STATE OF THE INDUSTRY REPORT

2020 TRENDS FOR BUYING & SELLING ONLINE BUSINESSES

EMPIRE
— FLIPPERS —

The 2020 State of the Industry Report

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Section 1: Introduction

Welcome to the second annual State of the Industry Report!

If you've ever read an industry report about buying and selling online businesses, it doesn't take long to realize that it's particularly difficult to get real information about the businesses being sold. Either you're listening to a broker who really wants to get your business but lacks deal flow information or you're reading reports that lack insight because they have to scrape other brokerage listings.

The other reports that exist simply can't tell the difference between what's been listed for sale and what's actually being sold on the market.

At Empire Flippers, we have grown significantly in the last few years, with substantial leaps in the number of deals we do every month on our curated marketplace. This growth has also led to us having a significant amount of data at our disposal.

Last year, we released the first State of the Industry Report. We analyzed close to 500 deals bought and sold on our marketplace. Unlike other industry reports that have come before us, we're the only brokerage company with enough data that we can confidently write on the subject **without scraping listings and can reveal actual sales numbers.**

In this report, we will integrate previous data from 2017 and 2018 deals with new data from 2019. Effectively, this report is the most comprehensive in the industry, covering a three-year time period with well over 700 businesses bought and sold during that period.

We'll be looking at the same numbers and metrics as before with one important addition — earn-outs. Earn-outs become more common above the $200,000 sales price, and they come in all kinds of forms. Eventually, we'll have multiple years of earn-out data to present to you, but for now we're keeping it just to 2019, as that was the first year we began to track it in earnest. If you're unfamiliar with what an earn-out is, then we highly recommend you read our Definitive Guide to Deal Structuring (especially if you're a buyer).

The buy-and-sell industry for online businesses can be a murky place.

There is a lot of bad data out there or a lot of people making outlandish assumptions based on data that they don't have full access to or ownership of.

If you want to see the real numbers, then you're reading the right report, since we own the data you're about to see end-to-end.

The Bottom Line

We want to share with you — warts and all — the interesting trends we've seen over the last three years to help you make smarter, more informed decisions, whether as a buyer or seller.

We want sellers to understand exactly which types of businesses command the highest multiples to make sure they are maximizing their profits on an exit.

We want buyers to understand industry trends so they can spot good deals and make successful risk–reward decisions on their next acquisition.

Ultimately, we want you to leave this report feeling like we've helped you create a clearer roadmap for your entrepreneurial and digital investment career.

Why Can Empire Flippers Provide This Data?

All of the above probably sounds good to you, but you may be wondering, why us?

What qualifies us to provide information about the industry when we're just one company?

As mentioned, most other brokers or industry leaders do not own enough data — or any data at all. In instances where companies scrape public listings across a variety of online business brokers, they can only work with surface-level data. They don't see the full picture, simply because they don't own the data end-to-end.

They only know what the businesses were listed for, but not what they actually sold for (if they were sold at all). Nor do they know how much money the seller got upfront or how much would be paid out over time through an earn-out mechanism.

We do.

Now, other online business brokers do exist that own their data as we do. However, those other brokers don't have enough deal flow to develop a meaningful analysis. While other brokers may list 5–20 businesses for sale in a single month, we often release 8–15 new businesses for sale *per week* — even with our 88% rejection rate that prevents most businesses from getting on our marketplace.

Our curated marketplace is not only the largest in the world but also has sold the most deals of any broker in the International Business Brokerage Association (IBBA) — so much so that when we submitted our deal flow to the IBBA, they didn't believe us at first. Other brokers were also quite surprised when we showed up to collect the award for the top dealmaker and top global producer, along with a few other IBBA awards.

We won the award back in 2017, and we haven't resubmitted because of how time-intensive it would now be due to the huge amount of deal flow we help investors acquire every single week.

As you can see, we're in a unique position to write this report:

1. We own all the data, end-to-end.
2. We have more data than other brokerages because we have the most deal flow.

In this report, we will dissect all 745 deals from the past 3 years and provide concrete conclusions on the future direction of our industry.

Now that you know why we're writing the report, let's get into the methodology used to compile this data for you.

Methodology for the Report

We pored over the business data collected between 2017 and 2019.

The data can be broken down as follows:

- Real sales price;
- Real sales multiple;
- Days on the market;
- Total combined sales price;
- Total number of listings; and
- Earn-out data for 2019 businesses.

We've used these metric categories across all the business models that we sell on our marketplace. If you're curious about what kinds of businesses we sell, here's a list of them:

1. Display Advertising
2. Amazon Associates
3. Affiliate
4. Amazon FBA
5. Amazon Kindle Publishing Businesses

6. Amazon Merch
7. Digital Product Businesses
8. Dropshipping
9. Sourced e-commerce
10. Info Products
11. Software as a Service (SaaS)
12. Productized Services
13. Subscription Models
14. Lead Generation

If you're new to our industry want to see an overview of each business model, you can read our Popular Online Business Models series. It'll give you a quick introduction to each model, how they work, and what buyers and sellers should know.

We categorized these monetization models into three main groups:

1. Content businesses
2. E-commerce businesses
3. Other

These groupings allow us to make a better analysis of the online business landscape. However, we narrow these categories further when there is sufficient data to talk in-depth about specific monetizations, such as Amazon Associate and Amazon FBA.

Understanding How Online Businesses Are Being Valued

Before we dive into the data, you should understand how we actually value online businesses.

An online business valuation is based on two major factors:

1. Average net profit earned per month over a 12-month window*
2. The multiple

*Some businesses can still sell with just six months of net profit. Keep in mind, however, that you'll often get a lower valuation for the lack of historical profitability.

While other business brokers might use an earnings before interest, tax, depreciation, and amortization (EBITDA) measure to describe the value of a business annually, we use a monthly version of EBITDA as it tends to reflect the performance of online businesses better in our space. This means that instead of seeing an EBITDA of 3x, you'd see a monthly sales multiple of 36x. If you're coming from a different M&A broker, this difference of scale might catch you off guard, so it's worth mentioning now.

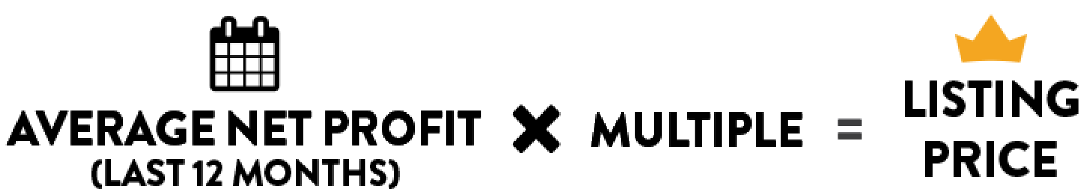
While our first valuation factor is relatively straightforward, there is a host of concerns that go into the second factor.

Several elements can affect the multiple you're given. While we can't go into all of them, we can tell you the most commonly used factors in creating a multiple for an online business:

- Traffic;
- Traffic diversity;
- Revenue stream diversity;
- Social media;
- Email list;
- Age;
- Inventory (if applicable); and
- Other assets (such as a team transitioning to the new owner).

If you submit your business for sale with us, these are the elements that will most likely affect your sales price.

A basic valuation formula looks like this:



Of course, this is a simplified formula for the actual process.

If you have a business that you're curious about but don't want to sell just yet, you can set up a free exit planning call with us. Our exit planning team is in the trenches, day in and day out, and will know exactly how to get you the best possible valuation before you decide to sell with us.

There are a few other elements worth considering that many online business owners ignore when it comes to their valuations.

Ongoing Expenses vs. Addbacks

If you just spent $10,000 on a big website redesign, right now you might be thinking that you won't be able to sell your business for several more months. After all, your average net profit just plummeted because of that reinvestment.

I have good news for you: *your average net profit is just fine*.

In the broker M&A world, we call an investment like this an “addback.” An addback is an investment in the business that was not required for the business to continue “as is.” One-off purchases, such as a website redesign, conferences attended on the business credit card, or other growth investments, can often be categorized as addbacks.

An addback is exactly what it sounds like: that $10,000 web redesign expense is “added” back into your average net profit.

You’ll also be glad to hear that the salary you pay yourself from the business will also be an addback in your profit and loss (P&L) statement when you go to sell the business. This is because the new owner can decide how much they want to take out of the total net profit to pay themselves, or whether they want to deploy that cash flow into further growth expenses once they own the business.

Bigger Profits Lead To Better Multiples

Even with addbacks, you may still want to consider how best to cut expenses to increase the average net profit. As your net profit grows, that cash flow asset becomes more attractive to buyers.

Later in the report, you’ll see this in action.

Since we sell such a large volume of businesses, our average multiple skews more towards the low end. Because of this skewing, we’ve decided to include some of the top-end multiples, with their list price and time on the market, to show what is possible beyond just the average aggregate multiple.

Buyers are willing to pay higher multiples as your average net profit increases, simply because the asset makes more money. If you are a buyer, keep in mind that paying a higher-than-average multiple likely means you’re also buying a higher-quality business.

While it is great to get a good deal on price, it is almost always better to acquire a higher quality deal at a fair value.

What Makes a Business More Valuable?

If you can improve any of the above metrics, your multiple is going to increase.

Some of the best things you can do to increase your multiples are:

- Create a strong brand;
- Diversify traffic; and
- Diversify revenue.

While diversifying traffic and revenue is easy to understand, creating a good brand is a bit more nebulous when it comes to increasing your valuation.

What Is a Good Brand?

It can be difficult to define a good brand.

Much of what we consider a good brand is subjective. However, there is a defining characteristic that all good brands share: repeat visitors and customers that participate in the brand's community.

If you already have this, then that is a great sign.

Another test is to ask yourself if the brand can be expanded.

The internet is littered with sites like BestYellowDogLeashes.com (made-up example) that are doing a simple SEO play to rank for just one or a handful of specific products. These sites might be great cash flows as long as they rank, but it is unlikely anyone is fanatically reading the latest dog leash review.

Initially, it would be difficult for the buyer to see how to grow a website like that into a big brand. However, if that same site had a bunch of reviews on dog leashes but was branded as DogCaptains.com or something along those lines, then it becomes easy to see how the brand can evolve over time for the buyer.

For example, the buyer could create all sorts of informational dog articles, training courses (perhaps even their own information product on the subject), and expand the website far beyond its initial batch of leash review articles.

The ability to show more social proof with the evidence of a real community, loyalty to the business, and positive feedback are all hallmarks of a great brand or one in the making. A content site might show these through an active social media group discussing site content and even generating *new* content for the community within that group free of charge. An example of social proof alongside positive feedback would be an Amazon FBA business that sells multiple products in one related niche that are all reviewed highly by verified customers.

Building a brand does not have to be incredibly difficult if you start your business with that intention. And it's well worth doing if you ever desire to sell your business.

Investors are *hungry* for solid brands to acquire.

Online Business Multiples Are Still Low

It's understood that brick-and-mortar businesses have a higher average multiple than online ones, as there are still few financing options when it comes to acquiring an online business.

You'd be hard-pressed to go to your local bank and ask for a $500,000 business loan to buy an affiliate site or a dropshipping store. It's not something most financial institutions understand well enough to risk the loan.

Some of this situation has changed in the last couple of years, but not enough to make a big difference in the actual multiples. At the time this report is being written, the most traditional financing route open to investors is using a small business administration (SBA) loan to acquire businesses.

These loans can be a huge benefit to the buyer, since the interest rates are quite low and the loan can cover a large portion of the business sales price. Nevertheless, this option is only available for sellers and buyers that are American. SBA loans can also be notoriously difficult to fund, and the process can slow a deal down by months as it goes through the underwriting process. As well, the SBA loan process can kill the momentum any seller has built up, since it limits that seller to working with only one buyer, rather than having multiple buyers competing all at once for the acquisition. This doesn't mean SBA loans should be avoided, as they can still provide huge benefits, but just know that one will lengthen the average time it takes to buy or sell a business.

At Empire Flippers, we serve a global audience, and the SBA loan opportunity is not open to all of our customers.

Outside of SBA loans, other financing options are emerging. Private equity, family offices, and high-net worth individuals are starting to pair up with operators that boast a proven track record. They're forming partnerships and modified search funds for digital main street businesses. We'll go more into what this looks like later in the report.

Because of such issues with financing, multiples remain low and seller-financing remains the most common way that buyers finance the deals they acquire.

As more traditional financing strategies open to the industry, though, expect multiples to rise even higher. For now, the market favors buyers with large liquidity as they will be able to make the best deal when it comes to negotiating with sellers.

Now that you understand the basics of how an online business receives the valuation, and ultimately the sales price, let's look into the actual trends. We'll be covering the last three years below to show you where the market is, and where it might be going.

Section 2: Trends

It’s time to get into the good stuff.

We’ll break down each of the main monetization categories in detail and briefly talk about what makes these businesses attractive, as well as possible risks and opportunities in each of these models.

Before we get into the specifics, let’s look at the overall picture across every business model type.

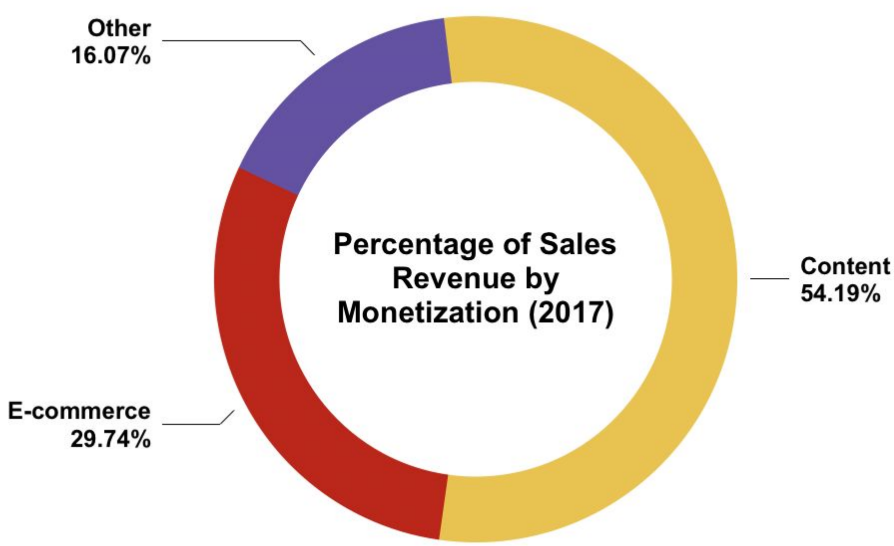
Overview of Sales Data

What Kind of Businesses Did We Sell?

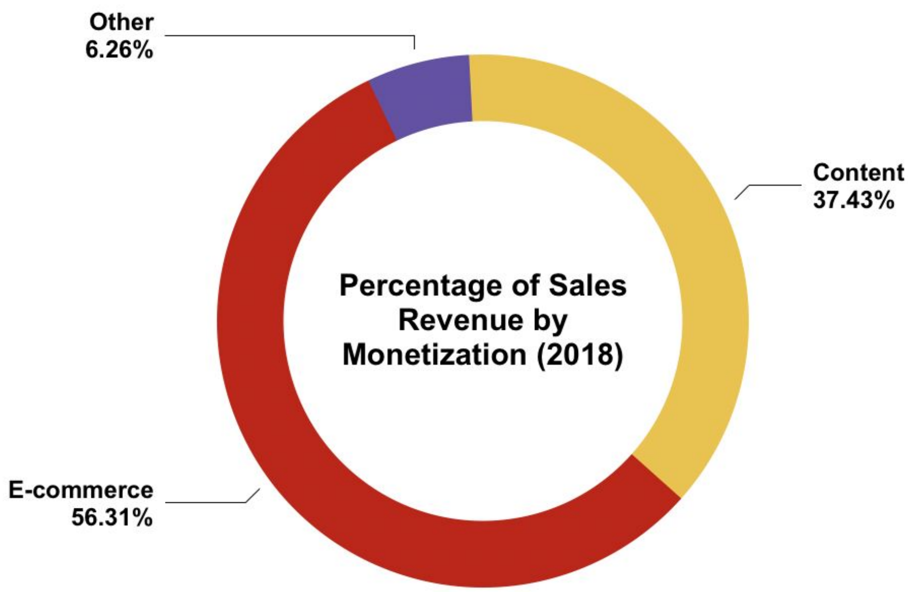
We sold 198 online businesses on our marketplace in 2017, 274 businesses in 2018, and 273 in 2019.

But which ones created the most revenue for us and thus had the most value in the buy-and-sell space?

The graphic below shows the percentage of sales revenue that each business model made for us in 2017:

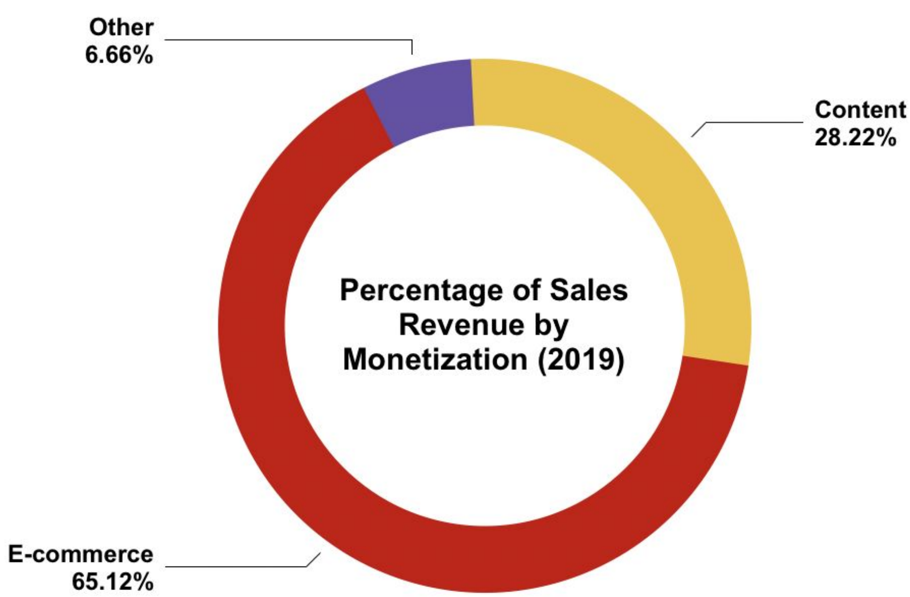


Here’s the same breakdown for 2018:



In 2018, the e-commerce shift became far more noticeable on our marketplace. For the first time, content sites were beaten out by e-commerce stores. Content still held a healthy 37.43% of our marketplace, but e-commerce shot up to 56.31%!

So what about 2019? Did the e-commerce trend continue? Well, here’s the breakdown for 2019:



The most noticeable trend here is again a decrease in content sites and an increase in e-commerce stores. Only 28% of our sales revenue for the year came from content businesses, while 65% of our revenue came from selling e-commerce businesses.

Dropping from 37% in 2018 to 28% sounds like a stark drop, but it does not represent a substantial decrease in the actual number of deals sold. In 2018, we sold 157 content businesses and in 2019 we sold 143 businesses. That significant percentage drop is, in reality, only 14 fewer deals, and we are still the frontrunner in having the most deal flow in that sector.

Likewise, for e-commerce we sold 94 deals in 2018 and 105 deals in 2019, or about 11 more e-commerce brands. This makes us the frontrunner in the M&A marketplace for deal flow for e-commerce, as well as content businesses.

The real story in this shift is the *size of the businesses rather than the quantity of them.*

When you combine total deal sizes for content sites in 2019, we sold $14,232,077.08 in content businesses for the year, while that number was $12,282,284.52 in 2018. This means that, on average, we were selling larger content businesses than the year before.

The really interesting number here, though, is the difference in deal sizes in e-commerce from 2018 to 2019. The total amount of e-commerce brands we sold in 2018 was $18,478,060.09, while in 2019 we sold $32,846,105.29 That is a *gigantic* increase year to year and points to how there are likely far larger e-commerce brands out there than content business models.

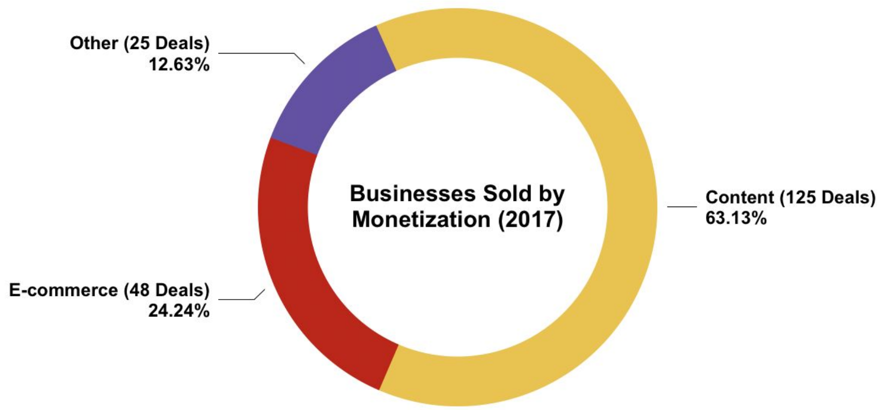
Outside of content and e-commerce, our “Other” category has remained pretty stable percentage-wise year to year. In 2018, only 6.26% of our entire marketplace belonged to this category, and 2019 that number had a slight rise to 6.66%. In 2017, this number had been far larger, totaling 16.07% of our total marketplace sales.

