EMPIRE FLIPPERS

STATE OF THE INDUSTRY REPORT

2021 EDITION

OVER $160 MILLION WORTH OF BUSINESSES ANALYZED

State of the Industry Report 2021

Section 1: Introduction

Welcome to our State of the Industry Report for 2021!

This is a major report that we release every year, which analyzes the market trends in the online business buying and selling world. Every year, we see what sold the previous year and compare all that data with the previous industry reports we've completed.

If you've ever read a report about buying and selling online businesses, you probably noticed fairly quickly that a ton of desirable information was left out; this is true of most reports. It can be tough to understand what is actually going on, as the industry itself can be opaque at best.

This report attempts to eliminate that frustration by sharing our data in a transparent manner.

Unlike other reports out there, we can give you actual data on businesses being sold because we actually *own* the data end-to-end. Other brokers whip up reports on business trends by scraping the public listings across a wide array of different brokerages. They do this to position themselves as an authority and thereby encourage you to sell your business with them, but they also are forced to use the scraping method simply because they don't have enough deal flow to use their own data.

In 2020, we sold 298 businesses at our M&A brokerage. The last industry report we released analyzed the sale of over 700 businesses across multiple years and we will do the same for this year's report. For each of these deals, we own and have full access to the actual data behind the transaction. At the end of every year, we compile this data into the report you're now holding in your hands.

Every year, we try to make this report even better than the previous one. Last year, we added earnout data (if you don't know what earnouts are, make sure to check out our Definitive Guide to Deal Structuring), and this year, we are going to be able to look at and compare over three years of data, including business trends broken down by pricing tiers and whether the businesses were declining or growing.

By the end of this report, you'll have valuable insights into what has happened in the industry, the current trajectory, and how you can profit the most from the trends, whether you're a seller or a buyer.

The Bottom Line

We want to share everything we can in this report. Our goal is to show you the ugly warts and the pitfalls that can exist in this industry in addition to the potential and wealth that can be created by those who get involved.

At the end of the day, we want to create what we like to call a win-win-win situation.

You win, the buyer or seller you transact with wins, and we win because hopefully we helped you two win.

When you understand the trends in the market, you can use that knowledge to create an effective roadmap for yourself. While we would never recommend trying to time the market for the highest possible exit or lowest possible purchase price, knowing the current trends can help you make important decisions.

Let this report serve as a kind of guide you come back to multiple times throughout the year. Feel free to jump around to the sections that are the most relevant to your situation or grab a cup of coffee and read the entire report from start to finish.

Why Can Empire Flippers Provide this Data?

At this point, you might be wondering why you should listen to us.

That's a fair question.

After all, how can a single company provide a report for an entire industry?

It comes down to data. The majority of brokers in the space might sell a few businesses per year and may have only a couple dozen deals they can analyze. As mentioned, this means they have to rely heavily on scraping public listings, which only reveals a partial picture of what is happening in the industry.

Then you have the problem of polluted data.

You see, many brokers try to lure sellers with the seductive promise of a ridiculously high multiple. They do this to get a seller to sign a long exclusivity agreement with them, and the broker then whittles the seller down to a more reasonable sales price. This means scraped data only contains the *advertised* prices, not the *real* prices the businesses sold for.

Obviously, such a limitation seriously compromises any empirical report.

At Empire Flippers, we did 298 business transactions in 2020 alone and over 1,400 transactions over the last few years. That is a huge segment of the industry. So while we don't have all the data that exists, we have a significant proportion of it.

Not only is our curated marketplace the largest marketplace in the world for buying and selling digital assets, but we also routinely sell the highest quantity of businesses of any M&A brokerage. We also sell the widest range of business types.

While some brokers might specialize in Fulfilled by Amazon (FBA) businesses only, or they only sell smaller businesses worth less than $100,000, *we do it all.*

At any given time, you can find almost every kind of online business model for sale on our marketplace. You'll see businesses ranging from $20,000 all the way up to eight-figure enterprises. This gives us huge swathes of data across a variety of points that other people simply don't have access to.

Since last year's report, we've also added a new data point to our marketplace—Proof of Funds.

Proof of Funds refers to a buyer's ability to purchase the business they are interested in acquiring. When a buyer registers for a free marketplace account and they're ready to do deeper due diligence on a business, they prove their liquidity capability through a variety of methods, most commonly via bank statements.

In 2020 alone, we tracked $1,621,960,093.63 in liquidity on our marketplace.

That means our buyer network represents over a *billion* dollars in investable capital that can be used to acquire digital assets.

These are big numbers and an important reason why we're well positioned to generate a State of the Industry Report. A buyer network representing a huge sum of capital, combined with how many deals we sell and the wild range of those deals, all come together to create what we think is a useful report for you.

Speaking of this report, let's get into *how* we put this report together.

Methodology for the Report

We've gathered all the transactions from our marketplace in 2020 and separated them into useful data points. Then we compared that data against what happened on the marketplace in 2019 and 2018, giving you a solid three years' worth of trend data.

Here are the main data points we used:

- Real sales price
- Real sales multiple
- Days on the market
- Total combined sales price
- Total number of listings
- Earnout data

We added the earnout column for last year's report, and we now have three years' worth of earnout data. For Amazon Associates and Amazon FBA we also dive far deeper into how these earnouts look at a variety of pricing tiers.

