

FLIPPING WEB SITES

FOR FUN & PROFIT

BY PETER T. DAVIS
& GEORGINA LAIDLAW



HOW TO PROFIT IN THE NEW ECONOMY AS AN ONLINE PROPERTY DEVELOPER

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Flipping Web Sites For Profit

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Kevin lives in Melbourne, Australia and enjoys speaking at conferences, as well as visiting friends and family in Canada. He's also passionate about performing improvised comedy

¹ <http://www.cointalk.org>

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theater with Impro Melbourne (<http://www.impromelbourne.com.au/>) and flying light aircraft. Kevin's personal blog is *Yes, I'm Canadian* (<http://yesimcanadian.com/>).

About SitePoint

SitePoint specializes in publishing fun, practical, and easy-to-understand content for web professionals. Visit <http://www.sitepoint.com/> to access our books, newsletters, articles, and community forums.

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Preface

Compared to the stock market, or the physical property market, the web property market is young. However, for many investors, web property has already been far more profitable in a much shorter time than have the traditional investment avenues.

It's no surprise that today's smarter businesspeople are clamoring to dip their toes into the warm waters of site flipping, but few realize that those waters are deep—very deep. As with any investment, there's an element of risk with site flipping.

This book is intended to reduce that risk as much as possible. Through it, we hope to share our firsthand experience in this fast-paced industry, and help you to avoid the pitfalls to which we ourselves have been prey.

The market's evolving all the time, of course, but the advice we include here has been—and continues to be—tested on a regular basis as we pursue our futures in this exciting arena. We hope it inspires you to get out there, and try your hand at some site flipping.

Who Should Read This Book?

This book is designed as an introduction to site flipping for those who have yet to try their hand at, or already have a little experience with, flipping sites, and are keen to build their skills. If this describes you, you'll find this an ideal how-to guide. Those with more experience will likely pick up a few extra tips and tricks, too.

What's In This Book?

This book is a practical guide to buying, adding value to, and selling online properties in the burgeoning online property market. It includes the following sections:

Site Flipping Demystified

We begin the journey by taking you on a guided tour of the evolution of the web property marketplace. We start in the days before the bubble burst, and walk through the changes the online property landscape has seen since then. You'll also be introduced to some of the broad concepts involved in flipping web sites for profit—concepts we'll use through the rest of the book.

Buying a Site

Some say that finding a good site to flip is like finding a needle in a haystack. In this section, we show you how, with the right tools, clever research, and effective evaluation, that haystack isn't as big as it may seem. We'll discuss where to look for sites to purchase, how to assess their profit potential, how to value them, negotiating with the seller, and transacting the deal.

Adding Value

Now that you've bought your site, it's time to roll up those sleeves, open the toolbox, and get your hands dirty. While we can't discuss every possible way that you could add value to your site, we will step through the key elements that, when improved, can send the value of your site through the roof.

Selling a Site

The renovations are finished, and it's time to put up the for-sale sign. Just like the physical real estate market, there's plethora of ways to take your site to market. In this chapter, we'll explore the pros and cons of each option, and reveal some of the techniques you can use to make sure your site sells for the top dollar.

Resources

This handy reference list summarizes the good and bad points of the sites, tools, and other resources we've mentioned in the chapter, to make it easy for you to find your way around the busy site-flipping market.

Site Valuation Worksheet

Print this practical worksheet when you come to estimate the value of your site. It consolidates the detailed advice from the chapter into a simple format that will ease the process of web site evaluation.

This Book's Web Site

This e-book is an excerpt from the kit titled "The Web Site Revenue Maximizer". Located at <http://www.sitepoint.com/books/flipping1pdf/>, the web site supporting this kit will give you access to the following facilities.

The SitePoint Forums

While we've made every attempt to anticipate any questions you may have, and answer them in this book, there's no way that any publication could cover everything

there is to know about flipping web sites for profit. If you have a question about anything in this book, the best place to go for a quick answer is SitePoint's Forums, at <http://www.sitepoint.com/forums/>—SitePoint's vibrant and knowledgeable community.

The SitePoint Newsletters

In addition to books like this one, SitePoint offers free email newsletters. The long-running *SitePoint Tribune* is a biweekly digest of the business and moneymaking aspects of the Web. Whether you're a freelance developer looking for tips to score that dream contract, or a marketing major striving to keep abreast of changes to the major search engines, this is the newsletter for you. The *SitePoint Tech Times* covers the latest news, product releases, trends, tips, and techniques for all technical aspects of web development. The *SitePoint Design View* is a monthly compilation of the best in web design. From new CSS layout methods to subtle Photoshop techniques, SitePoint's chief designer shares his years of experience in its pages. Browse the archives or sign up to any of SitePoint's free newsletters at <http://www.sitepoint.com/newsletter/>.

Your Feedback

If you can't find your answer through the forums, or you wish to contact us for any other reason, the best place to write is books@sitepoint.com. SitePoint has a well-manned email support system set up to track your inquiries, and if the support staff are unable to answer your question, they send it straight to us. Suggestions for improvement as well as notices of any mistakes you may find are especially welcome.

Chapter 1

Flipping Web Sites for Profit

One of my favorite television shows is called *Flip That House*. The concept behind the show is as simple as the work for the participants is hard: they buy a house that needs renovations, they do the work, and they sell the place for a profit.

The reason I like this show is because of the profit potential that it highlights: it basically mirrors what we can do with web sites. Better still, you can buy a web site and perform much the same exercise with it, but without getting your hands dirty or risking as much of your precious capital resources as you would with a house purchase.

On today's Web, it's possible to make an investment of well under a thousand dollars and, with some conceptualization and some time, increase that investment at a rate of return that's unheard of in other industries. That's why so many people are getting into this speculative market of **web site flipping**, where an online property is bought for the sole purpose of improvement and quick sale: there's money to be made, and it can be made comparatively easily.

In this chapter, we'll see how you can become a site-flipping mogul almost overnight! We'll look at the steps involved in assessing a web site as an investment, talk turkey

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about valuing a site, and discuss the negotiation process. We'll consider just a few of the ways in which you can add value to your new asset quickly and affordably. We'll then investigate the task of selling the site—preparing to sell, and making sure you receive the best price for your asset. First up, though, let's get our heads around the basics of site flipping.

Site Flipping Demystified

We all remember the boom-and-bust years of the Web when big companies paid big bucks for what appeared to be unprofitable online businesses. A sort of gold fever gripped investors: some became almost instant millionaires, and many more went bankrupt just as quickly.

Since the bubble burst, however, the market has developed at a more measured pace. That said, I believe web sites are still undervalued as assets. Market trends show that sites continue to increase in value across the board, and the trend remains upward—the market's nowhere near topping out yet. This environment presents ample opportunity for successful speculation. Just like the physical property market, the online property market is rightly being regarded by many as a great place to make not just a quick profit, but—potentially—a living.

As with a property, you can buy a web site and have it increase in value over time without having to do anything but maintain it (although the value of physical property depends on the scarcity of real estate, which is unlikely ever to be a problem online!). On the other hand, if you add value to the site you've bought, you can flip the property for a quick capital gain. There are four steps to this process:

1. Locate a site you want to purchase.
2. Negotiate and complete the sale.
3. Add value to the site.
4. Find a buyer and sell for a profit.