In 2017, the revenue numbers were $2,902,131.88. It was a respectable amount that beat out our 2018 numbers, where this deal category was $2,055,587.07. It would look like the “Other” category would continue to trend down in revenue — after all, it barely moved as a percentage of our total deals — but that wasn’t the case. Nonetheless, in 2019 we sold the most by sheer revenue numbers

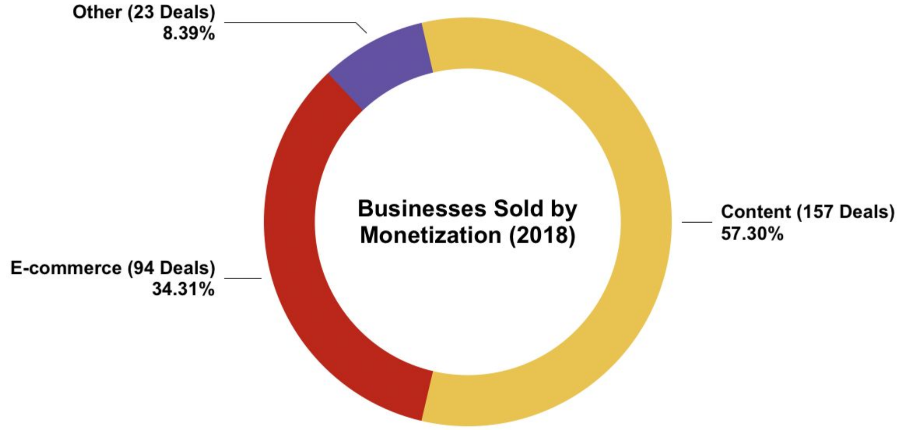
In 2019, we sold more in the “Other” category than ever before with $3,357,355.60 in revenue, despite selling the exact same number of deals in 2019 as we did in 2017.

Speaking of the quantity of deals, let’s take a quick look at how these percentages broke down in terms of quantity.

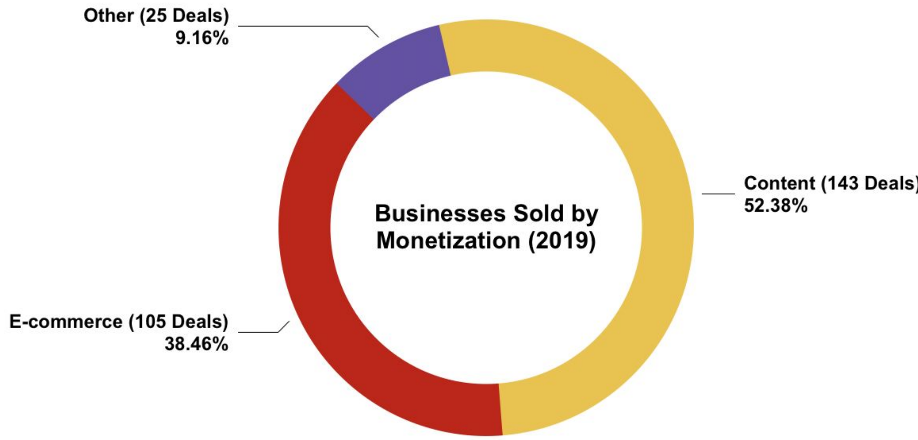
Here are the numbers for 2017:



Here is 2018:



Now, let’s look at how 2019 shaped up in comparison to the previous two years:



We've already discussed the quantity above, but it is worth noting some developing trends here.

For one, we think 2020 will see a similar number of content businesses being sold with us. There is more competition in the buy-and-sell space, but we also have the largest amount of buyers in the industry for this type of business model. We believe that, plus the other value, adds to what we have as an M&A brokerage and will keep sellers coming back to our marketplace to sell these businesses.

In 2020, the gap in the number of deals between e-commerce and content sites will likely continue to shrink. They likely won't become equal — there will probably be more content businesses sold overall than e-commerce again — but that gap will be smaller. There is a huge, hungry market of buyers entering the e-commerce space now, and many e-commerce brand owners are just now learning that they've built an asset they can actually sell to an investor.

In the "Other" section, the number of deals have remained pretty consistent at 25, 23, and 25 from 2017 to 2019, respectively. We do not expect this number to go up dramatically, but to start growing by a respectable margin in 2020.

The main reasoning here is that more SaaS founders are starting to enter our marketplace to sell their business with us. SaaS has always been one of the most uncommon business models featured on our marketplace. We expect this to be less the case by the end of 2020, but not so much so that SaaS breaks out of the "Other" category — that will likely happen by the end of 2021.

Quick Glance of Year-to-Year Stats

Below, you can see all the data from year to year. The bottom two rows compare 2018 to 2019 and then compare 2017 to 2019 for a longer snapshot of time.

Year(s)	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	198	29.1	25.55	$108,457.33	$91,187.95	$3,616.07	47.03	$18,055,213.62
2018	274	28.35	25.77	$133,959.42	$119,766.17	$4,692.11	41.57	$32,815,931.68
2019	273	30.79	27.84	$224,274.01	$184,745.56	$7,020.08	57.45	$50,435,537.97
2018 to 2019	▼ -0%	▲ 9%	▲ 8%	▲ 67%	▲ 54%	▲ 50%	▲ 38%	▲ 54%
2017 to 2019	▲ 38%	▲ 6%	▲ 9%	▲ 107%	▲ 103%	▲ 94%	▲ 22%	▲ 179%

As you can see, 2018 and 2019 far outpaced 2017 in terms of sheer businesses sold on the marketplace. We sold 38% more deals in 2019 than what we did way back in 2017. There was no real change between 2018 to 2019, though, with 2019 selling a single business less. While we sold one less business in 2019, it is important to remember that 2019 saw a *huge rise in the average deal size.*

In 2019, we saw an average list price of $224,274 vs. $133,959 back in 2018. Businesses that went live on our marketplace boasted a 67% increase in their list price from 2018 and a whopping 107% increase from 2017. Of course, that is the list price, not the sales price.

But we pride ourselves in pricing businesses using programmatic machine learning with our valuation tool, which means we're using dozens of data points to create a valuation we estimate the market will pay for the asset.

The sales price in 2019 saw a 54% increase from the prior year, while sporting an equally large 103% increase in average sales price versus the deals sold in 2017.

Actual sales multiples also increased from a market average of 25.77x in 2018 to 27.84x in 2019. An interesting point here is that 2017 and 2018 didn't see a huge jump in sales multiples. Back in 2017, the sales multiple was 25.55x, which was less than a 0.5x difference from 2018.

What is the reason for this 9% overall increase in sales multiples? Several factors apply.

The first and most obvious point is the sheer increase in the size of these businesses. We sold more seven-figure deals than we've ever sold before. As a business becomes bigger, it tends to command a much higher multiple. The bigger the business, the bigger the multiple, and the more influence bigger businesses have, the greater the aggregate sales multiple.

Second, there has been increased interest in acquisition on our marketplace, particularly by high-net worth investors. The increased competition to acquire these businesses, with many deals having several different buyers fighting each other over the deal, naturally increases the final sales price and multiple.

In 2018, we also saw bigger businesses, but nowhere near as big as 2019. This increase in business size ultimately led to a longer time on the market, with 2019 seeing an increase of 38% for days on the market. However, you may notice when you compare 2019 to 2017 that there was only a 22% increase for days on the market.

Why is this? Shouldn't 2018 be closer to 2019 than 2017?

The cause for this apparent discrepancy goes back to my earlier statement of how larger investors are entering our space. In traditional private equity circles, these firms tend to stick to the lower middle market, which usually begins around the $5 million price range for a business. Right now, many of these firms and investors are starting to wander down into the main street space, which is where our marketplace sells.

In 2018, there were less of these investors around, and the average deal on our marketplace would be considered too small even if they had been around. Businesses within the $400-800k range in 2018 were often in that awkward zone of being too big for new investors to acquire and too small for a investor to consider.

In 2019, we had more seven-figure businesses than ever before, and many more closing in on that valuation mark. These businesses were real acquisition targets for these investors, just large enough to enter their radar as they peered into the main street space, which led to them being sold faster than a business in the awkward zone. Now that these investors are buying from us, they have begun to acquire lower valuations too in order to perform a classic M&A rollup — where they acquire several smaller brands, roll them up into one to take advantage of economies of scale, and then sell for a far larger multiple.

All in all, the metrics in aggregate across the marketplace are very positive.

The industry is really starting to heat up and get some mainstream attention, both from main street investors and affluent circles.

You don't need to look much further than our total sales between 2017 to 2019, which saw a 179% increase, to see that the industry is getting bigger and bigger.

Now that you know the numbers in aggregate, let's break up the information above into the actual different business models that are being sold on the marketplace. If you haven't registered as a user on our marketplace, make sure you do, so you can get the advanced searching functionality. The new features we've released, and will continue to release, will help you speed up your diligence dramatically.

You can register for our marketplace here.

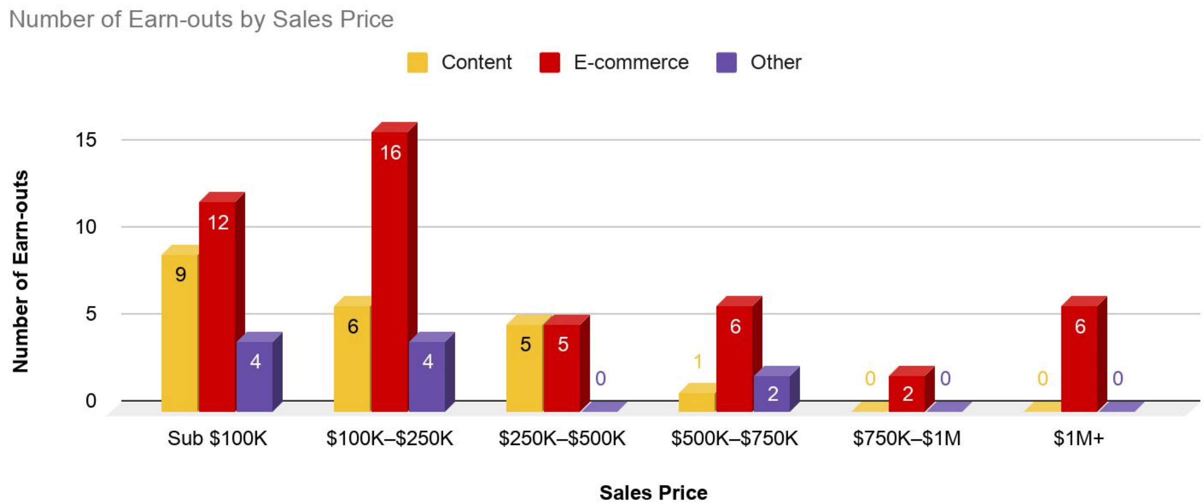
Measuring Earn-Outs

In an effort to make this report even more useful to you, we started tracking earn-out data in 2019 so we could present it to you in this updated report.

Earn-outs are a common financing mechanism that buyers use to acquire a business. Since traditional financing is harder to come by, there is often some form of seller financing that exists even if more traditional routes are used. We thought this data would be useful to you whether you're looking to buy or to sell a business.

We broke this data down by both monetization type and the size of the business. Our working theory has always been that when you get above a certain list price, you're almost always going to have an earn-out of some nature because of the lack of traditional financing.

Here are all the earn-outs that happened in 2019:



You may notice something interesting right away. You'll find the largest amount of the earn-outs in 2019 happened in the sub $250k range. This was actually quite surprising to us as well, because we usually make the case that earn-outs as a funding mechanism begin once you get above the $200k listing price range.

	Sub $100K	$100K–$250K	$250K–$500K	$500K–$750K	$750K–$1M	$1M+
Total Earn-outs	25	26	10	9	2	6

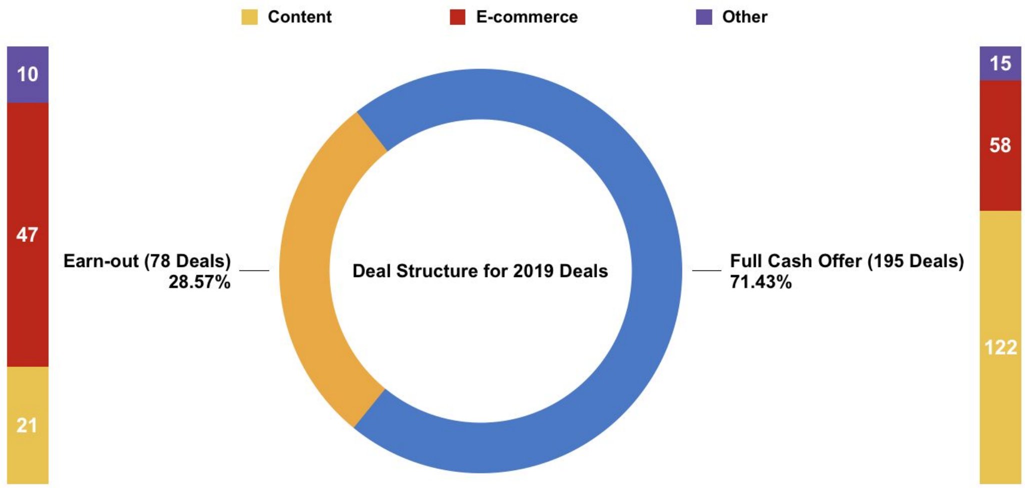
In the sub $250k range, there were 51 earn-outs altogether, while only having 27 earn-outs above that range.

Unfortunately, we can't compare data from previous years because we only started tracking earn-outs in earnest this year. It will be interesting to see if this changes year to year.

One more thing to note here is what is not here.

You'll see in there are zeroes listed for "Content" and "Other" for over $1 million; this doesn't mean you won't get an earn-out at this range. In fact, you're almost guaranteed to get an earn-out at this range. While we have sold million-dollar businesses in both categories, we just didn't happen to do that in 2019.

For content businesses, we didn't sell any in the $750k to $1 million range, either. However, we did sell in this range in the "Other" category, but there wasn't an earn-out associated with those deals.



In 2019, we sold 273 deals altogether, and 78 had an earn-out attached to the sale. Effectively, this means 28.57% of businesses on our marketplace were sold with an earn-out **while 71.43% were sold on our marketplace with a full cash offer.**

It is important to remember that every earn-out is different. Each comes with different milestones and requirements to be met. However, we tracked the upfront amount sellers got for their businesses on average. Then, we broke that down by monetization type and the pricing tiers, as above, to see just how much a seller can expect to get upfront if they're in an earn-out situation.

We've broken down the earn-outs by pricing tier and business model. In each tier that had an earn-out, you can see the total percentage the seller received upfront on average by business type and pricing tier.

Average Percentage of Sales Price Paid Upfront for an Earn-Out

	Sales Price					
	Sub $100K	$100K-$250K	$250K-$500K	$500K-$750K	$750K-$1M	$1M+
Content	72.78%	74.68%	83.93%	90.48%	-	-
E-commerce	78.93%	64.10%	68.11%	82.05%	80.32%	68.12%
Other	75.32%	79.96%	-	37.10%	-	-
All	76.14%	68.98%	76.02%	72.99%	80.32%	68.12%

As you can see, content sites consistently got the most upfront amount of money in an earn-out situation, while the "Other" category got the least. Because of the number of deals in the "Other" category, though, and keeping in mind how diverse those businesses are, you should only use the content and e-commerce numbers to make an educated guess for what your business may get or what you may be able to offer a seller.

Perhaps the most interesting statistic here is the difference between $100–$250k e-commerce businesses with an average upfront amount of 64% versus the $1 million range seeing 68%

upfront. Logically, as a business gets bigger, it should generate a larger earn-out with less upfront amounts, but this was not the case.

This discrepancy could come from a buyer confidence standpoint.

In the $100–250k range, buyers might see an asset that is almost ready to scale up. Scaling up comes with all sorts of associated risks and, *more importantly, all sorts of capital needs.* Buyers in this range might be more likely to ask for an earn-out knowing that they will need to deploy additional capital into inventory to achieve the economies of scale that will skyrocket the business revenue.

The sweet spot in terms of most money upfront in e-commerce seems to be in the $750k–$1 million range. The reasoning is not totally clear to us why this might be. Once we have more data on earn-outs in the coming years, we might be able to offer an explanation (if it continues to happen).

In general, if your business is valued at $250k or less and you enter an earn-out situation, you can likely expect around two-thirds of the sales price upfront. Now, if you're a buyer, be careful of trying to offer the seller an earn-out at this stage. While there were many earn-outs in 2019 in this range, we also sold *a lot* of deals in this range that had no earn-out at all.

If you want to leverage seller financing on a sub $250k deal, you'll need to be careful. The last thing you want is to get close to buying the perfect business only to have it snatched away by an all-cash buyer. We predict that there will be more all-cash buyers in 2020 in this range as more people enter the space and want to "test the waters," so to speak.

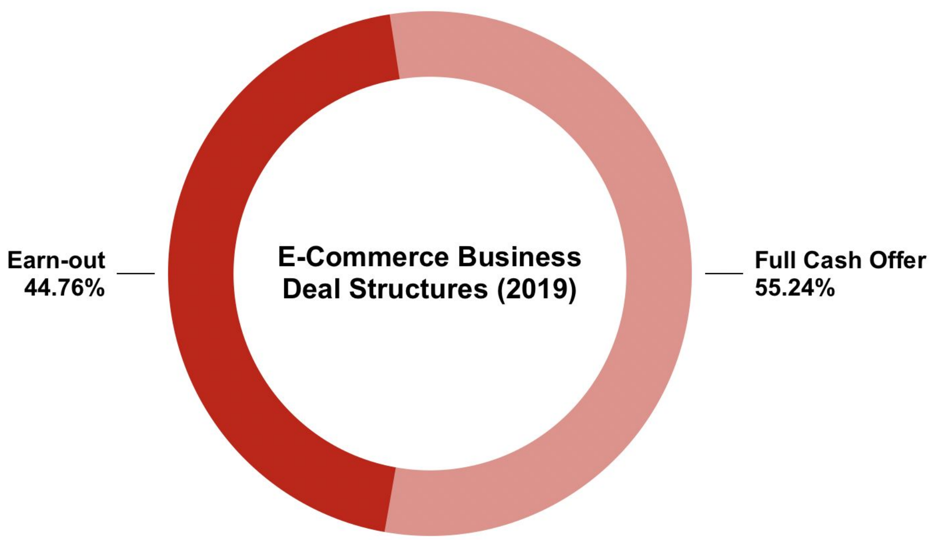
Keep that in mind.

Don't lose out on a deal because you're dead set on an earn-out.

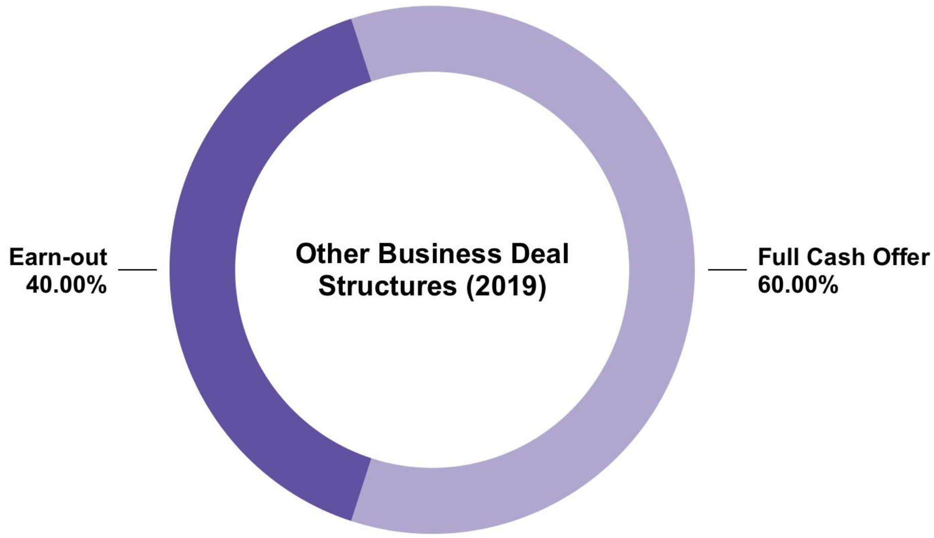
Likewise, for sellers, don't be so rigid that you won't accept an earn-out. In many situations, an earn-out makes sense. If you're confident in the buyer's ability to maintain the business or in their funding source, then an earn-out can make for a fast sale. You can mitigate some of the risks associated with taking the earn-out either by charging an interest rate on the seller-financed loan or by simply asking for a higher sales multiple in exchange for accepting the risk.