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:

1. Display advertising
2. Amazon Associates
3. Affiliate
4. FBA

5. Amazon FBM
6. Amazon Kindle publishing businesses
7. Amazon Merch
8. Digital product businesses
9. Dropshipping
10. Sourced e-commerce
11. Info products
12. Software as a service (SaaS)
13. Productized services
14. Subscription models
15. Lead generation
16. Application

If you're not familiar with these online business models, you can check out our popular business model series for more detailed explanations.

In this year's report, we've done something a little different when it comes to the individual monetization sections. In our past reports, the breakdowns only included deals where 100% of the earnings came from that monetization. However, we felt it was important to also include multi-monetization businesses, so we analyzed each deal based on its *primary monetization*—the one that earns the lion's share of the profit.

We've used the primary monetization to re-categorize the past three years of data into three main types of online businesses:

1. Content
2. Ecommerce
3. Other

Inside each of these three categories, we break the businesses down further by individual monetizations with the data we collected.

A Quick Note Regarding Averages

While it doesn't happen often, deals are occasionally renegotiated during the migration of a business due to unforeseen circumstances. We include these deals in figures like the total number of businesses sold, and our total sales volume includes their final sale prices. However, we exclude these deals when looking at averages involving figures like list/sale prices and multiples. We do this to provide you with an even more accurate idea of what a business is truly being listed/sold at when all is said and done.

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 per month over a 12-month window*
2. The multiple

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

While other business brokers might use an earnings before interest, tax, depreciation, and amortization (EBITDA) measure to describe the annual value of a business, we use a monthly version of EBITDA, as it tends to reflect the performance of online businesses in our space better.

This means that instead of seeing an EBITDA of 3x, you'd see a monthly sales multiple of 36x on our marketplace.

If you're coming from a different M&A broker, this difference in scale might catch you off guard, so it's worth mentioning now.

While our first valuation factor is relatively straightforward, there are a variety of factors that affect the multiple portion.

While we can't go into all of the influencing factors in establishing a multiple for an online business, we can tell you the most common ones:

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

If you decide to [sell your business with us](), these are the elements that will most likely affect your sales price.

A basic valuation formula looks like this:

Of course, this formula is a simplified version of 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 valuations.

Ongoing Expenses vs. Addbacks

When you incur a significant expense—for example, if you spend $10,000 on a big website redesign—you might think that you won't be able to sell your business for several months afterwards. 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 it 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: the expense, such as a $10,000 web redesign, 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 considered 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 whether they want to take a salary out of the total net profit 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 your average net profit. The higher your net profit, the more attractive your business is to buyers.

Since we sell such a large volume of businesses, our average multiple skews more towards the low end in reports because it includes businesses of all sizes and quality pooled together. To address this, 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. We also have added the Deeper Insights section for Amazon Associates and Amazon FBA to help you understand multiples at different valuation levels.

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 business at a fair value.

What Makes a Business More Valuable?

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

The best methods for increasing your multiple include the following:

- Create a strong brand
- Diversify traffic
- Diversify revenue

While the necessity and process of diversifying traffic and revenue is easy to understand, creating a good brand is a bit more nebulous.

What Is a Good Brand?

It can be difficult to define a good brand. Much of what is considered good branding is subjective. However, there is one defining characteristic that all good brands share: repeat visitors and customers who participate in the brand's community.

If you already have this, 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 (a made-up example) that are using a simple SEO play to rank for just one or a handful of specific products. These sites might have great cash flows as long as they rank, but it is unlikely that anyone is fanatically reading the latest dog leash review.

Initially, it would be difficult for the buyer to see how they could grow a website like that into a large 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 easier for the buyer to see how the brand could evolve over time. For example, the buyer could create all sorts of informational dog articles and training courses (perhaps even their own information product on the subject) and could expand the website far beyond its initial leash review articles.

The ability to present social proof in the form of 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 free of charge.

An example of social proof alongside positive feedback would be an 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.

Introducing Trailing Twelve-Month Average

A new aspect of this report is the use of trailing twelve-month average (TTM) data. This just means that the last 12 months' average net profit is considered to create the valuation for a business. The 12-month pricing window is a gold standard for valuation, and most of the businesses on our marketplace are already using this pricing window.

Still, not all of them do.

Sometimes a three-month pricing window, a six-month pricing window, or another such window is used. The window is selected based on what best represents the current reality of a given business. This can lead to some issues when it comes to comparisons between brokers.

A broker might suggest, for example, that while we have listed a particular business at 32x, they could sell that business for 35x. However, they are likely using a TTM pricing window, while we might be using a six-month pricing window. In such a case, were you to convert the six-month pricing window we used to a TTM window, the valuation would jump to 36x.

Of course, this is not always the case, but the point is that the difference between valuations using different pricing windows can be substantial. Ultimately, this has no real effect on the actual sales price, which is the same regardless of whether the business is sold at 32x using a six-month window or 36x using TTM.

Most brokers don't encounter this issue simply because they're not selling the high quantities of businesses that we are. For most other brokerages, TTM is almost always used.

TTM will likely become more prevalent on our marketplace over the coming months and years and will thus receive more coverage in future reports.

For this report, we stick with our main method for reporting these numbers. However, we have included average TTM sales multiples for the two monetization models with Deeper Insights sections: Amazon Associates and FBA businesses.

Because we have sold so many of these businesses, we thought it would be worthwhile to explore in depth the TTM and other insights that our data gave us on these two business models.

