, all these technical things you could just pretty much just hand off to your server company. It might cost you a little bit of money, but, in my opinion, it's always worth it if you value your time highly enough.

Pat: Right, right.

Chris: So wherever that stage might be, you're going to have to change the advertising or whatever it is that they're using to make money. If it was AdSense, I always just keep everything the same for a little while. So I just recreate the exact same ad units, same color, same sizes, and then just go through and remove their ads and put in mine.

Pat: Got it.

Chris: Again, if it's WordPress or any other type of site that uses a content management system, they're probably using it in just one location and it puts the ads everywhere else that it wants.

Pat: Okay. And that's a good lead in to my next question. Not every site is on WordPress, and WordPress is the only thing I know how to use, pretty much. What happens if a site that I look at is just perfect and I want to buy it, but it's not on WordPress? I know most of my listeners are on WordPress, but are clueless, like I am, about how to manage another site. I mean, can we change it over to WordPress? Would that affect the rankings at all? How does that work?

Chris: Yeah. Generally speaking, I always just keep the sites using the same structure. So if were just a static HTML site, that would be a really simple transfer, even easier than a WordPress site. I bought a site recently that was using Windows hosting, and I've never once in the seven years or so that I've had websites been using a Windows-based hosting system. So I had to go and get a separate shared hosting account from Windows to get that site. So that's always something to be aware of. I don't know if that necessarily means that you should kill the deal, but converting a site that's using ASPX or whatever it's called . . .

Pat: I have no idea.

Chris: As I'm saying this stuff, people might be thinking that I'm technical, but I'm really not that technical. I've just kind of learned enough to get by. But if you're using this different type of file structure, then it could be a huge pain to actually transition it over to WordPress and then that can, in turn, actually hurt the rankings. It might help them over time, but in the short term it might hurt them. So I usually just keep everything the same and just kind of make changes slowly.

Pat: I would love to buy a site and if it wasn't in WordPress, I would love to switch it to WordPress. But I've heard a lot of people say that the rankings go down. But you're saying that they might, but, over time, it'll get back to where it was?

Chris: Yeah, you will most likely lose them at first. You might not. But then, over time, you might regain them and they might come back stronger. But it's one of those things where, because it's Google and it's ranking and there are so many different factors, I usually just keep things the same because I'd rather not risk it.

Pat: You don't want to mess with it.

Chris: Yeah. Actually, I never just buy a site, take it over, instantly just change everything about the site so that no one can even tell it's the same site afterwards.

Pat: Yeah. If I were in that position, I'd probably wait a little bit, at least add some AdSense or change existing things around and just tweak it a little bit, and then, over time, slowly introduce new elements and maybe, eventually, switch it over to WordPress. But it wouldn't be good to do that right away, you're saying.

Chris: Yeah. No, I wouldn't do it right away.

Pat: Okay, cool. So coming up to the end here, a couple more questions. Now through all your experience with buying and selling websites, have they all been good? Have you run into any hiccups or mistakes that you'd like to share, and what did you learn from them?

Chris: Yeah. No, I'd love to say that every site I bought was the best ever investment decision, but, truth be told, buying websites is risky. As with any investment strategy, there's inherent risk and especially with a website, all the things I've shared, they're designed to help reduce that risk so that you buy a site and it's good. Because sites don't sell for huge amounts of earnings, if you compared it to real estate, for example, you can do pretty well. But when you're looking at sites and you're thinking that maybe the content looks a little low quality and it has kind of some really bad links, even though it's making money, it's just really risky. I bought a site once where my gut was telling me, this isn't a very good site, it might not be a good deal. But I negotiated a lower price by \$2,000 less than what I was originally going to pay, at the last minute, to say, "Look, I just don't feel comfortable," and he agreed to it. So I was like, "Okay. I guess I'll go through with it." The site had been making money with AdSense since 2007. So there wasn't anything that was setting off radar or whatever, that was saying that this was going to be a bad site. But, literally, nine days after I bought the site and it was making me about \$30 a day from AdSense just sitting there, no work for me to do, AdSense banned the URL.

Pat: Oh, no! Are you kidding me?

Chris: Yes.

Pat: That sucks.

Chris: Yeah and at that rate of the AdSense earnings, it would have been paid back in six months or so.

Pat: Right. So \$30 a day, \$900 a month, that's probably a pretty hefty investment you lost there.

Chris: Yes. I mean, it sucks. Even just that little site that I bought for \$500, it's made me \$7,000. It made more than this site entirely cost me. It's not enough to stop me from continuing to buy sites, but it was one of those things where it had pretty thin content, and I think one of the things too is that it was using the old strategy where people would put a Google AdSense unit link above and then instead of saying "Advertisement" or just leaving it blank, it would say, "Other resources."

