

**BUYING AND SELLING AN INTERNET BUSINESS:
EVERYTHING YOU NEED TO KNOW**

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WHAT IS AN INTERNET BUSINESS?

There are many changes that have taken place in business in the past two-hundred years, but none have so profoundly changed our concept of what a business is as the Internet and the World Wide Web. Until the advent of this electronic forum that reaches into almost every home in America and many throughout the world a ‘business’ was primarily thought of as a building with employees, resources and facilities, and people who bought and dealt with such businesses could easily identify their worth by the materials and net worth of the resources and personnel those facilities contained.

This all changed starting in October of 1969 with the introduction of a military construct called “ARPANET” created by DARPA to allow a rich communications network that should stay up even in the advent of major breakdowns in our telecommunications networks. At first this fledgling Internet was used mainly to communicate text streams and message boards. Starting in 1990 it was renamed the “NSFNet and began to be loosely managed by the National Science Foundation which oversaw the extension of the Internet into the CSNET throughout universities across the USA and Europe. When usage began to expand due in no small part to

the TCP/IP protocol developed by Bob Kahn and Vinton Cerf (which is still in use and the standard today) the government opened the net up to privatization in about 1995, and the first online business sites began to appear.

Back then online sites were pretty clunky and used primarily for advertising and showing contact information – but as HTML and other formats became widely accepted allowing use of graphics and dynamic web pages to accomplish more and more in this new medium the sites became more sophisticated, and eventually became ‘storefronts’ in their own right. Much has been written about how the World Wide Web (WWW) ‘changed the nature of business’ but in reality shake-ups in business are nothing new, and this new medium, while exciting and certainly unprecedented is not that different from the industrialization or the creation of communication devices like the teletype and fax machine.

Business has always gone with what works fastest so long as it is efficient and affordable – and this new medium was both of those! Many of the companies who started such as Chemdex once a Wall Street darling have since faded into obscurity or failed because they didn’t recognize that not *all* of the rules for business had changed just because there was a new format available to market to the public. Just as with traditional business models the basic rules

of supply and demand and profitability still held true: there is no such thing as a free lunch!

There is a tendency for people to get ‘caught up’ in things that are exciting and new, and when the hype and excitement exceed the marketability a ‘bubble’ can occur just as that which came about when the dot com boom of the mid 90’s gave rise to any company which went public and had an exciting description or business plan becoming an overnight success story. The problem with bubbles is that they are prone to breaking.

At first the exciting concepts for using the new Internet medium in fields such as advertising, mail-order and online sales proved irresistible to venture capitalists, and the increasing number of easy access to online trading sites which allowed the ‘common man’ to become an investor drove waves of investors to IPO’s that otherwise might not have had a chance of being successful based solely on the plans the company had and not any true business model or market share factors. The bubble reached a peak in late 2000 and early 2001 before fundamental flaws in many companies models forced a succession of failures and then the bubble burst.

The early concept of most Internet companies was that if you got the customer base (i.e. lots of people coming to your site) that you could make money selling advertising and other ‘link’ data based

on that throughput. It was a sound-enough concept in theory but failed to consider that the modern consumer who was in love with the Internet might simply transition from one site to another once fees or advertising began to hamper their use of the site. With rare exceptions sites that relied strictly on these ‘advertising revenue’ models failed, sometimes spectacularly and often in rapid succession. A few of the successes managed to keep their customer base by careful adherence to a few simple rules:

- Provide value and ease of use
- Make any advertising and marketing non-intrusive
- Target ads and information to people who would *want* to see it

Of the companies who succeeded at this one of the true greats was Google™ whose search-engine concept was so loved and carefully structured to meet the needs of it’s user base that people gladly put up with a few advertising links related to their searches in exchange for easily finding the information they wanted. Other companies, even huge software companies with deep pockets such as Microsoft Corporation were unable to match the blend of usability and customer friendliness that Google™ offered, and even if their search returns were ‘better’ from a technical standpoint the value offered by the leading search engine was so great that the very term for searching the Internet for information

began to be called “googling” ... but this was one of the rare exceptions and not the norm.

Today when most people think about e-commerce and online businesses they think of the great ‘dot com boom’ of the early to mid 90’s and the remarkable success stories like Google, Yahoo and e-Bay. They often don’t consider the early 2000’s when so many of the dot.com business failed or had to drastically restructure. It is with good reason that the winning names leap to mind however - millions have been made both on and with the companies in question.

Admittedly many other sites failed or have yet to become fully profitable - but the billions and billions of dollars spent yearly on online sales is not relegated to just a few big names, nor to those companies who have gone public: in fact any web site that sales products has value. Sometimes just a name itself is worth a remarkable sum of money in fact – and identifying and taking advantage of the business opportunity companies that may currently be losing money but which have the potential to become profitable is what this course is all about.

ECOMMERCE

There is more to the Internet and e-commerce than just online search engines, auction sites and online business though. The term e-commerce refers to the transfer of funds or goods across an electronic medium for profit. Most e-commerce sites today are horribly undercapitalized and run by individuals from their homes, perhaps with a good product and even a great web site or domain name but without the public awareness and marketability necessary to make a true success of it. These types of e-commerce sites are ripe for a budding entrepreneur to purchase, turn around and either run for a profit or to sale to someone entering the online sales arena.

Some key aspects of a successful e-commerce site include:

- Having well organized and defined business models and practices
- A focus on meeting customer needs and expectations
- An understanding of their customer base, product capabilities and market base
- Methods to ensure customer acceptance and security
- Quick and reliable shipping and tracking methods

Finding a company that has at least two of these five concepts well established but which is under funded or lacks the ability to correct problems in one or more areas is when an opportunity exists.

Another vital aspect of any ecommerce site is how they handle their transactions. There is a host of ways to accept payment both online and directly and this can be a major bottleneck for many smaller companies. Concerns about online security and having personal information stolen are rampant and can cause an otherwise avid customer to shy away from placing that order and instead to go to another site. When bargain hunting for an online site to purchase and improve this can be a key area to focus on for just that reason – even the best product at a great price can't entice customers to go out and buy a money order and ship it off if they can simply click to another site and for a few dollars more buy the same item online.

DETERMINING TRANSFERABILITY

With normal businesses when you purchase a business you often purchase it's debt as well as its assets, but even then you may or may not have the right to the company name and marketing already in place. At first glance this may not seem like such a big deal since after all, the product is what you are selling – and when it comes down to it a good burger is still a good burger no matter what name is on the sign, right? Maybe - but imagine if you bought out McDonalds™ and then had to change all the signs and flyers and any trademarked item that identified it as having been a

McDonalds: would you consider that a worthwhile investment? Of course not!

The principle value of stores with such wide public acceptance and market share is that they are known already, they have what is called an ‘installed customer base’ and *that* in itself has a value that often far exceeds the true monetary value of the buildings and equipment itself. This is why it is so important that when you are researching an e-commerce site you understand what is and is not included. What may be a great buy can turn into a huge loss if the domain name can’t be transferred to you or they won’t allow a redirect from the existing host site or perhaps wish to keep their list of customers private. These things all add value, and knowing what is and is not going to be included is vital when you make an offer!

Assuming that the site has online acceptance in a secure format and takes credit cards you need to know the details of their agreement(s) and what company they are dealing with. Sometimes such arrangements are simple to change over to the new business owner, and sometimes extensive web site revisions or legal proceedings have to occur: any indication of a long-term agreement tied to the business itself needs to be carefully reviewed to determine how that contract will affect a new owner once the business is transferred.

CUSTOMER CONTACT INFORMATION

Of all the elements a business has to have to succeed the one that they simply cannot fail to have is customers - having the best product at the right time at the right price will do you no good at all if you don't have anyone to sell it so. This is why it is so important that companies have a good method of tracking and maintaining customer lists and contact preferences, and that such information is included as part of their business model and in any sale of the business.

There are many different ways to track customer sales and many different formats to store them in too – be sure to find out what method(s) the existing owner has used since some are more difficult than others to transfer over. If they use QuickBooks Pro and you plan on using that same program then you can get a copy of their database and utilize it directly with no real effort – but if they simply keep email records and type in the data as needed some manual data input and manipulation will be called for: often at your expense, so be sure to consider that in any offers to buy the site that you extend.

SUMMARY

Online businesses or e-commerce simply refers to any business that sales or makes available to sale a service or good across the World Wide Web or the “Internet.” Many of today’s success stories such as Amazon, eBay or Google are the exception rather than the rule, with the vast majority of online sales sites being run from home either part-time or as a secondary source of income. Since so many of these sites *are* personal businesses a new opportunity has arisen for the canny and shrewd investor, much like the common trend in ‘house flipping’ where a home in need of sprucing up is purchased, renovated and then sold for a profit these mom-and-pop web sites can be purchased either stand-alone or along with their associated goods or manufacturing capabilities, converting into profit-making centers and then resold to other investors looking for an online business to run but unable or unwilling to start one from scratch themselves.

Most online sales sites will be listed with search engines already, and should have at least a year or so pre-purchased on their Domain name, but these facts should all be confirmed prior to any actual transfer of funds. It is also important to have contracts and a clear understanding of everything that is included in the sale, both debts and assets and when and how the transfer will take place. In many cases since you will be dealing with smaller and possibly

less capable business owners you may also need to guide them on terms and aspects of the business to ensure they can provide you what you need in a format that you can use.

As with any investing knowing the market, timing and most importantly of all doing your homework to make sure you do not run into any unforeseen problems is key to a successful e-commerce site flip: but if you follow a few basic rules and understand what it is you are buying the opportunities for success are immense!

BUYING AN INTERNET BUSINESS

Location, location, location the old saying goes is the key to success for any business. But does that even apply to an online business? YES – the most important thing any online business needs to have is exposure. If you can't find the site when searching using keywords commonly attributed to the site then it is underexposed, which may be a key point you can use to your advantage if you are looking for a bargain and hope to correct and then sell a site for a profit. But just as with *any* business arrangement there are several things that simply have to be done to cover your bets and ensure all the legal ramifications are taken care of. In terms of buying and selling an online business which may have a small profitability to start with it is best if you can handle

most of these tasks yourself rather than hire professional firms and lawyers: if not for the cost savings but also so you can identify first-hand any existing issues that provide you an opportunity both to ask for a lower sell price and to correct to make the site more sellable.

BUSINESS BASICS

The main concept of any business is actually quite simple: find and fulfil a need as cheaply as possible to earn a profit. The thing to keep in mind is that is someone else can do the same thing cheaper or with higher quality then you can at the same price point then you may not do as well as you could, but you can **STILL** make money. Having a ‘gimmick’ such as designer-label clothing selling at a higher price-point due to perceived value can often put you over the edge, but principally having a competitive price, being where customers can find you and managing repeat business sales is the recipe for success.

There is more to running a successful business than just making sales however – any successful business whether online or standalone needs to have an understanding of marketing, finances and shipping. We’ll go over all of these in more detail later, but every business has an approach that works best for it and their

consumers and identifying this and making it part of your business is vital to success.

UNDERSTANDING YOUR MARKET

One of the most important elements of any business is the customer – it is important to know the types of people who buy your product, what advertising and contact methods they prefer, and why they purchased from you rather than someone else. This is a skill but it is one that can be learned – some great resources including the Fred Pryor “How to please your hard to please customers” help you identify various personality types when viewed as customers, how to work with them and which methods of problem handling work best for each. Having such training is invaluable for any business owner since how you handle your customers plays a large role in what they think of your business and whether they will be repeat customers.

Besides the customer themselves you have to identify the market for the goods and / or service that you are marketing. If you are selling a one-time purchase such as a car, luggage or home you will not likely see the exact same customers over and over and will need to target your expectations accordingly. This is not to say that you can afford to alienate your customers, since word-of-mouth is one of the best references possible – but tricks like

incentive programs and sales marketed to past customers will not be viable ways to enhance the business for some items.

With sales that can be repeat sales such as vitamins and supplements, foodstuffs and consumables however keeping close tabs on your customers and letting them know about upcoming specials and sales is a valuable way to enhance the web site and profitability. Keeping some form of “Customer Relation Management” software or system in place is vital to such practices.

The solutions are as varied as the businesses, from simple Outlook Contacts groups to dedicated CRM software the sky is the limit, but keeping in touch with and keeping customers involved *with* your business is a sure way to help make them feel like they are part of your success and thus enhance that all-important bottom line. Bear in mind that not every customer is worth the investment of a mailing or even an email contact but certainly customers who have already been repeat buyers and those who have purchased in larger quantities should be targeted. Things to consider when looking for customers to track and communicate with include:

- The customer’s past purchase patterns and profile
- Costs to contact them
- Likelihood of a return on the investment

Customers who fill out a profile or agree to ‘log in’ to your site are much more likely to be repeat buyers than someone who simply places an online order and declines to be contacted as part of an ongoing email notification process, so having those options on your site are great ways to create profiles on customers spending habits and contact preferences.

NUTS AND BOLTS OF BUYING

When you are buying a pre-existing business for many people the temptation to neglect considering all the steps you would go over when starting from scratch is great – after all, surely the existing owner(s) have already been through this, right? Not necessarily – and even if they did go through it you should take this opportunity to identifying whether the business model and company type they chose was really the best for the business in question. For instance they probably have a Sole Proprietorship since that is the easiest to set up, but benefits as well as marketability may well justify starting a corporation or at least a Limited Liability company.