You can see a full breakdown of how many deals we sold that got full sales price and which ones had an earn-out, broken down by pricing tier, below:

Content Businesses	Sales Price					
	Sub $100K	$100K–$250K	$250K–$500K	$500K–$750K	$750K–$1M	$1M+
Earn-outs	9	6	5	1	0	0
Full Price Offers	93	20	9	0	0	0
% of Deals w/ Earn-out	8.82%	23.08%	35.71%	100.00%	-	-
% of Deals w/ Full Price Offer	91.18%	76.92%	64.29%	0.00%	-	-



E-commerce Businesses	Sales Price					
	Sub $100K	$100K–$250K	$250K–$500K	$500K–$750K	$750K–$1M	$1M+
Earn-outs	12	16	5	6	2	6
Full Price Offers	34	13	6	2	1	2
% of Deals w/ Earn-out	26.09%	55.17%	45.45%	75.00%	66.67%	75.00%
% of Deals w/ Full Price Offer	73.91%	44.83%	54.55%	25.00%	33.33%	25.00%



Other Businesses	Sales Price					
	Sub $100K	$100K–$250K	$250K–$500K	$500K–$750K	$750K–$1M	$1M+
Earn-outs	4	4	0	2	0	0
Full Price Offers	9	6	0	0	0	0
% of Deals w/ Earn-out	30.77%	40.00%	-	100.00%	-	-
% of Deals w/ Full Price Offer	69.23%	60.00%	-	0.00%	-	-

How We Break Down the Monetization Types

We have sold hundreds of businesses across multiple different business models in the last few years. For some business models, we have a ton of data; for others, not too much. We still wanted to share what we do have.

In order to make this as user-friendly as possible, we've grouped all the monetization types we sell into three general categories:

1. **Content**
2. **E-Commerce**
3. **Other**

The next section will start off with an overview of these categories and then break them down further into specific monetization subcategories. For any business with multiple monetization types, they will be subsumed into the overall category.

For instance, most e-commerce stores we've sold in the last three years source their own products, but they also use dropshipping to increase their average order value (AOV). Because of this, we don't have a "pure" e-commerce subcategory, since they're using both business models.

How This Structure Might Change

As we continue to update this report, it is likely there will be other monetization models, such as SaaS, that will eventually break out of the “Other” parent category.

Other parent categories might also evolve with more information as we keep gathering and analyzing new data every year.

All right, now that you understand the structure, let’s dive into the data we’ve collected.

Content Category

Content sites remain one of the strongest monetization platforms that we sell on our marketplace. As far as leaders go, we're far ahead of the competition when it comes to the sheer volume of content websites we're selling.

Over the last two years, we've sold 425 content businesses for $36,297,432.22.

We understand the content game *very well.*

After all, this was the original business model we started with. Plus, we've always been big fans of content marketing in general. This report you're reading is an example of content marketing in action. So it makes sense why we might love selling this model so much.

In addition, we continue to crush it with more content businesses sold every single year than any other M&A broker in our space.

Content acquisitions remain an incredibly popular monetization model for investors to get their hands on, and it makes sense. For an investor running a portfolio, there is a huge benefit to having a fleet of content sites being part of that money-making portfolio. These sites are fairly hands-off businesses, and they can be the launching pad for almost every other monetization out there.

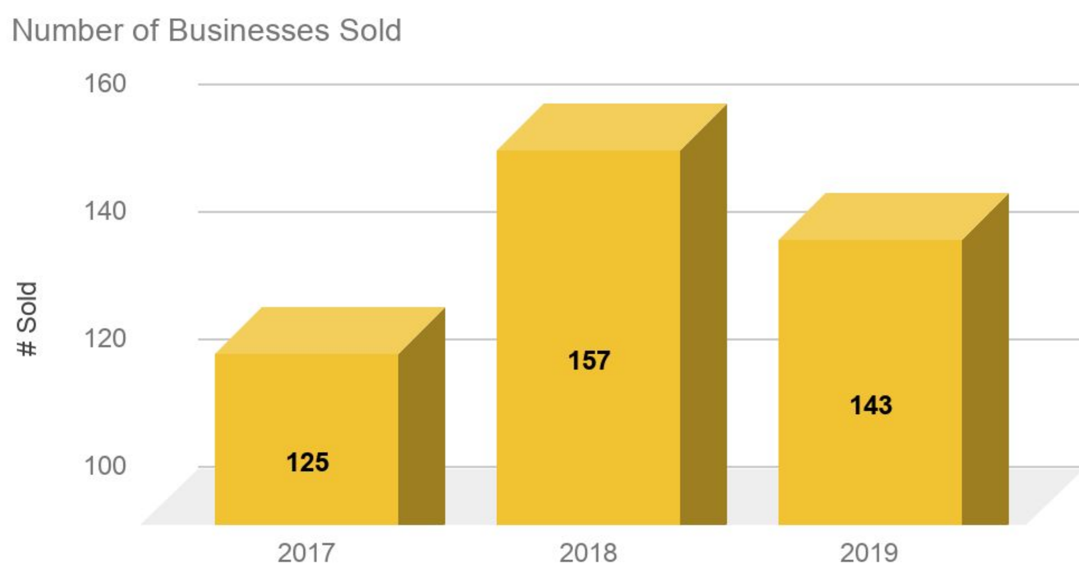
Content sites perform one of the most valuable marketing functions that exists in business today — *building an engaged audience.*

While many content site sellers focus purely on search engine optimization (SEO) traffic, there is much more that can be done beyond getting Google traffic to buyer guides.

Here is how the most important metrics played in this business model from 2017 to 2019:

Year(s)	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	125	29.65	26.77	$85,308.62	$78,264.56	$2,712.10	39.02	$9,783,070.62
2018	157	29.3	27.17	$86,058.71	$78,231.11	$2,899.79	21.59	$12,282,284.52
2019	143	32.15	29.76	$111,187.43	$99,525.01	$3,370.21	31.06	$14,232,077.08
2018 to 2019	▼ -9%	▲ 10%	▲ 10%	▲ 29%	▲ 27%	▲ 16%	▲ 44%	▲ 16%
2017 to 2019	▲ 14%	▲ 8%	▲ 11%	▲ 30%	▲ 27%	▲ 24%	▼ -20%	▲ 45%

Let’s break this down a bit more.

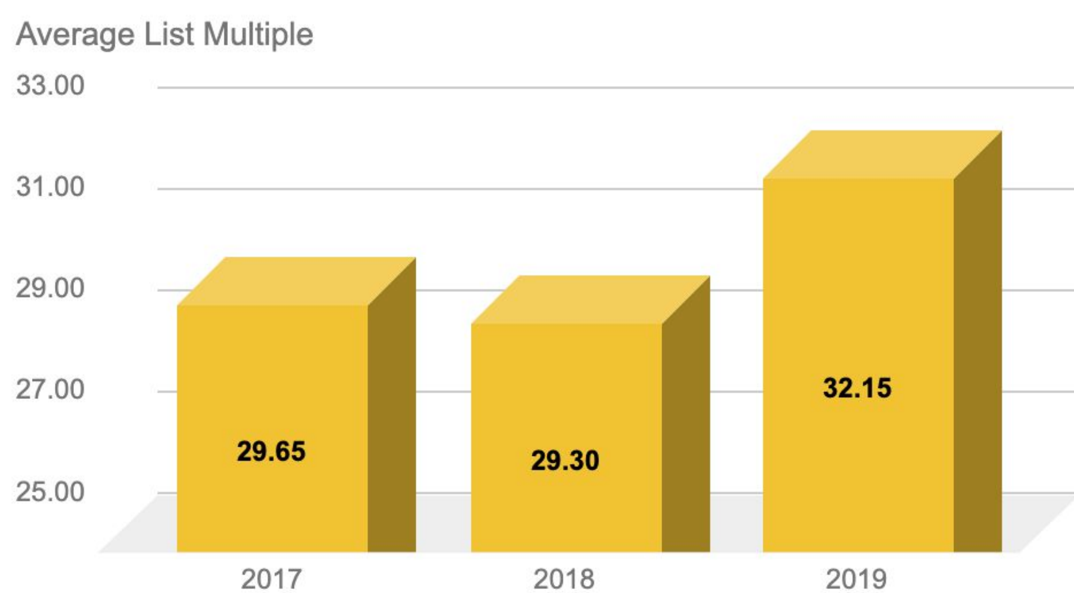


As you can see, 2017 had the lowest amount of content businesses sold, with 2018 being the highest and 2019 firmly in the middle.

In 2018, we started seeing a decline in the trend of sellers using private blog networks (PBNs) to fuel their content businesses. PBNs can still be effective today, but they’ve fallen out of popularity. Most SEOs using PBNs produced profitable affiliate sites like clockwork. However, Google updates have made PBNs more difficult to manage, resulting in this same group of SEOs outputting fewer of these businesses, often with them now focusing on larger brands that are more white-hat in nature.

While 2019 saw a 14% increase in overall number of deals sold than 2017, it decreased 9% when compared to 2018. As said above, though, the businesses in 2019 were much larger in sheer deal size than they were in 2018.

We may have sold fewer deals in 2019 than 2018, but we saw a 29% increase in actual list price, or 30% compared to 2017. This is consistent with our belief that more SEOs are focusing on bigger, higher-quality, magazine-style websites than on the more typical, brochure-style affiliate sites.



The average list multiple has increased from this focus on quality and return visitors to these websites, rather than the typical one-and-done approach of many affiliate sites. Another reason for this increase, though, is the sheer buyer demand and the relative lack of assembly line sites ready to be sold with the fading of the 2017 and 2018 PBN strategies.

While most content sites still do not focus on anything but SEO, they are in much better positions than previous years to have their sites grow into real brands that can expand outside of unstable Google traffic.

All of these changes factor into the increasing list multiples for these businesses, with 2019 being the highest list multiple average since we started recording this data.

The overall factors aiding this 10% increase in list multiples are:

- Better brand positioning for expansion;
- Bigger websites in general earning more net profit on average;
- White-hat strategies more abundant than grey-hat strategies such as PBNs
- Increase buyer demand as both new and veteran entrepreneurs enter our space; and
- Overall lower supply due to sellers focusing on creating bigger websites rather than an assembly line of PBN-fueled sites.

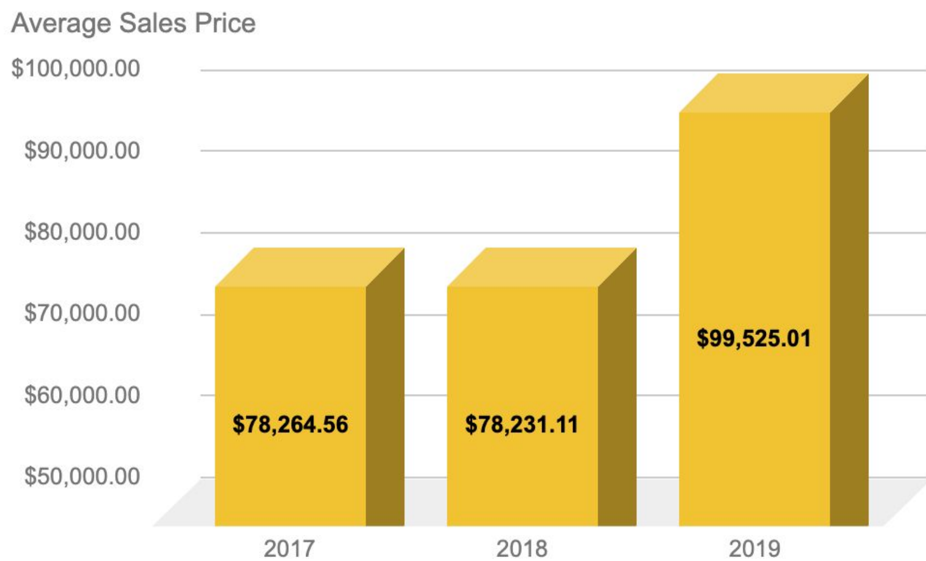
You can see the growth in average net profit below:

The average net profit grew by 16% from the previous year, and by 24% since 2017. This trend will likely continue to result in increased average net profit as bigger content brands begin to [sell on our marketplace.]()

But how does this 30% list price increase actually translate into sales price?

A broker can promise you the moon or get you listed at an impressive multiple, only to talk you down to a more "reasonable" sales price. The broker can then trumpet to their audience that they had a listing for sale at a huge multiple, without ever telling you the actual story of what happened.

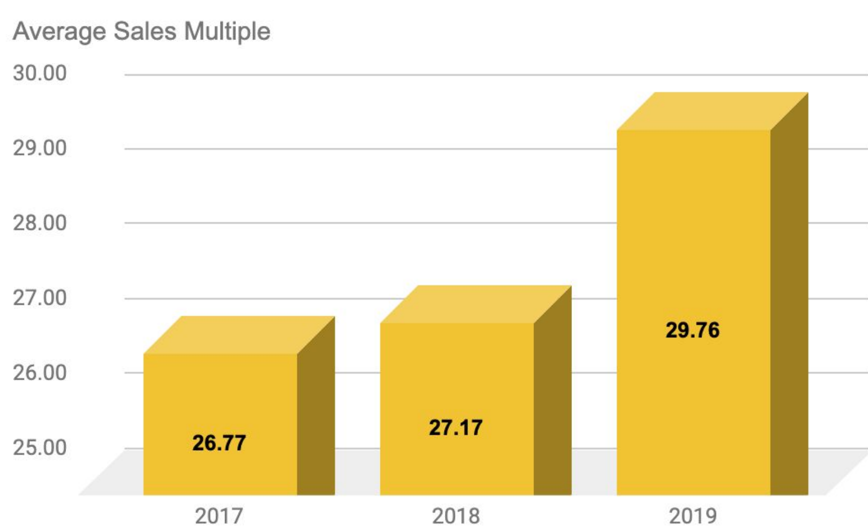
Let's dive into the actual sales metrics.



As you can see, the average sales price mirrors the average list price. The average sales price in 2019 saw a 10% increase from 2018 and a 11% increase from 2017.

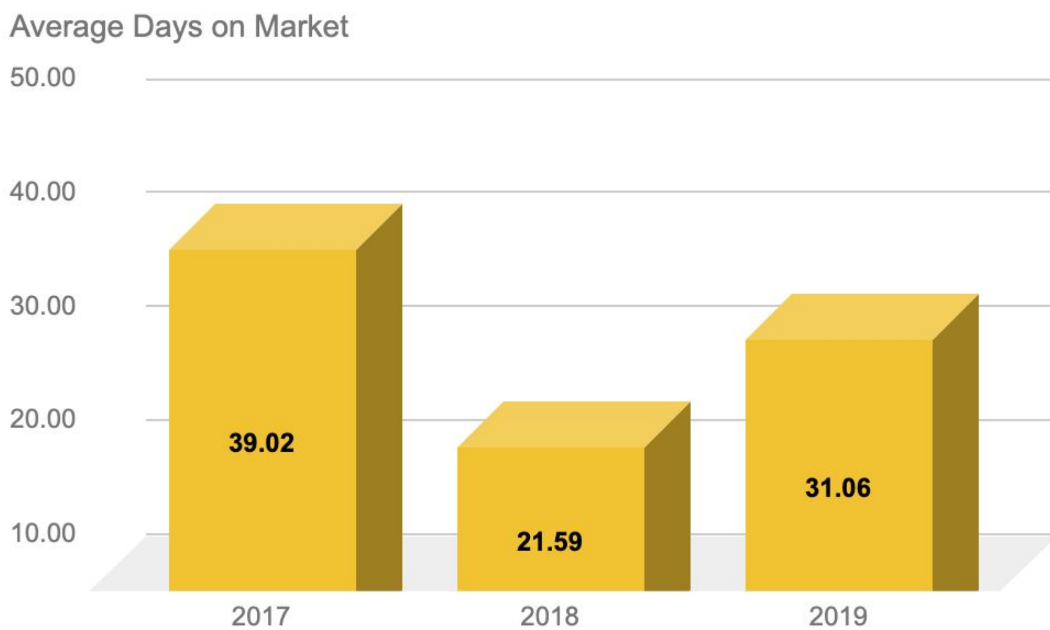
The sales prices in 2017 and 2018 were almost exactly the same, with only a slight difference. These two years reflect the era of PBN-fueled content sites that used to dot our marketplace.

Here are the average sales multiples:



As you can see, a listing multiple does not always reflect the actual sales multiple, though we'd wager the gap between our list and sales prices is the closest in the industry.

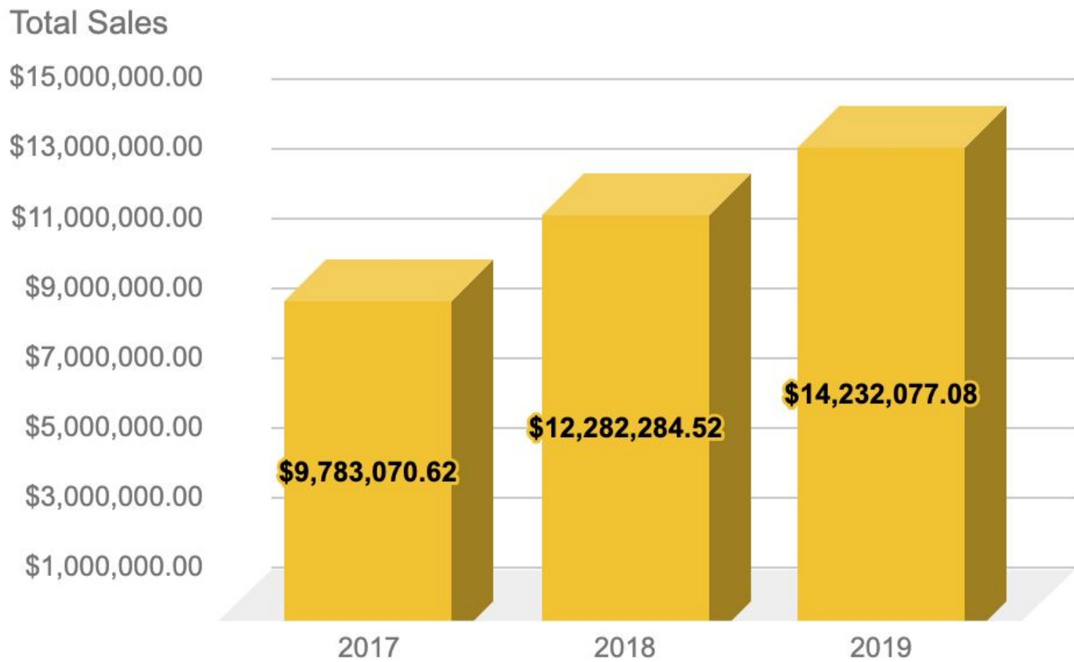
The average sales multiple has gone up by 11% since 2017, with most of that increase happening in 2018. We expect this space to likely continue to grow by a percentage or two in 2020.



The average amount of time it took to sell a content business in 2019 was 31 days. This is the second shortest timeframe, with 2017 taking the longest to sell on average. In 2018, we saw the shortest timeframe.

In 2018, we sold more content businesses, and these content businesses were smaller on average than in 2019. The huge increase in quantity of deals in 2018 versus 2017, combined with the lower sales price and more buyers entering the space, is probably why the time on market was so much shorter. The average days on market went back up in 2019 due mainly to bigger businesses being featured on the marketplace; these businesses were out of reach of the ever-growing pool of buyers just starting out in the space.

Our prediction for 2020 is that the average days on the market for content businesses will stay somewhat the same. The average may decrease slightly with improved efficiency in our sales process and more sources of funding entering the space to acquire these content businesses. However, it is unlikely with current trends that we'll drop back down to a 21-day average.



The total sales for content businesses continues to go up. Almost every metric trend for them is positive for each year we've recorded this data. Our expectation is that we will see, at the very least, another million-or-two bump in total sales for 2020. Total sales numbers will likely follow the same trends of bigger businesses being sold and bought, but with a large amount of sub $200k deals skewing the average sales price downward, as it does now.

This space is always fascinating to watch, and we'll likely see more content business builders start to expand their media sites into more complex (and lucrative) business models, such as building an e-commerce arm around the business or some other kind of monetization model that steps out of the norm.

***Our Little Disclaimer**

As the largest curated marketplace in the world, it's important that you keep in mind the data above is the aggregate across **all** deals. Many of the deals incorporated into these statistics are sub $200k deals in terms of the actual sales price. It would be easy for a competitor to look at the statistics above and tell you we only sell "smaller deals" or "just look at their average deal size."

The truth is that we sell **a lot** of deals, both big and small — we just happen to sell **the most deals**, as well.

Here are just five businesses that sold far above the average multiple in the content space with their actual sales price:

- A mixed-monetization content business sold for $470,000.00 at a 37x multiple.
- A two-site mixed-monetization content business sold for $245,735.00 at a 42x multiple.
- A mixed-monetization content business sold for $224,000.00 at a 39x multiple.
- An Amazon Associates business sold for $310,082.00 at a 38x multiple.
- A mixed-monetization content business sold for $470,000.00 at a 37x multiple.
- A mixed-monetization business sold for $276,122.00 at a 35x multiple.