Now, I can't tell you how to add value to your web site—obviously the value you add will depend on the site, your skills and capabilities, the market, and so on. So, while we'll talk broadly about the possibilities for adding value in this chapter, we won't go into detail on that point. Instead, we'll focus on the processes of assessing

online properties as investments, buying sites, valuing them, and selling them for profit.

Let's start site flipping!



Cost Tracking: The Path to Enlightenment

If you're considering embarking on site flipping as a way to supplement your income, or even if you're just thinking of selling a site you no longer want to build or maintain, it's important to keep a running total of all your costs, including the site's purchase price (if you bought it), hosting and domain registration, labor (including your own time), licensing fees, development and marketing expenses, and so on. This is the *only* way you'll know if you've made a profit or a loss—in real terms—on any one sale.

It's no good to just think, "Well, I built this site on my own time and sold it for \$500, so I've made a profit of around \$500." You haven't. You might have \$500 in your pocket, but the only way to ensure that site flipping is more lucrative than anything else you could be doing with your time is to keep detailed records of your costs on each site. Those records won't make an unprofitable site profitable, but they may reveal areas in which you could improve your profitability on current and future projects.

Buying a Site

So, you've decided to try your hand at a little site flipping. Great! But where do you start? And what happens next? Acquiring a site involves four steps:

1. Finding sites to purchase.
2. Assessing sites as potential investments and identifying one you want to buy.
3. Valuing the site in question.
4. Negotiating with the seller to buy the site.

Let's walk through each of these steps now.

Finding Sites to Purchase

How can we find potential sites for sale? There are two main approaches to this task: contacting a site owner directly and searching online marketplaces such as Flippa.com¹.

First, we can look online, using a search engine. For example, let's say we already have a site—perhaps it's a community site—that's focused on food and recipes. People visit the site to exchange recipes, discuss ingredients and food sellers, explore the possibilities for restricted diets, and so on. We might perform a search on the relevant keywords to find other sites in our market space. We might then review the different sites with a view to identifying one we want to buy, and, once we've done so, we might contact the site's owner with an offer.

The great advantage of this approach is that it lets you constantly move ahead of your site-buying competition. If a site's listed for sale in an online sales forum or marketplace, dozens of buyers will likely be interested in it. You may not be the only person who's thought about contacting the web site owner direct but, by avoiding the middleman, you have a far greater chance of cutting a deal (if the owner is, of course, willing to sell in the first place—many won't be, of course, but that doesn't mean it's not worth a shot if you really like the site).

The best way to find a bargain is often to dig one out using the search engines.

The direct-contact method takes time and can be a little hit and miss. If this tactic isn't working for you, online marketplaces present great opportunities. Numerous locations online provide space for site owners to buy and sell their online properties. A quick search will turn up many trading forums, but Flippa.com is one of the few marketplaces dedicated to buying and selling web sites.

Flippa.com, at <http://flippa.com>

The Flippa.com marketplace stands out in terms of reducing the amount of noise you have to block out to find the deals with potential, as sellers have to pay to list their sites for sale. Naturally, as much due diligence is needed as anywhere else, but if you're a novice in this game, I'd recommend watching

¹ <http://flippa.com>

Flippa first to get some experience of how the process works. Flippa provides a number of advanced search options, as shown in Figure 1.1—which makes targeting your research easy, and less time-consuming.

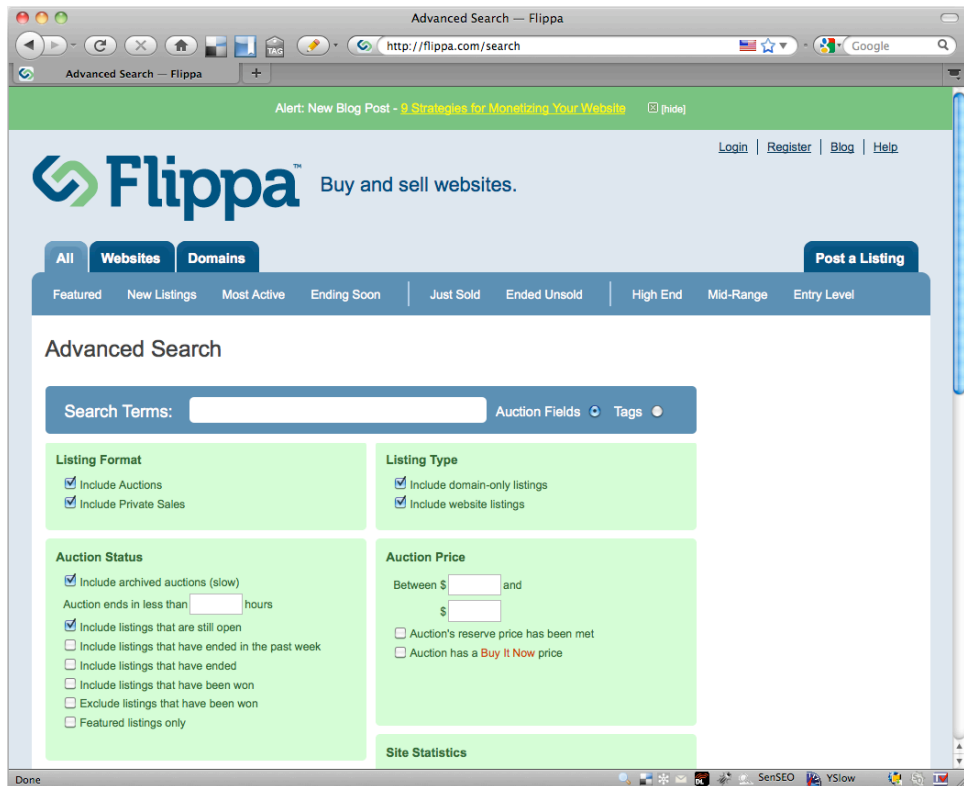


Figure 1.1. Refining Search in the Flippa.com Marketplace



What's a Turnkey Site?

A turnkey site is one that's been created and completed, and published to the Web, but has not been monetized in any way, and therefore has no revenue.

If you're keen to find a bargain, the first option—using a search engine to find a site you like—is a great way to dig one out. Using search engines might just put you ahead of the game and help you find a bargain that you can turn for a quick profit.

Bear in mind that a site doesn't have to be listed for sale to be available. You can always contact the owners of sites you'd like to buy to see how the land lies. I once found and bought a content-based site through a search engine for a couple of

hundred dollars. The person who built the site was an expert on the topic, but wasn't sure what to do with the site. I ended up flipping it several months later for a few thousand dollars—quite a profit! And the only reason I found it was because he put a sign saying “This Web Site is For Sale” at the top of his site.

Keep an eye out for flippable sites as you're browsing the Web—if you're astute, you might just wind up being the lucky new owner of a very profitable venture!

Once you've found a few sites you like, it's time to assess their value as investments.

Assessing Sites for Investment

If you've found a site through a marketplace or forum, it's likely to have a price attached to it—perhaps a Buy It Now price, or a starting bid. If you've found a site you like through a search engine, and you want to make an offer on it, you may have no idea what the site is worth or what the owner might see to be a fair price.

Either way, it's important for you to do your own research and evaluation, to ensure that you're comfortable with the price you ultimately pay.