A few of the things that you should do once you identify a business that you want to buy and then compare to the existing models and plans of the company include:

BUSINESS PLANS

These include:

- The marketing concept
- Financing strategies
- Operations guides and procedures

- Necessary assets and capital equipment to succeed
- Market research details
- Available and any outstanding financing
- Necessary permits and licenses, and the status of any current one(s) as well as transferability of the same
- Lists of all current assets and debts
- Details of any insurance policies

RESEARCH THE PRODUCT SEGMENT

To create a valid business plan much of the following steps including this one need to occur first, identifying and documenting the product or service that is being marketed, checking out competitors and pricing models for the product as well as availability of alternative suppliers and drop shippers etc. all play a large part in the creation of a business plan. Locations to use to gather this information include but are not limited to:

- Libraries
- Internet searches on competitive companies
- Training in business or self study
- Paying experts
- Researching government and industry reports

IDENTIFY CASH FLOW MANAGEMENT AND A BUDGET

Having cash on hand to make changes, advertise or purchase the expertise necessary is vital to a successful flip of an internet business. Some funding beyond the initial purchase simply *will* be required – having an idea of how much and where it will come from before you buy is vital to a successful venture.

RESEARCH SHIPPING AND RECEIVING

Knowing common sizes and weights of goods sold, delivery methods and any deals or arrangements currently in place is important. Consider drop shipping if inventory is purchased directly right now – any way to keep inventories low will minimize the risk as well as any handling costs associated with shipping and storage.

Be aware of your options when it comes to shipping. The USPS (Post Office) is *not* the only choice and in many cases is not the cheapest or best option for your customer. Depending on your product and market other options such as online downloads, FedEx or UPS can be more economical or a benefit worth investing in. Many vendors such as FedEx, UPS or RPS will make special deals with small businesses which can further reduce the costs – ask

about these options when researching the Shipping and Receiving plans.

SIGN NON-DISCLOSURE AGREEMENTS

This is often overlooked and may not be an issue but having signed non-disclosure agreements can really help assure the seller that supplying you with the information you need to make an informed decision on their business is safe, and that you are a professional.

Make certain that you use form(s) that provide clear descriptions on the liabilities and possible penalties to both parties since any offers or information that *you* supply may also be best kept private.

ESTIMATE PROFITABILITY

With the information supplied and your research make a rough estimate of what the potential sales and market share of this site *could* be and what needs to be incorporated into your business plan to gain that share. Resources and software are available and will be discussed in more detail later.

MAKE A BUDGET, THEN MAKE AN OFFER

Bearing in mind the *total* costs you are likely to incur in transferring the site and updating it to profitability create a budget that should ensure a profit even if costs go over by 15% or more.

Make an offer to the owner, detailing everything you need to have included in the deal, the pros and cons of the site and business as you see them (in case he has additional information to offer) and set a deadline for acceptance or rejection.

If accepted, refurbish, implement business model and plans and put up for sale.

These are the ‘nuts and bolts’ of the process of which we’ll go over in more detail later, as well as supplying you links to some readily available online forms and legal assistance. As with any successful business venture the amount of work and effort you put into the planning and research stages will ensure or decry success – but if you can handle most of the work yourself without having to pay for research or consulting an investment of your time can have wonderful returns in future profits.

DEALING WITH OWNERS

I've mentioned in passing some training on negotiation with customers and identifying personality types, but it is worth mentioned here that the owner of an existing Internet business needs to be approached just the right way as well. Most likely they are proud of their business even if it is not a roaring success, and they will be distinct individuals with responses all their own that you may inadvertently trigger if you take the wrong approach. To this end I highly recommend that you have a clear understanding of personality types and how to deal with each, and that you follow a few simple guidelines to ensure a professional and successful outcome. Some tips I recommend include:

CONTACT THEM DIRECTLY AND 'IN PERSON' FOR THE INITIAL CONTACT

Calling someone and hearing their voice allows you to understand the tone and 'feeling' behind the words they speak, as well as make a correct assessment as to how they are responding to you and *your* tone.

INTRODUCE YOURSELF

Let them know who you are and supply contact information up front so they will feel at ease and not fear that you are perpetrating some type of 'scam' or trying to sell them something.

EXPLAIN YOUR PAST SUCCESSES

Knowing that this *is* your business and that you think you can make a profit by buying their company and investing some capital to make it profitable can be seen as an insult to some owners, so explaining that you “buy ugly businesses” may not be the best approach, but be sure they know you are in the business of taking moderately successful business and making them worth more, then selling them to people who are looking to start their own online sales.

If you have specific websites and success stories you can point them to this may help, be sure not to violate any non-disclosure agreements however and point out any existing as an example of your trustworthiness so they will feel comfortable dealing with you.

GAUGE THEIR INTEREST

If they simply are *not* interested leave them your contact information and then follow up with a ‘thank you’ email just in case they change their mind. If they seem interested proceed to the next step.

EXPLAIN THE PROCESS

Let them know that while you are interested there are a series of questions you need answers to before you can accurately judge the state of their business and make an offer.

Explain that you always get *and* sign non-disclosure agreements up front to ensure any information they share is safe, and that you will not be asking for valuable information such as customer contact lists (although details such as number of customers, and CRM methods etc. may be included) and that you guide them through everything you need.

GET THEIR INFORMATION AND *PROMPTLY* RESPOND

If you can’t review it all and get an assessment immediately at least contact them and let them know you have the information and

will be reviewing it and will make a determination by a *specific date*.

Make certain you meet the date you set and that you update them as you proceed with any financing or checks that are necessary so they will know you are still interested and ‘there’ for them.

CREATE A FORMAL OFFER AND CONTACT THEM

Again contact them in person and let them know that you have come up with what you think is a fair offer for what the current market value is for the site and any resources you will be asking to have included. Ask them to review the offer with their lawyer and let you know by a set date if it is acceptable and if not to formally request any changes.

Set their expectation(s) up front on which if any areas may be subject to change either in their favour or yours pending unexpected market fluctuations or changes in the business: for instance if your offer is contingent upon existing stock and they sell most of it before accepting how much per item will be deducted from the offer should be listed in the offer *or* some provisions to allow for setting it before acceptance should be in the wording.

SET UP AN ESCROW SERVICE AND MAKE THE TRANSACTION

Be sure all your legal documents and forms are in place before money changes hands. Use only *known and respected* escrow services and provide full contact information to the owner, encouraging them to research the business to be certain he is comfortable that this is real and legit. If the owner is comfortable or prefers direct payment be sure to cover *yourself* for any potential problem or scam as well.

Ensure all selling points such as transfer of the domain name and any resources are done before final payment is made.

If all goes well you should now be the owner of an online business and its resources – the next step will be to make it profitable and in our case, then to sell it for a profit and move on to the next site!

IDENTIFYING A BARGAIN

To be successful in buying and selling online businesses just as with any other “flipping” (whether a home, a car etc.) you need to keep several concepts in mind to ensure success. First and foremost is that there *has to be value* in whatever it is you are buying. Yes you can get something ‘cheap’ and if you are just owning it that may be enough, a very inexpensive home that is ratty and really ought to be torn down for instance may still be okay for someone who just needs a place to stay and hates to rent – but if you want to fix it up and make a profit bringing it up to par may cost more than it will be worth when you are done.

The same problem can occur if the location of the home is bad – even a house with great bones just needed paint and polish can be a bad investment if it is in a declining or bad neighbourhood. The same is true for businesses – especially online businesses! There has to be value to the business, or at least the potential for profit or it simply is not worth bothering with.

For online businesses the ‘storefront’ is the website itself, and most of the time the actual site is not of any real importance – the domain name and the search-engine penetration is really what counts. Finding a site that shows up with all related keywords on several search engines that has a poorly planned or laid out front-

end is actually a great find – even if the products are not up to par the ‘bones’ are there and it is in a good location. Having a great domain name or one that is easy to remember is also a plus, although aliases can be purchased and linked to the site if necessary. Just as in flipping homes finding a bargain in an online business means you need to:

- Know the market
- Identify the strengths and faults
- Understand the costs involved and be able to fund it
- Be certain of a reasonable return on your investment

If you can’t meet these criteria then you aren’t looking at a bargain, you’re looking at a potential money pit and you should keep browsing. Even hot items go out of vogue (remember the beanie baby craze?) and if you can’t make money on it does it make sense to get involved even if it IS a hot commodity? Just like a certain stock commercial showing someone buying an item at auction then asking to put it back on the block turning over businesses is not the name of the game: making money is the game and that means passing on more sites and businesses then not until you find the ‘right one’ for you.

APPRAISING THE WEBSITE

One of the most important tools you have to appraise an online business is their web site – not just the way it looks and how functional it is but how well listed it is and whether it shows up on various search engines when queries are done against product it contains. It is not always a ‘bad’ thing if a web site is under par however, when you are looking for a bargain – many times small businesses have lower quality sites and rely on word of mouth for their sales, which may have restricted their growth and is easy to repair. The key items you should plan on learning about a business from appraising their website include:

- Overall look and ease of browsing the site
- Search rankings and how stable they are / have been
- Average costs vs. revenue generation
- Size and unique content of the site
- Current and past revenue
- Any affiliate, contact and link relationships and what agreements if any have been made. Judging the ‘value’ of existing links is also vital to assessing the value of a site
- Domains owned (.com but what about .edu or .gov or .biz?)

On paper there really are only two major factors you consider to value a website: the cash flow projection and historical revenues, and the costs to recreate the existing site. There are many other tools and data points that can be used and some very involved processes can be applied to identify many other attributes but when it comes to buying an online business the historical and future *value* of the website itself is all you are interested in. And when it comes to bargains it is hoped that the actual 'site' value is poor, but that the links and cash flow projections will be good enough to indicate the potential for real success.

Web site rankings and search engine algorithm statistics are also vital to the value of an existing site versus recreation as this is the principle way most users find products, by searching on the product name or manufacturer on a search engine and browsing the links that show up.

SAMPLE QUESTIONS

Ideally the business owner will be able to answer the following questions regarding their website, although you may have to explain some terms to owners that represent the true 'bargains' in online businesses since many of them really are running the site more as a hobby than as a business. Questions that you need details about whether from them or from available tools include:

- The type of revenue *model* used on the site
- Historical and current revenue
- Existing liabilities and debts / commitments
- Assets
- Keywords in use and how many are unique
- Number of competing websites / vendors
- Alexa ranking of the site
- Value of the domain name / brand
- Current and potential search engine traffic
- Convertibility of the site / tools used to maintain or create it
- Costs to recreate the site

TOP CRITERIA TO USE

There are no ‘hard and fast’ rules when it comes to evaluation the website for a business, but the two primary criteria should always be:

1. Profits:

A common valuation is to multiply by 10 times the net profit so a web site that brings in \$20,000 a year could conceivably be worth \$200,000.

2. Cost of Replicating:

Just as with other businesses why buy a ‘pig in a poke’ if you can buy another the same size with no problems? Once a clear understanding of all assets and debts is done if you can create the site, get it listed and a similar domain name registered etc. for substantially less then purchasing the existing site the value from profits should be reduced by this much since no ‘unique value’ exists.

In addition to this are of course some costs that are difficult to stratify such as:

- Target acceptance and brand recognition
- Domain name
- Availability of a ‘non-compete’ clause
- Site *Potential*

For our purposes the place we live and die is the last one: the POTENTIAL. The idea is to find sites that are undervalued due to one or more oversights on the owner’s part that can be quickly turned around.

TOOLS FOR WEBSITE APPRAISAL

We've mentioned several tools in passing already, and many of the bargains out there will be run by site managers who don't fully understand the importance of tracking their logs and financials so they probably will not be aware of those tools. Many site creation and management tools such as Microsoft's FrontPage can create log files and financial reports, but other tools which may be needed to obtain useful information include:

- [Alexa](#)
- [Overture bid tool](#)
- [Aaron's KW tool](#)
- [Domain appraisal tool \(free\)](#)
- [ClickBank Valuation Spreadsheet \(fee based\)](#)

LINK VALUATION

Having links to your page is generally a good thing, but to add value they need to be on older, high-traffic sites with a similar interest to the product or products you are focussing on. Questions you need to ask and consider when evaluating a site and seeing what links to that site exist include:

- How closely does the site linking to you associate with your niche?
- Are there many or only a few links from that site?
- What does the link look like, i.e. does it have a logo, just text, a description etc. and does it encourage viewers to follow it?
- Is it an older well established site?
- Does the link go directly to a subsite or to your homepage

Getting an idea of what links exist and where they point as well as the value and traffic of the originating site will let you know if there is added value there or whether.

IDENTIFYING REVENUE MODEL

One important aspect of evaluating any business is to understand the finances, assets and debts of the business. In the case of a website to fully understand the value of the site requires an understanding of what revenue *model* was being used for that site since that will play a key role in deciding if the site has value as a web-based business, or just a domain name. The types of revenue models a site can have include one or a mix of the following:

- No Model (informational only)

- Product based
- Donation
- Subscription
- Advertising
- Service

Identifying the revenue model, links and search engine ratings and customer base provide you most of the value of a web site. All that is left now is to understand any debts and expenses of the site.

EVALUATING DEBT

Any value an online business has needs to be offset by its' outstanding debts, and an understanding of which if any of those debts is assumed by a new owner. Some agreements are binding to the business itself with a term stipulated in a contract, be sure to get and review any such contracts during your evaluation phase to see what the terms, time-limits and costs are. Some typical expenses that you may wish to query about include:

- Web site hosting
- Merchant and Credit Card acceptance fees
- Advertising Expenses (online, printed, mailers etc.)
- Any "Pay Per Click," listing or link fees

- Administration Fees

DETERMINE WHAT IS INCLUDED

Obviously as you do all this research you need to be preparing notes on each aspect of the business, the website and products, and leave a “yes” and “no” checkbox on each as to whether or not they are to be included with the purchase on any offer you make. Items that you will of course need to obtain any value include but may not be limited to:

1. Domain Name registration transfer
2. Non-Compete agreement
3. Details of the status and agreements for any:
 - a. Leases
 - b. Contracts
 - c. Web Hosting
 - d. Administration services
 - e. Web Linking agreements
 - f. AdSense or other affiliate programs
4. Included Intellectual Properties such as
 - a. Logos and artwork on site(s)

- b. Trademarks and Phrases
-
- 5. Functionality including
 - a. Any code or 'back end' programs used on the site
 - b. Animations or custom forms
 - c. Passwords and necessary programs etc. to update or maintain the site

 - 6. Physical goods

 - 7. Source resources such as
 - a. Contracts with vendors
 - b. Supplier information and pricing

 - 8. Details of existing business plans and financials

Many resources are available both to review existing filings of contracts to purchase and sell and to create custom forms that detail specifics, and of course it is recommended that you have a lawyer well versed in the laws both in your state and the state in which the business is founded to review any contracts before signing them but once you have a clear understanding it is possible to use a 'boilerplate' contract and change the specifics as needed thus reducing these costs.

