Interview with Thomas Smale, Flipping Enterprises

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Here's your program.

Michael Cyger: Hey everyone, my name is Michael Cyger. I'm the publisher of DomainSherpa.com, the Domain Name Authority, and the place where you can learn how to become a successful domain name entrepreneur directly from the expert themselves.

Today’s question is this: How can a website owner increase revenue, get a higher evaluation and sell it for top dollar?

Answering this question is today’s guest Thomas Smale, co-founder of Flipping Enterprises. Back when Thomas was in college he bought his first website for about $100 and sold it after just a few hours of work for $500. Today he is selling about $1,000,000 a year in websites including his own as well as those that he brokers.

We are going to get an inside look into how Thomas buys underperforming and undervalued websites, adds value to them, maximizes the revenue, determines evaluation for the website, finds a buyer and ultimately sells it for top dollar. Along the way we are going to learn some of Thomas’ secrets like how he focuses on maximizing revenue of the website before he focuses on driving more traffic.

Thomas, thank you for joining us on today’s show.

Thomas Smale: Hey Michael. Thanks a lot for having me on.

Michael: Thomas, where are you joining us from today?

Thomas: I am down in rainy London at the moment.

Michael: Excellent. I am in rainy Seattle so it almost like we are right next door. As I mentioned in the introduction you started developing websites when you were in college. How did you first discover website flipping?

Thomas: I think I went to the University you are at the stage were you need to make a bit of extra cash. So you are looking for an extra way to do it and I had jobs, got bored of earning $5 an hour so I thought it was time to look for something else. I was at work one day just browsing eBay and I saw that you could buy websites and thought that would be a good idea to do. You can do it from home. You don't have to really put too much work into it so I thought I would give it a go. And then I discovered Digital Point I think which was when I first started. Found they had a site for sale section. So I thought why not give it a go. I had a little bit of money stashed away so I thought I can risk $100 and see what I can buy. And then my first site sold and it kind of went from there and thought hold on this is more than just a way to make just a bit of extra cash. We can almost make a living out of it. And here I am now three or four years down the line and making a living.

Michael: So what was that first site that you bought on Digital Point?

Thomas: It was actually a site that resold traffic. So you get a little traffic reseller site and you go through a third party and buy the traffic. I think you paid say .50 per 1,000 businesses. And then sell on again for $2 per 1,000 businesses. Advertise it on Digital Point where I actually bought it. Sold a few packages of traffic, they got the revenue up and then I sold it quite quickly. It was back in Site Point by then, which is now Site Point Marketplace, which is now Flippa.

Michael: So really you bought it. What did you do to add value to it before you sold a few packages?

Thomas: At the end of the day if you are an investor what you are mainly looking for is revenue. So from my perspective is how can I make my money back as quickly as possible, my $100. And then exit the business as quickly as possible as well. So I wanted to drive revenue and make as much money as possible and then get rid of it. So that is what I did. A bit of advertising, keep a nice clean system in place, and then offload it as quickly as possible.

Michael: So we are going to dig into more about how you did that. How did you know at the time what you were buying was a good value? How did you know you weren't overpaying for the website?

Thomas: That is always a tricky one. There are so many sites out there and so many different price levels you never really know what is a good deal. I mean I saw a site and at the time that I bought it, it didn't have any revenue. But I seen elsewhere there was a clear market for traffic. So if I can buy a site and I know immediately that I can increase value by finding a new market that hasn't been exploited, whether that be pay per click, SEO, other forms of some of that, and Digital Point was a very easy way at the time to promote the service, get some very talented traffic. Not cost anything which is important when you are first starting out you don't really want to be taking on a lot of costs. So to me that was a good deal to buy the site at that price. To me today $100 is not really anything in a developed website world. And then it got to the stage where it showed a few weeks of earnings so if I can sell it and scale up to a bigger number, which is what is so good about buying and selling sites. You can scale up from $100 to $100,000 quite quickly.

Michael: So you added some value to it. Maybe you improved the way that it looks, you sold a few packages, you listed it back up on what is today Flippa.com and you sold it. And then you took your…how many hours do you think it took you to work that?

Thomas: I would say maybe ten hours.

Michael: So a full day and maybe another half day of devoted time to it you were able to take it, of course it took awhile to get a few packages sold, and then you took it and you resold it.

Thomas: Yes two weeks it took about ten hours of actual work.

Michael: Today your business FlippingEnterprises.com actually does more than just buy websites, add value and then resell them for a higher amount. You are doing brokerage now as well, is that correct?

Thomas: We started out back three years ago. I was just in college and then just about over a year ago I partnered up with my business partner Brian. We were both in the same industry. We were both flipping sites for ourselves at the time and we thought why not work together. So we started off our own sites buying and selling and after awhile people started approaching us saying look you guys know what you are doing. Can you sell my site? And after awhile we thought that this is quite a good way to go. We don't have any of the risk of actually buying the site in the first place and we can sell it for them. We knew how to sell websites from our own experience. We found it a good way to get experience and meet new people dealing with deals that we wouldn't necessarily be able to afford ourselves about being in the whole process. And now we have just recently moved over to almost entirely into brokerage. So we only buy and sell sites for clients. Where before we had probably a slightly more bias towards our own sites but now it is a lot more on the brokerage side.

Michael: Why switch more to brokerage when you can make higher margins and more money further developing and flipping your own sites?

Thomas: It was a tricky decision for us but I think we got to the stage where at the end of the market that we operated in which relatively low level in the brokerage world so generally speaking anything from $10,000 up to $1,000,000 where there aren't really many competitors for us. And we got to the stage where we were getting so many leads from people that wanted to sell their sites we were getting to the stage where we were turning away people. So there was no point in working our own sites when we had 20-30-40 people wanting to sell their sites. And if there were say $100,000 each that is potentially $10,000 for us for every site we sell. So we got to the stage where we can scale up a business a lot quicker than if you are dealing purely with your own sites. And from the capital side of me we are young guys and we don't have a lot of money stashed away in the bank so running a business where you don't really have any costs there, you don't have any cash flow tied up. And then today business is all about cash flow and if you can keep making cash especially the economy as it is then that is really the way to go.

Michael: Sure, and now that you are shifting your business to more brokering developed websites over the past six months how successful are you? Are you for every ten websites that you list do you sell the majority of them, or some of them?

Thomas: The way it works for us, we have well I believe the comment that out of 100 leads we might take on two. Our success rate is about 80% generally speaking. It is rare that we get to the stage that we take on a site that we can't sell. As a broker you are only getting paid if you sell it. So there is no sense to if the valuation is too high, the site is no good or we would have to buy it.

Michael: Sure so you get an enormous amount of websites being submitted to you that people want to have reviewed and potentially sold. You take a small percentage of them and then you have a pretty high sale rate. How do you have such a high sale rate in the websites that you do take on?