Also, at the end of this section, you'll find a handy cheat sheet that includes averages of both the pricing window and TTM sales multiples for each monetization so you can easily compare both. Keep in mind that these multiples will be different, but they ultimately result in the same sales price.

Now that we’ve explained why we are the right ones to write this report, the methodology we used in compiling the data, and how an online business is valued, it’s time to dive into the core of this report.

Let’s explore the trends we observed in 2020 by analyzing the 298 brands that were acquired on our marketplace.

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2021 STATE OF THE INDUSTRY REPORT CHEAT SHEET

2020 AT A GLANCE

298	34.8X	$269.2K	48	$81.6M
BUSINESSES SOLD	AVERAGE TTM SALES MULTIPLE	AVERAGE SALES PRICE	AVERAGE DAYS ON MARKET	IN TOTAL SALES
▲ 10%	▲ 13%	▲ 73%	▼ 16%	▲ 66%

2020 CONTENT BUSINESSES			2020 ECOMMERCE BUSINESSES			2020 OTHER BUSINESSES		
# OF BUSINESSES SOLD	153	▲ 7%	# OF BUSINESSES SOLD	114	▲ 10%	# OF BUSINESSES SOLD	31	▲ 24%
TOTAL SALES VOLUME	$ 13.8M	▼ 2%	TOTAL SALES VOLUME	$ 63.4M	▲ 98%	TOTAL SALES VOLUME	$ 4.4M	▲ 44%
AVERAGE TTM SALES MULTIPLE	39.1X	▲ 14%	AVERAGE TTM SALES MULTIPLE	30.2X	▲ 15%	AVERAGE TTM SALES MULTIPLE	31.5X	▲ 7%
AVERAGE DAYS ON MARKET	30d	▼ 4%	AVERAGE DAYS ON MARKET	69d	▼ 26%	AVERAGE DAYS ON MARKET	64d	▼ 1%

CONTENT BUSINESSES ECOMMERCE BUSINESSES OTHER BUSINESSES ▼▲ COMPARED TO PREVIOUS YEAR (2019)

AVERAGE SALES MULTIPLES BY PRIMARY MONETIZATION:

A new aspect of this year's report is the use of trailing twelve-month average (TTM) data. This just means that the last 12 months' average net profit is considered to create the valuation for a business. The 12-month pricing window is a gold standard for valuation, and most of the businesses on our marketplace are already using this pricing window. Still, not all of them do.

Sometimes a three-month pricing window, a six-month pricing window, or another such window is used. The window is selected based on what best represents the current reality of a given business. This can lead to some issues when it comes to comparisons between brokers. Below you'll find the average sales multiples broken down by both TTM and pricing window data.

AVERAGE TRAILING TWELVE MONTH (TTM) SALES MULTIPLE IN 2020

AMAZON ASSOCIATES	40.5X	▲ 12%	AMAZON FBM	28X	▲ 4%	APPLICATION	39X	▲ 56%
DISPLAY ADVERTISING	34.6X	▲ 15%	INFO PRODUCT	35X	▲ 21%	SUBSCRIPTION	35X	N/A
AFFILIATE	36.4X	▲ 17%	AMAZON KDP	27X	▼ 7%	LEAD GEN	31.8X	N/A
AMAZON FBA	30.6X	▲ 14%	SAAS	43X	▼ 1%	OTHER	24X	N/A
DROPSHIPPING	25X	▲ 3%	AMAZON MERCH	30.3X	▲ 17%			
ECOMMERCE	29.5X	▲ 17%	SERVICE	35X	▲ 27%			

AVERAGE PRICING WINDOW SALES MULTIPLE IN 2020

AMAZON ASSOCIATES	31.4X	▲ 6%	AMAZON FBM	28X	▲ 4%	APPLICATION	33X	▲ 32%
DISPLAY ADVERTISING	33.2X	▲ 10%	INFO PRODUCT	35.5X	▲ 8%	SUBSCRIPTION	29X	N/A
AFFILIATE	30.6X	▼ 2%	AMAZON KDP	26.8X	▲ 3%	LEAD GEN	24.8X	N/A
AMAZON FBA	28.5X	▲ 11%	SAAS	43X	▲ 7%	OTHER	29X	N/A
DROPSHIPPING	25X	▲ 4%	AMAZON MERCH	30.3X	▲ 17%			
ECOMMERCE	29.5X	▲ 28%	SERVICE	30X	▲ 8%			

BREAKDOWNS BY PRIMARY MONETIZATION:

OF BUSINESSES SOLD IN 2020

AMAZON ASSOCIATES	108	▲ 21%	AMAZON FBM	1	▼ 50%	APPLICATION	1	0%
DISPLAY ADVERTISING	28	▼ 15%	INFO PRODUCT	2	▲ 100%	SUBSCRIPTION	4	N/A
AFFILIATE	17	▼ 19%	AMAZON KDP	12	▲ 200%	LEAD GEN	4	N/A
AMAZON FBA	97	▲ 24%	SAAS	3	▼ 40%	OTHER	1	N/A
DROPSHIPPING	7	▼ 56%	AMAZON MERCH	3	▼ 70%			
ECOMMERCE	9	▲ 13%	SERVICE	1	▼ 67%			