HOW TO DETERMINE MARKETABILITY

The appraising of the value of the site should have provided you with examples of 'low points' that you are using to decide that this site is a bargain and one that you can and should flip – the key is to understand the costs of correcting the problems with the business and the potential profit margin.

The best approach to determining marketability is to perform a survey or study to see how well the product would fair within its target audience. The costs of this of course needs to be balanced against the value of being able to show the potential to potential buyers for the site after you improve and correct the underlying flaws. Steps you can use to test a market include:

- Identify existing customer base either from previous owners records or obtain a list of potential buyers from a marketing firm
- Create a survey asking them to rate and rank
 - Their experience with the product(s) in question
 - Happiness or dissatisfaction with the process
 - Preferred price point
 - Any preference to contact methods

- Amount spent on this or similar product in the past year
- Satisfaction with
 - The product itself
 - It's packaging
 - Shipping and handling
 - Follow up from vendor
- Areas of interest to them / hobbies
- Personal data (age, ethnicity etc.)

Using government statistics you can now target the number of people in similar ethnicities and with related hobbies and interests, multiply that potential number of customers by the average price they are willing to pay to project a target market range.

RESOURCES

Perhaps the most important partner you can have when dealing with business transactions is a personal lawyer with a clear understanding of e-commerce law. All too often however the old adage of “Lawyers Kill Deals” can come true – even though the legal requirements and potential downfalls of blindly entering contracts with legal assistance is almost sure to cause you problems sooner or later relying *too* much on the expensive advice of legal authorities can defeat any hope of profits from e-business flipping. The key, as with most things in life is to strike a balance.

Ideally you will target specific types of businesses and purchases on which you will focus, this will not only allow you to quickly grow your expertise in making them profitable and understanding the market potential, but will also allow you to create custom forms and contracts that can easily be changed and modified for each successive purchase and sell that you enter. In cases like this seeing a lawyer to ‘perfect’ your initial contracts and processes can occur once, with all the costs then spread out over the life of your buying and selling of sites and businesses in the years to come.

There are many free and ‘low cost’ do it yourself sites out there as well with sample forms, listings of contracts from public sales and

filings and these can be a valuable resource to use in drawing up your own contracts or in preparing a contract to have reviewed by your lawyer. Many of these sites as well as some sample forms that you will surely need are included in this chapter.

TOOLS FOR APPRAISING A WEBSITE

We have spoken some about how to properly appraise a website and even provided a few links in the previous chapter, but it is worth mentioning the most useful tools and software commonly used in this chapter again so you can keep all of your resource links in one place. Most sites will have been created with specific software that can provide log files and site statistics – these are important and therefore the #1 list of tools should be a copy of the *existing* software the site was generated with and preferably the same version as well since changes and loss of features from one version to another can cause very serious problems! Other tools and a brief description of how they can be used include:

ALEXA DATA SERVICES:

A series of tools and web site services to allow you to check current sites traffic rankings, any related links, and the top sites.

Available components include Alexa's

- Web Information Service – (AWIS) obtains information on website traffic, links, contact info etc.
- Top Sites – Lists of top sites in search engines by WWW or Country
- Site Thumbnails – Programmatical access to thumbnails of home page sites for use in links or analysis of related or competitive sites
- Web Search – Allows embedded the Alexa web search into sites
- RSS Feeds – data from the tools above in RSS feed format

BID TOOLS

Tools to see what competitors are paying for advertising to specific markets suppliers of such services include:

- [SEO](#)
- [Yahoo! Search Marketing](#)

- [Adlab](#)
- [MSN Adcenter](#)
- [IndustryBrains](#)

WEBSITE VALUATION TOOLS

Much of any online businesses value is in its domain and web site so correctly assessing the value and market penetration is important. Some common and useful tools to help you get started doing this include:

- [Domain appraisal and listing tool](#)
- [DNforum](#)
- [Self Appraisal Test](#)
- [Zetetic Appraisal](#)

MISC. SITES WITH LINKS AND TOOLS

- [SEO Consultants Site](#)
- [Keyword Tool](#)
- [Domain appraisal and listing tool](#)
- [Sites for Sale at SitePoint](#)

DISCUSSION FORUMS

[Business Owners Idea Café](#)

[Business Talk](#)

[Captain Kirks Internet Marketing](#)

[High Rankings](#) (Optimization forum)

[Home Business Online](#)

[My Own Business](#)

[RevBoard](#)

[Search Guild](#) (Optimization forum)

[SEO Refugee](#)

[SitePoint](#)

[Small Business Ideas](#)

BUSINESS FORMS

There are many forms and contracts that you will need to have available or have custom created for you – fortunately many samples and filed examples already exist, and with a little care you can use these to create documents that should work for you. It is still recommended that you have a lawyer look over any contracts of course, but in certain low-volume sales where profits are tight use of free or sample forms can make the difference.

LINKS TO FREE AND FEE-BASED FORMS

<http://www.urgentbusinessforms.com/>

http://www.business.gov/appmanager/bg/main/bg_page_businessResourceLibrary

<http://www.sba.gov/library/forms.html>

<http://www.onecle.com/>

<http://smallbusiness.findlaw.com/business-forms-contracts/business-forms-contracts-popular/>

<http://www.1stoplegal.com/forms/category.htm>

<http://contracts.onecle.com/wipro/peripherals.sale.2000.08.30.shtml>

<http://www.referenceforbusiness.com/>

<http://www.businessnation.com/library/forms/>

SAMPLE FORMS

One of the most important forms you will use will be the ‘non-disclosure’ agreement that both you and the seller need to sign prior to entering negotiations, so this one really should be created by a lawyer specific to your interaction, however samples can be found online and on fee-based sites and we will list those later.

The other most important form is the actual “Bill of Sale” for the business in question, as it needs to be very specific as to what is

and is not being transferred. A sample Business Bill of Sale follows:

Bill of Sale for Business

KNOW ALL MEN BY THESE PRESENTS, that
_____ [seller], an _____ (state)
_____ (company type) hereafter referred to as the
"Seller", in consideration of the promises, covenants, conditions
and agreements of _____ [buyer], a
_____ [specify state] _____ (company type)
hereafter referred to as the "Purchaser," pursuant to a certain
Purchase Agreement (the "Agreement") among seller and
Purchaser, does hereby grant, bargain, sell, transfer, convey, assign
and deliver to Purchaser, specified assets of the Seller's business
consisting of the following:

- a. All accounts receivable owned by Seller as of [specify date]
as listed on Schedule A annexed hereto and made a part
hereof.
- b. All right, title and interest in and to the name [specify name]
which name Seller warrants and represents to be the only
tradename and trademark used by Seller in the course of its
business.
- c. All inventory listed on Schedule B annexed hereto and made
a part of. Seller represents that said inventory provides

certain of the parts, supplies and other items necessary to fill the orders on Schedule C hereof.

- d. All of Seller's orders from customers as listed on Schedule C annexed hereto and made a part hereof. Said orders are represented by Seller to have a net sales value of not less than _____ [specify amount] as of _____ [specify date]. The term "Net Sales Value" is hereby defined as the sales price, less any trade or cash discounts or allowances, returns or reworks which may have been granted to the customer prior to the date hereof.
- e. Specified machinery, equipment, etc. as listed on Schedule D.
- f. All of Seller's right, title and interest in and to its list of customers (although some may not be currently active), together with all other historical records, documents, blueprints, parts specifications and quantities sold. The list of customers is represented by Seller to be essentially all significant customers sold by Seller within the last _____(numerical) years and is set forth on Schedule E annexed hereto and made a part hereof.

TO HAVE AND TO HOLD THE SAME UNTO THE
PURCHASER AND ITS SUCCESSORS AND ASSIGNS
FOREVER.

And said Seller hereby covenants to and with the said Purchaser that Seller has good and marketable title to all items to be sold, transferred, assigned and conveyed hereunder, subject to no liens, claims, encumbrances or restrictions of any kind, has the right, power and authority to, and hereby does, sell, transfer, assign and convey all of said assets free and clear of such liens, claims, encumbrances and restrictions. Said Seller hereby covenants that it will warrant and defend same against all lawful claims whatsoever.

IN WITNESS WHEREOF, the Seller has set its hand this _____ day of _____, 2XXX.

WITNESSES:

STATE OF [SPECIFY STATE] _____ COUNTY
OF [SPECIFY COUNTY] _____

BEFORE ME, the Subscriber, a Notary Public in and for said County and State, personally appeared [specify name] of [specify company], the corporation which executed the foregoing instrument, who acknowledged he did sign said instrument as such officer on behalf of said corporation, and by authority of its Board of Directors, and that the execution of said instrument is his free and voluntary act and deed individually and as such officer, and the free and voluntary act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal this _____ day of _____, 2XXX.

Notary Public, State of [specify]

CONFIDENTIALITY AGREEMENT

Before requesting information or supplying details of your business plans or prospects a signed confidentiality agreement to ensure that your seller doesn't 'leak' that you're interested and start a bidding war, and to acknowledge that the personal and private information you are requesting from the owner to properly evaluate and rank their business to allow you to make a fair offer will be kept secret needs to be drafted and signed. This is a highly specific document in most cases, but a basic example follows:

This Confidentiality Agreement is executed as of _____ (date) between _____ (company name) its parents, successors, subsidiaries, and assigns hereafter referred to as the "Company" and _____ (your name), his/her/its spouse, heirs, subsidiaries, parents, successors and other legal representatives for the establishment and further continuation of

assessing the potential purchase and value of _____
(company) to which the parties in question agree as follows:

1. Length of terms (Specifics on how long the agreement is in effect, when it starts and ends etc.)
2. Warranties (Understanding and agreement that no breach of existing agreements or confidentiality, trade secrets or proprietary information not needed for proper evaluation of the business shall be disclosed)
3. Confidentiality (specifics on what each party will NOT be allowed to discuss under penalty of law with any outside parties)
4. Proprietary Information (specific details of what is considered proprietary in this context and establishment of terms and timelines under which information requested will be provided)
5. Details of costs (states who pays for what expenses in connection with preparation and prosecution of parties to gather information or in the event of breach of contract)
6. Non-Compete (Agreement that should a sale not occur the information and customer lists etc. cannot be used to form a competitive company)
7. Attorneys' Fees (specifics on who pays for any necessity to enforce, interpret or gain a judgement regarding this document)

8. Modification Agreement (Specifics on under what conditions and methods the agreement can or will be updated)
9. Terms (definitions of terms and 'prior understandings')

This Agreement is to be construed pursuant to Laws of the State of _____. Jurisdiction and venue for any claim arising out of this Agreement shall be made in the State of _____, County of _____.

Receipt of Copy. Signator hereby acknowledges that he/she/it has received a signed copy of this Agreement.

BY:

BY:

Title_____

Title_____

Signator _____Company

Date _____ Date _____

LETTER OF INTENT

Another of the most important forms that you will be using is called the “letter of intent” which specified in a NON-LEGALLY-BINDING manner what your intentions are, and what will constitute an actual contract or agreement and at what time. Care must be taken to avoid terms like “Will negotiate towards” and “In good faith” since those could become argument points should a disagreement occur and may tie you into forming some type of deal should they wish to pursue legal recourse. A good letter of intent may have some or all of the following attributes:

- Total compensation being offered with breakdown of types and dates of payments if appropriate
- Warranties of any marketable titles
- Clear definitions of Tax liability limitations
- Detailed assets and liabilities to be included and clearly stated terms that no liabilities *not* listed are to be assumed
- State of all assets and web sites at the time of purchase and allowing for adjustments in compensation should
 - a) Undisclosed liabilities appear or
 - b) Inventory or equipment doesn't match stated amounts
- Provisions and terms for handling events such as
 - a) Inspections are not passed or

- b) Verification of financial statements, licensing and lease transfers is completed within the time(s) specified
- c) Failure to sign or follow a non-compete or non-disclosure clauses
 - Allocation of purchase price
 - Settlement and “drop dead” dates

The actual goal of a letter of intent is really just to outline the major terms of a transaction and in many cases simply defaults to a ‘binding purchase and sale agreement’ that specified the same aspects. Which approach you choose is up to you.

BOOKS AND LINKS

There are many good books that can be used for business flippers and that contain good guidance on turning a business around or how a ‘good’ sale should be handled. Many can be checked out of your local library or found online or at used bookstores. A partial list of some of the most useful books and online articles includes:

1. **A Crash Course on the Digital Marketing Vendor Landscape: The Desire To Acquire & The Urge To**

Merge by Cliff Kurtzman

2. **Hand in Hand** by John McCormick
3. **Case Study: Flipping a Site for Profit** by Jeremy Wright
4. **Case Study - Once I Bought a Website...** by Jeremy Wright
5. **Dot-Com For Sale** by Robyn Greenspan

I Want To Sell My Site Forum , *Get High (Traffic) Forums,*
JimTools

TIPS FOR PURCHASING

Once you identify a site that you believe is underperforming and has value, enter negotiations and get agreement on the terms of the consideration the next step will be the actual review of the value of the site, making an offer and of course purchasing the site and business. One of the most important aspects of setting a price and purchasing it is to do a clear analysis of the target audience that the site is aimed at, the effectiveness of the site at accomplishing reaching that audience and the potential for reaching that audience in the form of search engine listings, cross-links etc. but to make a site a bargain you need to identify one or more problem areas that can be corrected and thus increase its' value.