Thomas: Firstly it is deciding what to take on in the first place. Doing our basic due diligence. I think we have been around long enough now to know what buys what and what buys to look for. So selling sights generally speaking this week for us is we like to have an earning history of at least six months, they have got traffic and revenue, they have got different traffic sources, different revenue sources, they have got a good system in place so they are not completely relying on one person. They can be outsourced or whatever. Generally speaking, same with the level of revenue that is desirable for an investor. We tend to deal $50,000 and above. We started a little bit smaller but now we deal with bigger sites.

Michael: Okay you definitely want a site that is making $50,000 a year of above.

Thomas: That is our general reach. We might take on things smaller but for that level of investors at that level they have the cash to invest and they want to buy sites at that level. And obviously for them coming from a broker you get sites that have been vantage screened, due diligence has been done. So they don't have to spend ages and ages going through marketplaces. So it is kind of a win/win to the seller. The find we take on a site that we know our buyers want. And our buyers know we are taking on sites that they want in the first place. It is kind of a win/win. If that makes sense.

Michael: It does. You are taking on and selling websites that have a revenue of at least $50,000 all the way up to $1,000,000. And you mentioned they have to have an earnings history of at least six months. So basically you can't take a website up and running through a bunch of Google Ad Words advertising on it and get a good month and then immediately look to sell it.

Thomas: For our buyers, yes it is not impossible to sell a business with a one month history. We might go as low as three in some cases but generally speaking by investors spending $50,000 or above they want to buy solid businesses with a history. And if you going to go with a one month history then chances are that is a lot bigger risk for the buyer.

Michael: Definitely so that greater risk is going to translate into a lower valuation.

Thomas: Absolutely. That is why I say at least by six months, three months would probably be the minimum.

Michael: But if somebody has a year or two years of revenue…?

Thomas: Yes generally speaking if you looked at it on a scale of going up the older the site and the longer the history the higher the multiple you are going to get.

Michael: I'm going to come back and valuate and I'm going to ask you actually for some multiples and dig into that but first I want to just understand a general overview. So in terms of traffic you mentioned that at least six months of revenue, at least $50,000 in revenue. We are talking revenue, not profit. And you mentioned some traffic. Now how much traffic does a website need if it is actually producing revenue?

Thomas: That is the thing. At the end of the day the key variable is revenue. So if you have got 100 a month and you are making $10,000 a month then that site is more desirable than a site with 10,000 visits that makes $100. It does depend. There are some cases where a site with high traffic can be desirable. If you are selling to somebody that had other sites in that niche they might be more inclined to pay a higher multiple even though the earnings are lower. If they can take advantage of that traffic. Or back to the whole potential thing if they see a way to optimize that traffic better and make more revenue out of it then traffic can be important. But generally speaking it is all about how much revenue you have. The actual level of traffic is almost irrelevant I guess.

Michael: Let me go back in history a little bit. The websites that you used to buy, Thomas and then add some value to so you would flip and I realize you are not doing it now because you have more brokerage opportunities. But what kind of websites were you personally looking for? Was there a niche or a certain type of website that you were looking for?

Thomas: I'm always kind of on the lookout now but I don't try to focus on, what we would look for or had looked for, it was not necessarily a niche we'd focus on. The first thing we always looked for a multiple that is good enough to give us some profit on the upside almost straight away. So it might be a buyer who is looking to sell quickly or somebody hasn't quite monetized it properly or for whatever reason can't get PayPal accounts, can get a sell through or something like that. So we will be looking for, again it really working to your strengths. So if you are a good designer I would look for an ugly site. We are not. I can't design sites at all. I don't even own Photo Shop or anything like that. I'm not a very good SEO so I can't do that so I always look for sites that already look good, already have traffic but weren't monetized very well. And that is kind of where my expertise would come in, is to look for different ways to monetize that site and adding value right away. But I mean if you are not in sync with the monetization site and you are good at the SEO site then look for sites that need more traffic and push it that way.

Michael: You could either find a site that has a terrible design if you are a designer or you have a designer on staff. A site that maybe doesn't have the right technology and you have used some Word Press themes that are maybe directories and you know you can take a website and add some value through technology or maybe it is owned in a country where maybe PayPal accounts aren't easily obtainable so you are adding a financial processing to the website or if you are an expert on traffic buying traffic low, arbitrage and selling it high or SEO. Look for what isn't working in an undervalued property. You are looking at a property you can buy today and probably sell for higher tomorrow. Even if you didn't do anything.

Thomas: Yes that would be my preference. It doesn't necessarily mean I wouldn't but I mean it would be my preference.

Michael: And are there opportunities like that today Thomas? Can you go onto flippa.com today…?

Thomas: Yes but they are becoming harder and harder to find as it is becoming a more competitive niche. I don't mean it is impossible. I think what I would advise people is not to necessarily just look for sites that they could sell for more tomorrow, because if you get all held up in that then you are going to get quite stuck. If it comes along it is a bonus but there is nothing wrong with paying fair value for a site as is for the moment if you know you can double revenue tomorrow with a new Ad Sense scene, a new design, or whatever. I mean there are lots of different ways to improve a site. If you know you can increase that straight away then there is absolutely no reason that you can't pay a fair price for it.

Michael: What are the different types of monetization models for a website?

Thomas: If I look at the top five that we would deal with. There are thousands of ways you can monetize a site but there are the most common ways would be Ad Sense which everyone is familiar with. It is an easy way to monetize a site. It tends to do well on content sites. It is a very popular way because anyone can get started with Ad Sense. And often get an account. And then you move onto ecommerce sites, or your own product, you can put them in the same thing. So buy the drop shipping or creating your own physical product or selling eBooks software. And then you process payments there by PayPal, Premise, Click Bank, whatever. So selling your own product. And in some cases you might get that almost ties in with service based sites which can be anything really. I recently sold a resume writing business. People would basically pay to have their resume sorted out where you use them by professionals. We have dealt with sites that we don't use a website business a service based business, SEO businesses are popular, Facebook fans if you can sell that. That is your own product but that is a service. So pretty much the same idea.

Michael: I was just going to ask have you ever done anything with lead generation type businesses Thomas?

Thomas: Lead generation is an interesting one. If you can get paid as an affiliate so there is quite an easy way for someone to take it over and get paid and then yes. Lead generation is very popular as long as the leads are monetized they are very popular. I think it is the key, a lot of people will come to me and they will have a site and they will say they are getting 1,000 leads a day in the finance stage if people want to get car insurance but they haven't actually monetized it. So I think the key is to actually monetize it. So is lead generation and you can sell those leads prove that to the buyer. And then it is easier to sell.

Michael: You know I love lead generation businesses. I interviewed Braden Pollack who runs DUI Attorney, driving under the influence attorney lead generation business and it sounds fantastic. As long as you have a place for those leads to go and you know how to optimize it. Clearly there is the drop shipping business. There are these whole businesses around drop shipping where you can look through their catalogs and you can select the products and include them on your websites and sell them without ever touching it. The orders just go to the drop shippers. But in the lead generation business is there a similar type of scenario where you can just take leads and sell them to a marketplace?