*One more little disclaimer: I also wanted to point out that a smaller business we sold for $58,000 at a 47x multiple. This is a great example of how diversifying your revenue, in this case display ads and Amazon FBA combined into one site, can increase your multiple, even if your business is still on the small side.

Opportunities

Two of the biggest opportunities for buyers in the content space are to add display ads to an Amazon affiliate site they buy or to add buyer guides monetized with Amazon if they're buying a display ad site. Just by doing one of these, you can often increase your monthly net profit by a moderate amount for very little work. While many content assets already do this, there is still a large number of content sites that are only capitalizing on a single monetization type. Looking out for these single monetization platforms can lead to an easy win for the savvy buyer who understands how other monetization types work.

The next opportunity is to expand outside of just SEO.

While you can add many new articles to an established domain to rank those articles quickly, it is worth it to get away from just focusing on SEO. Pinterest has become a viable option for a large portion of content sites over the last few years. Out of all the social media channels out there, Pinterest is still providing strong organic traffic to websites. Another great thing about Pinterest is that it offers recurring residual traffic for the work you did from the beginning, just like SEO.

We’ve seen several large content site owners reap the benefits of this traffic channel to the tune of tens of thousands of extra visitors per month.

The next big opportunity is another traffic channel — email lists.

We all know that the “money is in the list.” We talk about it all the time in our industry. We also all know that if we want to get fit we should diet and go to the gym.

We just don’t do it.

This is a huge opportunity to grow content sites out even further.

Once you build out an email list, you’ll have the most valuable asset in business — an engaged audience that gave you permission to market to them. It also opens up more affiliate offers that are email only, or just brings more traffic to your published buyer guides and information content.

Another opportunity is offering multimedia content.

Almost no content site owner creates high-level content outside of the written word. If you are good at building teams, then consider hiring topic experts to not just write the content but to also shoot videos. This drives more traffic from a different channel (YouTube, in this case), and it also builds your content site into a far bigger and trustworthy brand. Since most content site owners are unwilling to go to this length, you’ll be standing a notch above the competition while building a deeper and wider moat around your business. Ultimately, creating video content and other premium content strategies, such as custom illustrations, can make your business much more attractive while bringing in more revenue, thus increasing your multiple.

Remember, with a content site, you can include almost any monetization type that exists right now.

You can use that content site audience to launch an e-commerce product (whether on-site or through Amazon FBA), information and digital products, or even a SaaS depending on your niche and the type of audience you’ve been building. That is one of the advantages of content sites: the sky is often the limit if you have a solid imagination and vision for what is possible.

I mention many of these tips and more in the specific monetization breakdowns, but I want to bring up one final opportunity for both content site sellers and buyers.

The majority of people in this space think in terms of “niche sites” and “authority sites.” While these terms are fine, they are also limiting in the scope of what your content business can become. It is far more powerful to pivot your mindset slightly to consider your content site as a mini-media company.

When you view your business as a media company, you will make 1,000 small decisions that will position your site in a more authoritative way that builds trust and will ultimately earn more income over the long haul.

Risks

The biggest risk for the majority of content sites is that they rely on a single-traffic channel combined with a single monetization method. These can be partially mitigated, as mentioned above, by adding more to the overall brand.

You do not control Google.

You could be just one Google update away from having zero traffic with a website going from making thousands to nothing overnight. We’ve seen it happen multiple times, which is why it is so important to diversify.

The same goes for monetization.

As a content site owner, you’re not usually 100% in control of how it makes money. Affiliate programs change their policies all the time, offers come and go, accounts get banned for apparently no reason. Understand this reality going in, and you will remain largely unaffected when one network changes their commission structure or something else with their program because you’ve diversified across multiple different networks and offers.

Display Advertising

Display advertising remains a strong monetization choice for owners of content site builders. When it comes to creating a hands-off stream of income, nothing comes close to AdSense and other display ad networks. It is worth noting that we use to separate out display advertising and the AdSense model, but we've decided to start combining the two underneath the overall Display Advertising category.

Here is a quick glance at what has happened in this genre of content business models over the last three years:

Display Advertising	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	11	29.91	25.36	$57,797.09	$42,748.22	$2,085.73	57.55	$470,230.46
2018	12	29.25	28.08	$90,614.67	$87,532.23	$3,171.50	35.17	$1,050,386.72
2019	9	31.56	27.67	$56,450.56	$48,779.22	$1,838.33	43.33	$439,013.00
2018-2019	▼ -25%	▲ 8%	▼ -1%	▼ -38%	▼ -44%	▼ -42%	▲ 23%	▼ -58%
2017-2019	▼ -18%	▲ 6%	▲ 9%	▼ -2%	▲ 14%	▼ -12%	▼ -25%	▼ -7%

As you can see, fewer content businesses are monetized with only display ads. This is actually beneficial, though. It means we're seeing more well-rounded businesses on the marketplace that are not relying on a single monetization model for all of their revenue

The average list multiple went up by 8% compared to 2018, and 6% compared to 2017. The actual sales multiple went down in 2019 versus 2018 by -1%. Still, the sales multiple is up by 9% overall when we compare to 2017.

Over the last three years, sales multiples have hovered between 25 and 28x of the average monthly net profit. The average sales price in 2019 dropped by -44% from 2018. Back in 2018, the average display ad website sold on our marketplace for $87,532.23, while in 2019 that price was $48,779.22. Part of this decrease is likely due to fewer sites monetized with only display ads appearing on our marketplace.

When a seller reaches a certain point with display ads, they realize that they can add to their bottom line by adding in affiliate review articles (and vice versa). Considering actual sales prices went up by 14% across content businesses as a whole when compared to 2017 this view seems to hold true even with a dip compared to 2018 numbers.

The average net profit also went down in 2019 versus 2018, likely for the same reasons as above. Average days on the market went up by 23% in 2019 versus 2018, but sales went 25% faster on our marketplace compared to 2017. The average content business is selling right around two weeks faster right now than they were back in 2017.

Over the last three years, you can see the range of time it takes to sell these businesses is firmly between 43 and 58 days on average.

Interestingly enough, this makes display advertising businesses the second slowest of the content business models to actually sell. When you look at the overall content business model in the last three years, the average days on market range from 30 to 32 days, with Amazon Associates specifically having a three-year range of 18-to-33 days to sell.

It is uncertain if we'll see more display advertising–only businesses on our marketplace in 2020. We started our M&A brokerage in this business model and have firm roots in it. Still, more and more of these businesses are becoming mixed-monetization platforms by adding in affiliate reviews and other monetization methods. Most likely, we will see a similar number as we have in previous years, ranging from 9 to 11 of these deals sold.

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As the largest curated marketplace in the world, it’s important that you keep in mind the data above is the aggregate across **all** deals. Many of the deals incorporated into these statistics are sub $200k deals in terms of the actual sales price. It would be easy for a competitor to look at the statistics above and tell you we only sell “smaller deals” or “just look at their average deal size.”

The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the AdSense space with their actual sales price:

- An AdSense site sold for $100,000 at a 35x multiple.

- An AdSense site sold for $147,191.48 at a 38x multiple.
- An AdSense site sold for $300,000.00 at a 38x multiple.
- An AdSense site sold for $218,638.00 at a 38x multiple.
- An AdSense site sold for $276,122.00 at a 35x multiple.

Opportunities

The display advertising business model is one of the most hands-off business models that exists today. But that doesn't mean you should stick to it.

If you're running or looking to acquire these businesses, the easiest thing you can do to immediately increase your revenue after doing conversion rate optimization (CRO) is to add an affiliate offer or review contents to the mix.

These articles can often give you a significant boost in earnings as you rank for their targeted keywords.

One thing that is unique to display advertisements is how they scale. When you're building out an affiliate site, you'll need to make sure all of your affiliate offers and links are still live and working. Ideally, you should be reviewing all of your links once per month to make sure you're not losing out on revenue due to a broken link or an offer that has been shut off.

At scale, when you have over a 1,000 articles on your website, this can become a time-intensive and tedious project.

When you scale up with display advertising, you never have to worry about broken links or short-term affiliate offers disappearing on you. There is always an advertiser waiting to fill in that ad block for you, and it takes none of your time to go and procure someone to take that space if you're using a network.

From a pure scaling perspective, display advertising is likely the easiest of the content business models to manage when you start getting into the multiple six- and seven-figure range.

Risks

The SEO updates in 2018 and 2019 are a stark reminder that, for most display advertising businesses, you're at the mercy of Google ranking you favorably.

For sellers, it’s obvious how to mitigate this future risk by simply selling the website before an algorithm update happens. However, this is not great advice for buyers, since many buyers are “buy and hold” style investors looking for steady cash flow.

If you’re looking to acquire these sites, there are ways to make yourself less reliant on Google to send your website free traffic. The display advertising sites you acquire should be well branded with plenty of room to grow if you’re going to get off the SEO gravy train.

When you have a good brand, you can generate an email list to bring subscribers back to your content. A strong email list can also lead you to diversify away from relying on AdSense income by introducing other offers, such as affiliate offers or even your own products.

In addition, consider using Pinterest to further diversify web traffic. Pinterest is the closest marketing channel that acts like SEO. You can siphon off residual traffic onto your website — to the tune of thousands of visitors in some cases. Similar to SEO, this traffic comes to your website regardless of what you’re doing.

Alas, not every niche will be able to utilize Pinterest, as Pinterest really tends to do well when your niche is filled with eye-catching visuals.

At the end of the day, though, it’s in the best interest of a buyer wanting to future-proof their assets to diversify earnings and traffic regardless of how they do it. If you want help future-proofing businesses and are looking to buy, we recommend setting up a free criteria call with our team.

Likewise, if you’re looking to sell and your business is in the six-figure range right now, set up an exit planning call so we can help you get the most money for your business.

Amazon Associates

Amazon Associates, similar to display advertising, remains an extremely popular asset for both buyers and sellers. It is one of the oldest, most trusted, and easiest affiliate programs to use, whether you're just getting started or you're an online veteran.

While Amazon did shake some of their affiliates' trust when they changed their commission structure a couple years ago, it remains the most popular affiliate program in the world.

Here is a look at the metrics in this subcategory over the last three years:

Amazon Associates	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	56	28.67	26.16	$59,967.14	$53,769.14	$2,066.07	33.27	$3,011,071.94
2018	67	28.48	26.73	$66,703.21	$61,226.08	$2,321.91	18.7	$4,102,147.40
2019	59	31.63	28.9	$98,665.63	$89,562.48	$3,108.00	30.36	$5,284,186.18
2018-2019	▼ -12%	▲ 11%	▲ 8%	▲ 48%	▲ 46%	▲ 34%	▲ 62%	▲ 29%
2017-2019	▲ 5%	▲ 10%	▲ 10%	▲ 65%	▲ 67%	▲ 50%	▼ -9%	▲ 75%

As you can see, Amazon Associates made up the lionshare of content sites we sold.

We sold a total of 143 content businesses in 2019, and 59 of those were Amazon Associates. This means that 41% of all content businesses sold on our marketplace were Amazon Associates–only businesses.

You'll see the first common trend here on the number of deals we sold. We actually sold 12% fewer Amazon Associate businesses in 2019 than we did in 2018. Similar to display advertising, this is because the sellers were starting to mix monetization types to get a higher amount of revenue coming in and thus a higher valuation for their asset.

As well, you'll see a healthy jump in the actual sales multiples in 2019 versus previous years, rising by 8% from 2018 and 10% from 2017 sales figures. The multiples are increasing for these businesses, and the demand for them is also increasing as more buyers come into the space. Amazon Associates has created so much trust in the internet marketing world as an e-commerce marketplace that even people brand new to the space are looking to acquire these businesses, partially due to their trust in Amazon as a company.

The trends of bigger businesses in this genre also continue to grow. We saw an average sales price increase of 46% versus the deal size of 2018 and 67% from 2017.

Notably, the average days on market have gone up in 2019 from 2018 by a considerable 62%. It is hard to explain why this might be: perhaps a larger buying frenzy of smaller Amazon Associate sites in 2018 brought those numbers down so much. Despite this spike, the overall average days on market for Amazon Associates has dropped by 9% in 2019 versus 2017, which means bigger businesses are being sold at a faster pace than back in 2017.

The Amazon Associates business remains a staple on our marketplace. The majority of the metrics are trending positively for this asset class, and this trend will likely continue in 2020.

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The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the Amazon Associate space with their actual sales price:

- An Amazon Associate site sold for $31,669.75 at a 35x multiple.*
- An Amazon Associate site sold for $108,000.00 at a 39x multiple.
- An Amazon Associate site sold for $225,000.00 at a 33x multiple.
- An Amazon Associate site sold for $135,000.00 at a 35x multiple.
- An Amazon Associate site sold for $310,082.00 at a 38x multiple.

***Note:** We included this small business here to demonstrate that you can still get a great multiple even on a lower-end valuation price. It is less common since these businesses tend to be younger with less of a track record of profitability.

However, it can definitely happen, as this business shows.

Opportunities

If you're a builder, then you have a large opportunity going into 2019 to sell these assets. While the multiples might not go up dramatically within the year, you still have a solid base of buyers looking specifically for these kinds of businesses.

If your Amazon Associate site is well branded, has a clean link profile, and has plenty of room to expand either in traffic or into other areas of your niche, then it should be relatively easy to find a competent buyer to acquire your site.

For buyers, there are often huge opportunities in acquiring assets and focusing on these three specific areas:

- **Adding Display Ads**: Amazon Associates is the only monetization model, which often means leaving several hundred to several thousand dollars in monthly cash flow on the table. Typically, it doesn't take long to set up a display ad network to get this extra income rolling in. Depending on the traffic size, the site might also meet the requirements for other ad networks that have higher advertising RPMs, such as Ezoic, Media.net, AdThrive, MediaVine, or the recently launched Pub.Guru.
- **Investing in Conversion Rate Optimization (CRO):** CRO, similar to display ads, is something that is rarely performed on these kinds of sites. Typically, the builders focus on quality content and achieving higher rankings on Google and often forget about this crucial element. By split testing affiliate offer placements, call-to-actions, and other on-page metrics, you can often see a 10–20% increase in your monthly net profit or more. You can hire a professional to do this service for you, but make sure you get your display ads set up before performing CRO so that you can include your display ad placements as part of the tests.
- **Focusing on On-Page SEO:** One common piece of advice given to these sites' buyers is to add more content in the form of reviews, buying guides, and informational content. While this is good advice to expand your overall content inventory, there is often a lot you can do with the existing content. You can use tools, such as Ahrefs, Page Optimizer Pro, SurferSEO, or Screaming Frog, to perform on-page optimization across all of your content that could provide a significant boost to the site's organic traffic. These on-page

changes can improve your rankings quickly, so it's often more of a low-hanging fruit than building new content pages that you'll need to rank.

Risks

The risks for Amazon Associate sites are similar to display ads.

Most of these sites are at the mercy of Google's algorithm to rank them and drive traffic to their site. SEO is an ever-evolving field, and it's hard to pinpoint where things are going or when the next big update will drop, as well as whether that update will help you or hurt you.

In addition to the SEO risks, there is always the risk that Amazon will change their affiliate program again and further reduce commissions.

To mitigate some of these risks, we recommend diversifying traffic and revenue sources. The more you can move away from relying on Google and Amazon, the deeper moat the site will have and, ultimately, the safer and more valuable it'll become.

Affiliate

While Amazon makes up a large swathe of content sites that we've sold, plenty of other affiliate networks exist for site builders and buyers to monetize.

These other affiliate networks often work in a similar fashion to Amazon's program, but offer longer cookies and often higher payouts than what Amazon offers its affiliates. Typically, other affiliate networks will also provide better support to you as an affiliate than Amazon.

Here's a look at the metrics for affiliate sites between 2017 and 2019:

Affiliate	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	14	28.79	25.36	$113,635.50	$98,071.24	$4,020.07	66.5	$1,372,997.30
2018	4	30.5	29.25	$79,338.00	$76,457.16	$2,610.75	55	$305,828.65
2019	8	28.13	27.13	$46,800.00	$44,270.15	$1,713.00	25	$354,161.19
2018-2019	▲ 100%	▼ -8%	▼ -7%	▼ -41%	▼ -42%	▼ -34%	▼ -55%	▲ 16%
2017-2019	▼ -43%	▼ -2%	▲ 7%	▼ -59%	▼ -55%	▼ -57%	▼ -62%	▼ -74%

Non-Amazon affiliate sites are rarer assets on our marketplace. One reason for this is that many affiliates of these networks are doing a paid media play with their affiliate offers, a play that often doesn't translate well into an actual saleable assets.

Stll, we have done a good amount and will continue to do more as affiliates realize they can build stable cash flow assets versus short-term paid campaigns.

In 2019, we sold 100% more affiliate sites than in 2018, which wasn't a staggering number at only eight businesses sold. This number is down from 2017 by 43%. Many of the affiliate sites in

2017 had PBN links driving their rankings, and as mentioned earlier in this report, PBNs as a ranking strategy has become outdated.

The average list and sales multiple also fell in 2019 from 2018, dropping by 8% and 7%, respectively. Unfortunately, pure affiliate plays saw a large decrease in average list and sales price too at 41% and 42% lower than the previous year, which is partially due to the 34% decrease in average net profit.

Overall, almost every metric has seen this asset class fall other than the average days on market. The time it took to sell these businesses decreased by a wide margin. We were seeing these businesses sell in 55% less time than the previous year and 62% faster than in 2017.

So what is going on here with affiliate sites?

The simple answer is that we don't have a big enough sample size to tell you.

The more complicated answer is that affiliate site owners are increasingly mixing their monetization strategies on their website among affiliate networks, Amazon Associates, display ads, and in some cases even e-commerce components. Having a sole monetization strategy for an asset has become more rare than in years past.

Still, sites monetized with a non-Amazon affiliate program have always been somewhat rare on our marketplace. It could be due to a number of the factors mentioned above combined with site builders who focus on bigger plays than before because of the added work that SEO takes compared to how they used to rank in 2017.

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The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the Affiliate space with their actual sales price:

- An affiliate site sold for $1,818,182.80 at a 58x multiple.
- An affiliate site sold for $191,138.50 at a 39x multiple.

- An affiliate site sold for $173,548.00 at a 33x multiple.
- An affiliate site sold for $106,398.00 at a 33x multiple.
- An affiliate site sold for $224,000.00 at a 39x multiple.

Opportunities

The opportunities for sellers are similar to those in the Amazon Associates and display advertising business models. One thing a seller in this business model can do that they can't do in the other two programs, however, is *special offers.*

An affiliate looking to increase the income from an offer using an affiliate network can often reach out to their affiliate manager (AM) to get an increased payout. If the AM sees that the traffic the affiliate is sending is good and converts, then it isn't uncommon for an AM to give a slight payout bump to that specific affiliate. While the payout bump sounds small, when you compound it across all the sales the affiliate is doing, it can lead to a significant increase in revenue.

For buyers, this same concept applies. Once you buy a website, the first thing you should do is contact your AM to see if there are any payout bumps you can get with the traffic you have converted for them. Of course, you'll want to make sure you're developing a good rapport with the AM, since relationships matter when it comes to getting these payouts.

Still, consulting an AM is an easy first step to increase revenue with little effort.

The next thing to look at is split testing different affiliate networks that have the same offer. Even if an affiliate network's offer pays out less than another does, it doesn't mean you'll earn less. Many people find significant differences on conversions between affiliate networks, even when the offers seem to be identical. This makes it worthwhile for you to test when you're doing CRO experiments.

In addition, it could be worth your while to reach out to the actual product manufacturers to explore the possibility of a more direct affiliate relationship. Manufacturers are often open to this idea and can create private affiliate programs for your site that will be more lucrative than your typical affiliate network offers.

Since these affiliates offer better payout than a typical Amazon Associate payout, it also opens the site to multiple traffic sources that would be next-to-impossible with an Amazon site. Traffic sources like paid Facebook ads and AdWords become a real option here because the margins are bigger to work with in general.

This is especially nice to have if you're planning to scale the website into a mini-media brand where you'll want to proactively run ads to bring traffic back to your site periodically.

Another real opportunity here is building an email list. Unlike AdSense, where you can't put ads within your email, or Amazon, where it's against the rules to promote their affiliate links in email, this is not the case with other affiliate networks.

In fact, some lucrative affiliate offers not only suggest that you email your audience with the affiliate link but also only allow you to promote that affiliate offer via your email list because they don't want you competing with their paid media and SEO efforts.

Risks

Affiliate networks that aren't through Amazon are less trustworthy. It's not unheard of that some affiliate networks will not pay out their affiliates on time or that they scrub, or "clean," that affiliate's traffic, which results in affiliates losing sales.

Before buying or starting one of these sites, you should do some background research on the actual affiliate network being used. You want to make sure they're paying out their affiliates on time and don't have a checkered past.

This likely won't be an issue if you're using one of the bigger affiliate networks, such as ShareASale or Rakuten, but it's still worth checking.

As with other content sites, you'll want to look at diversifying traffic and monetization models, within reason, to prevent relying on a single traffic or income source.

E-Commerce Category

E-commerce came roaring onto the scene in 2017 in the buying and selling space, and continued to roar into 2019.