IDENTIFYING A PRICE

As we've mentioned previously one rule of thumb is to multiply times ten the yearly profit the site has produced historically, but when it comes to spending money you obviously want to do all you can to minimize this number. If historical trends point to a downward spiral you can use that as a bargaining point and 'project' a valuation that reflects the continued downward trend into the next year as an *estimated* income and then multiply times that to reduce the value. Problems or common assets that are

missing can also be used as points to further reduce the cost – if a site for instance has lots of custom animations that need to be changed due to a sell and no ongoing agreement with the web designer you can list that potential expenditure as debits in your analysis and reduce the offer by that amount.

A certain amount of ‘knocking’ is to be expected by the owner, but you don’t want to come across as negative: in most cases the site owner will have a personal interest in the site and business and will be insulted when you point out existing problems, even if they know that you are telling the truth. Ideally you will explain that you like what they have done but that your past experience and market analysis shows that in this particular market ‘x’ approach typically works better, and making those changes will cost you ‘y’ amount and therefore you need to reduce the offer by ‘z’ to ensure profitability.

FORMING AN OFFER

As we discussed in earlier chapters about analyzing the site and resources to form letters of intent and formal offers you need to be very careful with any wording not to ‘tie yourself in’ and to make all offers contingent upon the inclusion of all assets you desire and a clearly detailed exemption from any existing debts or unwanted engagements. The initial offer that you come up with may very

well stipulate certain information that will need to be researched or identified as well, so costs involved in obtaining that information need to be mentioned in the offer as well as who will be responsible for those costs both if the deal goes through and in advance.

EVALUATING YOUR OFFER

As mentioned previously much of the value of an existing site, whether an e-business or a community-based site to generate revenue from advertising etc. is rather intangible, but tools exist to help gauge the valuation. Several of those tools and some discussion on how to use them in evaluating your offer follow:

ALEXA

This is not so much ‘a’ tool as a series of tools and web site services all designed to allow you to check a sites search-engine rankings, links, and the top sites for a specified focus area.

Available features include the Alexa

Web Information Service – (AWIS)

Use this feature to get details on the website traffic and ‘meat’ of the site – who is listed as the contact, links to the site etc. In many cases poorly run sites can be identified by outdated contact information or very few links which can be both a good point for a business ‘flipper’ looking for aspects of a business or site to change, but also a bargaining point at this stage of the process.

Top Sites

This feature is used to list the top sites in search engines by WWW or Country for specified focus groups, which can be useful in identifying the ranking of the site in question as compared to those it competes against. Often a site may be considered a ‘top’ site due to traffic and search engine ratings, but have little to no revenue generation based on that. This is especially true of ‘informative’ sites that have been up over time but never aimed at creating revenue as such.

Site Thumbnails

This is less useful in forming your bid but an interesting feature all the same – allowing access to a thumbnail from a home page for use in links or analysis this could be used in a bid package to show examples of competing sites that are successful and may also be useful later on when selling the site.

Web Search

This feature allows you to embed Alexa web search data into sites, not useful at this time.

RSS Feeds

Allows the data collected from the tools above to be accessed in RSS feed format, not useful at this time.

ESTIMATE ADVERTISING COSTS

Most likely a bargain site such as we will be searching will have little to no advertising, but the need for incorporating this to turn the site around can be a selling point to bring up. This is especially

useful for cases where existing owners with little capital are not seeing good returns and need a little ego-stroking, explaining during negotiations that you like the site but see that little advertising has been done which may explain why it is underperforming allows them to feel justified that any lack of growth is not their fault. If you use tools such as SEO and various “Bid Tools” available from Yahoo! and MSN you can easily identify the types of fees and costs per-click that competitive sites are paying and point that out as a necessary cost of growing the business and therefore a debit, even if you don’t believe it is necessary at this juncture to initiate yourself!

A few of the tools we have previously mentioned can all be found on the excellent [SEO](http://tools.seobook.com) resource site at <http://tools.seobook.com> include:

KEYWORD TOOL

This tools pulls the Overture keyword top phrases and links to other keyword tools such as view bid, Google™ Suggest and AdWords Sandbox tools, NicheBot etc.

KEYWORD MISSPELLINGS

Often sites, especially undervalued ones such as we are seeking will not have thought to include misspelled keywords, this tool helps to identify the common errors for keywords and thus identify what you should have in your search engine(s) keywords to draw your target audience to you.

GOOGLE SUGGEST SCRAPER TOOL

A great Google™ tool that lists common phrase searches

LINK ANALYSIS

Tools from [Linkhound](#) such as “[Back Link](#)” and “[Link Harvester](#)” allow you to gather information on sites linked to your domain and thus see if there are adequate emplaced links and if they target the correct audience for the product or focus of the site.

A few other useful link tools include [Reciprocal Link](#) scripts, and [Link Popularity](#) tools.

Obviously the purpose behind all of this is to quantify your offer in such a way that the owner will see the value behind what you are offering them, and hopefully understand that ‘their baby’ will be well taken care of and not just dismantled. Many of the bargain

sites you find were started not so much as a business venture but as an act of love, and this focus on information rather than revenue generation is both what makes them tempting to you as a ecommerce flipper and a challenge to purchase, since the owners often will have irrational fears of someone ‘ruining’ their site by making it too commercial.

At this point you should have an idea of how much you want to offer for the business, and about how much it is valued at. Some items you need to take into consideration before drawing up an offer include:

- How you will pay for it
- Time to close escrow
- What all will be specified to be included in the buy / sell agreement
- What if any training and software is to be included and a timeframe
- Specifics such as inventory included, adjustments to same based on sales during escrow etc.
- Details for arbitration and mediation in place and signed by both parties

FUNDING

Ideally you will have cash on hand to fund your offer, but do accomplish this you may need to arrange financing or a loan.

Some common sources that you may consider include:

- “Self Loans” from 401K or IRA accounts (normally within 30 days)
- Mortgage on owned property (should be done in advance)
- Business loan from SBA or bank (often 60-90 days)

As with gambling there is a saying in business that you should never risk capital you can't afford to lose – in other words don't bet your life savings on making a profit. Of course without risk there is no gain either, and the difference between a steady but low 3% return and several quick 10% returns even if you lose your capital some of the time can still put you ahead in the long run!

BRINGING DOWN THE PRICE

The discussion you have with the owner prior to setting your bid in writing is vital to whether they are likely to accept your offer, and how they will feel about it. You want to be sure they feel you ‘are good’ for their site and won't completely discredit their efforts but at the same time you need to clearly identify the problems and issues that you will need to correct and the potential costs of doing this.

POINTING OUT THE PROBLEMS

If you have a discussion and bring up issues such as advertising, linking and profitability and how active the market they are in appears to be you can drop hints in a friendly way as to what ‘past experience’ has shown you in such a manner that you do not seem to be confrontational or making ‘selling’ points but rather being friendly. For example when discussing a product line if they say something like

“My customers really like this one, it’s popular and really holds up” at this point you might say something in response like

“So I guess you don’t see a lot of repeat sales to the same buyers for that item then, but hopefully since you did them right they come back to you for other things. I know on some of my other projects I had to invest in some marketing and contact tools to encourage that sort of behaviour which was expensive but eventually paid off. What kind of customer contact management tools are *you* using right now and have you had much success with repeat sales?”

This type of conversation is vital to setting the tone as well as helping to obtain the background necessary for your offer, and if

you keep notes you can use these facts in a coversheet explaining your bid. An example of how to accomplish that might include:

“Dear Mr. Bunton, please find enclosed my proposal for the purchase of your company “Amstaff Motorcycle Accessories.” Review it and let me know your thoughts as soon as possible please.

I know that this was just a part-time business for you and that you relied mainly on word-of-mouth for advertising and feel you have done a lot with the company up to this point so do not wish to slight you in any way, but my market analysis has shown that significant advertising and link rating work will need to be accomplished as well as efforts to encourage repeat patronage all of which will be costly to grow the business. In light of this and your excellent work on growing the business so far I have made as fair an offer as possible but may be willing to reconsider certain aspects of this offer should you wish to propose changes. Aspects that went into my determination of the sites value include:

- *Monthly income estimates*
 - *At most a ‘5x’ multiplier in this market would apply, and I see only an average of \$400 in*

sales a month over the life of the site considering the slow winter months.

- *Costs to recreate the site content and web design*
 - *You have done an excellent job with the web design and I estimate recreating it would cost a graphic designer and web site manager (amount) but much of the content and structure will need to be changed after the sale so I am not able to include the full value of the existing page in my considerations. I expect about \$5,000.00 in costs to move and recreate the page as needed to capture the target audience so this was a major factor in my offer.*
- *Inventory on hand*
 - *You have listed a fair return for the on-hand inventory and I feel my offer will be acceptable to you, however I do wish to point out that I may be able to purchase product in bulk for a much lower price point than you were able to in the past, so much of my offer for inventory is based in part on good will and other value of the business and not just the product.*
- *Search Engine rankings*
 - *Your search engine and reciprocal link status results are very good for a home-based*

business, but my analysis show a few significant problems which may cost some time and money to correct and therefore have impacted my offer somewhat as well

Whether you accept my offer or not I thank you for your time and consideration so far - I look forward to a response at your earliest convenience!”

Since this cover letter will not be part of the official offer as such it provides an excellent opportunity to both introduce what is coming in the offer and to remind the owner of past discussions and issues that affected your decision. You may also wish to assure the safety of the escrow service you suggest in your bid, provide relevant contact information to them and your lawyer(s) etc. in this cover letter even if you have previously done this as well to help expedite matters and keep everything readily ‘at hand’ for the owner.

With luck your bid will be accepted ‘as is’ or with reasonable changes and after closing you will now own a business that is ready to be turned into a profit!

TURNING IT AROUND

If this is your first time turning around a failing business you should first go to the library or used college bookstore and pick out some books on ‘micro-economics’ to learn the basics of business structure and how the free market economy works. There really *is* value that those MBA’s get from their education (for the few who apply it) but it isn’t in the piece of paper showing their credentials: it’s in the information they are exposed to from courses that you can study on your own. In economics there is a term called the ‘invisible hand’ that refers to a process in which the outcome can be determined in advance in an open-ended way without specific agreements or coordination but simply by the interaction of various elements of the transactions. In the free market a man named Adam Smith applied this theory by saying that:

- Most purchasers want to pay the lowest price possible
- Most sellers want to charge the highest price possible thus
- Purchasers direct what goods are sold

This is an extremely short and ‘example oriented’ summary of the invisible hand concept, but it demonstrates that you have to sell what’s selling and at least what *will sell* and that the consumer or marketplace controls that not you or the supplier. You can have the best darn buggy whip in the world at a price point that all but

breaks the bank, but if no-one is using buggies anymore wouldn't you rather sell them as ornamentation or decoration? The *market* drives more than the selling price – it drives what products you as a seller should be selling and in what arenas.

This same concept stipulates that there are really two ways to influence others and get their cooperation:

1. Appeal to their good nature or friendliness
2. Appeal to their self interest

Of the two Smith found that appealing to someone's self interest works best and most reliably, and in a free market economy when sales are involved that means providing them something they want at a price they can afford with *some* advantage that others are not offering.

POTENTIAL ISSUES:

One thing you should have been careful not to obtain from the original owner is problems and copyright violations but sometimes even with the best wording and research unforeseen problems can arise that have the potential to cost you during your flip. Some areas you need to be certain you check during your revamp and

renovation of the business to be certain you can list them as ‘assets’ and not debits include:

- **Software**

The software used to create and manage a site can be a benefit or a problem, depending on many factors. Be sure you can work it, that you understand it’s’ capabilities and that the site is taking full advantage of the features it has to offer.

- **Artwork and Graphics**

Colorful graphics and exciting web design are useful marketing tools, but if you don’t know for certain that these aspects of the site are not ‘lifted’ from copyrighted sources and that there are not any pending lawsuits, complaints or trademark violations on any of the site’s content you may wish to invest in an artist on your own.

- **Site Placement**

Again efforts to understand the site hosting and transfer of domain information etc. will have been detailed in the buy and sell agreement(s) but sometimes there are unforeseen problems with one or more aspects of taking over an existing host account. Considering relocating to known server farms and changing the URL to point there may be a worthwhile consideration ...

CORRECT ANY BUSINESS MODEL ERRORS

Odds are good that you chose this business because the owner didn't have a clear understanding of what it takes to make a business a success or didn't have the time to dedicate to the business to make it viable. In either case the chances that the best business model possible for the site is not in place and it may make sense to change the existing model. For instance, if they have an informative page on a specific model of a motorcycle and have relied strictly on affiliate links for income they may be missing out on an opportunity to provide subscription services the many people who visit their site. Changing from the existing model to a subscription model would provide funding, a sense of 'ownership' from members and enable additional information gathering on visitors to the site for use in direct marketing and sales.

Some examples of common business models that may be useful include:

- **Subscription**

Created by magazines the concept is members join and pay a fee for services or access to a product.

- **Razor and Blades (aka bait and hook)**

A model in which a 'base' unit such as a razor that requires ongoing sales to upkeep (called tied products) is sold at a reduced price or even below cost to gather profits from subsequent sales. Modern printer sales often use this approach with the cost of the printers being less than the cost of replacement cartridges!