Thomas: Yes I think probably the most common way to do that really is using affiliate programs. So there are a lot of programs out there where they will pay anything from a lead to emails. Some only pay on an email submit. Others will pay you on a free trial. So if someone signs up for a free trial for that product or that car insurance or they fill in a form. That would be if you are just getting started and you just got a site in whatever niche, look for go and sign OfferVolt.com to find an offer in the niche and start running traffic that way. Once you have got it proven as an affiliate offer it is a bit like the drop ship way and then you can look to create your own product or sell your own leads. I think there are some third party marketplaces out there you could sell leads directly to companies but I think the easiest way is to start as an affiliate. Once you have a proven model start looking for other ways to get leads I guess.

Michael: And that website that you just mentioned was OfferVolt.com?

Thomas: Yes Offervolt.com is a great way to start an affiliate business. I mean the best way with leads really is to sell them direct to an offline business. That is probably the way to get the most money. The tricky part about that is actually proving that it can be done handing over. And so until you are getting some real volume it is probably not really worth the effort to find a business that will pay you 20% more for a lead. Until you know it is a proven model. So start an affiliate and then move to your own product after awhile.

Michael: How many leads do you need to get over what period of time to be able to go to a business owner and say I can deliver these leads?

Thomas: I think most businesses would be interested in buying any number of leads. I think to make it worth their while you are probably looking at 10 a day, depending on the niche. I mean if it is a high end legal service and I feel they would be happy with one a week. But you are selling like somebody interested in getting a free iPad you are probably talking hundreds a day. So I mean it depends on the value of the end product I guess, the more the value is worth to the company.

Michael: That gives me an idea. So the high end net worth ones are real estate leads, maybe the insurance leads that people would be paying, attorney leads would be paying a lot of money per lead. One a week might be enough to get somebody interested.

Thomas: Yes I mean it really depends on the business. If you are prepared to put the work that speaks to different people then I don't see why people wouldn't buy a few leads a week. It really depends on the value of the product.

Michael: Most people who are watching this show Thomas I would call domain name investors. There may not be website developers but they most likely have a portfolio of domain names between say 100 domain names and 100,000 domain names. How important is a domain name to the websites that you sell?

Thomas: The major interested ones come to me and say Thomas hey I've got this site that doesn't generate any revenue but I have got a really good domain. That is something that we wouldn't necessarily deal with but can have some value to some people. But if you have developed it and it doesn't make any money you might as well sell the undeveloped domain. The thing is a lot of people think to make it valuable I have to develop it but at the end of the day if you not going to develop it and say that it generates revenue you are better off keeping it as a domain and selling it as a domain only. But if you have a really premium domain and it is a good keyword, especially a keyword that gets a lot of searches, you can work on the SEO side of things then that is a really good way to build up a business from the start. If you can start with finance.com rather than a long tail .info keyword you may in all likely rank in valuable keywords and build it into a valuable site. So I'd say from the actual resale site they are not that important but from actually building the business in the first place you are far more likely to succeed having a good domain. When it comes to resale somebody might pay you a little bit more on the multiple side for a better domain name. If it is ten years old and it is a one word .com then it is going to be more valuable than a four word .info. But generally speaking revenue is what people look for. But there is nothing wrong with having a good domain. Just make sure that you think about what you are going to do with it before developing it. Don't just waste a good domain by throwing up a three page micro-niche site if this is a domain that is worth
$100,000.

Michael: So my take away is if it is a great domain name, a premium category killer domain name but it doesn't have any revenue from the website that is up there it is really just a domain name that has a website, that may have a page rank, may be getting some search engine optimization but the revenue part of it isn't adding any value to the domain name.

Thomas: If you have got a one word .com that is probably worth $100,000 undeveloped but as a website it is making $100 a month then the value there is minimal on the website. So it is really all in the domain. On the other side you could have a domain that in the resale world is worth $10 but developed is making $10,000 a month then that business could be worth $200,000. So just because you don't have a good domain doesn't necessarily mean you can't build a good business. And the opposite of that if you have a good domain it doesn't necessarily mean that you will build a good business.

Michael: That is a great point. Let me just bring up one other point that you just brought up. You can have a marginal domain, you could have a three word hyphenated .com domain name that is pulling in $100,000 in revenue per year and investors won't think twice about the domain name?

Thomas: I wouldn't say they wouldn't think twice. It is more brandable and if it is short term and it is hyphenated but I mean it depends, nobody has much type in traffic but in the net we have got the proven issue of say this domain might be hyphenated and it might be three words but over the year it's been getting 100,000 visits a month and it's made $100,000 then that is the proof that you need. That is the message that they want to see because that is what investors want to see because they all look at why a domain doesn't get any traffic. That is really not worth anything and in the end the worth is solid proof, history. You have that then investors will pay.

Michael: Because the people that are coming to you and the people that are going to Flippa looking for a website they want revenue. They are not looking for an investment that may never pay off or an investment that they have to hold onto for ten years to resell. They want revenue coming - they want cash flow in the door.

Thomas: Exactly you just got the keyword there. That is cash flow. They are buying cash flows. So if you have gotten proven revenue that is what people are looking for.

Michael: Let's talk about cash flow. When I buy a site I want to maximize my traffic. I personally want to maximize my traffic and then I think later I will figure out the best way to monetize it. But you operate differently

Thomas. When you buy a site you maximize the revenue first then you work on driving more traffic. Why is that?

Thomas: This is something that I started doing very early in my exciting career whatever you want to call it. I realized that back to the core it wasn't traffic generation or design. I can add value by monetizing the site better. My opinion has always been from day one that it is a lot easier to double revenue on a site and keep the traffic the same than have the double traffic on the site. And that is the two ways to increase revenues either with more traffic or optimize the traffic that you have. So I'd rather get the site making as much as possible to every business that comes in and then work on increasing the traffic. Otherwise you could be doubling, tripling traffic but leaving a lot of money on the table because it is not optimized properly.

Michael: Nobody wants to leave money on the table. So how do you do that Thomas?

Thomas: Again it depends on how the site is monetized.

Michael: Give me an example of a website that you have sold in the past.

Thomas: One we are actually in the middle of selling I can use as an example. It was a review website that had been around for awhile. It was looking at affiliate networks. So it had a lot of affiliate networks on there and the owner had it for two years - hadn't really done anything with it - had it lying around. It wasn't really making much money. The yearly income was a bit of affiliate income from some infinite networks here that referred people.

Michael: So basically it was a website that listed all the affiliate websites like Click Bank and others and then people could learn about those networks and click through. And if they signed up he maybe got some sort or referral fee.