Pat: Yeah, that's a killer right there. You can't point to those links or suggest people to click on them at all.

Chris: Yeah. I was looking through to see where, compliance-wise, it could be a problem and even recently, Google has since said sites that are too top heavy with ads above the fold can have their rankings reduced. So this site would have definitely fallen into that category. It was a risk, but the side of me that's greedy saw this site that was making good money, very simple, no work at all, and it had been making money since 2007. So that was roughly four years or so of AdSense earnings at the time. So I figured I'm just going to go for it. It didn't work out.

Pat: Kind of a coincidence that right after you purchased it, nine days later, they kind of stepped in.

Chris: Yeah and I thought maybe this buyer had been warned by Google beforehand, but I don't know. Again, it's one of those things where, do I really want to deal with lawyers for a few thousand bucks or whatever.

Pat: Not your entire AdSense account got banned, right?

Chris: No, just the URL. Sometimes with AdSense bans, they'll ban the entire account. But there's a process for getting AdSense reapproved, and I've since changed the site down to just one advertisement in a good spot. Before we were using about the max. I've contacted them. I'm using their . . . I can't remember the name of link now, but it's a link where you can try to appeal their decision. I kind of think that's it's one of those inboxes that just goes nowhere because Google makes so much money, kind of like when they're banning all the AdWords advertisers, they don't really care that much. But yes, it is risky and it's important to trust your gut and it's important that you make sure that the content is really high quality and that the links are good and that everything about the site checks out, because if you don't, then you can buy one and have it kind of tank on you. I think for that site, and specifically, it was kind of just a fluke and an unfortunate situation, but that can happen. So you've got to make sure you do the research really well.

Pat: Right. Well, we appreciate you going through that experience and losing money to benefit the rest of us listening here. Sorry to hear that, honestly. Lastly, what are

two or three important tips that you want to give those who might be interested in buying websites?

Chris: Yeah, I really just think that this business model is kind of like buying real estate. Your goal is to find the houses or websites, in this case, that other buyers have overlooked and they don't see that there's a lot of potential that you do. Going back to that earlier example, CopycatCrafts.com, I could see that there was plenty of room for additional monetization without even really hurting the user experience that much, and so I did that, made more money, and I have a writer that writes the site. I pay her really well, and then I just get to move onto the next project.

Pat: Very nice.

Chris: It is a good business model. There are a lot of risks to it, but another thing that I should mention too is that it's not for everyone because it does take some capital to get started. So I wouldn't suggest that you cash out your bank account and buy a site for \$5,000 using your savings that you're saving up to use for car payments or something.

Pat: No, that's never good.

Chris: Yeah. But you really can get involved at any price range. One of the very first sites that I bought using that niche research method was only \$500, and I was initially looking, just doing some niche research to determine whether or not I wanted to build a site. I thought, "Okay. Here's a site that has the domain name that I want and some of the content already done. I'm just going to contact him." That kind of sent me down the path of doing this more frequently and having pretty good success with it.

Pat: Awesome.

Chris: Yeah, so there are good opportunities to be made. Just make sure you don't bite off more than you can chew.

Pat: Great. One quick question, to flip it around on you on the other side, if you were selling a site, what are maybe some one or two tips that you might give to people who are interested in selling their sites? Because, obviously, it takes two to tango here. You need someone to sell a site in order to buy it. So as a seller, because I know there are some sellers out there and you've sold sites yourself as well, maybe what's one or two things that you'd like to say to those people?

Chris: Yeah, I think the biggest thing is that, and I can kind of, again, position it from the buyer's standpoint is that your buyers are going to be looking at this site thinking, "What can I do to make more money with it?" If it's a blog or some type of other thing where you have some expertise about how you set up the site, then they might want to know all of the things that you tried or didn't try to make more money with it. Because if I see you didn't try using an email newsletter or you didn't try using AdSense, then those are opportunities for a buyer to take part in when they're trying to take over your site.

Again, as I said earlier, the whole "lots of potential" being something that people always include, definitely including things in your listing that talk about what can be done to improve the site and what you would do if you continue to run it are helpful, at least from the standpoint of helping a buyer determine whether or not this is something they want to pursue. So I'll look for that.

Another thing too is don't try selling a site that doesn't have very long income history or traffic because you're not going to get enough money for it. Hold onto the site and get it to be stable on those things before you try selling it, because, otherwise, you're not going to make nearly as much money as you can if you wait until it's stable.