- **Multilevel Marketing**

A model in which both direct and franchising sales are accomplished, common in 'pyramid' type schemes this refers to the ability to sell product directly or if they become a franchise at a reduced rate thus encouraging *them* to help sell the product as well.

- **No Middleman (Disintermediation)**

Rather than using traditional distribution the manufacturer sales directly themselves.

- **Online Auctions**

Bids for a product or service are what is bought and sold – not necessarily the actual goods but the 'service' of providing the backend or resources to make the sales is itself what you are selling. Popularized by eBay this is an online version of auctions where fees are paid to a skilled

professional who handles the transactions for numerous others to enhance or make a sale.

- **Bricks and Clicks**

A model where both stand-alone and online sales are handled simultaneously.

DOES THE BUSINESS MODEL REALLY MATTER?

Studies at MIT and other areas do indeed show that some models perform better than others. [Thomas Malone](#) for instance in 2006 determined that of the four main business models they studied cash flow varied for each and some performed better than others in a given market.

IMPORTANCE OF SHIPPING / RECEIVING

Perhaps the most important thing an online business that sales actual product has going for it is how they handle getting the goods and services to the customer. For the software industry a growing number of ‘downloadable’ business are emerging, but they have discovered that many customers even when they wish to obtain the product immediately insist on also having a copy sent to them physically. There simply is no substitute for getting physical possession of your object quickly and securely when it comes to online or catalog sales – at least in the eye of the customers!

WHY THE POST OFFICE ISN'T ENOUGH

There is no denying that the United States Post Office is an incredible resource and a great business, but even though it is cost-effective and for the most part reliable there are certain drawbacks that make it a less effective resource for the online business owner than it might at first glance appear. The post office is easy, it is one of the cheapest, and often reasonably fast – but the level of care and ability to track is lacking, as is the insurability. Yes you can buy insurance from the post office, but trying to collect can be time consuming and difficult and it is needed far more often than insurance from other carriers!

Depending on what product or services you are in the business of providing choosing the best delivery service and putting processes in place to notify your customers immediately of tracking numbers and shipping dates as well as projected delivery dates goes a *long* way to turning an online business around. Many companies like UPS, FedEx and RPS have built-in tracking notification systems where tracking numbers can be emailed to the customer and yourself when the product is scanned, and even tracked online as the package travels towards its' goal. These are by far the better carriers to use when possible!

ALTERNATIVE METHODS

Even if you are selling goods and services and not providing information or generating revenue based on advertising or services drastic changes to the company structure can result in massive savings and efficiency increases. For instance having an external fulfilment house handle the storage, inventory, packaging and shipping of any goods that you sell online can free up vast resources, as well as making selling the online business much easier for you since no physical goods to transfer or move exist. Some examples of fulfilment and drop shipping firms include:

- iFulfill.com (www.ifulfill.com)
Based out of Maumee, Ohio, iFulfill has been around for several years
- eFulfillment Service, Inc. (www.efulfillmentservice.com)
Based in Grawn, Michigan, close to the Canadian border
 - [Worldwide Brands](#)
 - [The Shipper](#)
 - [Wholesale & Dropship](#)
 - [eBay Selling Ideas](#)

IMPORTANCE OF CREATING A BUSINESS PLAN

Since you are building the business with the concept of selling it for a profit you have *got* to have a business plan. A business plan is a tool commonly used by management and businesses of all types to create a list of objectives and timeframes that they are working towards. The document tends to be dynamic, meaning that it changes often and needs to have clear goals and timeframes as well as details on risks involved and how you plan to manage the risks and returns.

Business plans are all but necessary for investors and lenders since they provide a 'blueprint' of how you are going to use the funds they provide, and are a great selling point to potential buyers since

it provides them both ideas on how to proceed and assurance that you have given thought to the future of the company.

WHAT TO INCLUDE

A [good business plan](#) will include a brief description of the business structure, the date the business was started or registered, projected costs and funding needs, and details of the product or services the business is going to provide. It also should discuss aspects of the ongoing business details such as:

- **Marketing**

Describe the target market, past sales, opportunities for expansion, price points etc.

- **Operating Specifics**

Detail necessary equipment, facilities and suppliers and any plans for streamlining operations or changing vendors

- **Personnel**

Any web managers, graphic designers or service companies such as the hosting business or credit acceptance groups should be detailed as well as the details regarding their pros and cons and alternatives to consider. Other 'key' persons

such as Lawyers, Accountants etc. should be mentioned in this section as well.

Perhaps most importantly a good business plan is fun to read, has an executive summary that clearly outlines the basic game plan and timeframes, and helps to set the tone for the business.

INCREASING THROUGHPUT

The most important aspect of an online business is the traffic it generates and how many of those visitors result in a sale of some kind. The easiest way to increase the volume of visitors is to make sure your keywords are relevant (and included in the website header) and that you are listed in all the [top search engines](#). There are many companies who specialized in optimizing your site for search engine performance and in getting you listed on all the sites but again this is something that you can research and do yourself without much cost and only a little investment of your time, and as with any 'sweat equity' the payoff is greater the more of the work you can do yourself! Some keys to improving your sites search hits include:

- **Carefully pick your keywords**
 - Use common misspellings of those keywords as well

- Include all keywords in your web page title header

- **Place crucial keywords on your sub pages as well as the titles, preferably as ‘high’ on the page as possible**
Avoid placing keywords inside tables or columns which may throw off search engines

- **Include valuable (and relevant) content**
The more useful your site and the more valuable it is to your target audience the more traffic you will have and the more potential revenue you will enjoy. Consider hiring a content writer to produce some content for you if you don’t have any ideas – e.g. www.exquisitewriting.com

- **Avoid Frames and Dynamic pages**
When it comes to search engines these ‘neat’ features can kill your stats. If your site has frame links be sure you have alternative methods to enter and index as well!

- **Links**
Link analysis is an important part of ranking a site but not just ‘any’ link is good, links from well-established and pertinent sites will do a lot to enhance your page rank.

- **Submit yourself**

Don't rely on 'automated' systems to submit your site(s) – there are only a few quality search engines to list with anyway, so take the time to do it yourself and ensure that quality submissions of the top two or three pages is done on each. Verify your submissions a month or so after submitting (about how long it normally takes) and update as necessary.

MANAGING COSTS

Many times existing suppliers and host sites may not be ideal for the business need and substantial savings can be obtained by changing the provider or supplier. Be sure to understand and account for any 'hidden' costs associated with this though such as early cancellation fees, existing contracts and correcting issues that might occur from porting a site to a new location or server.

FINDING REVENUE SOURCES

Sometimes hiring low-cost professionals such as [Webspinners](#) to create or update a web site can be a worthwhile investment, and often a return can be found simply by suggested inclusions such as AdWords or banner page inclusion, but to really maximize the

return on your investment you need to keep costs low and utilize every option possible to bring money in from the site.

ADVERTISING

If you generate a lot of traffic for a specific type of consumer selling space to advertisers who target your chosen group and whose products would be of interest to your customers is a good match. Be careful of the so-called “tampon tragedy” however, where you sell time or space to products that have no interest to those who are subjected to them and risk alienated your user base! Having links to used game companies on a web site about gaming techniques would be a great match – a foot odor product ad on the same site probably is not however. Use common sense and don’t just be lured by the \$\$ offered.

AFFILIATE PROGRAMS

Affiliate programs are a very attractive new method of garnishing income from existing sites. In effect with an affiliate program you are selling space “for advertising” to companies who then dynamically target users with advertising and pay you a commission based on results. Often starting slow even on high-

volume sites affiliate programs can over time achieve significant amounts of income and the projected profits look great in a syllabus or business plan when it comes time to sell! Looking into programs like AdSense and AdBrite should be a first step in revamping any online business that has good traffic.

WEBSITE BASICS

Just as your resume is the first thing a prospective employer has to judge you by, your webpage is the first impression that a would-be customer has about you and your business. Does it look nice? How long does it take to load? Is the main page useful and easy to navigate? These basics may not seem important but studies have shown that failing any one of these crucial first impressions will most likely result in a customer leaving your site.

All too often flashy graphics and animations are forced on visitors without thinking about how frustrating it may be to a repeat visitor or someone with slow web access. Your goal should be to maintain a *nice* look and ease of use on a page that loads as quickly as possible. Within that framework you need to accomplish your goal, whether that is directing them to products to buy or providing information and advertising that generates you revenue and meets their need.

It is commonly accepted that the ‘neater’ the website the better – but have you ever sighed in frustration as you waited for a flash animation to load or tapped your keyboard waiting for a page to clear? I’m willing to bet you have at least once. In the world of business flash is good *only* if you can achieve it without costing

customer frustration or delays in payment. Keep that in mind when designing or rebuilding a website!

Since we are dealing with pre-existing businesses and online sites the temptation to just ‘clean up’ the existing site and make a few changes will be great – but you really should consider whether starting from scratch is the better option. In many cases use of proprietary software and techniques may have created a dinosaur of a web site that is slow, cumbersome and will be expensive to host or maintain. Can you get more bang for your buck starting over? If so what approach should you use? If you *are* going to work with what you have where should you start? These are just a few questions that you need to consider right up front.

TOOLS YOU SHOULD USE

Ideally you will have a copy of the exact version of software that created the site in question. You also need to be CERTAIN that you have a backup of the complete site before you make any changes at all – especially if you are using an updated or slightly different version of software than the one that created the site. All too often changes and removal of pre-existing features in HTML creation packages from one version to another can cause changes and sometimes data or functionality loss that cannot be recovered from – spending a little time on customer support *up front* even if

you have to pay \$200 to \$300 for a support incidence may well be worth it if you avoid losing custom functionality or data that is inherent to the value of the site.

Some form of browser of course is a must, as is a basic understanding of the hypertext markup language (html) and the latter-day coming the eXtensible markup language (xml) even though most web site management software handles all this more or less seamlessly for you.

In our list of resources we provided a lot of web-based tools for analyzing your site and its links, most software will allow you to view logs and data on the site itself as well and some tools like Microsoft's FrontPage even incorporate advanced functionality through server-based components that can automate many otherwise custom functions such as site searching, feedback forms etc.

WORK WITH WHAT YOU HAVE

Even if you rebuild the site completely there should be graphics, layouts and other attributes that you can incorporate into the new site. Reusing what you have and what makes the page memorable not only ensures a smooth transition for users who are familiar with the page but cut costs to you in having to pay to recreate

graphics and artwork or custom animations or forms. Of course be certain that your purchase included all rights to these features first – a lawsuit can really ruin your chances of making a profitable site!

IMPROVE THE INFRASTRUCTURE

Whether to use an external host (recommended IMO) or set up a dedicated server is one major consideration in infrastructure processes – most likely ‘flipping’ businesses will be hosted by a provider but it is not unheard of for someone to have a dedicated server with a DSL or T1 connection that will either be transferred with the business or from which you will need to port the site and data. Any database components and back-end software in use needs to be carefully reviewed and if changes are to be made be sure to research them and back up your existing systems and files first. The tales of woe that an Oracle or Access support engineer can tell you about someone just doing a simple upgrade would chill your blood!

Besides the physical residence of the page infrastructure components more likely to be within your realm to address include an understanding of the features and speed issues that can be caused by the underlying servers of the host platforms. Many performance issues or browser incompatibilities are simply caused by a lack of understanding or investigation into the features the

provider has available - for instance many Microsoft FrontPage extension enabled sites are available which allow you to use dedicated html code generated by FrontPage for many advanced features: but first you have to ask for the extensions to be enabled. You may also have access to a Unix-based server if you have a site optimized for Apache at no charge from the host if you just think to ask. Identifying what you are dealing with and playing up your sites strengths and features to take best advantage of that underlying infrastructure can reap some pretty big gains with little to no capital outlay.

With many pages a good place to start is by paying a visit to the <http://validator.w3.org/> site and seeing if the code is correctly generated and conforms to the w3 validator standards. In some cases (such as FrontPage) the program used to create the page may need to make changes such as removing custom comments or adding Doctype definitions before valid errors can be shown, but cleaning up your code base can both speed performance and enhance violability for a greater variety of browsers.

CREDIT ACCEPTANCE

Getting paid is what business is all about, but surprisingly many online businesses rely on archaic and outdated systems or even money orders and checks only, vastly restricting the number of

people who are willing to do business with them. In today's economy if a user can't pick up a phone or at least go online and use a credit card to pay they are likely to just move along to another site to place their order. And today there really is no excuse not to accept payment in one electronic form or another – even if you don't want to pay monthly fees to acceptance corporations online payment systems such as www.paypal.com can provide code to embed into your site(s) and 'cart' systems that handle all the work for you while supplying a secure checkout environment for a reasonable fee. The types of acceptance accounts available and a few examples of each include:

ECASH ACCOUNTS:

Electronic check or cash accounts are fairly 'new' but are becoming so popular that some people are beginning to think that they will *become* the new banks of the future. Just as with banks funds are transferred from one account to another can be withdrawn or transferred upon request to various bank accounts or notes. Vendors include:

- [PayPal](https://www.paypal.com) <https://www.paypal.com>
- [Ecount](http://www.ecount.com) www.ecount.com
- eCash <http://www.ecashtechnologies.com>
- ProPay <http://www.propay.com/>

- Paytrust <http://www.paytrust.com>
- PayByWeb <http://www.paybyweb.com>
- Western Union's MoneyZap <http://www.moneyzip.com>

MERCHANT ACCOUNTS:

Including companies such as 2CheckOut.com, Authorize.Net, Cybersource.com, as well as many local banks (such as Bank of America, Washington Mutual, and Wells Fargo) this is a typical acceptance type account where you can call in the numbers or run via a scanner as necessary.

PROMOTING THE SITE

One of the most important things you can do for you flip is to enhance the visibility and search-engine prominence of your site.