Thomas: 5% of that. I was saying that he got to the stage where you could sell banner ads but I just haven't had time and I said hold on a second there has got to be especially in a niche like CPA networks. There are a lot of networks out there with deep pockets who wanted the brand exposure so we said to him…I can't remember exactly how much but I think we said I'll give you $3,000 for it based on the law of a good will payment he got a lot more out of it. Traffic was minimal and I took the site over straight away. I paid $3,000 and I thought I want my money back as soon as possible. So I emailed a few affiliate networks and I said here is our site, be great for your business because we have the exposure, we have people who come from realities would you like to buy a banner. Within a week I sold almost $3,000 worth of banners. So within that first week I made my money back and the revenue had gone from a few hundred to 3,000. And we are at the stage now where it's been making $2,500 a month for three or four months and we are looking to sell it for $30,000 - $40,000. So you can easily buy value just by optimizing revenue that the previous owner might have left on the table through lack of expertise or I guess in this case just laziness.

Michael: Or initiative. Some people are afraid to go out there and put out a sales pitch.

Thomas: Absolutely. It is not difficult to get on the phone and drop someone an email. And you more or less you ask - I've never been afraid to ask do you want to buy a banner? The worse they can say is no and if they say yes straight away you've made your money back.

Michael: But Thomas you said that the traffic was minimal. When you reach out to these affiliate networks do they not want to say how much traffic do you have? Aren't you embarrassed to say it only gets 100 visitors a month or whatever it is?

Thomas: I think that is when you just have to be honest to people and say look we've just taken over this site. We will give you a good introductory deal on your advertising and the money you give us in advertising fees will be reinvested in SEO and traffic innovation. So I think it is kind of at the end of the day for a company if they are paying $100 for a banner for a month as a test…And since it is a test it is not going to make or break their business. And if they don't want to renew they don't want to renew. So I think in that case again it is just being honest to people. If you are straight out with them there is no reason why you can't ask. It's almost as if hello Dave I am looking for sights again 1000 visitors but if you have got 50 then that is what you have got so work with that.

Michael: Do you know how many visitors you were getting on the website when you reached out to these advertisers?

Thomas: Well I think originally I think it was around 2,000 a month.

Michael: So that is not bad. 2000 is a good number of customers. Did you sell your banner advertisers for about $100 a spot at that time?

Thomas: We varied because we had a few bigger banners that sold for like $600 a month and then smaller ones that were between $100 and $150. So some for a longer period of time which is all about at least for me to getting as much revenue as possible and to make more money back. That has always been my, when I am making an investment on the side I want to get my initial cash back straight away or as soon as possible. And if I can do that then the way I look at it then everything from there on is profit. But that was a rare example. We can't always sell banner ads. From another site I bought, I bought a site that had 5000 visits a month all from search engines. Had a lot of long tail traffic. But the theme the guy had used for Ad Sense wasn't very good. It was getting a 3% click through I think. So when we bought the site all we did was change template. Just slightly more optimizing, moved some of the ads around and double that click through rate to 6% overnight. So our revenue straight away doubled. And then where some people what they do is look it and go that 5,000 visits a month how do I get that to 10,000 to make up the money but my viewpoint is if you have got 5,000 visitors make as much money as you physically can of those 5,000. Double that and that is at a level where I've got as much as I can out of those people so then build the traffic.

Michael: What theme did you use that doubled your click through rate from 3% to 6%?

Thomas: We have a few themes that we use in house. There are lots of themes out there you can try. There is a thing called Blue Sense I think that you can try. There is a thing called Click Through Rate Theme. So there are themes out there. If you just Google high click through rate theme or whatever, you should be able to find some free templates out there. I try not to use commercially sold templates because I'm always a bit worried about Google come on to you are using the theme purely for click through rate. So I would recommend looking for free theme but maybe editing it for purpose.

Michael: What is it about the theme that makes the click through rate higher? Is the banner in a certain position? Is it integrated with the content? How do you drive up the click through rate? How do you just do it in general?

Thomas: I think it depends on niche. Different niches have more clickers. And Ad Sense isn't really my thing but I think the way we went is you have a big banner along the leader board along the top and in the test you have a banner and you have another one along the bottom and then the test. And I think before the owner had one site bought a banner ad which doesn't pay as much. So think it is all about testing. I can say that you have done tests and it wouldn't work so test and see if it works. It wouldn't necessarily work for you. And vice versa. If depends on the niche. It depends on the nature of the traffic. It depends on everything.

Michael: But generally what you have seen integrating into advertising into the content area rather than putting it on the side will get people looking at the ads more.

Thomas: It varies there and integrating where people might be looking to navigate the site as a text ad. That would be my advice. But ultimately just test. That is the best advice I can give.

Michael: So put up a theme that is easy enough in Word Press, move the widgets around so you have everything the way you want it and give it a test and test the click through rate.

Thomas: Word Press is a theme that I can use so you can play around and move it around. Test there for a couple of days and just look at the percentage. If it doesn't work don't be afraid to change it back. But all I can say is give it a go. No harm in trying. If it is hard for a few days then it is not a big problem you can put it back. At least you've given it a go.

Michael: Did you ever buy a website where you thought you could maximize the revenue and then nothing actually happened? It was identical to what it was before?

Thomas: I wouldn't say we win on every single deal we buy. I mean we are definitely profitable. I'd hope to make a profit more from that thing and the profit that way your loss. But there have been sites, where there were four sites that relied quite heavily on search engine traffic and then we bought it thinking it must be quite easy to push the ranking up and we could give it a new theme and it will improve it and it turned out that we changed the theme and the click through went up slightly but then the traffic dropped a bit. It was on the side of the search engine side. We never really thought about it too much. We though wow we got an amazing deal, let's buy it quick. That is one of the risks you take if you are looking for good deals you are going to have to take a risk. You have to move quite quickly. Sometimes we over look things and will make mistakes. It is all about getting up and having a go at another deal.

Michael: That is a good point. If you have a website that is ranking well for search engine optimization you think that changing the theme is going to help the click through rate and may actually be a hindrance. It may pull you down in the ranking because it was search engine optimized on a given theme and changes that moves things around in how Google sees it.

Thomas: That is exactly what happened to us. The traffic halved and we thought oops, change it back, and it went back to normal. It is just something that you have got to try. It is not a failure if it admonished it is just more experimenting and testing.

Michael: So we have talked about how you find properties. You go onto Flippa…do you ever buy websites nowadays on eBay?

Thomas: No I wouldn't advise eBay tool.

Michael: Why is that?

Thomas: Just because eBay they don't have the right demographic in terms of people who sell usually want too much money for their site. You can pick up the odd bargain but I stick to Flippa, Digital Point and the other webmaster forums out there where they have got sites for sale sections. I don't see the stage that we are at now we don't look privately as well so we kind of check with the big ones.

Michael: So a lot of domain investors will actually reach out to people and say hey are you interested in selling this domain name? And sometimes they get great deals because the owner doesn't necessarily know the value of the domain name over what the market will bear. Do you do the same thing? Do you sometimes reach out to website owners?