Considering the Value Factors

It's certainly difficult to narrow down the long, long list of factors that can affect a site's value. Sometimes it seems like every discussion you have about this topic turns up yet more considerations that can boost or undermine a site's ultimate sale price. This list has been designed to be broad enough to take in the key determinants of value on almost any site, without being so broad that it fails to deal with site-specific issues that might affect the value of the particular site you're considering:

domains and traffic

Ideally, you want a long-established domain that's generic enough to receive type-in traffic. Obviously, the higher the traffic numbers the better, but make sure visitors come from a variety of sources—otherwise, you run the risk of losing a huge chunk of your audience if a given source fails. Also ensure that the sellers can verify all the traffic claims they make.

stability and profits

Again, an established site is usually preferable to a newer site. Try to ascertain how long the site has been online, and what kinds of relationships it has developed with advertisers, visitors, members, other sites, suppliers, and so on. Also review the assets the site has amassed (content, scripts, products, and so on) and, of course, the verified profit figures.

potential

It's vital that you assess the potential the site offers to your operations. Can it be used to augment and add value to your portfolio? Identify the gaps that exist in the approach the current owner has taken with the site, and consider ways in which you could mine these gaps for extra profitability.

workload

How much, and what kind of work, will be involved in raising the site to the level at which you want to see it? Assess whether the projected profits will exceed the costs associated with the workload, and work out whether you can afford the time to bring the site up to scratch. Ask yourself whether you have the skills (or the skilled employees or contractors) to improve the site cost-effectively.

synergy

Is the site complementary to your existing operations? A good candidate for flipping will usually fit within the same market space, or utilize your existing expertise in a given field (for example, ecommerce). And often there will be strong synergistic justifications for its acquisition.

technology

The technology surrounding the site, including any assets like scripts it offers, or plugins it uses, will ideally be cost-effective and scalable. Make sure you're comfortable with any licensing requirements involved in taking the site on, and assess whether the technology provides opportunities such as resale or relicensing. Again, consider what kind of workload and costs are involved in keeping the technology current.

comparative cost

Ask yourself how much it would cost you to build an equivalent site from scratch, including site development, marketing, management, maintenance,

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and other expenses. This assessment can give you a good idea of whether you're looking at a deal or a dud.

Of course, these aren't all the factors you'll need to consider. You might want to look at the stability of the niche or industry in which the site operates, how well the site's designed (particularly from marketing, advertising, and SEO perspectives), potential for diversification of the site, the loyalty of the site's userbase (and how much information has been collected on those users), and whether or not the current owner will be involved in the handover process. Each factor will have a different weight in your overall assessment of the site, of course, and depending on the nature of the site, others may come into play. However, this outline should give you a good starting point.

Though these value factors should provide a basis for your analysis, consider the specifics of the site in question, and your own operations, to identify elements that could offer additional value.

Now that you know the sort of information you need to consider, how can you go about marshaling the facts?

Finding the Proof

There are a number of ways to obtain these details, but if you're buying from serious sellers, they'll likely be happy to supply you with the financial, traffic, legal, and other information you need. To make a really thorough assessment, you'll want to see:

- proof of domain registration
- traffic statistics over an appropriate period of time
- a breakdown of traffic sources (search engine-driven, direct type-in, backlink-driven, and so on)
- evidence of the various expenses associated with running the site
- lists of creditors and any debts owing
- evidence of income generated in any way by the site

- lists of debtors and any monies owed
- financial records, if possible, showing how the site operates, financially speaking, in any given month, quarter, or year
- licensing agreements for any technology used

... and that's before you actually start to look at the web site itself!



Get the Facts!

It's true that many buyers hand over their hard-earned cash with far less research than this; they may simply want to see traffic and income figures, and spend some time getting a feel for the site before they buy. But if you're going to invest your money wisely it's best to be as thorough as possible in your research, particularly if you're new to site flipping or you're looking at a high-risk or expensive investment. Other than asking the seller directly for this information, you may also consider using some handy online tools to reveal—or back up—the vital statistics you need.

Using Research and Assessment Tools

There are numerous tools online to help potential buyers and sellers evaluate web sites. Some of them are free; others are paid; and while none can tell you whether a given site is a good or bad investment, they can give you some information about the potential value of some aspects of a site. Here's a selection of some of the most helpful available:

Google Toolbar, at <http://toolbar.google.com>

The Google Toolbar, pictured in Figure 1.2, gives you a clear idea of a page's Google PageRank.² A measure of a page's popularity that's obtained by assessing the links into, and off the page, as well as its text and other factors, PageRank is now seen as being less important to a site's value than it once was, though it's still worth reviewing.



Figure 1.2. The Google Toolbar

² <http://www.google.com/technology/>

Alexa ranking tool, at <http://www.alexa.com/>

The Alexa ranking tool, shown in Figure 1.3, provides a range of metrics, including the site's traffic ranking, global reach, unique pageviews per user, and a breakdown of traffic by country of origin.

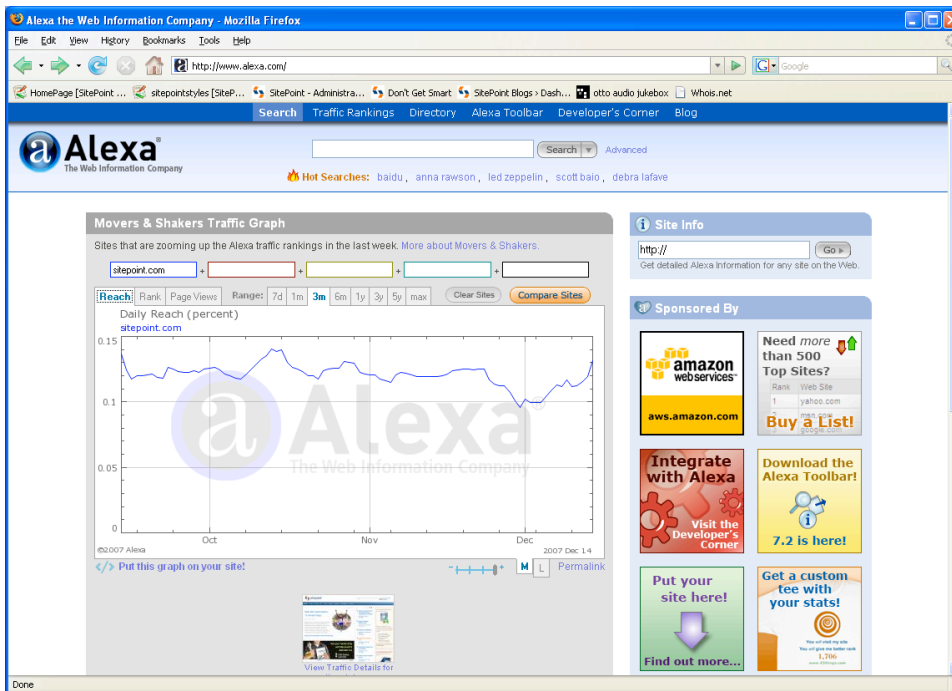


Figure 1.3. The Alexa ranking tool

SEOMoz Linkscope, at <http://www.seomoz.org/linkscope/>

The SEOMoz Linkscope tool, shown in Figure 1.4, identifies how many unique domains are linking to a page, subdomain, or to your entire website. Linkscope can also analyze competitors to see what they're doing successfully, showing you how to emulate their success by finding high value link acquisition targets.