Some keys to accomplishing this include:

- Clean crisp designs and graphics
- Proper use of keywords at 'top' of pages and in headers
- Use of *header tags* for the H1, H2 and H3 variety for keywords to enhance visibility
- Use of keywords in hyperlinks whenever possible

- Avoidance of frames and ‘non-standard’ or validated HTML code
- Submission of your site to the major search engines
- Check your site index via tools such as [Google Sitemap](#) or [Greg Tarant’s tool](#)
- Try to align pages around specific keywords or focus areas
- Participate in link exchange programs with related interest groups

ABOUT LINK EXCHANGES

The concept of link exchanges is simple – any links on other sites to your site increases the visibility and likelihood of customers finding your site, however to help your search engine rating only links from well-established and related sites are considered, so making some clever and well thought out decisions on how to approach other web site owners who have a similar focus without direct competition is key to successful exchanges.

Automating the process to some degree is a good idea, and software to assist with this is available such as Arelis, [Sitesell](#) and [Zeus](#)

SECURITY

Principle in many customers' minds today is concerns about identity and credit card theft, so anything you can do to help allay these fears and promote security should be done within reason. One no-cost option is to simply include in an FAQ some of the readily available sites for reporting fraud and abuse, explaining that your company 'actively fights' any violation of your customers rights and information. Some examples of links and sites that will go a long way to enhancing customer's feelings that you are trustworthy include:

- Your attorney general's office
- The BBB (Better Business Bureau)
- Federal Trade Commission (www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261)

DOMAIN NAMES

Part of what you purchased with your company is the existing domain and therefore any 'good will' and living memory such as existing links and review summaries that point to that site – but if

your business has a fairly poor name such as www.alt-motorcycle-acc.biz you may want to see if you can buy or obtain a better name and simply point the existing URL to the new domain name either with a redirect site or by updating the server listings.

For those who may not be technically aware of how the internet works, the ‘world wide web’ is basically just a series of servers with “IP” or internet protocol addresses that are all referenced via ‘friendly’ names. When a name is typed in it is directed to a lookup server, which references a list to identify and then direct the users request for a site by ‘name’ to the actual IP address which is referred to as a URL (universal resource location) at the server physically holding the bits. Typing in www.goldwing-world.com for instance actually directs you to the host server and subsite (in this case 216.19.212.41) which can also be physically located at times (unless protected) by tools such as <http://www.parsec.it/whereis/>

Obtaining great easy to remember and type in domain names is a real skill, especially since so many of the best names are already taken. Most sites where you buy the domains such as www.register.com have tools to see if a name is available and if not who owns it currently (in case you want to make an offer to them) and entire companies exist who simply go out and grab up the ‘best’ names possible and then try to sell them for a profit.

Another thing to bear in mind is to considering buying the domain names for ‘near’ domains too like www.goldwing-world.biz, www.goldwing-world.us etc. as well as near misspellings such as www.goldwingworld.com to ensure that your customers trying to reach you don’t go to another site.

HOSTING

Once you get the best name possible (assuming you needed to change it) you may wish to consider moving your hosting service as well. For businesses due to high volumes and additional server overhead often created by acceptance of payments and querying of databases most providers charge premium rates on an ‘as used’ basis. This is normally ok unless your site get hit by a “DOS storm” (Denial of Services) and you are paying on a ‘per click’ basis! If the business is fairly small, say 2,000 to 3,000 a month in sales you may want to consider companies such as <http://www.gowebserver.com> that simply charge a flat rate based on the size and throughput of your page, allowing you to administer the site and do pretty much as you see fit.

This should provide you an overview of what you need to turn the website itself around and correct any infrastructure problems that may exist. Keep track of all the changes you make and potential as

well as any realized increases that you obtain in throughput, hit ratios and performance as these are factors you can use when you go to sell the business.

PERFECTING THE SITE

We have discussed the basics of HTML and some details of web sites in general, but how do you specifically prepare a site for best performance, optimize what will draw in customer and user interaction and most importantly how do you judge whether or not the changes you have made to accomplish these goals has been having the desired effect? All of this is done through tools and log files and proper preparation during your turn over of the web page can automate much of the statistics gathering into the site itself, thus not only helping you tweak your user base and see the results you are getting but also providing a selling point to potential buyers when they come calling.

THE LOOK

Obviously a clean crisp look and ease of navigation is vital to a successful website, but opinions vary dramatically on what this means. One good idea is to look at competitors in your market, choose the most successful of them and see what their entry portals and web page layouts look like. Odds are good that the look of the page as well as the content and ease of use has something to do with their success!

CHECKING YOUR P'S AND Q'S

Starting with the W3's html validator and other tools such as the website creation tool in question you should eliminate all non-standard HTML encoding to make certain you have the best compatibility possible with the widest array of browsers out there. After all if a customer is trying to buy something on your site and can't finalize the link or sell he is not going to call you and troubleshoot his browser or your page – he's going to go somewhere else.

As well as website performance and user interaction going through some intense website optimization can help your ranking on search engine optimization a well. Small errors don't normally cause a web site to fail or even perform poorly on most browsers, but they may cause occasional errors for some browsers and slow performance and worse of all – problems with indexing and search engine parsing. Making certain that your code is optimal for these aspects of the internet can go a long way to improving your sites performance and the companies overall profitability.

SPECIFICS

A few specifics on canvassing your html code were discussed in the last chapter but are worth going over in detail to make certain you make the changes that will make the difference. Companies exist that focus entirely on search engine optimization (SEO) and charge hundreds of dollars per site to make suggestions or corrections to your sites all of which boil down to a few simple steps. The first which we already mentioned is to make certain you are using valid HTML code and that you avoid specific use of frames or other ‘high end’ coding that may cause problems for some browsers. The purpose of your website is not to show off what can be done, but to sell your product or information, as such don’t get tied up in a certain ‘look and feel’ – just go with what works well, quickly and routinely and you’ll do fine.

Start with your software package – some programs like FrontPage have their own quirks that can cause validation errors – querying on terms like “FrontPage DocType Validation Issues” can find you articles and tips on how to correct this problem within the software itself prior to paying a visit to a validator.

The next step is the W3C (world wide web consortium’s) validator pages at <http://validator.w3.org/> which you can use to parse your site and find any errors. In itself a validation error doesn’t *mean* that the web site will fail – all it may mean is that a spelling error or unique HTML or XML tag is in use that some browsers may not

understand, but the entire purpose behind the W3C developing these standards is to ensure that all browsers such as Firefox, IE, Opera Safari and others work the *same* no matter what page they load their code from – and why fight that just for a unique look or feature that at most will make someone say “oh cool” in passing? Once you have the codebase solid with no validation errors the next step in optimizing is to ensure proper placement of keywords ...

Keywords are used by search engines and indexing software as well as links and page layout to determine key attributes of a pages ranking, included the right keywords early on (called ‘at the top’) in the code itself can make a substantial difference to how your page appears in ranking engines. As far as html code goes the text stream or ‘body’ is parsed first so if you have tables or other objects such as ‘columns’ in use even though a keyword may show ‘on screen’ as being at the top of a page it may not be ‘at the top’ in the actual code too – so bear that in mind. Some other hints about optimization already mentioned in the last chapter but worth repeating here include:

- Use *header tags* of the H1, H2 and H3 variety for keywords
- Use keywords in hyperlinks when possible
- Avoid frames and ‘non-standard’ or validated HTML code

RESOURCES FOR VALIDATION

- On-line document: [W3C HTML Validator](#)
- [Sample invalid web page](#)
- [Functional Accessibility Evaluator \(FAE\)](#)
- [WAVE](#)
- [AIS Web Accessibility Toolbar](#)

HOW TO SHOWCASE VALUE

Beyond measurements of site validity and search engine ranking having a clear focus group and statistics to show the number and quality of visitors is a sure fire way to illustrate the value of a site. Beyond that of course is actual income and projected income. Since we're in the process of 'flipping' the site for profit odds are that past performance will be substandard and the changes we'll be putting into place will be coming online but not yet fully visible. This means showing improvements over historical trends and potential for further growth will be vital to truly showcase the value. The best way to accomplish that is with charts.

DOCUMENTING YOUR SUCCESS

In the business world charting and having a business plan are the only real ways to visually represent what you are doing with your business. Charting can help identify trends, valuations and costs and having a basic understanding of a few of the charting techniques and terms is useful to help you identify which to use and take advantage of during your creation of a prospectus (the future of the company) so if you are unfamiliar with charts at all the following will get you started, and training in the form of a book on micro-economics is recommended to further embellish your knowledge if necessary.

Everyone is familiar with the basic “pie” chart in which segments are cut into pie-shaped wedges showing the differentiations in a visual pattern. More commonly used in a prospectus and futures market is the ‘bar’ chart however, where vertical height between segments can be displayed or historical xyz charts such as is used with stock prices. To see which method is best for you first create your prospectus. A prospectus should include:

- The company and promoters Background
- Historical income and trends
 - Include sources for income and changes made to enhance their viability
- Goals for the future

- Any additional affiliate programs or income sources should be included, as well a sample income projections based on both current and historical throughput volumes
- Risks and plans for handling them
- Information and projections on income and expenditures

Searching online for “Business Prospectus” can find you several examples from companies that are seeking shareholders or that have been made part of the public record and can help you in forming your own. Once this has been accomplished you can break out the elements of the prospectus into appropriate charts showing past, current and future income which supports the value of the site.

AFFILIATES AND ADVERTISING TO CONSIDER

Today any site has value if it has traffic – thanks in large part to the new nature of advertising and the so-called “affiliate” programs such as Google’s AdSense which pay sites for customers who follow advertisements. Historically speaking the concept of affiliate programs was a ‘good idea’ but in practice getting any real income from it was just a dream, but as advertising and consumer focus shifts more and more to online sources the real benefit of such programs as well as the dollars being spent and made on it

has increased dramatically. Obtaining as much as \$30 to \$50 a day from a web site in well established affiliate programs is not unusual. On the flip side advertising through such programs (such as AdWords from Google) is a great way to increase traffic and customer awareness of your site. Just make sure to track your ROT (rate of return) on the costs to be sure you are getting full value and using the right markets and keywords.

Another great way to increase traffic and drive customer interaction is to provide blogs or other user-based community features on your web site in one form or another. Maintaining a good user base that people enjoy parsing and reviewing is the basis for many profitable sites in fact, and except for some time moderating which can often be farmed out to volunteers and a little extra storage space the costs for this type of feature are quite minimal.

PROVING VALUE

Basically the same website valuations you used to determine to buy the site need to be checked and reviewed, corrected in necessary and made to shine before you move your site from this phase to the selling phase. Some of the key areas you need to focus on in any prospectus and support in your charts and fundamentals include:

- **Previous and existing revenue model**
Historical, current and projected revenue volumes
- **Current Assets and liabilities**
- **Strength of customer / user base**
Include unique aspects such as customer loyalty, changes to increase returning customers etc.
- **Number of unique keywords**
- **Advertising efforts and costs including**
 - The CPC (cost per click) range of keywords on PPC (pay per click)

- Benefits seen so far (percentage increase in customer visits, sales etc.)

- **Potential in demographic for growth**

- **Competition status**

Point out any potential for taking over or overpowering your competition so that their income rather than being seen as a 'loss' to you is potential income

- **Statistics, including**
 - Alexa ranking
 - Revenue
 - Profits
 - Costs and Earnings
 - Site overhead, maintenance advertising etc.
 - Content and Link data

- **Current and future web valuations**

using TTM (trailing twelve month) revenues and projected TTM's for the next year. Note: eCommerce normally rates a 3 x TTM while content sites value at 6 x TTM according to most analysts.

SAMPLE PROSPECTUS

The following is a very simple sample prospectus showcasing examples of the type of information and layout you may wish to create to showcase the value and potential of your site and business. In this case the prospectus is for an events management firm I've called "Enter Entertainment" who handle obtaining entertainment for events and who theoretically have had ongoing success with a yearly concert in a New Jersey venue.

In an actual prospectus you should try to make it as entertaining and visually stimulating as possible while supplying *all* details of costs and expenditures as well as details of past and potential success possible.

Enter Entertainment

Goal

Enter Entertainment is a business committed to brokering and providing quality entertainment services for parties, company meetings and events in a personable and friendly way.

The Business

Our focus is obtaining reasonably-priced performers of consistently superior quality to ensure the success and pleasure of your guests at any event ranging from company parties and ballgames to simple birthday celebrations.

Our People

ENTER ENTERTAINMENT is staffed by a team of highly qualified experts with over twenty years in the entertainment industry, and contacts with the highest level of talent in music, entertainment and Hollywood.

Our Partners

Chamber of Commerce

Specific Private Enterprises

OUR PROSPECTUS

Historical Events

Starting in 1979 Enter Entertainment has been responsible for such major events as the Beetplugs concert at Broadway park, the million-dollar venue in Newark New Jersey which has been repeated on a yearly basis and has thus far brought in over ten million (\$10,000,000.00) in revenue to all interested parties.

Last year we expanded our offerings from musical talent and on-stage performers to film and theatre events, which has resulted in a 30%-40% increase in business.

Future Prospects

With the remarkable increase in business we have seen since opening our new division we have plans to expand into related fields including:

Providing expert hosts, escorts and interpreters

Arranging social & cultural programs

Movie and Film production

LETTER OF INTENT

I, Owners_Name, on behalf of ENTER ENTERTAINMENT hereby express our intention to participate in the project entitled Sample name

Our role in the project is of partner. Our main activities in the project shall be:

- To obtain commitments from talent to perform
- Negotiate payment details
- Arrange transportation to and from the event at the promoters expense.