Thomas: That is something that I have definitely started doing recently. There are a few little tricks that you can do. What I might do is I might look for sites in my niche that I am buying in. If I am buying in say the music niche I'd look for sites where the owner might not be getting the benefit out of it but like I was saying earlier you have got synergies across your other sites. So you can benefit more for that traffic than they can. So you can send to people either through their contact form. The trick I like to do is go on the contact form on the site and say hi I have a site in this niche can you sell me a banner ad? And they will get back and they will say oh they don't really get much traffic. And then while you are asking for the banner ad you ask them how much traffic they get. So then they will reply to you and say my guess is 1,000 visits a month. You can have a banner for $20. And I might say at this stage you have got the traffic. I might say look I'm interested in buying your site will you sell it to me for $100? Sometimes that works. You get a lot more no's than yeses but when you get a yes that is a good way to go. So contact form is the best way.

Or you can go for a who is look up and go that way but generally speaking I reasonably get success with a contact email. Just don't start by saying you want to buy that site. Just send them a nice friendly message saying I like your site. I'd like to talk to you about it or I'd love to buy a banner. What are your contact details or whatever. So it does work and it can be effective. As long as you know, just be aware that if you do that it is going to be quite hard to get a hold of all the data that you need. People, especially if you approach them cold, they might be a little bit less motivated to give you all the statistics that you'd get on a marketplace like Flippa where people are proactively trying to sell their sites. They will be giving you traffic data, revenue data, other data. Whereas if you approach people cold they might just give you traffic. So ten, twenty I buy sites that I'm already familiar with the niche. So I've got an idea what that traffic is worth to me.

Michael: That is good advice. So how do you value a domain name, Thomas? You've talked about finding properties, you've talked about the revenue of the properties, how is it that you actually determine what the value is of that website to you?

Thomas: That is usually the $1,000,000 question because I know people ask me all the time. So what I'll do is I will start by saying that what I value a site at isn't necessarily what I'd be happy to pay. So to find the value of a site, one of the easiest ways for someone at home, for somebody who is in a niche fortunately for me I am at a stage where I see hundreds of sites every day. You give me an idea and I can give you a value like that. But for someone sitting at home who has never valued a site before will probably the best way to get an indication is to head on over to Fliippa.com. Look in that section where you can look for a site that just sold and then filter it by your niche. Let's say you are buying, say we go back to my job of a music site, so you can search by music site. And you can see all the music sites that are sold. You can see what they sold for. How much revenue they are generating. And then from that generally speaking your evaluation should occur. Multiples of profit. So look how much profit that site is making and then divide that into the sales price and get the revenue multiple. And generally speaking when you talk about the profit multiple, when you are talking about profit multiples you are talking about months, you generally say I sold my site for 10 times or 14 times, they are talking about months of net profit. They are not talking about years.

So what I would look at, the rule of thumb would be, if your site is under a year old then you would get a multiple very similar to the age of the site. If you had a site that is nine months old, had nine months of profit history expect to get a multiple between nine and twelve maybe. You might get a slight less but back to what you were saying if you have a really good domain you might get a little bit more. But if the domain isn't as good you might get a little bit less. Once a business is over a year old you then move into say higher multiples. So depending on the site you are looking in-between 12 – 24 so that is one or two years net profit up to…I mean the multiples can go sky high. But anything up to 3 times would be the sweet spot for most brokers. I really depends if you have got an investor who has other sites in the niche and that traffic is valuable to them they may be willing to pay three years of net revenue just to take over that business because they can make more out of it. Generally speaking somewhere around there 18 – 24 times is average for a site that is at least established for a year.

Michael: Okay when I go on certain websites like Flippa and others I look at websites that are selling those say I bring in $50,000 let's say and my profit is $4,500 because I only have to pay $5,000 a year for web hosting. And I look at that as a business owner, as a prior owner of a website that generated revenue and I know that is not the case. I know that it takes me time to moderate the discussion forum, to send out the newsletters, everything else that is involved. Do you look at those numbers and think that is bull shit as well?

Thomas: That is something that you have just clicked on. When I say net profit I always put a number in there for my time, or the running time of the site. So many people will say, especially on Flippa, those people only declare the physical costs. So they already declare like server, ad words cost, web designer, programmer and that type. So the first question I always ask them is how much time do you take? And if they say 10 hours a week on the site my rule of thumb would be double that. Because as I said it takes them 10 assume it takes 20. And then work out what your time is worth. So for some people it might be $20, some people it might be $200. Or alternately look at the cost of outsourcing it. So if his only job is to write one article a day and you can outsource an article for $10 then take that into account. So you are back to the 20 hour, they say it takes 10 hours, 20 hours if my time is say $50 an hour then you are looking at an extra $1,000. So take that into account when you look into that profit value.

Michael: But when you do that, Thomas, most of these websites that say they are making money aren't actually making any profit.

Thomas: I think that is why when you are looking at the sites that are lower end especially you do get where Flippa can be quite misleading because they will have sites that looks like really high revenue but in reality it is a full time job for someone just to make $10,000 a year. So I think that is why investors kind of will prefer to go through a broker or deal with higher end sites because you get the sites that the owner might be working full time, they might be generating $10,000 a month and in that case if you know you can outsource that, what the owner does for $2,000 a month then that business is making $8,000. If a business is making $2,000 and is a full time person then you are making zero effectively. It does depend. Some people, for example with us, I'm not too worried about the amount of time it takes. We have staff in house here that can manage the site and then I pay them, for other people if they are just a one man band with a full time job then they are wanting to outsource as well. If you have the infrastructure in place you might want to pay a little bit more than a multiple site. Or deduct less cost. At the end of the day it is what it is worth to you, don't base it on how somebody else values their time. Someone for example in the more developed countries as it is in the U.S. their time is worth a lot more than someone in Asia for example. Where they might be happy and can have a really good living for $7 an hour where as in the U.S. you want at least $25. So just because to one person it is an amazing site that brings in loads of money it does not necessarily mean it is going to be the same case for you.

Michael: Right so if you find a website that is producing revenue that you think after profits, after hire somebody, or you have your staff, or you outsource whatever function to run it, it still may be worth it for you if you have other websites that you could leverage that traffic into to sell produces or it is a niche that you are focused on. There might still be other strategic reasons to pay money for it.

Thomas: It does work the other way around. If they are paying a writer $50 and you know you can pay $10 and article then the cost reduction if fair away. So back to the whole adding value you don't just have to increase revenue you can cut costs as well.

Michael: So you take the revenue, you subtract the expenses, the hard and the soft, the time that they are doing and you come up with a number, let's say it's $500 a month and they have been doing that for a year let's say, you would pay between nine and twelve times that profit of $500?

Thomas: If it is a year old you could be looking at…I mean it depends on a lot of things. There are so many variables that come into place. Different traffic sources, different revenue sources. If you have got a variety of traffic sources and a variety of revenue sources then you might expect the revenue to be higher. If the site purely relies on Google traffic and just through one source you might spend that much or a bit lower.

Michael: A bit lower on the nine side or a bit lower than the nine to twelve range?