The screenshot displays the SEOmoz Linkscape tool interface. At the top, the browser address bar shows the URL: <http://www.seomoz.org/linkscape/intel/basic/?uri=flippa.com>. The page header includes the SEOmoz logo and navigation links such as "Blog", "Tools", "Guides", "YOUmoz", "Marketplace", "Store", and "About". A "PRO Membership access granted" badge is visible. The main content area features the Linkscape logo and a search bar with the URL "http:// flippa.com" entered. Below the search bar, there are tabs for "Basic Report", "Data Detail", and "Badges". The "Basic Report" tab is active, showing the following data:

- mozRank of the page flippa.com**: 4.86 OUT OF 10
- Links to the page flippa.com**: 834 links

Additional information includes a "Basic Intelligence Report for flippa.com" and a sidebar with "SEOMoz Linkscape" navigation options like "Linkscape Home", "Education and Help Center", "Frequently Asked Questions (FAQ)", "Feedback", and "Saved Reports". The sidebar also indicates "20 credits remaining this month" and "Credits refill on Jan 23rd (Upgrade for more)".

Figure 1.4. The SEOmoz Linkscape tool

SEMRush, at <http://semrush.com/>

SEMRush, depicted in Figure 1.5, presents a list of keywords that the site ranks for in Google. It also estimates the amount and value of traffic that the sites receives.

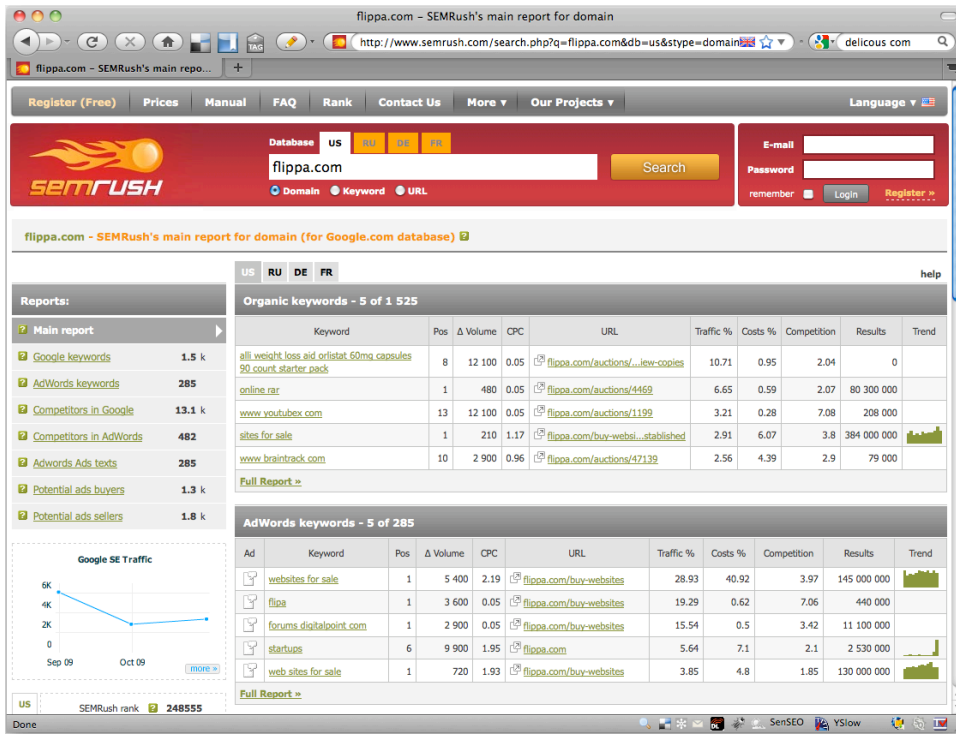


Figure 1.5. SEMRush

Firefox Search Status extension, at <https://addons.mozilla.org/en-US/firefox/addon/321>

The Search Status extension for the Firefox browser is a plugin that displays a web page’s Google PageRank, Alexa rank, and Compete³ rank in your browser, as shown in Figure 1.6. It also offers a built-in keyword density analyzer, keyword and nofollow highlights, and backward and related link data.

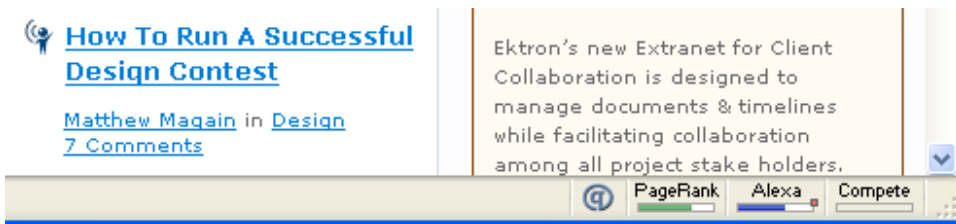


Figure 1.6. The Firefox extension shows the rankings of sitepoint.com

³ <http://www.compete.com/>

Wayback Machine, at <http://www.archive.org/web/web.php>

The Wayback Machine is an archive of sites that allows you to see how a given site looked in a past life. Figure 1.7 shows how SitePoint looked back in the heady days of 2001.

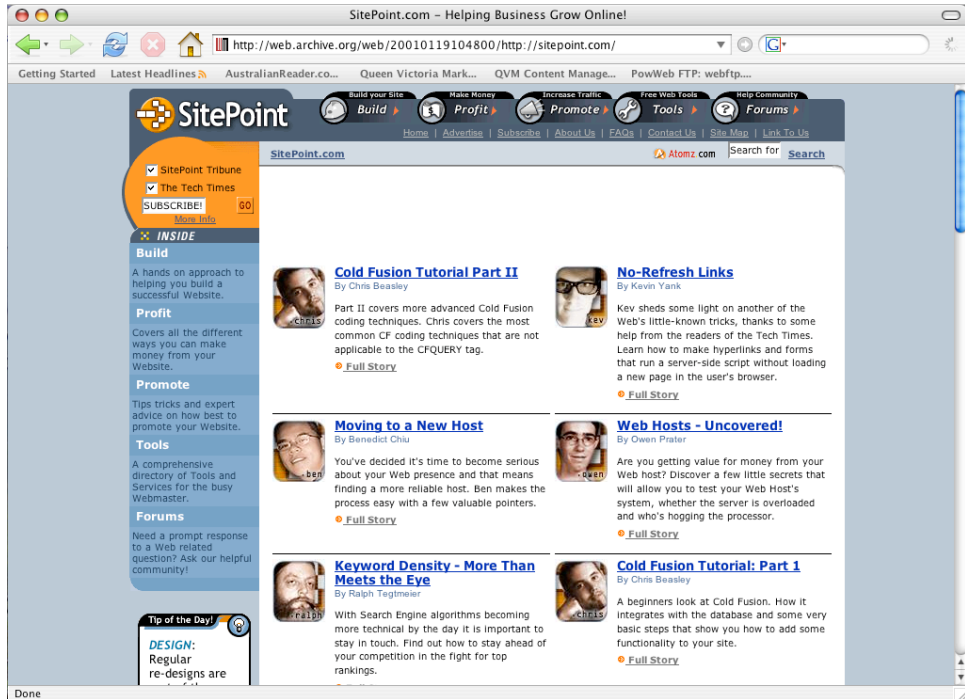


Figure 1.7. Visiting a site's past incarnations via the Wayback Machine

Making Your Assessment

No tool or group of metrics is going to tell you a site's value. You'll have to figure that out for yourself using the value factors I outlined above. You might also consider using the Site Assessment Worksheet included at Appendix A. To give you a few ideas, here's an example of an approach I took towards assessing and flipping a site that ended up earning me a tidy profit.