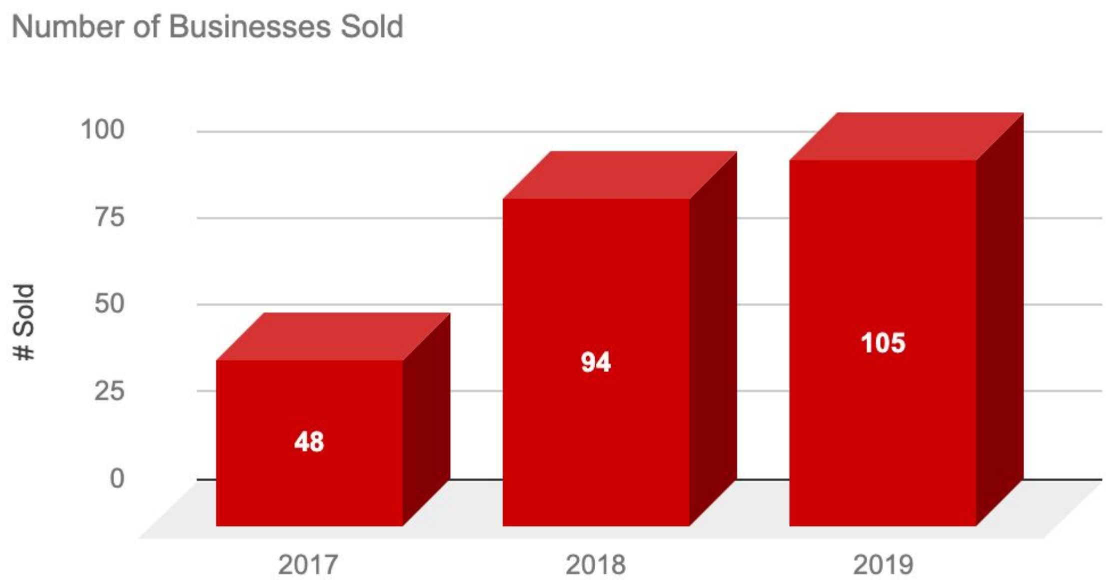
Out of any monetization type we sell, the biggest interest has been in e-commerce businesses. It makes sense considering that, in an e-commerce business, you truly control every aspect of the business from logistics to marketing.

E-commerce finally reached a tipping point of maturation at the end of 2016 where these businesses became assets that investors trusted and believed in. That trust factor skyrocketed over the next two years.

Unfortunately, we can't break "pure" e-commerce into its own category just yet, so the numbers you see below also include dropshipping and Amazon FBA businesses. The reason we can't create a category exclusively for e-commerce businesses where the store is sourcing 100% of the products they're selling themselves is simply because too many e-commerce store owners use a combination of Amazon FBA or dropshipping to drive larger order volume.

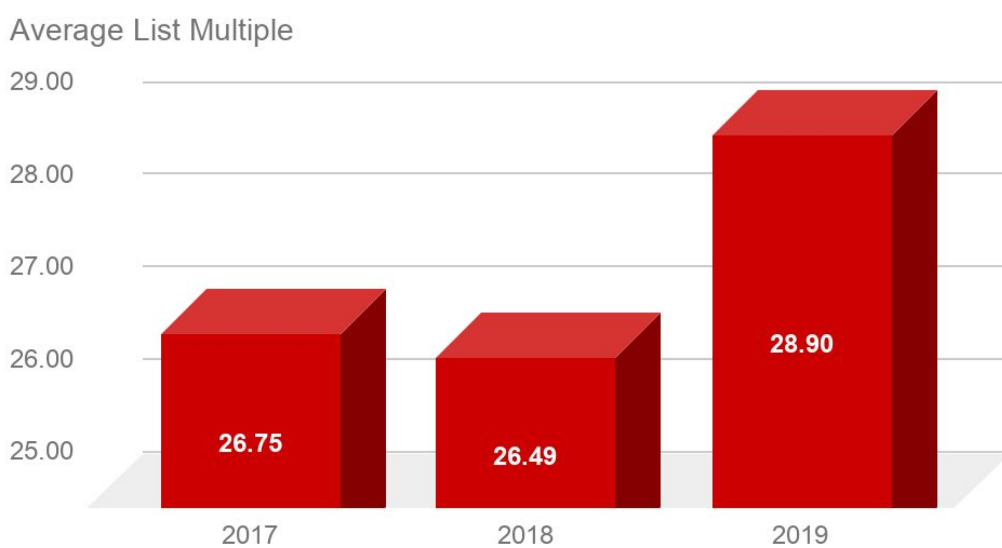
Here's a look at the metrics overall for this business category:

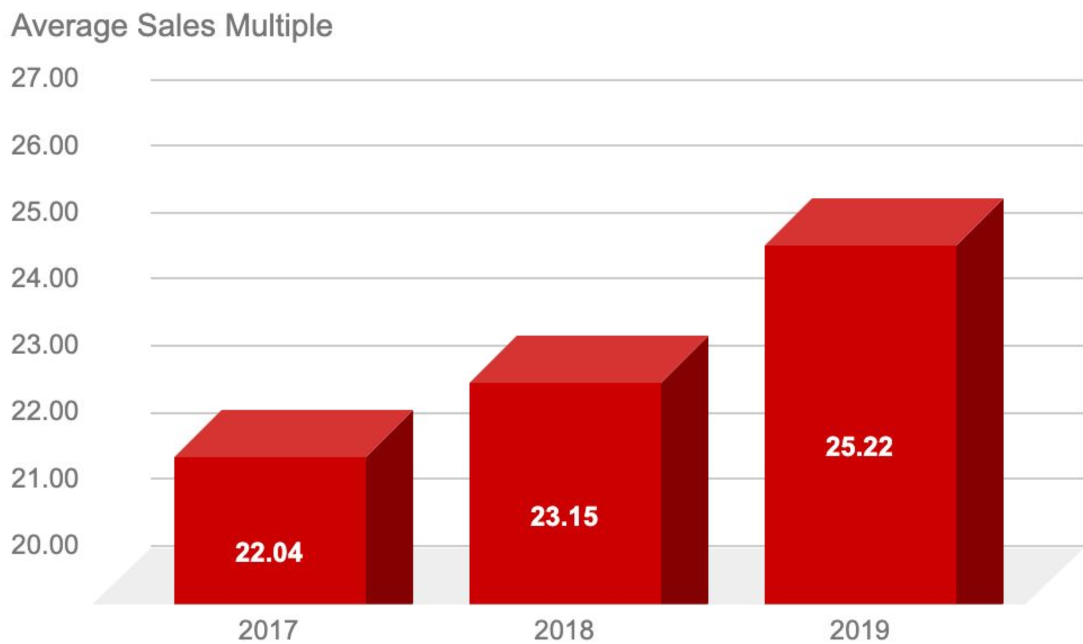
Year(s)	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	48	26.75	22.04	$154,810.48	$111,875.23	$5,643.40	62.73	$5,370,011.12
2018	94	26.49	23.15	$222,441.03	$196,575.11	$8,000.99	71.35	$18,478,060.09
2019	105	28.9	25.22	$394,471.81	$312,820.05	$12,466.21	91.66	$32,846,105.29
2018 to 2019	▲ 12%	▲ 9%	▲ 9%	▲ 77%	▲ 59%	▲ 56%	▲ 28%	▲ 78%
2017 to 2019	▲ 119%	▲ 8%	▲ 14%	▲ 155%	▲ 180%	▲ 121%	▲ 46%	▲ 512%



Over the last three years, we sold 247 e-commerce stores on our marketplace. This makes us the leader in sheer quantity of deal flow in the market right now. We expect that trend will continue as we head deeper into 2020.

We saw a 12% increase in actual sold deals from 2018, with a 119% increase from 2017. While the 12% increase is obviously much smaller, we think we'll be able to increase this number by another solid margin in 2020. E-commerce store owners need trustworthy advice to navigate the nuances of exiting their business, and more are turning towards us to give them that help.



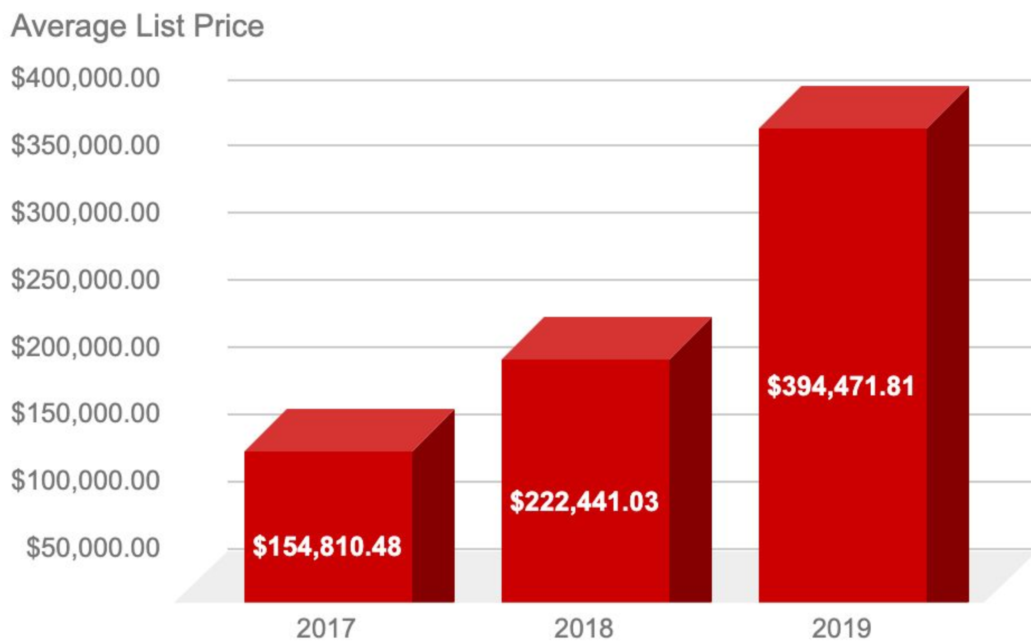


You'll notice the average list and sales multiples have mirrored each other with their growth over three years. The 9% increase in multiples across the board will likely go up again in 2020 as more high-networth investors enter the space, driving the multiples up as they compete with other high-networth buyers for assets.

The multiple growth in 2019 is especially interesting, considering it shot up more than 2017–2018 trends. E-commerce in general has come into its own, but it is still in its infancy when it comes to buying and selling these stores as assets.

An interesting anecdote here is that many of the conferences we attend that traditionally catered to affiliate marketing have now switched over to primarily e-commerce–focused speeches, workshops, and information. The trend is obvious to us: the meteoric growth and popularity of e-commerce is not yet done with, not even by a long shot.

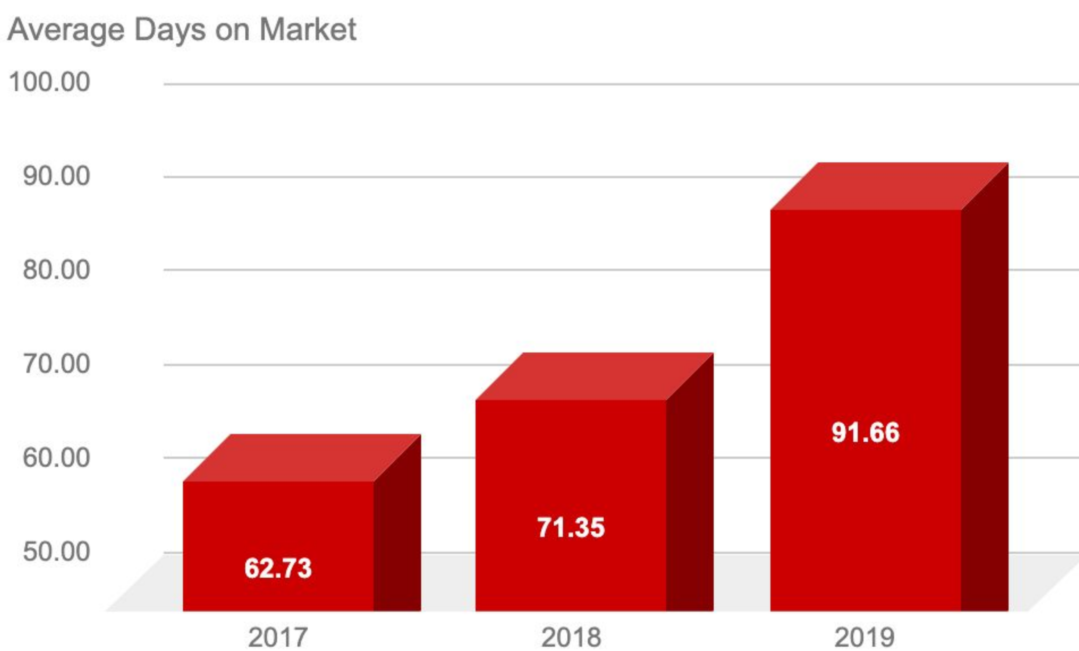
Expect interest, and thus the average multiples, to continue this upward trend.



The e-commerce category follows the same trend as the content category mentioned earlier: we're seeing larger and larger businesses come on the marketplace. When you compare what we did in 2019 to 2018, you'll notice a 77% jump in the average sales price.

The average e-commerce brand sold on our marketplace in 2019 was priced at $312,820, a gigantic increase from last year's average of $196,575.11. However, that growth looks like a small leap when you consider that we soared from 2017 by 155% when the average deal size for e-commerce stores was $111,875.23.

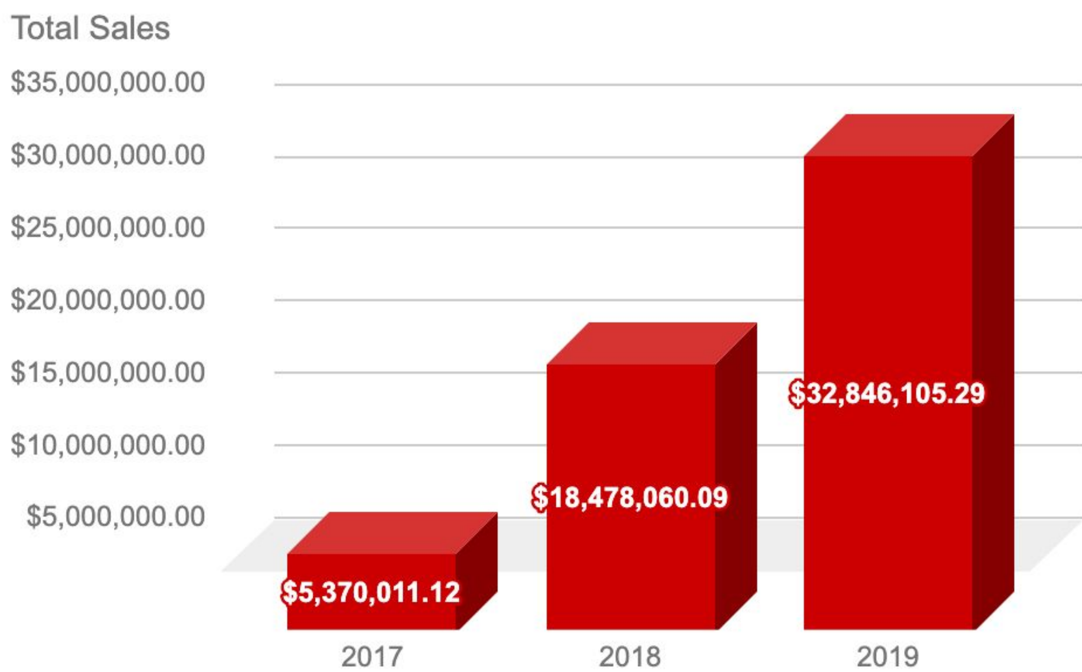
While the jump might not be as high in 2020, we believe that average deal sizes will continue to trend upwards. The reason the trend may be more modest is because of the sheer quantity of e-commerce stores coming onto our marketplace in the sub $300,000 range that will skew our averages downward, even with more seven-figure businesses for sale.



All the metrics across the board are trending positive for e-commerce. The only negative is the time it took to sell. On average, 2019 took the longest of the three years to sell an e-commerce store on our marketplace, at 91 days.

Nevertheless, that average doesn't tell the full story.

Included in that average are some truly huge businesses, one being above $4 million, that took a considerably longer time to sell than sub $200k e-commerce stores. In a future update to this report, we may break down the average days on market by pricing tiers to give you a better representative look at this.



E-commerce has a bright future ahead of it. It is the largest sector we operate in now, and we are producing the highest amount of quality deal flow than anyone else in the industry. As you can see, our total sales increased 78% from 2018 to 2019.

When you compare the data from 2017, the e-commerce asset class grew by 512%.

That is incredible growth, and we're not done riding out that growth wave either.

All in all, the demand for e-commerce businesses as assets is rising for investors. We predict that this space has not peaked and will continue to increase. While Amazon FBA has long been the biggest asset in this class, we think that over the next couple years we'll see even more omnichannel e-commerce brands that will utilize not just Amazon, but other marketplaces and their own branded stores.

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The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the e-commerce space with their actual sales price:

- A mixed e-commerce and Amazon FBA store sold for $292,500.00 at a 34x multiple.
- An Amazon FBA store sold for $1,940,000.00 at a 37x multiple.
- An Amazon FBA store sold for $95,000.00 at a 34x multiple.
- An Amazon FBA store sold for $198,818.73 at a 32x multiple.
- A dropshipping store sold for $368,000.00 at a 33x multiple.

Opportunities

Because you have so much control over running an e-commerce business, there is an astounding amount of opportunities to improve. You can build email lists with fully functioning marketing automation and funnels built into the store, as well as build a real social media following and even create a social media community that resonates with your brand.

There is also a plethora of paid media options open to you that don’t exist as much in other monetization models. Most e-commerce stores we see are still single-traffic channel businesses, which is great for buyers that want to acquire them and aggressively expand the store into other channels.

One channel routinely overlooked by many e-commerce entrepreneurs is SEO. The benefit of SEO traffic is that, once the site is ranked, it becomes an “evergreen” channel. Every sale that you get organically is just gravy on top of what your paid ads are producing.

There are several opportunities for e-commerce stores outside of marketing. There are many ways to improve your supply chain: everything from the manufacturer to shipping to warehousing the products. Even the packaging of your product is a potential benefit if you find a way to produce it cheaper without quality loss.

We’ve mentioned it earlier in this report, but consider adding dropshipping into the mix with your e-commerce store. This a great way to easily raise your AOV and do a product–market fit test without spending a ton of money on inventory where you have to pay upfront for sourcing the product. When you see some of these tests succeed, look into sourcing a branded version of that product for your store — ideally a better version.

Risks

Because e-commerce businesses can be so dynamic and different from each other, the risks can change from one business to the next. However, as mentioned earlier, if the business is only getting traffic from a single source, consider diversifying. This is a critical point of failure. If all the profitable traffic is coming from Facebook ads and your account is suddenly banned, you'll find yourself in a painful place with your e-commerce store. This is especially true as the continual costs of warehousing come into play.

You should be diversifying traffic as much as possible to make sure you're not reliant on any one source.

Also, you should always be "recruiting" new factories to build your products. If you have a multitude of manufacturing options to choose from, you save yourself from being at the mercy of a single manufacturer. This rolodex of factories can also save you during an especially busy season if one of your suppliers can't keep up with your customers' demands.

Fulfillment by Amazon (FBA)

Amazon FBA remains a popular online business model for both sellers and buyers. These businesses run like miniature e-commerce businesses, since Amazon handles many of the traditional marketing functions for you, allowing you to focus more on the supply chain side of the equation.

More and more services are cropping up around Amazon FBA businesses, and new advertising options are opening up specifically for the FBA model. In 2019, we saw Amazon PPC really come into its own as a powerful paid media channel for selling your product. More FBA entrepreneurs are exploring facebook ads, email funnels, and really the whole gamut of marketing automation that more traditional e-commerce channels have enjoyed.

The major difference here is that Amazon continues to be difficult when allowing these businesses to own their customer data. These businesses can be amazing for profit, but they can also be capital intensive. If you are looking to buy an FBA business, make sure you realize this and also find a way to own your customer data via some sort of email software or CRM. If you want to sell your FBA business, having this kind of data will help to add value to your business overall.

Let's take a look at how FBA trends have been going for the last three years:

Amazon FBA	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	24	26	21.25	$197,512.67	$133,726.26	$7,013.67	71.67	$3,209,430.28
2018	53	25.85	22.77	$216,035.74	$190,706.26	$7,949.64	63.92	$10,107,431.98
2019	62	29.31	26.18	$341,455.98	$279,253.83	$10,769.92	73	$17,313,737.55
2018-2019	▲ 17%	▲ 13%	▲ 15%	▲ 58%	▲ 46%	▲ 35%	▲ 14%	▲ 71%
2017-2019	▲ 158%	▲ 13%	▲ 23%	▲ 73%	▲ 109%	▲ 54%	▲ 2%	▲ 439%

You can almost track the popularity and growth of the Amazon FBA space when you look at our numbers of deals sold over the years.