Thomas: It does really depend on where the traffic comes from. I think on Flippa it is very popular for those people to over pay for sites with Google traffic because Google traffic is risky. It can go at anytime. People may pay, for a site that is only a year old, they might pay 18 - 24 times for sites around the $10,000 mark. As you get on the higher end, investors that have more money and more experience, they won't be paying ridiculous multiples. They will be paying based on the risk that is in place.

Michael: That is a great point to look at the diversity of the traffic sources that is not 95% Google and 5% from a newsletter that you send out. You want to see links coming in. You want to be in directories and so if Google changes there algorithm you still have some of that traffic coming in.

Thomas: I wouldn't necessarily discount them so completely if it had just once source of traffic. You probably want to pay less and you want to make sure that I can bring other traffic sources in to negate that risk.

Michael: Because it does make it more risky. Exactly. So the age of the website only comes into account if they have been making revenue. If they have been making profit for an extended period of time.

Thomas: I think it would also be fair to say that if you have had traffic for say five and you monetized it last year then it could be fair to assume that the amount for you to get is higher. Just due to the fact that traffic has been consistent. But one thing I would say is if you had traffic for five years and then you monetized it for a month don't expect to get a high multiple base on just that one month. As well as while there is no risk on the traffic site or less risk than a site with one year's history, you have only the one month revenue so it is difficult for people to say that is going to continue forever. It might me seasonal, it might be one off, it might be whatever. So if you have a history of traffic that is always a good thing that is going to increase the multiple. But really what people are looking for is the revenue.

Michael: So I have an example for you, Thomas. It's a no-profit site. So let's look at this example because I have dealt with it in a couple of cases personally and I know some other people that have dealt with it. I'm going to make up this example entirely. Let's say that someone owns a primarily drop shipping website. They mailed pineapples from their house in Hawaii, they grew them in the back yard, they package them up, they sell them. Let's say they make $10,000 per month in revenue, but their costs…you know they drop ship but they also do some packing. So they go out they pick the pineapple, put it in that box and ship it. So their employees and their shipping costs are $6,000 a month. $10,000 revenue, $6,000 in employee costs and boxes and shipping. And none of the owners time in running the website is being considered let's say. Now let's say they also own a fantastic brand like pineapples.com (and again I made this entire scenario up, I didn't even go to look at pineapples.com to see if they are owning it or if it is owned and used or whatever) how would you come up with a valuation for that website business?

Thomas: That's a really tricky one. Again it would really depend on the value. So what I'll do is I'll ask the owner how much time they spent on that. And then generally speaking what I'd do, and from a brokers prospective, with my clients especially investors they will have their own idea of what their time is worth, but it is important to allocate a cost. So if they owner says they are working 40 hours a week I can assume a cost of outsource say $10. So 40 hours a week, so I'm going to add $400 a week, call it $1,600 a month as a cost. And then when I put my numbers together for my clients they will have a table or a chart or whatever showing the revenue and showing my assumptions on costs. So I'll say 40 hours per week, my shoot number is $400, which is $1,600 a month. So then you would you set down your profit of $2,400 a month. So you go for a business of $2,400, ecommerce businesses tend to be popular because they can be quite hard to start up and they can be lucrative and they can grow nicely. So I would say for something like that, say you have got an earning of fifty over a year, you could be looking at a business worth $32,000 - $42,000. It really depends to some buyer, to someone who has an office in the Philippines where they can employ staff for $2 an hour they might be more inclined to pay $50,000 because they know that cost will be lower. While someone in London, where you had to employ someone you would be lucky to get someone for $25 an hour. So it is all relative. As long as you are clear with the amount of time of costs then it really depends on the buyer. Some will pay a higher…there is no correct multiple. It really depends what our buyer is willing to pay relative to their own costs.

Michael: But I understood your thought process there, Thomas. You went through, you took the revenue, you added up what you thought the real expenses were going to be, you came up with a number and then you figured out where you were comfortable in your valuation range. So you put a multiple on the monthly profit of somewhere between $12,000 and $24,000 and you said it would be worth around $30,000. But what I didn't hear you say anything about was pineapple.com or pineapples.com. And what I take away, and tell me if I am wrong, is that the domain name is valuable but only in so much as how much revenue it drives to the website.

Thomas: I think to be fair, I think in this case, if it was pineapples.com I think somebody might be willing to pay more. I'm not familiar with the domain name markets and the value of a domain like pineapples.com. But if you are a domainer and you have more experience you are aware of what the undeveloped value of that domain is going to be. Mostly if the undeveloped value is above the valid value. So from an investor's perspective it is worth say $50,000 but from a domainer perspective it might be worth $100,000. So your market could be a domainer or it could be an investor. So from my perspective someone comes to me with a really good domain I might speak to somebody who knows about domains and this business is only making

$10,000 a year but I think the domain is worth $50,000 on its own. So the domain might lower the risk from the buyer's perspective. A slightly higher multiple. But I would necessarily say just by having a good domain that you are going to get a lot of money for it.

Michael: And you can't take the value of the website and add that to the valuation of the domain name to come up with a price.

Thomas: No really I think people have tried to. I think you can add in a consideration for the domain. It does really depend on the buyer. You might have a buyer that purely invests on the cash flow. Whereas another buyer might be interested in domains and things. Oh I'll pay an extra 25% for the domain. You wouldn't be able to say pineapples.com undeveloped is worth $20,000. The revenues are worth $50,000. So it is $70,000. It wouldn't really work with that. We will try to value it like that but I think in reality that is not really how it works.

Michael: What other website topics that are ever green, Thomas that always seem to make money? If you are a domain owner and you own these types of domain names you should really think about developing them out?

Thomas: I think obviously anything finance related is always good. People always prefer car insurance, people always looking… there are a lot of general niches that are good. Some like music, people are always looking for music. If we go the other way, products to avoid, I would avoid domains that relate to a specific product that might have a certain shelf life. A product that is only going to be around for a year. Certain toys and things like that might be less desirable but it doesn't mean you can't make money. But look for, like I say looking for an evergreen niche is really important. So say you look on Google Trend you can usually get an idea how long people have been searching for that niche. So I'd always look at Google Trends and if you can see a consistent search level for the last five years say then it would be fair to assume it is evergreen. But lastly if you have financial aid domains, car related domains, real estate related domains…

Michael: What happens if I go on Google Trends and I look up a topic. Let's say it's some technology topic and I actually see the trend slowly declining should that worry me?

Thomas: I would say worry me but it would change what kind of multiple I want to pay over a risk I might foresee. If I think a niche is going to complete out in two years, I would necessarily say there is no chance I'm buying that site. But to take on the risk you might want to pay six months of profit know that over the next two years I'm going to make four times my money back. It depends on the product. It doesn't actually mean that it is a clean no go but at that stage I would do some further reading around the products and have a look into it. Yes it wouldn't necessarily be a no. It would mean more risk and I would have to think about it do more research and look into why is that trend falling. You might find that if it is a physical product and some legislation is coming in and banning it from being sold in the U.S. so that would put it in a no go. If it is just a newer version of the product has come out, so Window for example if it is Windows 95, the trailers are pulling down and down and down. And you know people will always be searching for it. Where it is a product that has been banned completely then I'd look in not to invest in that.