Example 1.1. Making a Good Assessment

One day, while using a search engine to find sites with flipping potential, I came across a site that had a for-sale sign on it. The content—roughly 20 pages of it—had been written by the site’s owner, who was an expert in the field. The site had virtually no traffic and no revenue whatsoever, but it was in a vertical, or industry, that I had experience with, and I formulated a plan to flip it. My goal was simply to rewrite the pages with specific keywords to try to optimize the site for search engine traffic, then to use the optimized site to generate revenue. I knew this work wouldn’t take long, but it could make a big difference to what was then an unoptimized and unmonetized site—with great content. I paid a couple of hundred dollars for the site and began work.

Optimizing the site for search engines was simply a question of researching appropriate keywords for each page, and making some simple modifications such as changing the article (and page) titles to reflect those keywords. Next, I had the site listed in a couple of relevant directories and added some other backlinks from important, related industry web sites. The traffic didn’t skyrocket, but it showed a nice gradual upturn, gradually receiving over a thousand pageviews a day.

The other issue I had to look at was monetization, since the site wasn’t generating any income at all when I bought it. I signed up for AdSense, but I also saw an opportunity to sell premium advertising on the site. After all, the content was good and targeted to the niche, and the vertical had many potential advertisers. Between AdSense revenues, and sponsorships that I sold directly to ecommerce businesses within the vertical, the web site was soon pulling in about \$250 a month. In total, this, and the SEO work, took about a day of my time.

I sold this site for \$3,500 to a buyer I’d worked with in the past—all for the initial cost of the web site and the eight or so hours of work I’d put into refurbishing it. The assessment I’d made at the outset had proven to be sound. Probably the most important aspect of this site flip was that the site’s foundation—its content—was solid to begin with. As a result, I had to invest comparatively little time for a substantial profit.

If you do find a good deal, act quickly. I've had the rug pulled out from under me by someone who's been faster than I have on a number of occasions. On other occasions, I've been the one to pounce first. There have also been a few times where I've pounced on a deal first, only to have the person who missed out contact me afterwards because he or she really wanted the site. So, once you've identified a good deal, don't waste any time! Start on those negotiations.

Negotiating the Sale

The process of negotiating the sale will differ depending on whether you're making a direct offer or buying the site through a marketplace. Bidding on a site in a marketplace such as Flippa is fairly straightforward. Know what you're willing to pay for a site and stick to your budget. You may wish to message the seller and ask them what their reserve is so you have an understanding of the minimum amount they will accept.

When making an offer via the direct contact method, your first contact is, of course, an experience you want to go smoothly. Don't try to play hardball immediately—you'll only put the seller off. It's far better to be polite, and to start negotiating carefully so you don't show your hand too soon. Start off too high and you'll waste money; go too low and the seller will simply ignore you, or at least be disinclined to take you seriously.

Don't play hardball—it never pays off! Treat the site seller with respect and courtesy, and they'll be much more inclined to do business with you.

Of course, take care not to offend the site owner, either through your attitude or your offer. If you do, there's not going to be a deal. Also consider the broader ramifications of offending the seller—it could affect on your dealings with the sector as a whole. If you want to be a player in any industry, you need to build up a network of good relationships, and avoid creating bad ones. You may not end up making a deal with this particular site owner, but the relationship you make with him or her could affect whether or not you can successfully do business in the sector in future. Offend enough people and you can sour the industry against you. Forge positive relationships and you may find new partners, customers, or service providers for the future—even if you don't make the deal to buy the web site.

There are three steps to negotiating a purchase via the direct contact method:

1. Make contact and ascertain the site owners' intent to sell.

When you contact the site owners, it's best to be up front and straightforward, but wary of showing your hand too soon. Explain how you came across their site and what you like about it, and indicate that you'd be interested in buying it.

Usually, they'll either tell you straight out that it's not for sale, or they'll admit that they're willing to consider selling. Some may vacillate—they might want to get back to you later, once they've made a decision. Your call may be the spark that gets them thinking that selling could be worthwhile, so be patient and courteous, and leave the lines of communication open if they say no to your suggestion.

2. Ask how much they want—then negotiate.

If the owners are willing to sell, you need to find out how much they want for the site. It's always better to get them to name a price first. One of the easiest ways to do this is to try to work out—using a few strategic questions—how valuable the site is to them. They may know it has potential, they may be attached to it on a personal level, or they may not care much either way.

One way to get the owners to open up is to ask how much traffic the site receives. If the site doesn't attract many visitors, or the owners don't monitor the traffic at all, they're probably less likely to see the web site as being potentially profitable or valuable. If, on the other hand, the site owners pitch the price too high for you, simply back out graciously, making sure to leave the lines of communication open.

Asking site owners about their traffic statistics is a good way to get them to open up—and put you in a position to start negotiating.

Following your contact, the owners may be interested enough to do a real valuation on the site, and if it comes in lower than they expected, they may contact you again with a more reasonable price from which you can start negotiating for real. Use the research you've done on the site to bolster your offers, and explain why you think the site is worth what you're offering.

The owners may well respond with reasons why they think it's worth more, and you can use these points as a basis from which to present factual evidence that either decreases the validity of their arguments, or increases that of your own. Also, ask what you'll get with the site. Will the owner give a period of support/help? What assets will you get? These kinds of aspects can often be used as bargaining chips in your sale negotiations.

3. Close the sale.

Once you've reached a mutually agreeable price, you'll need to close the sale. In an online marketplace, this can be fairly straightforward: the buyer declares the auction closed and the site sold.

If you see a site you like, don't delay! Make an offer and start negotiating. Otherwise, you may well miss out.

Either offline or on, the sale should be closed with the exchange of contracts. Make sure all the details you agreed during the negotiation process—plus all the other minutiae!—are outlined in the contract. Pay attention to the fine print so you don't run into problems later. Let's look more closely at this issue now.

Transacting the Sale

There are two elements to the transaction of the sale itself. The first is a contract—you'll want to ensure that you have an agreement in writing that identifies what's included in the sale and what's not, any guarantees, handover assistance, or non-compete clauses that have been negotiated, and so on. It's not a good idea to skip this step. Even if it's a simple document, your contract of sale will give you something to fall back on if any aspect of the deal goes wrong in the future. Sadly, few novice site flippers bother with contracts, and somewhere along the line, they get burned. Invest in a solicitor's advice now to avoid significant pain later!