Financing and co-funding information :

All costs to be covered by promoter with anticipated expenditures including:

(Details of costs and events here)

HOW TO SELL FOR PROFIT

Selling anything, whether it is a business, web site, product or an idea is an art form and some people are just better at it than others. The goal is simple enough: you want to sell whatever you have at a high enough price to cover all costs both up to this point and in closing and provide a reasonable amount of profit (or perhaps an insane amount of profit) to allow you to do it again. As with any other sales job a few key skills you can develop will always apply and make you a better salesman. A quick summary of some key points you can improve in yourself to ensure you have the best ‘sales pitch’ possible include:

- Learn to be good at interacting with people
- Study personality types and the ‘art’ of sales via courses, books and online training as necessary
- Be self assured and confident but don’t lie – it is OK to say “I don’t know” about questions you haven’t researched so long as you commit to and follow up with finding the information when asked

- Learn from others – see what the market and other similar sales trends are doing and take the best while avoiding the obviously failing methods and techniques
- Be an ‘active’ listener – listen not just to questions and comments you *hear* but to what might be behind them
- Know the pros and cons of what you are trying to sell, and have document success stories and examples of how to handle the cons as well as examples of stellar successes based on your pro’s
- **SPEAK** to your would-be-buyers, calling rather than emailing whenever possible will improve your odds of selling and make for a more personal relationship
- Learn how to not take ‘no’ for an answer especially when it comes to making meetings or setting a time for a discussion

CONVINCING THE BUYER

From the buyers point of view they have money and it is making them money already, they just want it to make them *more* money. So what can you provide them to help assure that their money is better of invested in your company or web site then where it is now? Try to see it from their point of view, just a few of the questions they are going to be thinking about that you need to address in your prospectus and discussions include:

- How and when will there be a profit
- The amount of investment to achieve that profit
- Cost of not doing *this* business vs. doing it
- Why this business is better then a different one

Let's go over each of these concerns with sample concepts to help you prepare and cover in your prospectus what needs to be presented.

There are always measurable tangible benefits to any eBusiness such as income from advertisers, the ability to outsource suppliers and buy in bulk to reduce costs or even avoiding high overheads that typical 'brick and mortar' storefronts present, but what you want to focus on here is what specifically is the focus of *this* eBusiness or web site and what has already been done to make it

profitable. More importantly you want to show any changes from the historical profits to current and describe what you did to make this true, projecting the income forward with these new changes in place.

In addition you can point out the intangible benefits such as cross-site traffic and company goodwill or availability into an emerging marketplace. If for instance you are selling a site that focuses on discussion of “Buffy the Vampire Slayer” and earns \$30-\$40 a day in revenue currently but you can show industry magazines projecting another movie and spin-off series that will grow the franchise you can explain the prospective income to be derived when that even occurs as well.

Point out that banks and financing are available to fund investments in existing small businesses, and provide resources such as SBA Loan details and other venture capital options that ‘you would have considered’ if you were in the business of running a company rather than buying and selling them.

GETTING YOUR PRICE

The real key to getting the most out of your investment is how nice a presentation you make. I’m sure you have seen those real-estate shows where people trying to sell their homes have people coming

through and time after time a few hundred dollars worth of paint or an arrangement keeps the prospective buyers completely blinded to the underlying beauty of the home in question, even though they are not buying the existing furnishings they are unable to look beyond them to the structure of the house. The same is true for any sales arena you can imagine – that is why packaging, tinted soda pops and wrappers cost more on our food products than the food they contain and why advertisers pay millions of dollars to help set a mood and tone: people are short sighted! The good news is that you can use this to make money. You went looking for a site that had potential for growth and to earn money but that had a few problems, you have not corrected those problems and want to sell for a profit: to get the biggest profit possible dress that girl up and get her to speak the best English possible before throwing the big ball!

Part of what a buyer will be looking at is how much of your homework you have done so here is a checklist to go through *before* listing the site anywhere for sale:

- 1. Get copies of all documents and important information together into a packet, including:**
 - a. Non-disclosure agreements
 - b. Five year business plan
 - c. Company Prospectus and financials

Note: Much of this can be placed on the site itself or online in a protected non-indexable site where you can send interested parties once a non-disclosure agreement has been signed.

2. Clean up the web site

- a. Remove any 'page-holders' or custom 404 errors etc.
- b. Be certain it parses without errors
- c. Take down any 'personal' data not related to the business

3. Gather together all the programs, tools and data necessary to administer the site.

Be sure to create a list of all passwords and details necessary to administer it included the:

- a. Ftp site access
- b. Provider location, contact information and passwords
- c. Duration of remaining Domain name and subscription periods
- d. Links to any tools 'faq' and online training sites to help people utilize them if required

4. Consult a lawyer, or at least review everything yourself thoroughly paying careful attention to potential problems such as:

- a. Do any binding agreements to not sell customer lists exist?
 - b. Is *anything* reproduced on your site licensed and if so is that license transferable?
 - c. Which of your contracts and hosting agreements such as shopping cart software or affiliate accounts may not be transferable and what will be involved in recreating them?

5. **Choose a “Sale site” and Escrow service you *know* are trustworthy and are familiar with the type of business you are selling.**

If you go through a broker determine and get in writing the fees and what they will do for that fee up front.

6. **Organize a folder and retain copies of all non-disclosure agreements and letters of intent as they are signed with subfolders for the individual names of those you are negotiating with.**

7. **Start the publicity rolling**
 - a. Take advantage of programs that can generate “word of mouth” (WOM) traffic, sometimes called ‘viral traffic’ to boost site access

- b. Prepare a competition or giveaway that can get you publicity on a high-profile site or in the media – getting a mention on ANY television show or public access channel allows you to say “As seen on TV” which never hurts ...
- c. Consider paying a public relations firm to gather ideas on how to best market the site

8. Find the best site to advertise your site for sale

LISTING LOCATIONS

Most commonly sites are sold through forums that accept sale listings but don't just go to the biggest or the first one you find and start off. Investigate a few and get a feel for the group, tone of the site, how busy it is, how long sites stay around for sale before moving or being pulled etc. before registering. Many sites even have rules that you can only list your site with *them* and not cross-list it elsewhere so be certain you understand and agree with those “terms of use” before signing up!

Once registered be very careful of the kind of posts and interaction you present. You want your nickname or registration alias to present a trustworthy business person not a rash off-the-cuff entrepreneur. Potential buyers will have very little besides the site

itself and the history they can see online to judge you by, so make certain to present your best foot.

FINDING A SITE

BusinessesForSale.com - fees of less than \$100 and agreements with various other vendors make this a 'big guy' in the online business forum market.

BizBuySell.com – fees ranging from \$50 to \$80 per a two month period.

Business-sale.com – for UK businesses for sale for more than £250,000.

eBay – everything is for sale here but really lower priced sites and businesses do best in an 'auction' type market so if your going for more than \$25,000 or so this may not be the place for you.

Digital Point - a forum with both "Want to Buy" and "Site For Sale" posts.

Sitepoint: - fees of \$19.95 a listing.

Geek Village – no adult sites

[DNForum](#) – membership fees, allow adult sites if discreet in the title and post.

[Sitebazaar](#) – has basic search engine for sites built in.

[Site Owners Forum](#) - a fairly new forum.

[Sedo](#) – a great source to sell and buy domain names.

MAKING THE POST

The title of your post is important – just as we mentioned earlier people often cannot see beyond what is in front of them to the potential or actual product being sold, so it is up to what is in front of them to the potential or actual product being sold, so it is up to YOU to do all you can to emphasize the good and minimize the rest. Titles like the following are to be avoided at *all* costs:

- Site 4 sale [www.name.here](#)
- GREAT OPPORTUNITY ONLINE BUSINESS FOR SALE
- BUY MY SITE or (Buy my site)

The idea is to gather two or three unique selling points (called USP's) from your company or site and incorporate that into a 'teaser' that draws readers into your post to read the details of your

bid proposal – and that is what your post is: a proposal for them to purchase your site or business. Some examples of post titles that seem to work well follow:

- \$32K profit last year, 4 yr old proxy site
- Steady AdSense earner, unique soccer focus \$40/day plus

Once you get them into your post do as much as you can to interest them without overloading them with details. If you've done your work correctly you should be able to pick key elements from your business prospectus and five-year business plan and include that with some graphics and charts (if allowed on the forum) to brighten up the presentation. Try to retain the format most often used on the site in question however, as straying too far from what they are used to seeing may annoy some people much as the 'talking ads' on eBay some vendors use frustrate some users. Don't go beyond 2,000 words if you can help it, you don't want to overload them, just give them a reason to contact you.

STAY AVAILABLE

Once you put your site in play make certain you are available and respond quickly and personally whenever possible to any requests for information. Having a prepared 'packet' of information, possibly on a secure site that you can provide to them once a non-

disclosure agreement is signed is a good idea, as is having copies of NDA forms and Letters of Intent in pre-made “fax packets” (or email) to send once contacted.

Being readily available, forthcoming and friendly is very important. Even if some people drop by and make poorly thought out comments or requests keep your responses professional and courteous – remember your eventual buyer will be reviewing those posts too! If you get questions not related to the sale such as “nice site, what software did you use?” take them off thread and respond directly so as not to lose the focus of the post (selling your site) and make it clear that you *are* responding offline for that reason.

Stroke the big egos whenever possible – many sites have several ‘big name’ players who are always there, and if they visit or make a comment don’t be too proud to make them welcome and say ‘thank you’ or ask for their opinions or assistance, explaining that you see they are one of the ‘better known buyers’ or ‘long time members’ ... a little grease can go a long way!

Price is important too – are you going to have a reserve and if so will you list that? Should you post a “Buy It Now” price (BIN) or just accept offers? Auction it? If you do set a BIN price make sure it is fair for what you are offering as well as not under-valued

which could present you as a ‘sucker’ the next time you put a site up for sale.

LEGALITIES

Shakespeare said “kill all the lawyers” a long time ago, so the common misapprehension against legal counsel is nothing new – but in reality a *good* lawyer is an asset that is hard to live without in today’s modern world. There simply are too many stumbling blocks and legal hurdles to keep track of unless it’s your job, and anyone who has ran afoul of the judicial system knows that even if you are as squeaky clean and guiltless as can be once in the gears of justice you are going to be hard-pressed not to laud Shakespeare ideology if not in fact try to carry it out yourself!

When it comes to the world of business especially you simply cannot do without some legal assistance. The key is preparation so you know what to ask for and thus minimize the amount of involvement necessary. Not only are lawyers expensive, often charging by the hour for their services and often specialized to the point where they have to consult on various aspects to answer your questions, but they also tend to be *very* busy and may not be able to respond to you in a timely manner in all cases – which can be a real ‘deal killer’ when sales are involved!

Before going any further let's go over a few 'ground rules' so to speak that are good to keep in mind when entering into the final stages of any business arrangement. These are not hard and fast rules but merely good concept to bear in mind and to try and apply when appropriate. They include:

1. Minimize the need for a Lawyer.

Obviously advice on legal structure, sales transaction details and tax issues are necessary but try to limit legal interaction to *just* specific areas where you know you need them.

Allowing your lawyer to become your 'legal council' or negotiator can work against you in the long run and cut into your profits as well

2. Let Not JUST the Buyer Beware

Legally the term "Caveat Emptor" is true, but you still have a legal and moral requirement to be truthful. While any buyer realizes that you are going to put forth the facts and details of what you have for sale in the best light possible (and you should) they expect and will hold you liable for any lies or distortions that come to light. At the same time don't volunteer problems or issues since, as stated already they expect you to be presenting only the good and 'best' and offering points of concern or making apologies may

confuse them and leave them wondering “what else is wrong’ in this situation.

3. **It Is Worth What It Brings**

Value is meaningless if there isn’t a buyer. I’ve often heard collectors talk about the ‘value’ of their Star Wars™ figures but the fact is the \$1.99 they originally paid was the ‘value’ and the current valuation they claim it has is based solely on what someone is willing to pay. Obviously you would like to make the most possible, as would any broker you have since they probably are getting a commission – the buyer wants to pay as little as possible. Estimates on future value and past revenue all can help set the target range, but not even what other similar sites have sold for recently really make a site “worth” any specific amount. Be prepared to accept what is being offered, or to retain the site and continue to enhance its’ revenue making potential yourself.

4. **Don’t Rush Into a Sale**

Don’t be in a hurry to sell. If you are really making the site profitable every day you keep it is another day that you are earning money *and* increasing its’ attractiveness to potential buyers – so low offers and time having passed is no reason to take a loss or accept an offer. Not to mention that when a buyer goes into a transaction they assume (or should

assume) that potential problems and hidden costs may arise anyway, so if you seem far too eager to unload they are likely to become gun shy.

5. It's Over When The Contract Says It's Over

Negotiations end when the Sale Agreement is signed. Often people will rush forward right to the point of the sale and then get cold feet and back out or begin to renegotiate – this is common actually and should be handled politely but firmly, however; once a signed agreement is in hand no further negotiation or adjustments to the terms can be made. Attempting to do so will always result in a failed transaction and additional legal costs, and from a legal standpoint is not required.

THINGS TO BE CLEAR ABOUT

A few items that you may need to consult your lawyer about to make certain are clearly covered in your sale agreement and letters of intent include:

- Who assumes what fees related to
 - Legal efforts
 - Closing costs

- Transition of site and affiliate programs
- Taxes up to transaction date
- Transportation of any goods or product
- Ongoing contract agreements or early withdrawal penalties
-
- Ensure all existing liability and of the company debt is assumed
- Understand your Tax liability and Capital Gain considerations of the sale

GETTING THE MONEY

By far the safest and best approach to high-dollar sales is to use an Escrow company, but even then care needs to be taken to choose the *right* one and one that is above-board and tailored to the type of business you are selling. The Federal Government has a good [guide](#) for choosing Escrow companies, and there are several which have good reputations but regardless of where you go make sure to understand and agree to all the fine print *before* entering negotiations. Many sites like [Escrow.com](#) even have online calculators to allow you to see an approximation of what the costs and charges will be in advance which makes it handy when negotiating who will pay the fees!