Michael: Good advice. Let's say that I am a domain investor, I have a great portfolio but I want to get into websites, I want to own some cash flow, I want money coming in on a regular basis, maybe I'd focus some time on it every six months or something to try and drive up more revenue, more traffic. If I have $10,000 to spend. I get on your newsletter list, Thomas. What kind of due diligence do I need to go through before I buy a website for say $10,000?

Thomas: That is a good question and it is a massive topic. And it really does depend on the type of site you are buying. So some sites will involve less due diligence than others. So let's go back to my example earlier especially around the $10,000 mark, there are a lot of sites, monetized with Ad Sense, purely have search engine traffic. So that would be, if I was looking at that kind of site I would firstly always get Google Analytics traffic from the seller. Most people these days are quite good at having Google Analytics. Most of them will have it and if they don't it is not necessarily a no but I'd rather have Google Analytics there. So the first thing I would do is if they are claiming have a look through Google Analytics, look at the keywords that they claim are bringing in traffic. If they say the keyword blue widgets is bringing in all the traffic and it is bringing in 90% I do some searches for that keyword. And if you can't see their site anywhere when you search blue widgets then I might be a bit concerned. They might be buying traffic. There are plenty of tricks and all sorts of people can get onto spoof traffic or fake traffic. If they are as big as they say I'd look it up and verify that. Never take it at face value. So have a look at the keywords and see what is bringing in traffic.

See where they are ranking. See if you agree with what they say. And then I go on the revenue side the first thing you need to look at is the Ad Sense side and always make sure they have got Euro channels in there. They say you can set up so you know if that revenue is coming from that site. So unscrupulous sellers might have ten sites and they have the same Ad Sense code on each. And when you end up buying the site you find you have ten times less earnings. So with the Euro channel there is less risk because you know that is there.

On the analytic side there are a lot of things…there are lots of possible red flags in there. A high bounce rate might imply there were buying traffic. Like I say look at the traffic source and see if it has high dependency on Google Traffic or a certain site look to see what risk does that have to you. If you are really good at SEO you might, to you having lots of search engine traffic, it wouldn't necessarily be a bad thing. Whereas to me I'm not SEO is not really my thing so I would rather stay away from a site that relied purely on it. So that is quite a subjective thing and it does vary from site to site. So the other thing you should always get is Google Analytics make sure the sellers allows you to use Google Analytics as a guest. If you go in there is no chance they can face their snapshot screens or whatever.

Michael: That is great advice yes.

Thomas: If they can't do that then they should send you a verified screen shot straight from the dashboard. So as a broker quite often I'll have guest access. I can't add them as a guest but I can send them verified reports. And then on the revenue side, again it is not foolproof because there are ways to fake it. But get on a, like we are doing now, get on a Skype session with someone or even team view share your screen with them and look for the account yourself. And make sure that everything that they have said in the screen shot is verifiable via video. I'd never ever go by screen shots for anything. Same goes for if they have PayPal income, merchant account income, go through the account real time with a video. If possible control their computer, use team viewer, have a dig around and if you have that up front then it is great. And again it is back down to some basic decisions, make sure that if they are writing and ask for a week and it is a really technical topic, just something that I don't know anything about so blue widgets, well I don't know anything about blue widgets then make sure I can outsource an article to someone or I can research blue widgets myself and write about it. So don't be in a position where you are buying a site, just because it works for the owner it might not necessarily work for you. They might have been an expert on blue widgets and they can pump out articles all day long about the topic. So it works for them but it won't necessarily work for you. So just be careful you don't buy into what seems like an amazingly profitable site if you don't know anything about it. Or if it requires some level of technical upkeep. If you're a not good on text like me I would look for a site in Word Press so I understand Word Press on there, how do I do a new post. But some people, you get guys out there, you have a site and they are really good coders, they really know what they are doing and they have coded some extra special custom coded software, which is great for them, but if I took it over and something went wrong, say it broke with an error, I wouldn't know what to do. That is the sort of due diligence that is just kind of being sensible in your investment. Where you buy something where you know you can work and run. If there is a error you can probably fix it, but if you can't fix it you can outsource it for that problem.

So on the due diligence side I think the golden rule would be never take anything at face value. Always verify what they say. I think you can give someone a certain benefit of the doubt if they are an established broker or they have done $1,000,000 in transactions and they have got 100% feedback over 500 transactions. Then I think it might be fair to say that they are more trustworthy than someone who just joined. Again I wouldn't necessarily say like someone came to me they will still expect screen shots even though I have sold them a lot of sites. But I think generally speaking if people are new and they start sounding to you like they are trying to cover stuff up if you ask for traffic stats and they say they haven't got Skype. And I can it doesn't work in my country or something like that then that would get some alarm bells working for me. So just think about it sensibly. If you think a deal sounds like far too good to be true, I think that is an old cliché, then it usually is.

Michael: And that is so easy to find on sites like Flippa and I look at websites that claim certain numbers and I am like wow that looks really good to be true.

Thomas: Don't be disheartened and think there aren't good deals to be had out there. There really are. I think it is the case of just be sensible about it and if someone is trying to sell a website that makes $100,000 for $20,000 then that is not your early Christmas present. That is someone trying to run away with your money.

Michael: So if I am going to spend $20,000 - $25,000 on a website that is producing say $2,000 - $5,000 a month in profit and I go through my due diligence, I get on Skype, I take over control of their computer, I'm looking through, they are signed into their account, I can track the revenue directly back to the website, I look at the Google Analytics, is there anything else that I need to be worried about. Do I need to be worried about the fact that they haven't paid taxes or the fact that they don't have contracts in place with the writers for the content? You know anything like that? Or are most of these small deals that I don't need to worry about.

Thomas: Generally speaking on the tax side of things that generally tends to be, again I'm not an accountant so I wouldn't take this as 100% correct but generally speaking your tax liability is your tax liability. So if they are not claiming their taxes on their Ad Sense income then assuming you are not taking over the account then that is generally their problem.

Michael: Okay so you leave the Ad Sense account to them and you start up a brand new, your own account.

Thomas: One thing to take into account might be what would your tax burden be on that? If you are purely a high earner and you know you are in the (I don't know what the tax bracket is in the U.S.) but you might be in the 40% tax bracket and I'm taking on a new cash flow. And they might be paying 10% tax on their income and I might still be paying 40%. So I might be talking to your own accountant what you will actually take home at the end of it, because some people might have a different tax burden.