The second step is the handing over of funds, and the best way to do this is through an escrow service like that offered by Escrow.com, pictured in Figure 1.8.⁴

⁴ <https://www.escrow.com/>

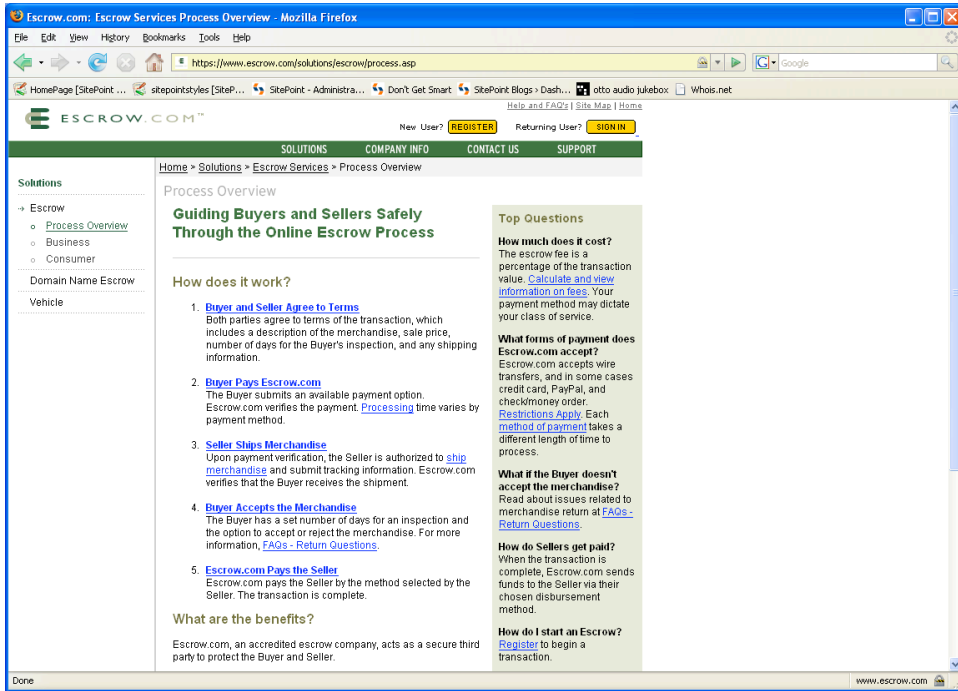


Figure 1.8. Escrow.com explaining the escrow process

The escrow process is a straightforward one. First, you need to set, and agree with a seller on, the terms of the agreement—including the process by which the site will be transferred to you (that is, its delivery). Then, you set up an escrow account and deposit the agreed sum into it. The seller is notified of the fact that you’ve deposited the money—once you have, you won’t be able to withdraw it—and instructed to transfer the site to you. Some escrow services encourage the parties to enter transfer (or shipping) details into the account, so that both parties are kept up to date with the stages of the process. Next, you must accept or reject the site and other assets transferred within a certain timeframe (if you fail to respond either way, your tacit acceptance will be deemed to have been given). Finally, once you accept the assets transferred, the escrow service releases payment to the seller.

This is no more than an overview of the process—terms and conditions, and service operations vary, so be sure to read the fine print on any escrow services you use. Ultimately, though, unless the seller lives nearby and you can complete a physical exchange—swapping a CD containing all the site’s files for a suitcase of cash!—escrow will be the safest way for you to ensure the transaction goes smoothly.

Adding Value

As we explained at the outset of this chapter, we can't possibly discuss every possible way that you could add value to a site. Not only do we not have enough pages, but your perspective is different from mine, and you'd probably come up with vastly different possibilities than I would. If you've been paying attention so far, then you probably already have your strategy in mind—you're going to increase the site's revenue, improve its traffic, or rebuild it in some other way. So, instead of trying to cover all the bases, I'll give you a few case studies that exemplify the kinds of changes you can make to add value to a site in preparation to flip it for a profit.

Example 1.2. Forums Flip

I was looking at a forum that had been around for a couple of years. I liked the topic, and the forum seemed to have been active at one time, but it looked like the owner had given up on it. So I contacted the owner directly, and he told me that he'd started the forum when he was a high-school student, but had lost interest when he got busy with college. The forum used phpBB software with the default skin. It received decent traffic (about 500 visits a day), but was becoming overwhelmed by spam. The owner was happy to sell the site—he'd been planning to simply let the domain expire—so I gave him \$100 for it.

I upgraded the forum to vBulletin, made a nice skin for it, installed vBadvanced, removed all the spam, and sent out a note to all the former members to let them know about the changes I'd made. Once people saw that some care was being put into the site, it didn't take long for the forum to become active again. I kept it for a while, placing some discreet AdSense and text ads on the site to build up a revenue stream. I sold it for around \$5,000.

Example 1.3. No Site, but PR 6

I purchased the domain ttgweb.com for \$40. There wasn't much of a site on it, but it had a PageRank of 6, so it looked like a good deal. I knocked a site together in just a few hours, and for quite some time, I made around \$500 per month selling text links on the site. However, when it dropped to PageRank 5, so did the revenues.

I didn't think there was much I could do with the site, and I didn't want to sell it when the stats were in decline, so I formed a partnership with a person I knew who wanted to develop travel-related web sites. I let him redevelop the domain and told him he could keep all the initial profits. After some work, he began to gain traction for the site, and we negotiated a \$3,500 payout. This gave me a return that was 87.5 times my initial purchase price (not taking into account the months of earning \$500 in revenues)—all for just a few hours of work and my initial \$40 investment.

Now that you've had a look at how the site-flipping game works, let's talk briefly through some of the ways in which you can boost a site for a quick turnaround.

Rejigging Ad Space and Sizes

Sometimes it's enough to simply rejig the site's layout in order to present the ads to their best advantage. You might be able to take advantage of existing traffic, for example, by a clever redesign that makes more efficient use of the ad space you have available. You don't need to have the technical know-how to do this yourself—you can get a fully coded template for your site for as little as \$200 by running a contest in SitePoint's Marketplace.

I've seen a site's AdSense earnings increase by as much as 500% when ads were moved around so that they had more space, and different sizes could be used. If you have time, you can experiment with locations, sizes, and the way that ads blend with the content and design of the site.

Implementing Advertising and Affiliate Programs

Another common way to add revenue to a site overnight is to implement text link ads, promotions for affiliate programs, and ads from advertising networks. Landing

sponsorship for the site is another great revenue generator that opens up the possibility of selling the site directly to the sponsor in the future.

Updating the Design

As I explained in the example above, by updating a forum's design, I was able to regenerate significant activity on that forum. You don't need to make your own skins or create the new design yourself, but if you do decide to redesign a site, try to take its usability and accessibility into account. Making it as easy as possible for visitors to complete tasks like purchasing, subscribing, creating memberships, and so on can equate to dollars when you turn your thoughts to advertising and other promotions.

If you're redesigning a site, make its usability and accessibility your top priorities, along with the intelligent relocation of ad space.

Optimizing the Site for Search Engines

Some sites, while perfectly SEO-ready, have never been taken down this path. If the site's monetized, your careful keyword selection, content tweaking, and search engine resubmission can have a noticeable impact on revenues, not to mention traffic and memberships.

Improving Member Communications

When I sent that email to the members of the forum I'd updated, it was the first communication they'd had from the site in months. Often, sites for sale are neglected, or new—their owners haven't had time to try to build loyalty among users.