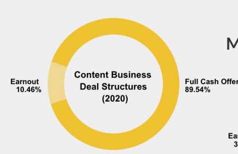
TOTAL SALES VOLUME IN 2020

AMAZON ASSOCIATES	$ 8.6M	▲ 11%	AMAZON FBM	$ 76K	▼ 68%	APPLICATION	$ 140K	▲ 159%
DISPLAY ADVERTISING	$ 3.3M	▲ 10%	INFO PRODUCT	$ 77K	▼ 20%	SUBSCRIPTION	$ 598K	N/A
AFFILIATE	$ 1.96M	▼ 41%	AMAZON KDP	$ 2.3M	▲ 410%	LEAD GEN	$ 365K	N/A
AMAZON FBA	$ 55.5M	▲ 98%	SAAS	$ 281K	▼ 59%	OTHER	$ 53.9K	N/A
DROPSHIPPING	$ 991K	▼ 52%	AMAZON MERCH	$ 210K	▼ 62%			
ECOMMERCE	$ 6.8M	▲ 310%	SERVICE	$ 365K	▼ 65%			

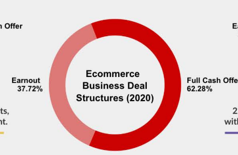
AVERAGE DAYS ON MARKET IN 2020

AMAZON ASSOCIATES	27d	▲ 4%	AMAZON FBM	34d	▼ 69%	APPLICATION	11d	▼ 85%
DISPLAY ADVERTISING	44d	▲ 19%	INFO PRODUCT	34d	▲ 319%	SUBSCRIPTION	61d	N/A
AFFILIATE	21d	▼ 49%	AMAZON KDP	60d	▲ 26%	LEAD GEN	87d	N/A
AMAZON FBA	67d	▼ 21%	SAAS	47d	▼ 40%	OTHER	2d	N/A
DROPSHIPPING	58d	▼ 56%	AMAZON MERCH	138d	▲ 154%			
ECOMMERCE	96d	▲ 21%	SERVICE	53d	▼ 33%			

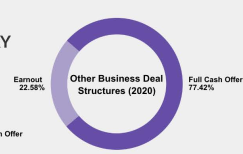
EARNOUTS BY MONETIZATION CATEGORY



10.46% of content business deals (16/153) were earnouts, with an average of 79.78% of the sales price paid upfront.



37.72% of ecommerce business deals (43/114) were earnouts, with an average of 70.12% of the sales price paid upfront.



22.58% of other business deals (7/31) were earnouts, with an average of 75.21% of the sales price paid upfront.

DOWNLOAD THE FULL REPORT: EMPIREFLIPPERS.COM/INDUSTRY-REPORT

Section 2: Trends

Now for the part of the report you've been waiting for.

Here we'll cover all the different monetization models and the trends we've seen, and we'll discuss the future of each model based on what is happening on our marketplace.

Let's dive in.

Overview of Sales Data

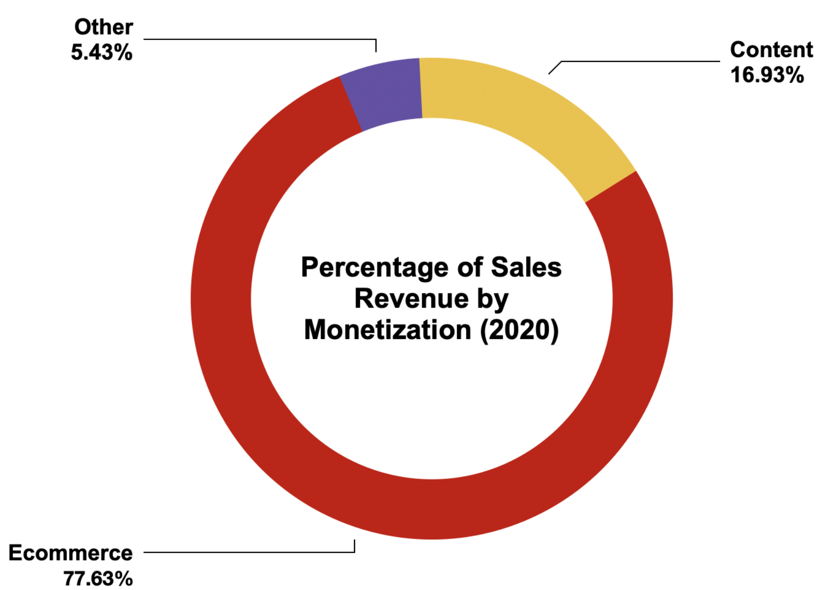
What Kinds of Businesses Did We Sell?

In 2020, we sold 298 businesses through our M&A brokerage. This is by far the most transactions we've done in a year since we started tracking data for the industry report.

By comparison, we sold 272 businesses in 2019, 274 in 2018, and only 198 businesses in 2017. We grew our transactions by 10% compared to last year but *increased our total sales amount by 66%.*

These transactions included many business models. But which one created the most revenue on our marketplace?