If you look at 2017 versus 2019, we sold 158% more FBA businesses.

While we sell the most e-commerce stores in the industry, we certainly sell the most Amazon FBA businesses by a large margin. This means we have more data on this business model than any other.

You can see multiple growth happening here. The average sales multiple has risen by 23% since 2017, and 15% compared to 2018. In 2019, the average sales multiple came out to 26.18, which is a gigantic growth in terms of value to the asset. A big part of that growth again came from the sheer number of high-networth investors looking to acquire these FBA brands and roll them into a larger company.

Similar to other business models on the marketplace, we saw significant growth in the actual size of these deals along with the quantity of the deals. Back in 2017, the average FBA business sold for $133,726.26 and in 2019 the average FBA business sold for $279,253.83, **a 109% increase in average value.**

The year-to-year growth alone was aggressive, at 46% higher in 2019 than 2018.

Amazon FBA has continued to pick up steam, and it is becoming a legitimate, mature business model creating attractive cash flow for high-networth investors and private equity firms.

The only negative metric on the board here is the average days on market. Surprisingly, despite the increase in time by a moderate 14% versus 2018, the actual range to sell these businesses has remained fairly close over the last three years, ranging between 63 and 73 days. Despite being lower than other business model ranges, such as general e-commerce. Once the sale is actually completed, then there is an additional wait time that it takes to migrate the asset over to the new owner. Amazon FBA still remains notorious for how slow it is to transfer this asset over from the seller to the buyer. The main bottleneck in transferring these businesses remains Amazon itself, as they have not come up with a streamlined solution yet for these businesses to change hands between owners.

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The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the Amazon FBA space with their actual sales price:

- An Amazon FBA store sold for $54,000 at a 29x multiple.
- An Amazon FBA store sold for $300,000 at a 29x multiple.
- An Amazon FBA store sold for $1,411,758 at a 28x multiple.
- An Amazon FBA store sold for $159,447 at a 27x multiple.
- An Amazon FBA store sold for $455,437 at a 27x multiple.

Opportunities

The lowest hanging fruit with Amazon FBA is in the supply chain. The more you decrease your spending in the supply chain, the larger the ripple effect you’re going to make when it comes to increasing your margins.

There are several ways you can do this:

- Bulk buying products at a discount;
- Changing from air to sea freight;
- Using fully loaded containers, rather than partial shipping containers;
- Creating a separate warehouse that has lower storage fees than Amazon and only shipping products into Amazon’s warehouses as needed;
- Reducing package or product size; and
- Negotiating lower rates from your manufacturer.

In addition to supply chain management, now there is also Amazon PPC to consider. Many Amazon FBA entrepreneurs are leveraging Amazon’s PPC platform, but rarely is it optimized. Optimizing PPC campaigns can squeeze more margins into every sale for buyers once they’ve acquired the asset. You need to monitor the campaigns closely to make sure they’re profitable, but these campaigns can increase sales by several multiples.

Also, consider multichannel selling for a more long-term opportunity.

Most Amazon FBA businesses are single-channel businesses. This means they're only selling their products on Amazon. A savvy buyer that understands multichannel selling will be able to place their products on other e-commerce marketplaces, such as Houzz, Jet, or Walmart, and will likely reap positive benefits from doing so.

Since these businesses typically have only a single sales channel, you can also invest in building a full-blown e-commerce store that can help accelerate brand growth. By doing this, you'll have the ability to start building a real email list of all your customers and potential customers, which Amazon's platform makes it difficult for you to do right now.

Alternatively, if you'd rather not manage the complexities of a more traditional e-commerce store, you could opt to build an affiliate content site around your actual Amazon FBA products. This allows you to gain SEO traffic coming to your buyer guides that will allow you to earn the affiliate commission from the Amazon Associate's program and collect on your profit margin at the same time. You could reach out to other content sites too and have them promote your product if you didn't want to go through the effort of building your own site. Of course, you could always just buy an affiliate site in a closely related niche to save time too.

Whether you build an e-commerce store or a content site, you should definitely be building a powerful email list, as it will allow you to easily boost your products by bringing sales to Amazon outside of Amazon's platform. When you do this, Amazon will boost your product automatically within Amazon's organic search, which will send more valuable buyers to your business.

Risks

There is always a large risk when you're building a business purely on someone else's platform, in this case Amazon. Some FBA sellers fear that Amazon has a grand plan to replace everyone's SKUs with Amazon-branded products (such as the AmazonBasics line).

This has never been proven, and it's something that shouldn't concern a buyer. It's even less of a concern if you're selling a truly unique product, rather than more commodity-like products, such as USB cables.

You need to make sure you follow Amazon's terms of service to the letter, though. The last thing you want is for Amazon to take down your listings because they think you violated a policy of theirs. Even if it is a mistake on their part and they restore the account, they're not going to pay you for the sales revenue that you've missed while your listing was down.

Keep this in mind.

The other thing to keep in mind with these businesses is the risk that can happen during the actual sales process. Whether you're a seller or a buyer of Amazon FBA businesses, it isn't uncommon for the migration process to take six-to-eight weeks, *sometimes even longer.*

Unfortunately, this is something that you can't get around if you're doing everything correctly, where Amazon is kept in the loop of the asset sale.

Part of the reason why these migrations can take so long is because of Amazon's slow response times and often labyrinthine customer service for their FBA sellers. It's just the nature of the business for now, and it's something you should expect while buying or selling an Amazon FBA business.

The risk here is that during the long migrations process, your seller (or buyer) might get cold feet and back out. They might go dark on you, or just try to cancel the entire process, which leads to a lot of wasted time on your part.

At Empire Flippers, we have an entire migrations team dedicated to this process who can mitigate the risk of this happening to you during those crucial last phases of the deal.

Another Little Disclaimer: Throughout the specific monetization breakdowns in this report, we've used deals earning solely from that monetization. With Amazon FBA in particular, we wanted to remind you there are often FBA businesses deriving 99% of their revenue from Amazon and 1% from a Shopify store. These businesses are classified as mixed e-commerce in our analysis — not Amazon FBA.

In essence, this means we sold closer to 80 Amazon FBA businesses in 2019 when you factor in those with very small percentages of revenue being earned outside of Amazon. In a later iteration of this report, we hope we'll find a way to easily reflect this, but for now these specific breakdown sections are just focused on businesses earning 100% of their revenue in their chosen monetization.

Dropshipping

The dropshipping business model has been popular for years, and despite some people saying that “dropshipping is dead,” it’ll continue to be popular for years to come.

Dropshipping, similar to Amazon FBA, is a somewhat easier form of running an e-commerce store. However, instead of it being easier for you on the marketing side, dropshipping makes it easier for you on the supply side of the business. This is because you don't handle any of the actual logistics or manufacturing of the product, and you have no upfront inventory costs like you would in an e-commerce or Amazon FBA business.

Instead, you only pay for the sold product.

Unlike the affiliate model, though, it's up to you to keep up good customer relations and offer stellar customer service.

Dropshipping can be an easy entry for both buyers and sellers into the exploding e-commerce scene, and often serves as a supplementary income to a store owner's main e-commerce brand where they sell their own sourced product and have dropshipping accessories as upsells.

Here’s a quick glance at the last three years of data:

Dropshipping	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	12	27.75	23.83	$82,272.75	$71,268.25	$3,007.00	73.17	$855,219.00
2018	15	27.2	25.13	$147,318.60	$137,820.72	$5,213.80	62.73	$2,067,310.75
2019	9	27.44	24.11	$137,439.22	$118,488.00	$4,680.22	127.67	$1,066,391.96
2018-2019	▼ -40%	▲ 1%	▼ -4%	▼ -7%	▼ -14%	▼ -10%	▲ 104%	▼ -48%
2017-2019	▼ -25%	▼ -1%	▲ 1%	▲ 67%	▲ 66%	▲ 56%	▲ 74%	▲ 25%

Dropshipping can be a tricky business to sell. Many of them are just not sellable at all. They just don't have a deep enough moat around the business to make it worth an investment in a buyer's eyes. If you're building a dropshipping store to become an asset you can sell, ask yourself if a competitor could copy your store in an afternoon.

If the answer is yes, or close to it, then you have an issue. The best dropshipping businesses have solid margins, and brands or traffic channels (often both) that make it difficult to copy. These styles of dropshipping businesses often feature high ticket items and a community around the actual brand, which are all very important factors to make an investor interested in your store.

You can see a clear downward trend in the number of deals sold in this space. We dropped by 40% from 2018 and 25% compared to 2017. This drop is not indicative of any market trend that there are less dropship stores around. In fact, likely the opposite is true.

The change in these numbers is largely from process changes we implemented at Empire Flippers.

We are always striving to feature only the highest quality businesses on our marketplace, and many dropshipping stores just don't make the cut for the reasons mentioned above. Perhaps the biggest offenders were the stores dropshipping from Ali Express. Our vetting guidelines for what will be approved in this sector have become far more rigid, which has led to the overall decrease in deal numbers.

The list and sales multiples for this asset class has either grown slightly or shrank altogether. Again, this goes back to how hard it is to create a dropshipping store that is valued as an actual asset to an investor.

The average deal size increased since 2017, with sales price seeing a 66% increase in average deal size. However, that same metric decreased by 14% compared to 2018. Deal size over the last three years has experienced one of the smallest amounts of growth versus other assets in our space.

In addition to all of this, the average days on market to sell a dropshipping business is one of the longest durations. The reasons are all mentioned above. They are difficult to sell. If you are planning to sell some of your own, expect it will take longer on average than a content site or an Amazon FBA business. Even after we applied our new rigid standards to this business model, we still saw a 104% increase in average days on market versus 2018.

Part of this could be that buyers are just less interested in the model, but another part could be weak branding and community building, which dropshipping businesses require to stand out. If you're looking to sell a dropshipping store, we highly recommend you focus on building community and collecting useful marketing data with your CRM or marketing automation software, which both have intrinsic value to a potential buyer.

If you're a buyer, dropshipping stores can still offer you a lot of value — you just need to make sure they have all the right ingredients. We have seen many buyers purchase these assets, grow them through multichannel, and source their already best-selling products with new and improved versions that help the asset transition to a more traditional e-commerce brand.

***Our Little Disclaimer**

As the largest curated marketplace in the world, it's important that you keep in mind the data above is the aggregate across **all** deals. Many of the deals incorporated into these statistics are sub $200k deals in terms of the actual sales price. It would be easy for a competitor to look at the statistics above and tell you we only sell "smaller deals" or "just look at their average deal size."

The truth is that we sell **a lot** of deals both big and small.

Here are just five businesses that sold far above the average multiple in the Dropshipping space with their actual sales price:

- A dropshipping store sold for $533,000 at a 30x multiple.
- A dropshipping store sold for $374,062 at a 29x multiple.
- A dropshipping store sold for $120,000 at a 27x multiple.
- A dropshipping store sold for $138,000 at a 27x multiple.
- A dropshipping store sold for $133,000 at a 26x multiple.

Opportunities

One of the most promising but least utilized opportunities in dropshipping is using it as an experimental laboratory for a more traditional e-commerce store. Since you don't need to spend money buying large upfront inventory, you can test different items quickly by uploading them to your store and running a light marketing campaign around the product.

This can be an advantage for you if you then source a similar (preferably better) version of that product, should that campaign prove successful.

Another big dropshipping opportunity also comes with traditional e-commerce stores as a way to increase the average order value (AOV) of each customer without increasing logistics or inventory costs.

For example, if you owned a traditional e-commerce store that sold coffee grinders, you might set up a few dropshipping deals to distribute coffee beans. This would allow you to sell ancillary and related products along with your high-margin products using less effort than if you had sourced that product yourself. It can dramatically increase your AOV.

Risks

Since you are selling other people's products, there is always a chance that a slew of new competitors will come into your space selling the same items from the same dropshipping supplier.

Unless you've invested in building a brand, a community, or some kind of unique defensible moat around your business, then these new competitors will have all the same opportunities as you. If they have more capital to spend on ads, then there is a good chance they will be able to outspend you and ultimately force you out of the niche.

This is why dropshipping businesses need to have something unique about them to make them work in the long-term.

Other Category

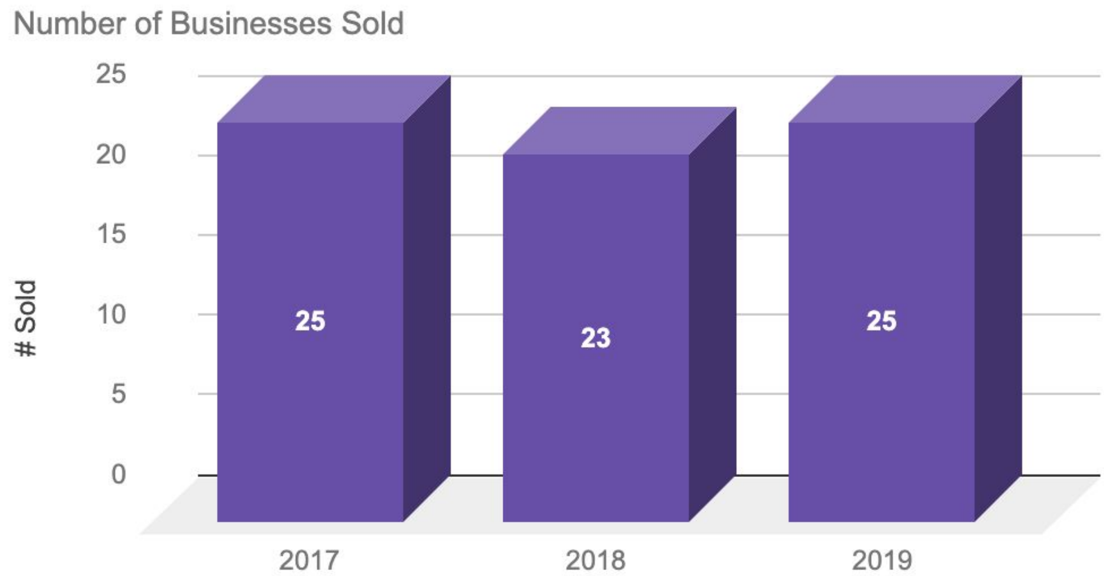
The "Other" category consists of a hodgepodge of businesses that really didn't fit anywhere else on our list. As I mentioned above, we'll eventually break SaaS out of the "Other" category as we start attracting more of them to our marketplace.

One important reason why SaaS isn't bigger on this list is that we have not spent much time attracting those businesses to the marketplace yet. That doesn't mean we can't sell them, as we have a huge buyer pool that is hungry for SaaS. Indeed, we have started seeing more SaaS businesses on our marketplace in 2020, some valued at seven figures.

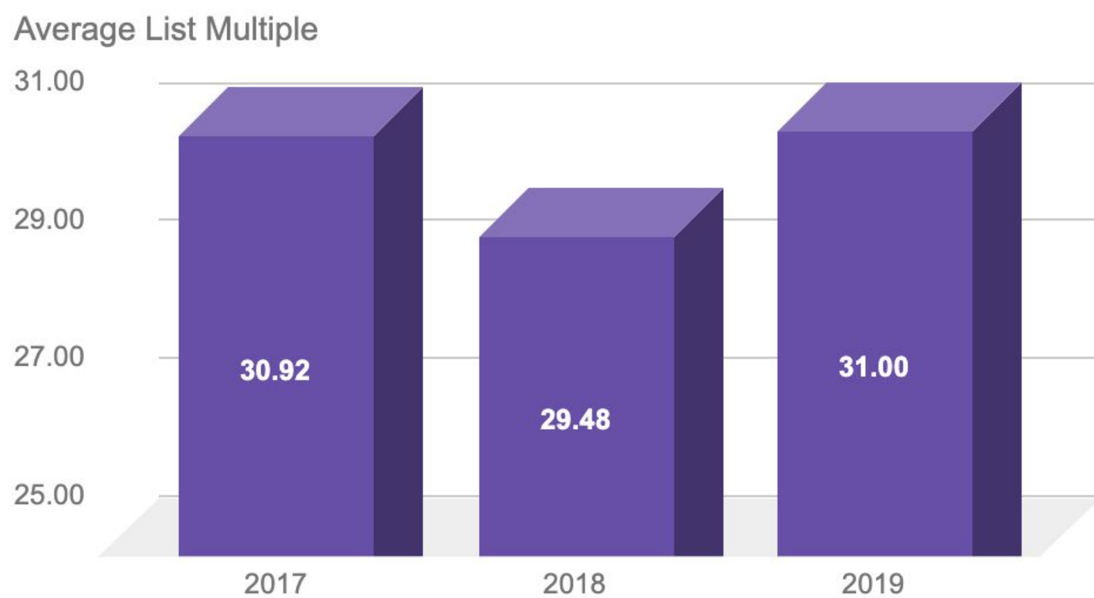
If you're reading this and you're a SaaS owner, I highly recommend getting on an exit planning call with our team to discuss your exit strategy. SaaS can be more complicated in the sales process, and often there are a ton of opportunities you can leverage to make that process go more smoothly.

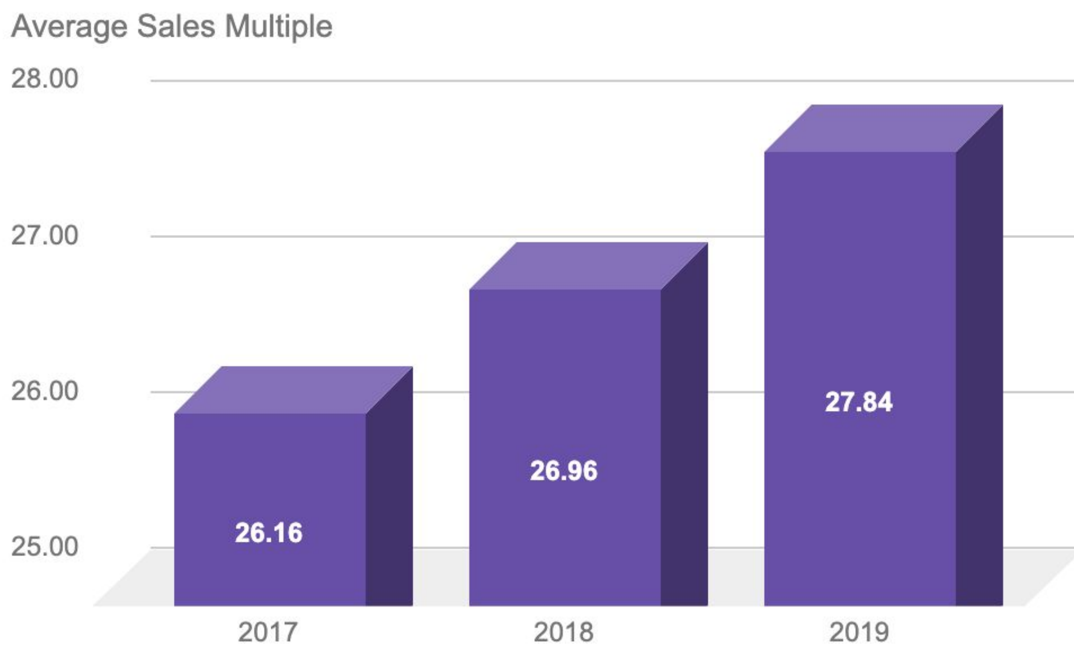
Here is a quick glance at how the "Other" category has performed over the last three years:

Year(s)	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	25	30.92	26.16	$135,202.84	$116,085.28	$4,243.48	56.92	$2,902,131.88
2018	23	29.48	26.96	$99,313.30	$89,373.35	$3,403.39	56.17	$2,055,587.07
2019	25	31	27.84	$156,298.52	$134,294.22	$5,023.64	64.76	$3,357,355.60
2018-2019	▲ 9%	▲ 5%	▲ 3%	▲ 57%	▲ 50%	▲ 48%	▲ 15%	▲ 63%
2017-2019	▲ 0%	▲ 0%	▲ 6%	▲ 16%	▲ 16%	▲ 18%	▲ 14%	▲ 16%