Tips on how to choose a safe escrow service include:

- Understand the terms and conditions and what happens if a party backs out or fails to complete the terms of the agreement.
- Research the company, make certain to check out their physical address and contact information from more than one source and be aware of their security and privacy policies.
- Check with the Better Business Bureau (BBB), the state attorney general and any consumer protection agencies where you live to confirm there have not been any issues or complaints filed against the company.

FORMS AND TIMELINE

When you are contacted the first thing you need to do is promptly send off a request for them to sign an NDA or “Non Disclosure Agreement” and letter of intent. This not only presents a professional image and shows that you are willing to commit to keeping their interest and discussions regarding your site confidential but that you expect them to do the same. If they fail to sign and return the form or ask for information “up front” to speed the process let them know that you are entertaining other parties and that you simply cannot enter negotiations without agreement

from all parties that facts and figures to be discussed won't be shared with anyone else.

An example NDA for the selling of an online company is available from [Experienced-People](#) at no charge, and a streamlined version of it is included at the end of this document, but the concept is quite simple: the purpose of an NDA is to prevent someone from getting information from you about the financials and workings of your site and then using that information either to start a bidding war or for their own personal gain. You simply are asking that they keep secret any non-public information that the two of you discuss.

A list of common forms and the order in which they typically are utilized follows:

NDA

The NDA (also called a “non-disclosure agreement”) is to get legally binding agreements that what is discussed will not be shared with anyone outside the business arrangement. Possible problems that can occur is an NDA is not obtained include:

- Theft of trade secrets without any legal recourse
- Public disclosure of details and trade secrets

- Competitive disruption: i.e. the buyer could be convinced based on details disclosed on your business by competitors that he shouldn't complete the agreement
- Loss of customers, market share or conceptual ideas

LETTER OF INTENT

The goal behind a LOI (also referred to at times as a “memo of understanding”) is to set the ground rules at the start of a business deal between two or more people or legal entities. The actual wording of an LOI if not properly drafted can result in huge legal costs since it is a legally binding agreement and a signed NDA should be on file before such a document is created.

At this point in the negotiations analysis of the business and buyer begins, referred to as 'due diligence'

TERM SHEET

Once due diligence is completed the specific deal terms are drawn up with key points to be incorporated in the closing documents. In general the term sheet is just notes on the agreements from

negotiations that are to be put into writing and upon which the closing will be based.

At this juncture financing, preparation of forms and any legal and accounting work is prepared

SALE OF BUSINESS CONTRACT

A good contract needs to be specific, detailed, and cover every contingency that may arise. To that end it most likely will need to be drafted by a professional even if a rough draft is prepared from templates and the Term Sheet from the negotiations. A few of the details that have to be covered in your sale of business contract include:

- **What exactly is being sold**

Whether assets and liabilities are included, whether subsidiaries and *their* assets or liabilities are included, the right to compete by starting another business is included and any conceptual properties and or artwork associated with the business. For instance, if McDonalds sold their company with everything BUT the rights to use the logo and clown much of the value of the company would be lost.

- **Who is buying**

The details of the acquisition needs to carefully explain if a single person or buyer, an incorporation or just who is buying the business and its' associated debt and assets.

- **How much is being paid and how**

The details for the price, distribution of funds, any options or non-compete agreements all need to be carefully detailed in the contract. In many cases with bigger companies post closing incentives or holdbacks may be incorporated into the negotiations which tie a portion of the purchase price to the achievement of target goals as stipulated by the prospectus. From a sellers point of course this is not preferred since depressing the valuation or not doing full diligence for the short term can reduce the payment for the property and little to no recourse could be taken in such a case.

Sometimes a holdback will stipulate a certain period and amount of assistance in a consulting arrangement such as when the web site administration transfer occurs, or upon the successful completion of a stated term of service.

SAMPLE NDA TEMPLATE

A few sample templates have been previously provided in earlier chapters and will need to be customized to fit the particular needs of the business for sale, however it probably is worth investing \$100 or so in a series of templates such as those sold by [Envision](#) to keep available. You still will want to see a lawyer to ensure the documents are a perfect fit for your business, but having samples

to choose from and access as needed provides a great deal of assistance. In addition being able to provide a ‘ready to review’ document to a lawyer can reduce fees by as much as 75% making you more likely to take advantage of legal council which is always a good idea!

For those who feel comfortable making their own legal documents the following sample NDA which is specific to the sales process for an online business is offered ‘as is’ and with no legal warranty or justification as a starting point:

Sample Non-Disclosure Agreement

TERMS:

“You” and “your” refers to the Seller, contact details and address available at the end of this document.

”We” “Us” and “Our” means the undersigned individual, group, company, organization or connected individuals or companies, together with all their agents, associates, associate firms and companies, their affiliates, other firms or companies including without limitation any associated company or business, and any shareholder in such companies or partner in such business; any

manager, director or employee, agent, contractor, or consultant of any such party, or family member of any such party, or any other connected person.

The “Property” refers to the internet website and the business that is the internet website the full name and details of which You may disclose in the Memorandum of Sale.

”Confidential Information” means information (in whatever format and medium and whether written or oral) directly or indirectly concerning both the Property and your business together with any other information which You designate or identify as being confidential. It also includes

- A) such information that becomes accessible or apparent when the information disclosed is combined with publicly available information such as the information on Your Website and
- B) The identity of Yourselves, the owners of the Property or that the fact that the Property and/or its potential sale is under discussion
- C) “Memorandum of Sale” refers to the document You have compiled in good faith to present us with facts about the business.

Agreement

In consideration of You disclosing or agreeing to disclose to us Confidential Information, We undertake that We:

1. Shall treat the Confidential Information disclosed by whatever means as being strictly private and confidential;
2. Shall take all reasonable measures to maintain its status as such;
3. Shall use any Confidential Information solely for the purpose of evaluating the Property (aka the “Permitted Purpose”) while considering the acquisition of that Property (the “Proposed Transaction”), and not for any other purpose (including but limited to procuring a commercial or competitive advantage);
4. Shall provide You with all information, co-operation, facilities and access to enable you to perform all legal, regulatory and contractual obligations prior to or promptly after the Proposed Transaction to monitor Our observance of this Undertaking;
5. Shall not disclose or allow access by any person to any of the Confidential Information other than to:
 - 5.1 The directors/partners or other members of Our company who require knowledge of the Confidential Information to achieve the

Permitted Purpose;

5.2 The accountants, legal advisers, and other professional advisers, contracted for the purpose of soliciting their professional advice on the Permitted Purpose and Proposed Transaction;

5.3 Any other person You approve in writing in advance.

5.4 In addition we shall invoke any such persons referred to in paragraphs 5.1 to 5.3 to whom part or all of the Confidential Information is disclosed to hold it to the same level of Confidentiality incumbent on Us and with the conditions that they may not disclose it to any party except to those persons as permitted by paragraphs 5.1 to 5.5 again with appropriate levels of Confidentiality. Our obligations to invoke the confidentiality of such information shall apply mutatis mutandis to such persons.

6. We shall maintain a record of all entities or persons to whom any Confidential Information is disbursed, together with the actual information disclosed to them, and ensure that this record is made available to You upon request;

7. We shall not reproduce any Confidential Information or any part thereof in any format or media without Your prior written consent, and We shall whenever requested by You, immediately return or

require the immediate return to You of all matter in tangible form which is part of the Confidential Information and that all copies (whether made by us or a third party) will be destroyed. On Your request We shall ensure that any third persons referred to in paragraph 5 to whom Confidential Information has been disclosed either returns to You all copies of that information or confirms in writing to You that all their copies of that information have been destroyed. We shall similarly destroy or ensure the destruction of any documents, analyses, reports, studies, compilations, and other materials prepared by Us or on our behalf which reflect on or are prepared from any of the Confidential Information;

8. Shall not disclose to any third party (except as under 5.1, 5.2 & 5.3) the fact that negotiations / discussions are taking place or have taken place concerning the Proposed Transaction or any of its terms/conditions or that Confidential Information has been made available to us or to the parties under 5.1, 5.2 and 5.3;

9. Shall promptly advise You of all access, information, co-operation, assistance, services or help provided by Your trading partners to Us, and will disclose to You in writing all information in Our possession, power or control relating to such interactions with Your trading partners.;

10. Shall not make contact or approaches of any kind to Your

employees, other websites or businesses who link to Your website, Your trading partners, or other parties who have any arrangements with Your Property or business; nor with Your suppliers nor any government or regulatory body; nor with any other person connected with Your site without Your prior knowledge and written consent.

10.1 Shall not, for a period of 24 months from today, use Your Property or the information on Your Property to source link partners or business partners for any business/es or site/s that we own, business/es or site/s that we acquire, or business/es site/s that we are in any way connected with;

10.2 Confirm that if we conduct any analysis of Your Property including the organization of data on Your Property, the content, other technical and non-technical features, the advertisements and advertisers on Your Property, or other websites and businesses in any way connected with Your Property, we shall not use or cause to be used the information so collected to the advantage of any business except Yours.

10.3 Shall not click on any advertisements on Your Property or on pages that Your Property causes to open; nor shall we place any orders on Your Property, test your Property with any spiders, bots or automated tools - including but not limited to using third party

APIs - or cause automated page impressions on Your Property without Your prior written permission; and that we shall procure that all of the parties mentioned in 5.1, 5.2, 5.3 are also so obliged;

11. Shall not from the date hereof until five years from the termination of negotiations (except in the case of completion of the Proposed Transaction between you and us) seek to entice away from your business any current link partners, advertisers, or advertising agents, or otherwise seek to interfere with your business;

12. Shall notify you promptly upon becoming aware of any unauthorized disclosure, copying, use or loss of all or any part of the Confidential Information and we accept that we shall be responsible for any breach of any of the terms of this Undertaking by us or those persons to whom we provide the Confidential Information.

13. Immediately upon sale of our Company or merger of our Company with a third party, We shall return to You all documentation, copies, notes, diagrams, computer memory media and other materials containing any portion of the Confidential Information,

14. Shall upon request and at our expense confirm to you by

statutory declaration or in writing (at your option) our compliance with the provisions of this Undertaking.

15. We have sufficient funds or access to funds to complete the Proposed Transaction at the price at which it is advertised.

15.1 We do not currently own and are not currently connected with any website/s that are in direct or indirect competition with Your Property the subject matter of which has already been disclosed to Us.

16. We are acting in this Proposed Transaction with the intent of acquiring Your Business/ Website and are acting as principal and not as agent or broker for any other person or entity.

17. We shall not and have not entered into any agreement in reliance upon any representation written or oral made by anyone on Your behalf.

18. You are not responsible for nor make any representation or warranty, express or implied, with respect to the information provided in the Confidential Information; nor to its completeness, or the contents of any other document or data supplied to us in relation to this Undertaking including, without limitation, any warranty of merchantability or of fitness for a particular purpose.

19. We accept that You will not be liable for any loss or damage - including incidental loss or damage - suffered by Us as a result of You supplying the Confidential Information, in particular (but without limitation) as a result of any genuine errors or inaccuracies in any of the Confidential Information or other information supplied by You.

20. None of Your intellectual property or Your proprietary rights in the Confidential Information are transferred or licensed to us by virtue of this agreement.

21. No right or license is granted to Us or Our advisers in relation to the Confidential Information except as set out above.

22. You (the Data Controllers) (as defined in the Data Protection Act 1998) may hold and process any data and information provided by Us. We accept that You will have unlimited rights to use such information in any way You choose including without limitation the publication of details of the Proposed Transaction after completion. We agree that you may contact us by any means including without limitation mail, SMS text messaging, e-mail, fax or telephone in relation to the Confidential Information or the Proposed Transaction.

23. Nothing contained in this Undertaking shall compel You to provide Us with information relating to You or Your Business / Website which We request. You shall be entitled at Your discretion to decline to supply Us with all or any information.

24. Nothing contained in this Undertaking shall in any way restrict our right to use, disclose or otherwise deal with any of the Confidential Information if and to the extent that at the time it was imparted to us it was in the public domain or it subsequently becomes so available, other than when it becomes publicly available as a result of a breach of this Undertaking by Us or by any person referred to in paragraph 5.1, 5.2 or 5.3.

25. Damages may be a wholly inadequate measure of loss in the event of any breach of the terms of this Undertaking and accordingly agree that in such event You shall be entitled to seek specific enforcement of these terms (by injunction or otherwise) on such terms as any Court with jurisdiction may deem just and proper.

26. We have read and accept fully the Disclaimer below:

Should You forward us the Memorandum of Sale We accept that it and its contents do not and are not intended to constitute an offer for sale of the Business / Website or any assets of the Business

/Website. For the avoidance of doubt there is no intention to create a legal buyer-seller relationship and such a relationship will not come into existence unless and until a formal written contract of sale has been entered into. The content of the Memorandum of Sale or any other Confidential Information imparted by You is not intended to address our particular requirements. We will carry out our own due diligence in respect of the Memorandum of Sale and satisfy ourselves as to the accuracy of all matters. You do not make any representation with respect to and do not warranty any information provided under this agreement, but shall furnish such in good faith.

27. At no time shall any failure by You to enforce or exercise any of Your rights under this Undertaking be construed as a waiver of Your right to exercise or enforce that - or other rights - in future.

28. This Undertaking is governed by Law and subject to the jurisdiction of the United States and subsequent state and counties (appropriate details here)

Signature:& Date:

Full name:

Phone Number:

Mobile Number (if available):

Facsimile Number (if available):

E-mail address:

(If on behalf of a company)

Company Name:

Address:

Company phone number:

My position in the company:

Mrs A. Seller 5 Any Road Sometown USA