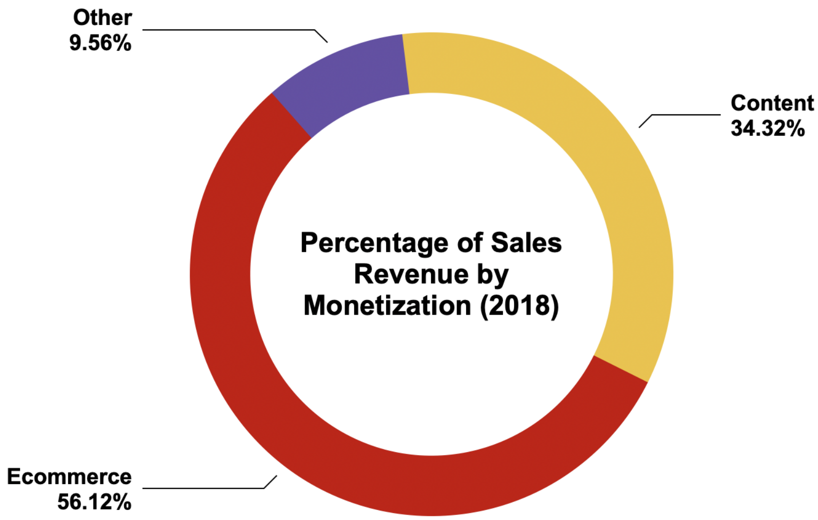
Here is the revenue breakdown for 2020 based on the business models sold:



In 2020, the ecommerce category made up 78% of the total revenue on our marketplace. Content sites were a distant second at only 17%.

This trend is consistent with the last three years of data. Ecommerce as a whole is growing in leaps and bounds every year.

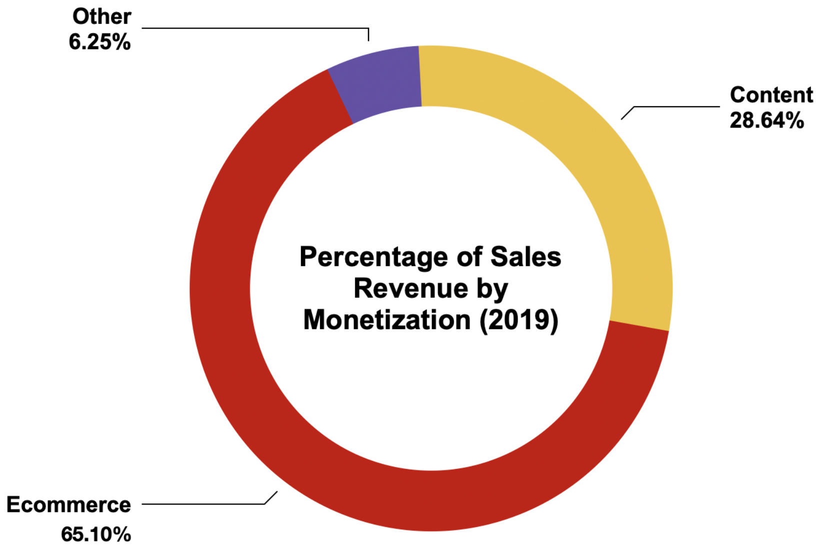
Here is the breakdown for 2018:



Differs from previous reports due to updated categorization methods.

In 2019, ecommerce represented 65% of our marketplace, with content sites falling to 29%.

Here's the breakdown for 2019:



Differs from previous reports due to updated categorization methods.

As you can see, the trends are still upwards, but ecommerce is the biggest winner when it comes to the sheer dollar amount being transacted. We ended 2020 with 78% in the ecommerce category, and it is very likely that this number will continue to increase in 2021.

What is most interesting here is the breakdown of what is actually selling within the ecommerce category. Similar to how Amazon Associates make up the lion's share of content sites being sold, FBA businesses make up the lion's share of ecommerce businesses being sold.

In fact, FBA has a far larger hold on the ecommerce space than Amazon Associates has on the content space.

The following is the breakdown of these two categories into their sub-business models:

Revenue from Content Sites:

- Amazon Associates: 10.54%
- Display Advertising: 4.00%
- Non-Amazon Affiliate Sites: 2.40%

Revenue from E-commerce Stores:

- FBA: 67.94%
- Traditional Ecommerce: 8.39%
- Dropshipping: 1.22%
- Amazon FBM: 0.09%

As ecommerce, specifically FBA, is gobbling up the market share in terms of revenue, the "Other" category has dipped again. Other business models made up only 5.43% of our revenue in 2020, which is the lowest it has ever been. It is not dramatically lower than it was in 2019, however, when other business models represented 6.25% of the marketplace.

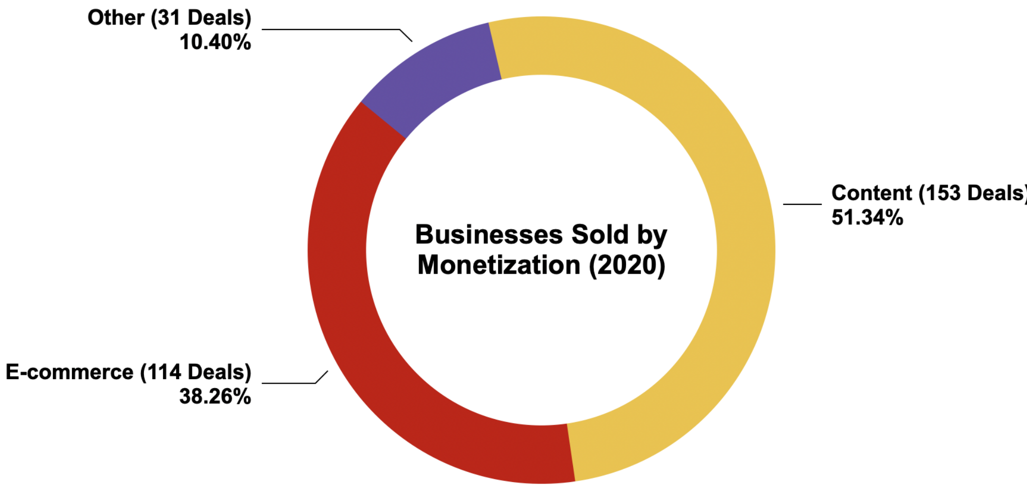
Our marketplace has been receiving a lot of interest from FBA entrepreneurs as the word has gotten out about the amazing exits these FBA businesses can make. While our marketplace is open to almost every online business model out there, the data from 2020 has made it clear that we've become the go-to M&A broker for FBA businesses.