Pat: Right, right. Great advice, Chris. Anything else to add?

Chris: That's pretty much it.

Pat: We covered a lot. You're actually coming out with some type of course to go into more detail about this. Is that right?

Chris: Yeah, it's "Virtual Moguls" and we set it up initially to do live webinars in addition to the course, but we found that just not as many people got onto those as we anticipated. So we're transitioning it more into a series of videos and lessons that go into a lot more detail and a lot more case studies. I share the site that I bought that totally tanked in there and the site that I bought for \$500. I just kind of talk about how I make more money with websites, and, actually, I partnered with some brokers that I met. I met a broker when I was flown out, I was a consultant for a buyer on a seven figure site. So I met a broker that was selling the site for seven figures and shared a little bit of what I was doing, and he and his team have had years of experience on the selling side. So I partnered with them to help create something based on both of our expertises, on me knowing buying websites pretty well and them know selling websites really well.

Pat: Cool. I don't want to pitch the product here, but it's available and I'll have more information on it on the show notes at SmartPassiveIncome.com/session32, and

I'll see if I can maybe grab a good deal out of Chris for all the SPI fans out there. So, yeah, that's great. This is definitely, we've covered a lot in this hour, and there's obviously a lot more to it. I think with something that requires a little bit of an investment and capital, like buying websites, you do definitely want to get the most information possible. Chris' blog at MakeMoneyOnTheInternet.com is a great resource. He shares a lot more information about buying and selling websites too. So head on over there first. Chris, anywhere else people can go to hang out with you for a little bit online?

Chris: Yeah. You can just follow me on Twitter @chrisguthrie, and then additionally too I have an e-mail, chris@makemoneyontheinternet.com. I try to answer every email that comes in to the best of my ability.

Pat: Cool, man. Thank you so much for being on the show. I'm sure we'll get a lot of comments and questions here on the podcast, on the blog, so just like you did last time, you're always good about coming back and responding to questions. So I don't even have to ask. Thank you so much, and to everyone out there, thank you for listening in. After I close up with Chris, I just have a couple more announcements. Again, Chris, thank you so much. Always appreciate you on the show. You were on, 22 episodes ago, so hopefully, we'll have you back on maybe 22 episodes later.

Chris: Sounds great. I'd love to.

Pat: Maybe sooner. All right, man, take care. Thanks.

Chris: Thanks.

Pat: All right. Bye. I hope you enjoyed that interview with Chris Guthrie from MakeMoneyOnTheInternet.com. Always a fantastic guest, always shares a ton of information, and he definitely delivered in that session there. Now I realize that was about an hour long session, but when you're talking about something like buying websites, you really want to get the most information possible.

Now, if you do want even more information, like Chris was saying there at the end, he does have a course you can check out and I was actually able to negotiate a little bit of a deal with him just for Smart Passive Income listeners and readers. So if you wanted to check that out, I'm not forcing you to, I'm just saying that if you want more information, you can go to <http://www.smartpassiveincome.com/mogul>, and that will redirect you to the sales page with a little bit more information and the discount just for you. Again, that is an affiliate link. So if you do go through that link, I do get a commission. I'm just letting you know up front. So thank you for that.

If you have any questions, feel free to go to the blog and leave any comments or questions there. You can actually go to SmartPassiveIncome.com/session32 to go directly there and leave a comment or a question, and Chris and/or I will be there to answer as best as we can.

Just to finish this off, thank you so much for your support, as always. The next couple sessions are going to be special. They're going to be kind of reflecting on what we did in session 24, 25, I think, where we had people come on and share their online business success stories, and these are people who don't teach about making money online or don't have a blog about Internet marketing or don't teach about blogging. These are real people with real businesses who are changing the world and making their lives better.

If you have a success story that you'd like to share, send an email to pat@smartpassiveincome.com. If you have an online business that doesn't talk about online business or money-making or anything like that or blogging, I'd love to hear your story and I'm sure everyone else would too. I have about 40 other people waiting in line to share their stories, so I'm just giving you an opportunity to get on the waiting list there. If there's room for a podcast session in the future, I'd love to contact you, but I'm just letting you know. So pat@smartpassiveincome.com, and again, if you want Chris' course, <http://www.smartpassiveincome.com/mogul>

Thank you so much. Good luck with everything. Take care and look out for the upcoming posts about my experiences, my first experiences buying websites, and I guess we'll see how that goes. So take care, thanks, and all the best.

Announcer: Thanks for listening to the Smart Passive Income podcast at www.smartpassiveincome.com.