To boost communication with members, send them updates that detail the changes you've made to the site, email them to ask for feedback, implement an electronic newsletter, or create a regular direct email that includes special offers. Electronic newsletters, in particular, can provide the opportunity to sell more advertising; making special discount offers to members can have a solid impact on your sales figures.

Other Options

There are countless ways to increase the value of a site. Many of these methods can be used over and over again—you'll develop a gut feel for which aspects of a site can be improved as you gain experience. The ideas I've listed here are proven, time-tested methods, and they can work extremely well, but it's often the unconventional methods that produce the most explosive results. Be creative!

Think outside the box to add real, innovative, and perhaps unexpected value to your site.

Selling a Site

As the examples we saw a moment ago illustrated, it *is* possible that someone may approach you out of the blue, and offer to buy your web site. But, more often than not, you'll be ready to sell without a single prospective buyer on the horizon.

What do you do? You can put a Site for Sale notice on your site and wait for offers, or you can use a marketplace such as Flippa.com. But before you go out and create a listing for your site, make sure you're prepared. There are a few steps involved in the sale process; let's walk through them now.

Preparing to Sell

Obviously, you want to sell at the right time. For some sites, any time's the right time, but owners of other sites will need to pick the right moment carefully:

- The site's traffic and membership statistics are increasing.
- Revenues have been stable for a decent amount of time, and/or are increasing.
- They realise that they don't have the time necessary to commit to the site and keep its revenue or traffic figures up.
- They need the money!

So what do you need to do before you sell? First, you must prepare your documentation. The clearer and more complete your records for the site, the more credible

you'll look, and the easier it will be for a potential buyer to see the value in what you offer.

Potential buyers will want to see screen shots of your statistics (AWStats⁵ and Google Analytics⁶ have worked for me) and proof of your revenues (through screen shots of your accounts with AdSense, PayPal, and so on). You'll also need to show that you own the domain outright and that it qualifies for transfer. If you have any liabilities associated with the site, you'll need to disclose those. If you've hired anyone to help with the site, the new owner may want that information as well.

Finally, ask yourself whether you know what your site's worth. Now's the time to get a good grip on the potential value of your site using the tools, research hints, and value factors we outlined in the section called "Considering the Value Factors". You might find it tricky to gauge your site's potential value to a buyer you haven't even heard of yet, but do your research and try to settle on a reasonable ballpark price that you'll be happy to achieve.

Listing Your Site

By the time you've bought a site to flip, and developed it to a point where you're ready to sell, you'll have a clear idea of which marketplace you'll use to sell it. When you list your site on your chosen forum, make sure you include the basics:

- age of the site
- key audiences
- traffic statistics
- membership or customer base
- revenues
- your reason for selling

Generally, I'd recommend that you make your site listing as detailed as possible. However, there are certainly instances when it isn't prudent to disclose all of the relevant information in public. For example, if you're concerned that certain details

⁵ <http://awstats.sourceforge.net/>

⁶ <http://www.google.com/analytics/>

may make it too easy for others to copy the success of the site, then those details are best kept private and only disclosed to the most serious of buyers.

Be astute when creating your listing. Detail is good—as long as it doesn't compromise your site's success!

In addition to the details I've mentioned here, there are a number of other considerations you'll want to investigate as you list your site.

Setting the Duration of the Auction

How long should your auction last? Good question! The answer will depend, of course, on how soon you want to have the money from the sale in your pocket, but if you're in no rush, how long should the auction take?

In the Flippa.com marketplace, the auction time can be from one to thirty days. Conversely, other sites offer basically unlimited listings, so your auction can remain online for as long as you like—some auctions I've seen have been more than three months old.

Of course, the longer your auction has been listed, the more likely it is to become lost in the sea of more recently opened auctions, but there's a bigger problem than this. As you've probably guessed already, auctions that remain open for months can make buyers wonder what's wrong with the site. If that site was a good deal, it would've been snapped up already—wouldn't it? Does the seller actually want to *sell* the site? Or is making a bid just going to be a waste of time?

I expect that the only way these types of sites would sell would be if a buyer approached the seller and talked the price down on the basis that the site had been unsuccessfully available for sale for so long. We'll discuss this issue more in the section the section called "Getting the Best Price", but a good auction timeframe on most sites appears to be somewhere between one and two weeks.

Setting a Reserve Price

The benefit of a reserve price is that, once bidders see that it's been met or exceeded, fiercer bidding may ensue. If they have the feeling that you're likely to sell, since your reserve has been met, they may be prepared to bid the site to a greater sale

price than they might if bidding in the dark, without any indication of how close they may or may not be to meeting your expectations. See the section called “Getting the Best Price” for more on setting a reserve price.

A reserve price gives potential bidders a guide as to whether your site is within their price range.

Getting the Best Price

Everyone wants the best price for their sites, right? After all, that’s what interested you in flipping sites in the first place!

Obviously, from a financial point of view, you’ll have a base price that you won’t be able to undercut. No matter what, you won’t sell for less than this figure. This price won’t necessarily represent the site’s valuation, because the point of this figure is to take into account other factors in your life that may affect the sale of the site.

For instance, imagine that we’ve bought and added value to a site, and, as we’re ready to sell, we’ve done our homework and valued it at around \$1,300. This sounds good, but consider that we’re going on a month-long holiday through Africa in three weeks’ time.

That factor may impact on our sale in two ways: firstly, we might want to offload the site to reduce the burden of preparation and maintenance before and during our trip. Secondly, if your personal budgeting is anything like mine, by the time we’ve paid for flights, tours, insurance, accommodation, visas and so on, we may well be needing some extra cash to spend on our holiday. So, in this case, the base price represents the answer to the question, “what’s the opportunity cost of not having the money in our pocket right now?” We might have valued the site at \$1,300, but we might be willing to take \$1,000 if it means we won’t have to worry about finances (or the site!) while on holiday.

Consider the opportunity cost of not selling your site when listing it for auction.

The next rung on the pricing ladder represents roughly what you believe the site is worth—the ballpark price we mentioned above. This figure might be very close

to—or precisely the same as—the first, base price you came up with, or it might be slightly higher. Either way, you now have an idea of the price you can afford to sell the site for (\$1,000), and the price you actually want or believe you can reasonably expect to sell the site for (\$1,300).

Having read the advice in the sections that came before this one, we might decide that, as we're leaving for Africa in three weeks, we'll make the auction duration ten days. That will give us time to transfer the sold site to the new owner; moreover, in the event that the site doesn't sell, we'll still have a little time to prep it to run in our absence. Now, with a ten-day timeframe, we may decide that we want to get the best exposure we can for our site and consider purchasing additional upgrades when selling in a marketplace such as Flippa.com. Flippa offers a feature upgrade which will add your site to the home page, thus differentiating your site from the hundreds of others listed daily.

Promote your auction where possible—the attention of serious buyers often translates into serious dollars!

The other thing we'll need to do is manage the auction timeframe. We've already decided that our auction timeframe can't exceed ten days, and we can reduce the auction timeframe in Flippa whenever we like—we don't need to wait for the duration we've specified to expire. But what if our reserve is met on day one of the auction? Should we sell then? Well, history suggests that the answer to that question is *no!*

The graph in Figure 1.9, which takes into account the sales from the Flippa over a year-long period, reveals that better prices are achieved in the later days of the auction. Sites sold within the first 24 hours of their auctions' commencement achieved a good price—yes—but those that sold in the eight and ninth days of the auction achieved an average price that was more than \$1,000 higher than their counterparts sold between 24 and 48 hours after listing.