Now that we've broken business models down by revenue, what about quantity?

Revenue is only one part of the equation for a solid report. A report could feature $15 million worth of transactions, but those transactions could be the result of the sale of only two large businesses. As the business size grows on our marketplace, so does the actual quantity of businesses sold.

In 2020, we sold 298 businesses, which is the most we've ever sold in a single year.

Here is the breakdown of the business models sold on our marketplace in 2020:



This breakdown departs from the revenue breakdown presented earlier in a significant way. In terms of the quantity of businesses we sold in 2020, content remains the top business model. Content businesses represented 51.34% of our total marketplace transactions, with 36.24% being Amazon Associate sites specifically.

Ecommerce, on the other hand, represented just 38.26% of transactions completed on the marketplace. FBA gobbles up almost that entire percentage, sitting at 32.55% of the total marketplace transactions.

It is interesting to note that 21% more Amazon Associates and 24.36% more FBA businesses were sold in 2020 than in 2019.

The data has a clear message here. Demand for both of these business models grew significantly in 2020, and while the inventory grew in pace with that demand, FBA businesses were ultimately far larger revenue-wise. This makes sense considering the scalability of FBA businesses.

In 2020, there were also more lower-end marketplaces that popped up specifically for content businesses. This has fractured the market somewhat, or at least we thought it would fracture the market. However, in reality, the increase in marketplaces didn't actually encroach much on our market share.

We consistently listed and sold more content sites than anyone else in the M&A online business industry in 2020. The volume of transactions for content sites reached 153 businesses bought and sold on our marketplace over the course of the year.

Quick Glance at Year-to-Year Stats

Below you can see all the data we have from 2018 and 2019 compared with what happened in 2020:

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	274	$32,986,402.61	$129,922.18	$116,785.49	28.4	26.0	42
2019	272	$49,096,353.24	$180,173.52	$155,620.76	30.6	28.1	58
2020	298	$81,636,851.73	$284,838.04	$269,200.81	32.2	30.2	48
2019 to 2020	▲ 10%	▲ 66%	▲ 58%	▲ 73%	▲ 5%	▲ 8%	▼ -16%
2018 to 2020	▲ 9%	▲ 147%	▲ 119%	▲ 131%	▲ 14%	▲ 16%	▲ 16%

The average time it took to sell a business in 2020 was 48 days across all monetization models and business sizes. This is 16% less than the average time it took to sell in 2019, meaning our marketplace has become more efficient at selling digital assets quickly.

This is part of why we reduced our exclusivity from six months to just two months when an entrepreneur decides to sell their business with us. While it can take longer than two months to sell a seven-figure business, we're confident that most of our seven-figure sellers, if they have a quality business, will have solid offers in negotiation before the two-month exclusivity is over.

For most other entrepreneurs who don't have a seven-figure or high multiple six-figure business, we're confident that the business will either be sold or close to it by the end of a two-month exclusivity.

In 2020, we sold 10% more businesses than we did in 2019, but only 9% more than we did in 2018. Both 2018 and 2019 were great years for the marketplace, but 2020 saw an increase in demand as well as in the size of businesses being sold across the board.

For instance, when looking at revenue, we did 66% more than 2019 and a whopping 147% more than 2018 in terms of actual business sizes sold. This multi-year trend of bigger businesses coming up for sale will likely continue.

Before 2020, there were only a handful of institutional investors that had raised enough money to acquire seven-figure businesses. This is no longer the case. Now there is a plethora of high networth business buyers hungry to acquire. It is still difficult to sell a business in the $500–800k range though, as the higher networth buyers tend to go after businesses that are seven figures and above.

We think this will change with our 2021 launch of EF Capital, which we'll discuss later in this report. This will give business buyers with proven track records the leverage they need to acquire bigger businesses, while also paying accredited investors solid quarterly dividends.

As 2021 continues, we expect even more large institutional players to start entering the space. We are already seeing several of them pop up, having raised capital from private equity and family offices to acquire businesses. The competition between these funds is also increasing. We've had several conversations where these high networth buyers have specifically told us, "If X makes an offer on a business, let us know, we will beat that offer."

Competition between these high networth buyers is likely to increase, *which will be great for sellers who choose to sell with a broker.*

Why?

Because all of these high networth buyers use brokers to acquire deals. While many do develop private deal flow, they are still avid customers of M&A marketplaces like ours. When a seller chooses to go with a broker instead of selling their business privately, they'll have the opportunity to use this frenzy of competition to make a much larger exit than they would have if they had gone private.

If you're a buyer and this has you worried, don't be. Most of these high networth buyers are, as we said, operating in the seven-figure and above category of assets. This means there is still plenty of opportunity for a buyer to get an excellent deal on businesses in the $200–800k range if they have the liquidity to purchase.