In terms of other things generally speaking with a business under $100,000 there won't be contracts in places with writers. So if they haven't got one then it is not necessarily a no go but again back to the blue widgets example if there is only one writer in the world who is an expert on blue widgets and you don't have a contract with them and you buy the site and they suddenly go no thank you I'm not writing for you anymore. Well then you are in trouble. If you know a general article like internet marketing then there are thousands of people out there that will write you an article for $5 for 500 words. So I wouldn't be as worried. So if they have got a contract in place good. It reduces your risk. But it would necessarily be a no go. But you are right there are a lot of things to look at that they claim that you should look into. And consider your own evaluation. So if it is a problem for you that you are going to have to write the articles then offer them less money. But at the same time if you think you can get the articles for cheaper then you might want to pay a little bit more to make sure you win it. So really take it on by a case by case basis. There is no set rule for doing everything. What works for me won't work you, etc.

Michael: When I sold my media company back in 2008, Thomas. I had to escrow 10% of the purchase price. So a third party escrow had to hold 10% of the buyers purchase price for a year. This was to guarantee that what I sold them was in fact reality. Even though they went through a three month due diligence process. They looked at everything, they came to my office. Does anyone ever ask you to escrow a certain amount of the purchase price for unforeseen situations?

Thomas: To be honest in the deals I deal with they tend to be cash deals and they tend to be…and I'm all about even though it is a big deal I like to keep it simple, so a clean break for the seller. Especially on the $500,000 people don't tend to want to mess around. We will always use escrow for that actual process but at the end of the period all of that cash will be released to the seller. If you think there is a risk you can ask for it but I wouldn't necessarily expect the seller to go for it. Some people might go for the financing that has conditions on the revenue of the site or something like that to be contingent on getting any cash but like I say generally speaking I tend to avoid anything financed to over complicate it. That is more my preference. Some brokers might be happy to finance portions of it or let you have a down payment or whatever but that is not really my preference.

Michael: Alright, I understand. So in the websites that you are looking at when you think about brokering for others what is the minimum revenue that a website has to have in order for you to think about brokering it?

Thomas: I'd say a general rule of thumb is $2,000 a month.

Michael: In revenue or profit?

Thomas: Revenue. I generally think a small business the profit tends to be pretty similar to revenue anyway. $2,000 in revenue, so anything we can sell. It just depends. We have a lot of buyers at the lower end who might take it on if we think it is going to be an easy sell but generally speaking just making a couple thousand dollars then we are interested. We will at least look at it. I can't guarantee I take on every good deal that comes through the door but we will take a serious look at it.

Michael: So I asked that question because you know if you are likely to take it on it's likely to sell. So I ask from the position what websites are more likely to sell in terms of revenue and so ones who have a couple thousand dollars at a minimum.

Thomas: Yes a couple thousand. The reason for it not sell is we will quite often get offers on a listing and they might not go for. They might want $50,000 and we might only get $40,000 offer. So that is a very common reason. Or just the seller changing their mind. Again it is rare but it can happen.

Michael: So I went to your website Thomas and most brokers I know have a website that will ask for their email address and maybe a name and that is it. But your site is different. I signed up for your newsletter to see what kind of websites are available for sale. You asked for a pretty good amount of information of both potential buyers and potential sellers. Why do you ask for so much information?

Thomas: That is kind of a decision we made quite early on. When we started we worked on we had a lot of referrals coming in. All our business was word of mouth. So we have never been people who have had 100,000 people on our books who we don't know. Especially with someone is trusting me with $100,000 of their money to go buy a site or vice versa they are selling their $500,000 business I want to know them and have a personal relationship. So I like to get their name and their email and their budget. That is for a buyer their budget and what they are looking to buy. And generally speaking if they are, I'll try and give them a call or drop them a personal email. We don't use…well we have an automated response but if I always try and build a relationship with people personally. And I've always been about quality rather than quantity. I'd rather have a personal relationship with 500 buyers than have the email of 10,000 people. That is just more my preference. And the same on the selling side. It is easier for us to make a decision if we have more information.

Michael: That makes sense. If one of the audience members of DomainSherpa has a website they no longer want to work on it any more, let's say it is making $2,500 a month what might they expect a commission rate to be for somebody that represents the sale of their website?

Thomas: It depends on the size of the sale. Generally speaking our commissions have been between 10% and 15%. So lower end sites of maybe $20,000 we might charge 15%. If it is $100,000 we might be 10%. We do have sites that have a higher percentage above that but generally speaking 10% is about the number for say $50,000. Maybe a little bit lower if it is in the million range or something like that.

Michael: That makes sense. So I just signed up for your newsletter yesterday I think. How often can I expect to receive a newsletter from you in my price range and how many websites might I see listed on there?

Thomas: There are two of us as full time brokers and I tend to take on rather large listings and my partner deals with smaller ones. So I might have five sites at any one time over the $100,000 mark and he will have 15 maybe in the sub - $100,000 range. Generally speaking we try to keep people updated once a week with new listings. And you'd expect to have usually around ten sites on there. It does depend, quite often we won't even send out a newsletter. Like I say I build a personal relationship with everyone. If I think someone is interested I'll give them a call straight away and go, "Look Mike I've got this site. It is perfect for you. Do you want it before it goes out in the newsletter?" So once a week. We don't spam you with offers or anything like that. We update once or twice a month.

Michael: Alright Thomas I know that it is late in your day. You have another engagement to get to. I want to be cognizant and respectful of your time. Let's leave the audience with an action plan that ties the show together. What is the one tactic that you would recommend to a website owner that is thinking of building out a business so that they can sell it rather than run it?

Thomas: The one thing people are always looking for is saying this, everything is transparent in the business. You have got no hidden secrets. You might have a secret behind running the business but you want the new owners to take it over and run it as it is and have really a systems in place. So if you have articles in place have a system in place that direct feeds the articles everyday and have good documentation in place. What the biggest concern for a new owner is can they continue in the business as you have been running it. So you want them to be able to come in and if you have good systems in place and they know they can come in full of your instructions. Even if it is something as simple as a Word Document with step one, step two, toss one, toss two, toss three, have them placed. It sounds really stupid and really basic but you would be surprised how much value is there for someone to know they can take over a business, follow the instructions and run it as you were before. So good systems, keep it as passive as possible so hands off as possible and try not to brand around yourself if you want to get a good value for it, a good price.

Michael: Great advice. If you have a follow up question for Thomas please post it in the comments below. We will ask him to come back and answer as many as he can. Thomas' website is FlippingEnterprises.com. He also runs FlippingPlanet.com as a discussion forum where you can go an ask questions and participate in the community. If someone wants to follow you Thomas or you or your company on say Twitter or Facebook do you have accounts? Are you active?

Thomas: We are not actually that active on social media. The best way to keep a hold of us is to check in on our forum. We tend to be there every day and answering questions. So check in there, we find most of our buyers use that and see what we send out there.

Michael: Alright, great. Thomas thank you for coming on the show sharing your expertise on flipping websites and being a DomainSherpa for other entrepreneurs.

Thomas: Thank you very much, Michael. A pleasure.

Michael: My pleasure. Thank you all for watching. We will see you next time.

Watch the full video at:
http://www.domainsherpa.com/thomas-smale-flippingenterprises-interview