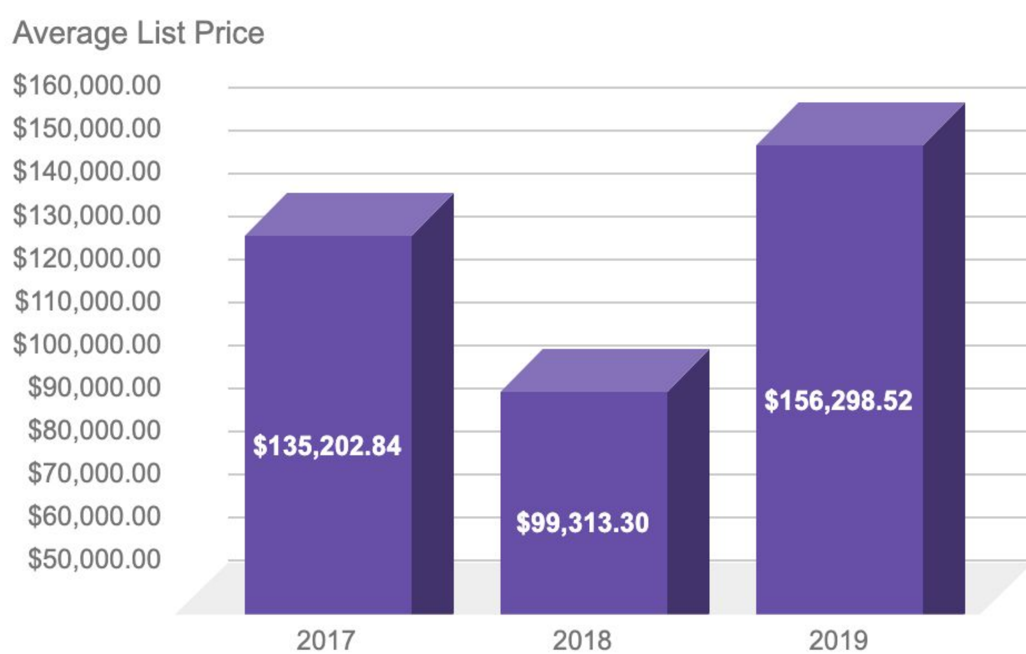


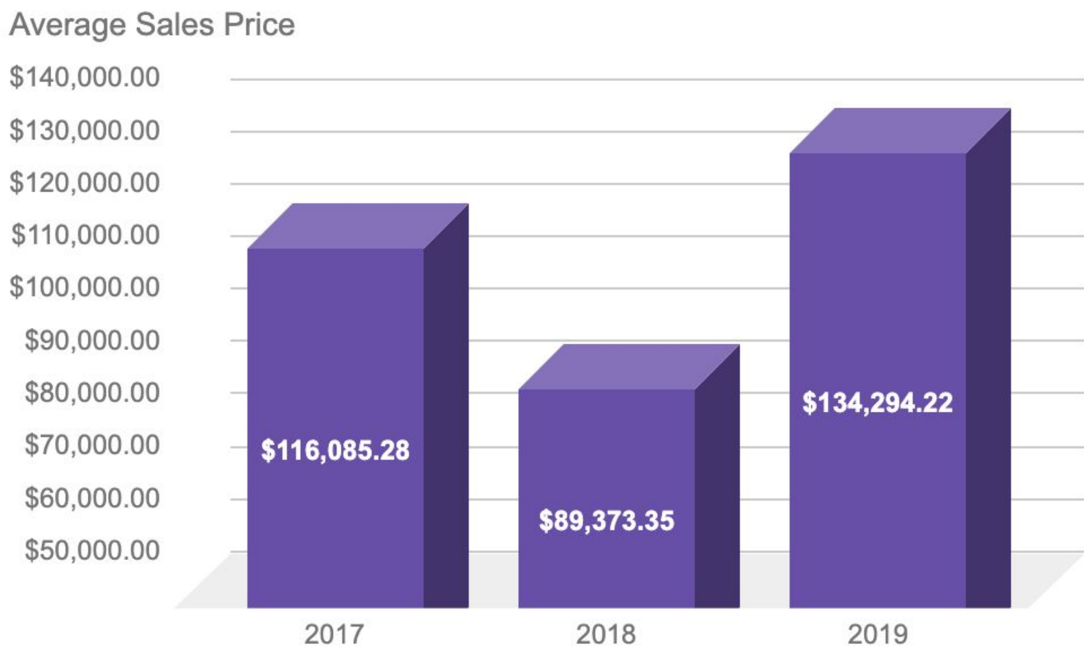
We've sold a considerable amount of these businesses every year, and there is definitely a market demand for the less popular online business models out there, like Kindle Publishing and Merch by Amazon. Typically, our marketplace will sell between 23 and 25 businesses in this category every year.





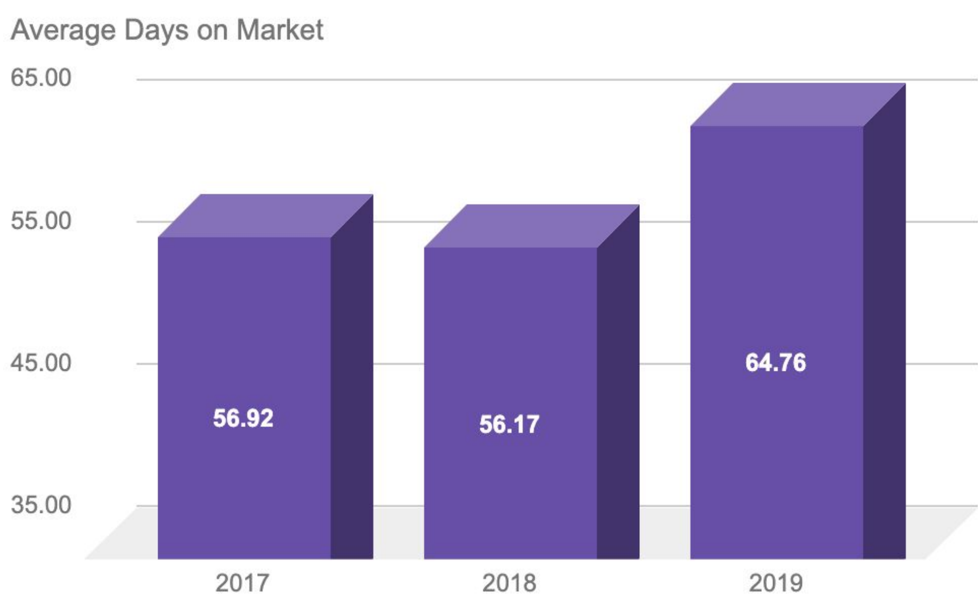
It is hard to say if these metrics affect all the businesses here, as they are very different from each other, so you should take these metrics with a grain of salt. From what we can see, the average sales multiple saw a slight 3% increase in 2019 versus 2018, which is a 6% increase from 2017. This increase is likely driven by the fact that the average sales price of each was larger, with deals sold in 2019 being 16% larger than in 2017, and there was a huge 50% increase when comparing 2019 to 2018.



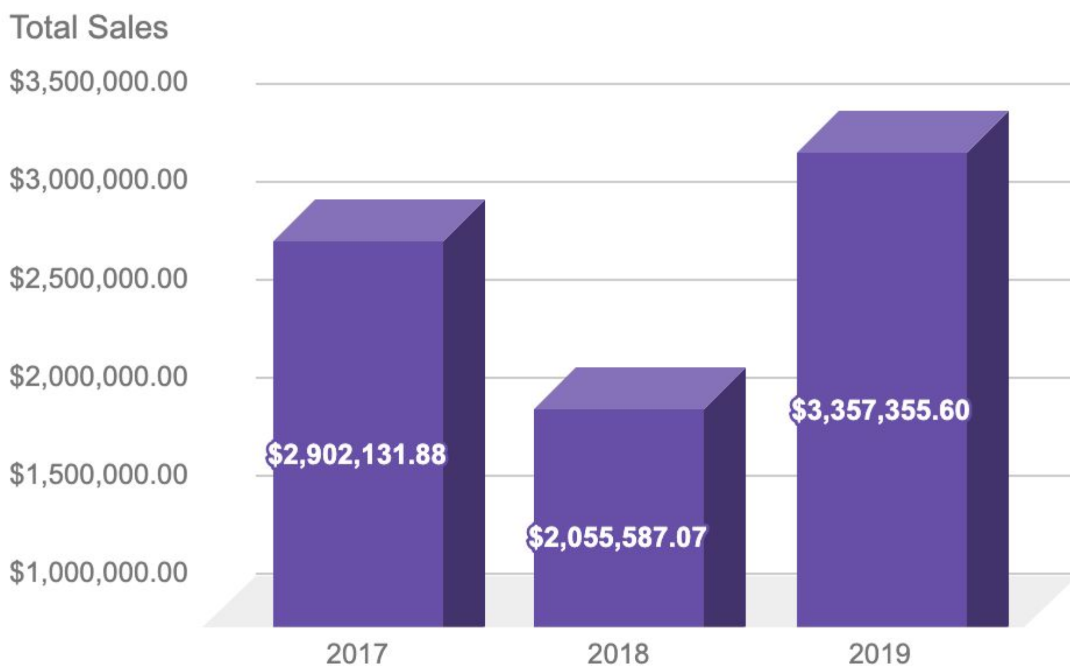


As you can see, the average sales price dipped in 2018. In 2019. The sales price did rebound in 2019 though, outpacing even the 2017 numbers with the average deal size being $134,294.

It is strange to see this variation, as the sales multiples in 2018 weren't far off from 2019, with 2019 only growing by 3%. This runs counter to our general thesis that the bigger business, the bigger multiple they tend to get. However, it does support our other general thesis that online businesses are being valued at higher multiples as time goes on, and more people enter the space seeking to acquire these businesses.



The increase in size, and the fact that these business models tend to be less known, likely contributed to the 15% increase in average days on market, along with new buyers entering the space just now becoming familiar with the various online business models that exist. Buyers need to have more information and will likely take longer to understand how the business model really works. That doesn't mean buyers aren't interested; it just means they need more time before making a buying decision.



Total sales increased by 63% in 2019 versus 2018. Considering there were just two more businesses sold in this category than in the previous year, this is a considerable improvement in the average deal size. The "Other" category is still one of our smallest overall when it comes to actual revenue we've produced off the marketplace, sitting at just $3,357,355.60 in deals sold.

We do expect this number to grow, potentially by a large margin, in 2020. The reason?

We're selling more SaaS businesses. More software developers with amazing apps and businesses are starting to come to us as their obvious exit solution to sell the asset they've built. If any subcategory grows in the coming year, it will likely be these self-funded SaaS owners who are looking to make a lucrative exit with what they've created.

As that happens, though, we will likely break SaaS out of the "Other" category altogether.

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As the largest curated marketplace in the world, it's important that you keep in mind the data above is the aggregate across **all** deals. Many of the deals incorporated into these statistics are sub $200k deals in terms of the actual sales price. It would be easy for a competitor to look at the statistics above and tell you we only sell "smaller deals" or "just look at their average deal size."

The truth is that we sell **a lot** of deals, both big and small.

Here are just five businesses that sold far above the average multiple in the "Other" space with their actual sales price:

- A merchandise business sold for $30,430.00 at a 30x multiple.
- A SaaS business sold for $81,696.60 at a 45x multiple.
- A SaaS business sold for $150,000.00 at a 32x multiple.
- A SaaS business sold for $280,000.00 at a 28x multiple.
- An information product business sold for $96,146.00 at a 33x multiple.

Merch By Amazon

Merch By Amazon is a business that is less common on our marketplace. For those who are unaware, Amazon Merch is where you can create an account and upload t-shirt designs, which Amazon will then print on demand (POD) for you every time you get an order.

Merch has expanded beyond just t-shirts, but this remains the primary item for their POD services.

Merch is a great way for people getting started with a small amount of funds. The only thing you need to produce is the actual designs, whether by yourself or by outsourcing this to a freelancer. If you select and optimize for the right keywords, you will reap the rewards of Amazon's organic traffic that directs customers to your product listings.

Once up and running, outside of uploading new designs, these businesses are about as hands-off as it comes, unless you decide to use Amazon PPC or other marketing strategies outside of Amazon organic search.

Here's a quick look at the data we have on this model over the last 3 years:

Amazon Merch	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	4	26.25	22.5	$61,316.50	$55,372.83	$2,315.75	14.5	$221,491.32
2018	6	27.67	26.33	$84,458.83	$76,707.40	$3,076.17	19.83	$460,244.37
2019	8	28.5	25.13	$57,582.50	$47,084.13	$1,998.50	56.5	$376,673.00
2018-2019	▲ 33%	▲ 3%	▼ -5%	▼ -32%	▼ -39%	▼ -35%	▲ 185%	▼ -18%
2017-2019	▲ 100%	▲ 9%	▲ 12%	▼ -6%	▼ -15%	▼ -14%	▲ 290%	▲ 70%

We sold 33% more Amazon Merch businesses in 2019 than in 2018, and there was an even 100% increase from 2017's numbers. While we did sell more businesses, it is interesting that the average sales multiple actually dropped by 5% from 2018's sales multiples, even with the average list multiple increasing by 3%.

The average list and sales price also fell for these businesses from last year by 32% and 39%, respectively, with the average business being smaller than the previous year.

The 290% in average days on market from 2017 seems scary at first, until you realize the average time to sell back than was just 14 days - one of the shortest days on market of any business model we sell. Alas, the new average of 56 days, a 195% increase from 2018, is an alarming number.

What could be the reason for this extension of time to sale?

There are two likely reasons, with a possible third, that is making these businesses more of a challenge to sell.

The first reason is unpopularity. The business model was never a huge business model. It has always been a more niche, side project for almost every entrepreneur in this space. The unpopularity likely extends to buyers, with just a smaller buyer pool looking to acquire one of these as an asset.

The second reason that is likely, is just the sheer *increase* in deal flow happening on our marketplace over the last couple of years. The increase in deal flow means more profitable businesses for investors to look at, and they're likely sticking with a business model they understand better, like content or e-commerce businesses. The attention of investors is firmly on the more popular business models, and with an ever increasing amount of businesses to look at, their attention is just not focused on this business model in particular.

The final reason, which may or may not be true, is the mindset around this business model. There is just not a huge room for expansion as a brand or the potential to become a large enterprise business like the other models. If a buyer wanted to really expand their Merch business, they would likely have the Merch Business as a supplement to another business model of theirs, such as using a branded content site's engaged community to sell branded merch from their account.

All of these combined means it is harder to sell a Merch by Amazon business.

If you have a Merch business, don't lose hope though, we can help you overcome those obstacles. We have sold more of such businesses than any other broker out there. So, we're happy to help you figure out a suitable exit plan, just set up a call with us.

Opportunities

The biggest opportunity with Merch by Amazon is scaling up the “tiers,” which indicate the amount of designs you can have live at any given time. Once you get past the first few tiers, you’ll end up with plenty of design slots that will likely be difficult to completely max out with winning designs simply because of the number of slots.

This is a good place to be because the quantity you can sell at any given time is unrestricted.

There are a few ways to hit the tier levels without doing market research and relying on Amazon organic traffic. Some people will provide designed shirts to local churches, concerts, charities, or events, charging them the cost price of ordering the shirt to quickly tier up their Merch account.

Other opportunities are using Amazon PPC ads, as well as Facebook ads to drive traffic to your shirt designs. However, because your margin here is often small, you will need to make sure you monitor this.

Risks

The same risks that apply to Amazon FBA apply to Merch businesses as well. You’re again building the entire business on the Amazon marketplace. Unlike the other two models, however, there are currently not many great POD alternatives to expand beyond Amazon with your shirt designs or at least none that are as easy to use as Amazon’s platform.

It's important to keep this in mind, especially if you’re relying on Merch as your sole source of income. If you’re just adding Merch to your portfolio of businesses, then this mitigates the risk and actually can be beneficial in widening your portfolio across different and easily managed income streams.

Info Products

Info products remain a viable business in 2020 and beyond, and we saw a few deals across the years on our marketplace. The big advantage that info products have over other business models is the margin. Apart from the time to create an info product and the cost of marketing, everything else is pure profit for the owner.

This makes info products incredibly attractive to people, but alas, the specific knowledge needed to create these info products also makes buyers more hesitant to acquire them. This is why we suggest having someone else create the info product for you. When you have a system for creating these products, as well as someone else that has specific knowledge, these businesses become far more attractive to buyers.

Here is a look at info products over a three-year period:

Info Product	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	1	28	28	$293,056.00	$293,048.00	$10,466.00	107	$293,048.00
2018	1	30	30	$119,778.00	$119,778.00	$3,993.00	3	$119,778.00
2019	1	33	33	$96,146.00	$96,146.00	$2,914.00	8	$96,146.00
2018-2019	▲ 0%	▲ 10%	▲ 10%	▼ -20%	▼ -20%	▼ -27%	▲ 167%	▼ -20%
2017-2019	▲ 0%	▲ 18%	▲ 18%	▼ -67%	▼ -67%	▼ -72%	▼ -93%	▼ -67%

The first thing you likely noticed is just how few of these deals we get. We've sold exactly one info product business per year over the last three years.

Why so few? The answer is rather simple.

Most info products don't set themselves up to sell as a real asset. Often, the course creator is the owner of the product, the face of the business, and the entirety of the brand. That makes transferring one of these high profit margin businesses next to impossible, unless the seller is willing to take a big hit to their sales multiple.

There is just not a lot of data here for us to talk about. While we could say list multiples and sales multiples are increasing, it would all be speculation with such a small sample size.

We will say there is a huge opportunity to sell an info product business if you consider the following factors:

1. You are not the brand or course instructor in the course
2. You are not merely implementing a launch strategy but have an evergreen funnel
3. Your course is in a niche that is somewhat evergreen and not prone to needing updates to the information

If you have those three things happening in your info product business, give us a call as we have buyers that would be interested in it.

Opportunities

Info products, perhaps more than any other monetization type, can benefit from implementing sophisticated marketing funnels. In addition to email funnels, you can fill those funnels with paid traffic. Since your margin is so good, you can afford to advertise more aggressively than an e-commerce storeowner or affiliate site owner can get away with.

While SEO is extremely nice as a form of traffic, you should look into expanding and scaling paid media for your info product business. Additionally, consider adding several different info product offers. What typically works best is having pricing tiers built into the product, such as a low-barrier entry price, a medium price, and a high price so that you can upsell the potential customer throughout the funnel.

Another opportunity is creating your own affiliate program.

You could make this affiliate program applicable for just the low-priced product and give away close to 100% commission to the affiliate, while you profit off the upsells that happen later in the funnel.

For in-depth courses, consider creating a Facebook community group.

You can create an open community group and a private community group that is only open for actual customers of the product. The open group serves a marketing function to get people into the product and ultimately to join the private group.

The private group will be made up of your students, and often, these students will create high-value content for your other students through their interactions with each other, which ultimately strengthens your business as the group begins to grow where the students find endless extra value beyond what the course offers.

Risks

One of the biggest risks of info products is that the information becomes outdated or is no longer sought after.

This is why creating an info product in a fast-paced industry will always have a short expiration date. You'll need to constantly recreate the info product every few months, sometimes even more often, which can be a huge time burden if you're the one actually creating all the info content.

SaaS

SaaS businesses are one of the most attractive businesses for buyers that understand development and code. The recurring monthly income of these businesses makes them somewhat stable compared to other businesses, as you always have an estimate of how much you're going to get paid the following month.

While the popularity for SaaS has grown significantly in the last few years, our marketplace has not featured too many of them yet. A big part of this has been because we've focused so heavily on physical product businesses (e-commerce, dropshipping, Amazon FBA, etc.).

This will change in 2020 as we make more efforts to let SaaS people know we're out there, but the fruits of those efforts won't be realized until mid-2021.

The buyer pool for SaaS is also much smaller than physical product businesses and other models. The reason is understanding coding and managing developers are often intimidating for a non-tech buyer.

Still, there is a growing interest in acquiring these businesses, even for non-tech investors. They often have the capital to acquire the business and place a technical employee or chief technology officer (CTO) within the company to help them run it. This trend will continue to grow as more portfolio funds are created and seek to capitalize on the recurring revenue potential that SaaS offers.

Here is a look at SaaS businesses on our marketplace over the last three years:

SaaS	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	3	30.67	26	$121,207.00	$102,151.33	$3,630.67	84.67	$306,454.00
2018	4	30.75	30.25	$105,727.50	$101,625.68	$3,493.00	37.25	$406,502.72
2019	4	39	36.25	$293,750.00	$220,238.65	$8,148.50	80.25	$880,954.60
2018-2019	▲ 0%	▲ 27%	▲ 20%	▲ 178%	▲ 117%	▲ 133%	▲ 115%	▲ 117%
2017-2019	▲ 33%	▲ 27%	▲ 39%	▲ 142%	▲ 116%	▲ 124%	▼ -5%	▲ 187%

We're not the largest in this space, but already in 2020, this segment is growing. In January 2020, we listed the same amount of SaaS businesses on our marketplace than what we sold in 2019, one of which is a multiple seven-figure SaaS business.

The year is not done yet though, so we can't add those numbers to the chart above yet.

You'll see that the average list and sales multiples have increased in 2019 by 27% compared to the previous years. In 2019, we saw the biggest increase in average list and sales price too by 178% and 117%, respectively. The average sales price for a SaaS on our marketplace in 2019 was $220,238.60.

Considering we only sold four of these deals in 2019, we can say that smaller SaaS businesses are still the main assets that were finding a home on our marketplace last year. That will change in 2020, but it may actually skew the average sales price lower as we begin to market to more SaaS entrepreneurs where we'll get both seven-figure SaaS businesses on the marketplace and a slew of sub $200,000 businesses for sale.

The average days on market did increase in 2019 (compared to 2018) by 115%. Part of this could be due to complexity of the code, issues with transfer (such the seller taking payments from a Paypal account, which can't be transferred to the new owner), or other outlier reasons like this.