Of course, for deals under $100,000, the only real option to win a deal is to present an all-cash offer. If you attempt to establish a complex deal structure or complex terms in the acquisition of a business at this level, you'll be beaten out by an all-cash buyer typically.

The Season of the Seller—Increased Valuations and a Changed Marketplace

We mentioned all of the heated competition starting to enter the marketplace, and that is a big reason why valuations are increasing across the industry.

But it is not the only reason.

This growth is apparent when comparing our average list price and sales price in 2020 versus 2019 and 2018.

In 2020, the average list price was 58% more than in 2019 and 119% larger than in 2018.

That is huge. But of course, that is just the list price. At the beginning of this report, we mentioned being able to share actual sales prices since we own the data. So how did sales prices shake out in 2020 compared to previous years?

The short answer is … very well.

In 2020, the average sales price of an online business increased by 73% as compared to 2019 **and by a staggering 131% as compared to 2018.**

This is good news for sellers.

As 2021 continues, we might be entering the first significant seller's market that has ever existed for digital assets. The demand has never been higher, and the ability to sell your online business and achieve a large exit has become far more realistic than it ever has been.

So what is causing this increase in valuations?

Part of it is the competition, but another major part is the pandemic. In 2020, the COVID-19 pandemic changed life as we knew it. Businesses were shuttered, people were social distancing, and normal activities were modified to stall the spread of the disease.

In Q1 2020, this had a powerful, negative impact on the industry. We saw Amazon cut commissions for their affiliates, FBA entrepreneurs were struggling to get non-essential items into Amazon warehouses, and the logistics supply chain of an entire global market was disrupted.

During this time, sales on our marketplace dipped dramatically. In fact, it was the worst quarter in our company's history in terms of meeting our revenue goals.

It was a scary and unpredictable time.

This is exactly the kind of scenario that makes investors pull out and stop deploying capital. Investors can invest in challenging or easy markets, but what they don't like is a market that is unpredictable.

As the understanding of the disease and its effects on society became more apparent and what to expect stabilized somewhat, investments into digital assets soared in Q2 2020.

All of the dry tinder—capital that didn't get invested in Q1—suddenly reignited the marketplace. This initial injection generated a buzz amongst sellers looking to make exits that lasted the rest of the year. Institutional investors that had just raised money at the end of 2019 were in the heat of their investing activity in Q2 2020, which increased valuation prices.

The pandemic forced people to shop online. Most people could not go to a local store, even if they wanted to, to buy what they wanted. Instead, they turned to ecommerce for all of their shopping needs. As businesses down Main Street shuttered, ecommerce and online businesses in general boomed, many of them reaching record levels of traffic and revenue in 2020. This increased revenue created what we have called the "Covid Bump," which, in some cases, massively increased valuations.

However, even when the pandemic fades into a distant memory, the changes wrought in 2020 are here to stay when it comes to ecommerce trends. The pandemic has only increased the trend of people shopping online more often; it didn't create it

In addition, the pandemic has brought an older demographic to online shopping, and they are learning firsthand the benefits of shopping online, like saving time by not having to go to a physical store to buy something.

As online businesses boomed and offline businesses suffered, investors from all over started seeing the aggressive cash on cash return digital assets offer. Investors that may traditionally have invested only in real estate started taking new interest in the advantages a digital asset can offer.

Average list price multiples went up by 5% in 2020 compared to 2019 and by 14% compared to 2018. The average sales price multiples in 2020 went up by 8% compared to 2019 and by 16% compared to 2018.

That is huge.

And this may be only the beginning. 2021 might become the best year ever to sell an online business.

The majority of these multiple increases began towards the end of 2020, which means that 2021 is likely to see an even bigger boost to list prices, sales prices, and cash-ready investors more than willing to acquire these high-yield businesses.

The influx of valuation prices will also likely lead to an increase in inventory as more sellers seek to cash out what they have built. While prices are going up, this increased inventory will likely lead to many more opportunities for investors to find the perfect deal for themselves. The buzz will of course be surrounding FBA and content sites, but that buzz will likely spill over and motivate sellers in other business models to make an exit.

If you're looking to buy, make sure you sign up for a free Empire Flippers marketplace account to gain access to all the tools and features we've developed to help buyers.

Measuring Earnouts

If you're not familiar with what an earnout is, it's when a buyer makes a large upfront payment to acquire a business and then pays the rest over a specific period of time. There are many kinds of earnouts and many terms buyers can bake into their negotiations. If you are interested in how you can use an earnout as a buyer to get a better deal, make sure to check out our Definitive Guide to Deal Structuring here.

Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	60	69.66%
2019	75	74.81%
2020	66	73.00%
2019 to 2020	▼ -12%	▼ -2%
2018 to 2020	▲ 10%	▲ 5%

In 2020, we had 66 earnouts, and the average upfront amount that a buyer paid was 73%.

That means that for a business worth $800,000, on average a buyer would pay the seller $584,000, and the seller would then finance the remaining $216,000 to be paid out at a later date.

The usage of earnouts tends to correspond to the size of the businesses being sold. Seller financing using earnouts is the most common financing strategy for acquiring an online business. Considering how rare any kind of financing is in our industry, this style of financing is often the only option open to a buyer.