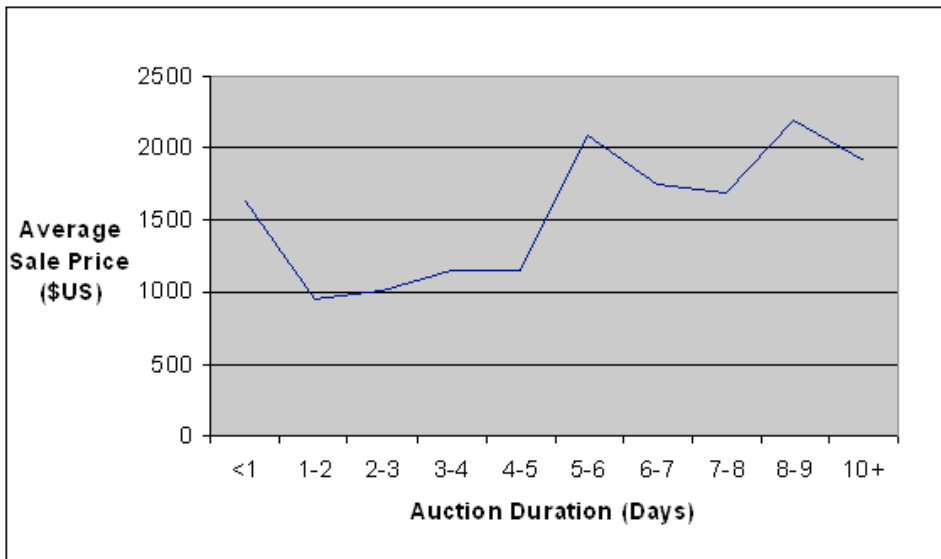


Figure 1.9. Average site sale prices varying with the sale's duration

These figures suggest that a hasty sale may not see you get the best price for your site. Take your time to assess the bids, and, if you can, wait to see what happens after the initial jump-in bids have been placed—after all, a dark horse might come through with a solid offer once he or she has seen how the other bids look. If you want to gain the best price for your site, give your auction time (but not *too* much!).



What if Your Site Doesn't Sell?

If your site doesn't sell at auction, it's not the end of the world. For a small fee you can list your site for private sale on Flippa for up to six months. Do consider any feedback you received from potential buyers, though—it may well provide insights that lead you to rethink or rejig your site, its valuation, or your approach to sale, and that ultimately lead to the sale of your asset.

Finally, we'll have to negotiate. All the documentation we've gathered that details the site's operations should put us in a good position to be able to prove the value of the site should our valuation be challenged. It should also indicate clearly to potential buyers in an auction setting the value of what they're considering, but be sure to provide any other information that's requested, and to clarify any points that sellers ask about. Other than that, all that remains is for you to sit back and watch to see how the auction progresses!

Summary

Congratulations: you now have the knowledge required to flip sites!

After demystifying this exciting and opportunity-filled new investment market, we looked at the process of buying a site, stepping through the tasks of finding sites to purchase, assessing their value, negotiating the deal, and closing the sale, so that you gained a clear idea of what it takes to land your first fixer-upper.

Next, we took a whirlwind tour of just a few of the ways in which you can develop the asset you've bought into something that's more attractive, profitable, and heavily trafficked. As I mentioned, there are countless approaches to building value into the site you've bought—they're only limited by your imagination!

Finally, we explored the process of selling your polished site for the best price. As we saw, it's important to sell at the right time, and to make sure you have all the documentation and information prospective buyers may want to see *before* you list the site. Within this discussion, we also investigated the questions of whether you should pay more for a premium listing in the marketplace where you've decided to promote your auction, and how long your auction should last.

Remember: the people who are out there flipping sites for profit right now are just ordinary people like you and me. They started out in the game by buying just one site, fixing it up, and flipping it.

There's a world of opportunities waiting for you in the various online marketplaces, so what are you waiting for? Take your first step into the site-flipping game today!

Appendix A: Site Valuation Worksheet

Use this worksheet to gain an idea of the potential value of your site. It considers the factors our experts identified as being important to a site's value, and combines this information with the comparative analysis and multiple-of-revenue methods to help you put a figure on your site's worth.

First, search the Web, as well as online marketplaces, to find a site in your category that has sold for a justifiably low price, and one that's sold for a justifiably high price. For each site, make note of the details and metrics outlined here.

Then, make notes for your own site on each factor, and compare them to get an idea of where within the spectrum your site might fall. Note that the factors given are provided only as a guide. They'll vary depending on the type of site you run, your specific operations, and the markets you serve. Be flexible and shape the worksheet to reflect the factors that relate to your niche. Also consider reviewing multiple sites sold within your niche to get a clearer picture of their value—and that of your site.

Interpreting the Worksheet

The worksheet is fairly self-explanatory, but here's some clarification that may be helpful as you work through it:

key traffic sources

This information could be recorded both in raw figures, or broken up into percentages of the total traffic figure. Remember to look at data for both unique users and pageviews, if possible. Also consider the locations from which the traffic originates, as this could affect buyers' value perceptions of your site.

visitors, pageviews, revenues, and profits

Try to obtain averages for these figures over a reasonable time period, and try to ensure that the timeframes over which you've calculated the averages allow you to compare the high- and low-end sites with your own—you don't want to be comparing an average based on a couple of months' data with one based on a year's data.

workload

List the tasks involved in running your site, and estimate the time you spend on each—you may consider converting the time to a dollar figure. Remember to include everything you do in this calculation—it may also help you get an idea of the hours you've put into the site over its lifetime, which might feed back into a comparative cost analysis that indicates how much it would cost to develop your site from scratch.

technology

Consider the costs not just of maintaining and running the technology behind the site itself, but also the expenses involved in the maintenance of technology products like scripts and software.

multiple-of-revenue calculation of price

Your research should give you an idea of a likely multiple that others are using to perform valuations of sites of your type, in your market. Apply that multiple to the monthly revenue figure for each site you assess in order to get an idea of what this valuation would indicate the sale price for each site should be. Depending on how accurately that formula is reflected in the actual sites' sale prices, you might use this as an input to your own site's value calculation.

Table A.1. Site Valuation Worksheet

		Low-end Site	High-end Site	Your Site
Age of Domain				
Key Traffic Sources (%)	-search engine-generated traffic			
	-direct type-in traffic			
	-traffic from backlinks			
	-advertisement-driven traffic			
Monthly Visitors				
Monthly Pageviews				
Monthly Revenue				
Monthly Net Profit				
Duration of Site's Profitability				
Profits: Increasing, Decreasing, or Static				
Workload (hours and \$ per week)				
	-maintenance/operations			
	-user/customer relations			
	-user/customer acquisition			
	-development/improvements			
Technology (hosting, script development)				
	-costs			
	-reliability			
	-scalability			
Strengths				
Weaknesses				
Opportunities				
Threats				
Potential Avenues for Development				
Potential Synergies				
Multiple-of-revenue Calculation of Price				