We say outlier reasons because we don't believe this average day on market really reflects how fast or slow it takes to sell a SaaS business with us. There is not enough data in here for us to confidently say that the average days on market is what you should expect. It is likely that the actual average days on market for a high-quality, well-ran SaaS business to be closer to the 40-45-day mark rather than an 80-day mark, with seven-figure businesses drifting closer to the 50-day mark.

If you're looking to buy a SaaS business, give us a call. If you're looking to sell one, then let's schedule a time to create the perfect exit plan for what you've built.

Opportunities

SaaS has opportunities across all the various B2B niches. They can benefit from sophisticated marketing automation funnels, providing different pricing tiers for their product and creating a free trial or demo funnel to bring the top of funnel leads down deeper into their sales cycle.

Since they have the ability to have recurring income, every piece of successful marketing can compound the earnings dramatically over time. This is one reason why SaaS is so attractive and can become incredibly lucrative as that compounding number of users keeps grows.

Despite this, many SaaS businesses are terrible in terms of marketing. This is especially the case for solo-run SaaS businesses, where it's usually just the developer doing every task, including the marketing. This means that many SaaS businesses in the sub-$500k range have massive amounts of growth open to them on the marketing front in almost every major traffic channel, as their marketing is quite minimal.

Risks

The risks in SaaS are based around both the actual coding for the software and the market need for the software. Since SaaS businesses typically are in the B2B space, they're also typically in niches that are evolving at a constant clip. If you don't stay on top of providing the best software for that niche, then a competitor will likely come in with cleaner code, better UI, and more advanced marketing that ends up displacing you.

You need to stay on top of technology updates as well as the market trends within the niche.

If you're a non-technical investor acquiring a SaaS business, then your risk is even greater, considering you don't understand how the code works and may not even understand how to properly manage developers.

Even if you have no real plan to learn the coding side of things, you should educate yourself enough on the technical aspects to make sure you can competently delegate tasks to your developers. As your SaaS business grows, consider hiring a technical partner or senior member of the company that can complement your strengths and weaknesses.

Productized Service

Service businesses are traditionally hard to sell, as there are often not many tangible assets with a service business. When you buy a service business, you're mainly buying the talent within that business. To get the value out of the acquisition, you need to make sure the talent stays on during and after the transfer.

However, productized services can sell well and attract investors. If they have good funnels set up, good traffic coming in, and plenty of talent to handle the fulfillment, these businesses can be good acquisitions.

One benefit of productized services is that they prevent scope creep and a ton of custom work that might require higher paid talent to accomplish. When you have a highly defined service, it's often much easier to find replacements for employees that may leave the business. Also, since the service is so defined, you can often create in-depth Standard Operating Procedures (SOPs) that explain every function of the service and how to fulfill it.

While productized services are great, they are not common.

Here is our data on these business models over the last three years:

Service	# Sold	Avg. List Multiple	Avg. Sales Multiple	Avg. List Price	Avg. Sales Price	Avg. Net Profit	Avg. Days on Market	Total Sales
2017	4	28.25	23.25	$72,533.50	$58,660.00	$2,591.25	40.25	$234,640.00
2018	1	34	26	$151,103.00	$114,000.00	$4,444.00	338	$114,000.00
2019	3	30.67	27.67	$361,652.00	$345,484.33	$12,376.67	79.67	$1,036,453.00
2018-2019	▲ 200%	▼ -10%	▲ 6%	▲ 139%	▲ 203%	▲ 179%	▼ -76%	▲ 809%
2017-2019	▼ -25%	▲ 9%	▲ 19%	▲ 399%	▲ 489%	▲ 378%	▲ 98%	▲ 342%

In 2018, we sold only one service business, and in 2019, we sold three. As we mentioned earlier, these businesses are not very common but they can be great assets to sell. The main sample here, considering we only sold one in 2018, is to compare 2019 with 2017 as they're closer in the size, even if it is still a small size.

We can see the average list and sales multiples increased by 9% and 19%, respectively, compared to 2017 numbers. Interestingly, the list multiple increased slightly, while the sales multiple increased dramatically. This could be buyers starting to understand the true market value of these businesses and thus willing to pay closer to the actual list price than in previous years.

This is especially true if a buyer is running several different businesses. Acquiring a productized service can be a huge strategic move that can be used to supercharge their other assets while still throwing off cash from other clients.

We definitely saw a huge increase in average list price and sales price compared to 2017. The average list price increased by 399% and the average sales price increased by 489%. The trend of bigger service businesses being listed on our marketplace will likely continue. After all, bigger service businesses lend themselves to having more talent working within the asset, better procedures, and a far more attractive asset than a small service that may have only one or two employees fulfilling the service.

It is unlikely we'll see a huge jump in this sector, as they're fairly rare assets in general. Even rarer is a service business that can retain their value as an asset if the owner sold it off. Far more common is that an owner of the service IS the service. Not only that, they are the face and brand too. In a similar fashion to info products, this makes service businesses difficult to sell. This is especially true if the service business is also fulfilled by the owner personally.

Opportunities

If you are intimately familiar with providing a service and can break that service down into multiple highly refined products, then you stand a chance at making a service business into a productized service. Accomplishing this allows you to do more advanced marketing without needing salespeople to sell the customer on your offered service.

This can help you minimize or go without a sales team, which can be a huge cost saving for you.

You will also need to find a way to easily tap into various talent pools on career websites or places like Upwork, especially if you plan to scale the business in any meaningful way. You will need to be able to hire at the drop of a dime to keep up with demand, which means you need to be constantly accepting and reviewing applications.

If you can combine solid marketing funnels with solid recruiting funnels, then you can create a powerful productized service.

Risks

The biggest risk in this business model comes down to the employees working on fulfilling the service. If your entire fulfillment team quits, you are effectively out of a business. To help mitigate this, you need to study how to manage teams effectively and hire employees that gel with each other. When you can make your employees happy working at the company through a combination of culture, perks, and compensation, you'll find a winning formula to keep your retention high.

Another way you can help mitigate this risk is to periodically review your SOPs to make sure everything is up-to-date with current best practices for your services. Your job advertisements should also be up-to-date and promoted by various hiring platforms and job boards to make sure you have a steady stream of employee applications coming in, in case you experience a bout of turnover.

Section 3: Buying and Selling Myths Debunked

Now that you've seen our general report, it's time to introduce our demystifying section of the report.

In this section, we look at common myths or beliefs about buying and selling online businesses and challenge those myths in order to better educate you. These myths are in no particular order, and some may only relate to a specific business model rather than across all business models. Still, this should help you better understand the landscape, whether you're planning to become a seller or a buyer.

Let's dive into some of these myths and misplaced beliefs.

Brokers Only Send an Email to Sell Businesses

There is a growing buzz in various forums and communities that M&A brokers aren't worth the commissions that the seller has to pay. Part of this conversation is being supercharged due to a few companies trying to disrupt the industry with "new" buying and selling schemes.

We've been around long enough to see such schemes come and go. Some last a bit longer, but few ever go the distance despite all the chatter created by them.

While we want to succeed and be #1, we genuinely want everyone to succeed and think there is plenty of room for competition. Still, such schemes worry us, especially for new buyers and sellers, as they could lead to some nightmare outcomes if they're not lucky when using these new companies.

But let's talk about the main contention here: brokers listing a business and sending it off to their email list. Is this true? Is this how brokers market a business?

The short answer is yes. But that's only a small piece of the overall puzzle.

The long answer is far more nuanced.

One of the big advantages of using an M&A broker in this space is gaining access to their contacts and rolodex. The concept that is lost with this line of thinking is that the email list and rolodex that the broker has built is based on trust. It takes a lot of trust if you want to sell a $500,000 or seven-figure business. Such trust isn't usually created via just a series of random ads. It takes long email follow-up nurture campaigns, social proof via testimonials, case studies and even white papers like this industry report you're reading right now. The journey to getting a high networth individual to trust your brand enough to pull the trigger to buy a multiple six-figure business is a long process. We've seen sales cycles as long as 400 days and up from the moment someone becomes a subscriber to the moment enough trust has been nurtured that the subscriber actually becomes a buyer or investor of a digital asset on our marketplace.

The other part of this equation is all the marketing that can be done with an email list. A good broker is going to take full advantage of what that list can do. There are segmentation lists, trigger lists, retargeting lists, and look-alike audience building that can be done. Then, all this gets multiplied when you consider the top, middle, and bottom of the funnel that is fully developed with lead magnets and content campaigns at every level to help speed up the building of trust.

So while brokers mainly do email their list to drive initial interest on a business for sale, it is worth considering the investment that goes into building that value on the email list.

Considering we get between 30–50 new businesses wanting to be on our marketplace and well over 300 people every week putting down a deposit on businesses to explore them further as a potential acquisition target, we can tell you from experience that effective email list building is an incredibly effective tool, and not nearly as simple as just sending out an email where you hope for the best.

And for most sellers and buyers, that tool is going to be *very hard* to replicate.

Keep in mind, the above is only one action a broker does. If you're interested, you can learn more of how we market a business on our Marketing Overview page. You'll need to also consider the operations team and processes we've built and the ability to leverage an entire sales team trained specifically to help people buy and sell online businesses every day of the week.

A broker can be an amazing ally and partner for selling your business or buying a business. You can do it yourself of course, and you could even use the schemes we mentioned earlier to avoid a commission completely. Our only advice here is if you do decide to go the non-broker route, just be careful to make sure everything is done right and you are as protected as you possibly can be when doing the deal.

If you do decide to go with a broker and take advantage of our machine, we'll be here to help you every step of the way. You can see the submission process here if you're ready to sell.

You Can Only Buy Niches You "Know"

This is an understandable myth. After all, shouldn't you know what the niche is all about if you're going to lay down six figures to acquire a business?

The answer is… no.

You don't.

Nowadays, it is not that difficult to find niche experts to write and produce content for you. As a buyer, your main goal should be leveraging other peoples' time to produce content for you, rather than you producing content yourself. This frees up a lot of your time to focus on bigger picture tasks, such as SEO outreach campaigns or building your marketing automation.

If you're afraid or unsure of where you can find content producers that are experts, then here are a few good places to begin:

Reddit.com

Reddit is a vast online forum. It also has a subforum, called subreddits, on about every topic you can imagine. All you need to do is type this search query into Google, "site:reddit.com insert keyword/niche" and you'll likely find the subreddit that pertains to your niche. Here you can reach out to the mod of that subreddit to post a job and probably find quite a few passionate writers.

ProBlogger.com & Upwork

ProBlogger and Upwork have an extremely popular job board for writers. If you need to find a niche expert, then either of these platforms might have one. If a niche expert doesn't exist on the platform, you will likely still find writers and content producers who understand how to do good market research and who have the skills to write some amazing content.

Facebook Groups

Similar to the Reddit strategy, there are a ton of Facebook groups that are wildly active with passionate people in about every niche you can imagine. These groups can be excellent places to post jobs to find decent writers and advocates of the niche you're looking to acquire in.

These Assets are Too Complicated to Invest In

Anything that is new to us seems complicated at first.

Some investors who want to get into the digital assets market don't because they feel like they don't have a good enough grasp of the business model. Yet, they'll go right ahead picking stocks or acquiring real estate — both of which are often far more complicated than buying and running an online business.

If you're in this boat, then look for a seller that has a good amount of standard operating procedures (SOPs) already written. Consider these to be your buyer's manual on how to run and operate the business. You can also negotiate more hands-on support with the seller to teach you the ropes of how it all works.

If you want to feel super comfortable before buying a business, then we suggest buying a relevant course to that business model. You could buy a course about SEO, Amazon FBA, or whatever specific part of the online business that is the cause of these doubts.

You'll realize pretty quickly as you delve deeper into digital assets that they are often one of the simplest active investments you can make, with some of the most aggressive ROI potential as well.

That Isn't the "Average" Multiple

While knowing an average multiple overall can be handy, you shouldn't let it lock you down as either a buyer or a seller. Average multiples are just that… an average.

Yet, every business can differ significantly, even one dropshipping store from another.

This means there will always be a large range of what a business can ultimately be valued. Even when you have all the same cursory statistics across two different businesses, such as revenue or traffic, they could still end up having different valuations based on branding, goodwill, design, competitive advantages, and other details.

Keep that in mind if you ever see two seemingly similar businesses with extremely different prices.

If you're the seller and the multiple for your business is much lower than the monetization average, consider holding off selling until you can build a bigger moat that will make your business more valuable. In fact, if you find yourself in this situation or feel you might be, you should be setting up an exit planning call with us so we can help you create an action plan to get a better valuation and make your business more attractive to potential buyers.

Thinking Price is the Only Way to Get an Undervalued Business

Everyone wants a deal.

It's nice to buy a business that is priced low for what it is earning, but price alone isn't the only way to get an undervalued business.

As a savvy buyer, you need to consider multiple facets of the deal, not just the sales price. These various elements can inform you whether a deal is priced right but still heavily undervalued because of the work left undone by the seller.

Here are some elements to consider when looking at a deal:

- Conversion Rate Optimisation (CRO)
- Search Engine Optimisation (SEO)
- Brand expansion

- Supply chain operations
- Lack of automation
- Paid traffic channels
- Use of an affiliate network that pays out less than another
- Strategic synergies

A single one of these elements gone undeveloped, or perhaps a combination of them, can provide a much clearer picture of whether or not a business is undervalued.

If two businesses at $500,000 make the same cash flow, but one has poor SEO with an easy-to-fix Google penalty and an email list in the thousands that have never seen a single email, that deal might be significantly better than the other one because there is so much growth for you to go after.

Businesses Relying on Paid Traffic Aren't Worth It

This is one of the weirder beliefs held in the buy/sell space, usually in the content business model space.

Many buyers view paid traffic as almost a bad thing when it comes to acquiring an online business. They think it has no real value and that only SEO really makes the asset.

This is simply not true.

If the fear is that the paid traffic account can get banned and thus shut down the business, well, you don't have to look far for an SEO algorithm update that tanks fleets of sites for no apparent reason and the site owner doesn't even have the recourse to submit a help ticket to figure out the issue.

Paid traffic is a viable strategy for building or acquiring an asset that you want to scale. At the end of the day, paid traffic channels are just other marketing channels, as is SEO. They both have their pros and cons and should be used to build a better asset with a deeper moat that has a real brand and engaged community of customers and evangelists.

If you're just running paid traffic to a landing page and there's no real brand building going on, then of course a paid traffic play like this wouldn't be considered an asset.

The truth is that every business, once it reaches a certain level, should start looking at using paid traffic. Paid traffic can be an amazing supplement or even main traffic source to build your brand considerably faster. Your goal as a marketer shouldn't be to limit yourself to one traffic source, but rather embrace becoming a full stack marketer with a vast array of experiences across a ton of channels.

Let's Make It Easy for You to Buy Companies

What if there was a way to make sure that the business you're looking at is legit?

That the profits are real. The traffic isn't faked.

What if there was a way to make acquiring companies as smooth as buying a latte?

Well, we do exactly that.

CLICK TO HEAR IT FROM A CUSTOMER!

Why waste days, even weeks, making sure the business you're looking at is real? Instead, use our marketplace to take a snapshot of a business's health, their trajectory, and their numbers within minutes of browsing a listing.

Why worry about buying something you may not have the skill to really run?

Instead, give us a call.

CLICK HERE TO SCHEDULE A CRITERIA CALL TODAY

We'll walk you through the entire process. During our buyer criteria discovery call, we'll line you up with businesses that you're most likely to succeed with based on your current skill sets, budget, and time.

Section 4: 2020 Industry Predictions

As this is the last section of the report, we would like to dedicate it to what we see happening in the future.

It's hard to predict where online businesses may go, as the industry as a whole has always been volatile, both in positive and negative ways. The industry seems to constantly make itself anew every few years, meaning that you need to stay up-to-date on the latest trends from tech stacks to marketing channels (as well as logistical solutions, if you're in the e-commerce space).

Because of this, one thing is certain: the internet will likely redefine itself in the years ahead.

If history is to repeat, then these redefining moments will follow the same pattern of lowering the entry barrier so that people can get started easier. However, this influx of new blood will ultimately create more competition. As more competition comes into the space, there will likely be new opportunities, new strategies, and even new business models that rise to prominence with their own mini gold rush eras before settling down into a stable business model.

We can all agree with the above, but it doesn't raise any strategic points you could use to expand your business.

So, let's dive into some specific patterns and trends that we can use to make some useful predictions to help you.

The Seller Market Continues with Higher Multiples

It is a great time to be a seller. In 2019, we saw multiples continue to rise, and there is nothing we see where this doesn't happen again in 2020. Of course, multiples rising will be reliant on the economy staying strong. If the economy remains the same as it is now, then expect those sales multiples to increase.

Sellers will have their "pick of the litter" in terms of which buyers they end up selling their business to, and buyers will need to compete on more than just the final monetary sales price to get some deals done in 2020.

Every year since we started recording this data, multiples have risen.

There may come a day when multiples start steadying out or even decline, but if 2020 stays in economic growth mode, then it won't be any time soon.

If you're a seller and want to take advantage of this seller market, [then set up an exit planning call with us today for free.]

More Investment Funds Succeeding and Failing in the Space

Last year, we predicted that 2019 would see a huge rise in investment funds and entrepreneurs pooling together their money to buy larger assets. That prediction did come true… kind of.

We didn't see nearly as many as we thought we would, but there was definitely more on our radar this year than any other year so far. Despite this burgeoning new model entering our space, it hasn't been given the true limelight. We think that in 2020, we will see more investment funds shine, and some of those that shine are going to fail in spectacular ways.

Some that we saw born in late 2018 and 2019 are already gone.

Often they were weighed down by complex financing structures, while their operation teams spread too thin and focused too much on selling the sizzle rather than being the steak people wanted. Such failures will likely become more common in 2020, not because the model can't work but because there will be more people trying to make it happen.

On the other side, some of the successful funds in 2019 will likely continue to grow in 2020 along with a new group of cohorts entering the space.

If you're looking to get involved here, remember that you should be paying closer attention to what a fund is doing rather than what they're telling you they're doing. Often they are not one and the same. Our best advice here is to look for and demand transparency in their operations, verify how their funding and dividends work, and anything else that is pertinent to know before signing an investment deal. It can be tempting, often to the woe of your wallet, to buy into the sales spin some of these funds may give.

If you're looking to start your own fund, then 2020 will be a great year for you — at least we predict it will be.

Money was cheap in 2019 and will likely continue to be so in 2020, if the economy remains strong. That means right now it is perhaps easier than ever to get affluent high networth investors, or even private equity, involved with you as you go about acquiring businesses.

Many of our buyers have already had some amazing success with this strategy in 2019, allowing them to acquire bigger businesses than they could on their own and grow at a much faster rate.

If you already have the capital, whether from yourself or from partnering with capital, then set up a time to chat with us. We can help you define your criteria and match you with the businesses that make the most sense for your goals, skills, and budget. You can schedule a time to talk with us here.

More SaaS Businesses Listed and Sold

Throughout this report, we've talked about how we'll see more SaaS on our marketplace in 2020. The prediction, at least at the time of writing, is already proving to be true with us listing our first multiple seven-figure SaaS business for sale and several smaller ones.

A big reason we believe we've never had SaaS on our marketplace is simply because they don't know about us. Many are looking for a more traditional exit through venture capital, and many just don't know they can sell their SaaS business in any other way.

This is starting to change and will continue to become a bigger sector for us on the marketplace. We have a hungry pool of buyers that are eagerly awaiting to acquire these assets, so SaaS sellers should enjoy the experience when they decide to sell with us. Recently, we sold a SaaS business in just 48 hours from the time it went live on the marketplace.

Are you an owner of a SaaS business? Schedule an exit planning call with us if you're thinking about selling.

Now that we have predictions out of the way…

There's Only One Thing Left to Do…

You've read the entire report!

Hopefully, you've found a lot of powerful takeaways here that will empower you in your entrepreneurial career, whether you're just starting out or a seasoned veteran, or if you're a buyer or a seller.

Now there is only one thing left to do…

Okay. Well, *two things to do, depending on how you feel.*

The first thing is to get in touch with us. We can help you plan your exit or plan your acquisition through one of our criteria discovery calls.

These calls are performed by our team of top-notch business analysts, who are in the day-to-day trenches of buying and selling businesses.

We've had many friends who believed these calls were incredibly valuable, whether or not they decided to actually sell or buy a business.

Now, we'd like to offer you the same experience.

[Click Here to Schedule a Criteria Call]

[Click Here to Schedule an Exit Planning Call]

All right, now what's the second thing?

Well, I said it depends on how you feel.

If you found this report incredibly helpful and valuable, then the second thing is me asking you to share it with your friends.

We're big fans of promoting quality information and helping out people in our space. You can be a part of that by simply sharing this industry report with your friends and fellow entrepreneurs in your network.

We've made it easy for you.

Just click a button below and we'll help you share it on social media.

Click to Share the Industry Report on Social Media:

Share on Facebook	Share on LinkedIn	Share on Twitter

All right, that's a wrap.

Here's to another stellar year for you and your business!

All the best,

Gregory Elfrink
Director of Marketing
EmpireFlippers.com