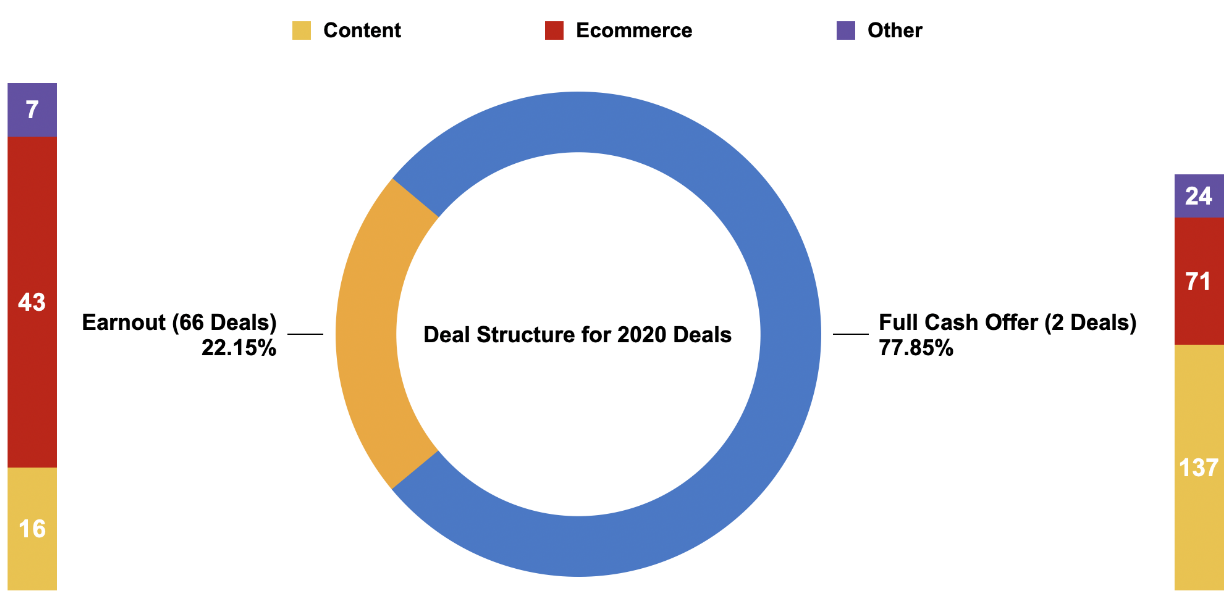
Since most investors do not have $500,000 to $1.5 million sitting in a bank account ready to be deployed to buy an online business, this can put a seller in a tough position if they want to make an exit. If you're selling a multiple six-figure or seven-figure business, you will almost always need to offer some kind of seller financing to the buyer if you want to get the deal done.

This is why we always tell sellers to be flexible with both pricing and terms. It is often better to be flexible and take a lower sales price or a longer earnout time than not to sell the business at all. Earnouts remain the top tool for both buyers and sellers of high value businesses to get the deal done.

One interesting trend in earnouts is that the actual upfront amount buyers are willing to pay to get a deal done has gone up over the past two years. While the average upfront payment amount decreased by 2% in 2020 as compared to 2019, it was still up 5% compared to 2018.

The willingness of buyers to pay a larger upfront payment to close a deal makes sense. Competition for high-quality businesses has grown, and offering a higher upfront payment is a fantastic way to lock in a deal before someone else gets ahold of it.

Here is the data breakdown for earnouts across the marketplace:



The advantages of using an earnout are obvious to a buyer. You get to save some of your money as working capital to help you grow your new acquisition. Depending on the terms you were able to negotiate with the seller, you may also be able to mitigate your potential risk in a significant way.

But what is the benefit for a seller?

A seller offering to finance the buyer is taking on an extra layer of risk. After all, the buyer may never pay the earnout, the deal could go south, and this understandably makes sellers feel uncomfortable.

The advantages for a seller are two-fold. The first advantage is that you get the deal done. You may not have been able to sell your business at such a high price point without utilizing the earnout. Obviously, this is a critical factor in getting a large exit.

The second advantage is an optional advantage that sellers *rarely* use but *absolutely should.*

When a buyer offers you an earnout, simply charge the buyer more. If you don't charge the buyer more, you're giving that buyer a 0% interest-free loan. It's practically free money the buyer gets to leverage while you take on more risk.

You can mitigate this somewhat by simply asking for more money in exchange for taking on the risk. You can set up seller financing with a reasonable interest rate, or if you want to go a simpler route, you can just increase your multiple by 1 or increase your sales price.

Of course, you don't want to push this to the point where you kill the deal. But it is always worth asking, and most savvy buyers will understand the concerns you have with taking an earnout.

By asking the buyer for more, you might be able to mitigate an earnout altogether in certain cases. Many buyers make earnout offers simply because they know they'll likely be getting an interest-free loan from the seller. When it's clear you're not offering that, the buyer may just pay the full sales price upfront rather than having to pay more money over time.

The two main business types with meaningful earnout data to report are Amazon Associates and FBA businesses. We'll be looking at each of those in more detail as we get into overviews of specific monetization types.

How We Breakdown Monetization Types

We have sold hundreds of businesses with multiple business models in the last few years. For some business models, we have a ton of data; for others, not so much. We will 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:

- Content
- Ecommerce
- Other

The next section will begin with an overview of these categories and then break them down further into specific monetization subcategories.

For businesses that feature multiple business models, we will use their primary form of revenue when deciding which business model they fall into.

For example, if an ecommerce store sources their own products but also has a dropshipping component and we see that the ecommerce portion makes up the majority of their revenue, then we would qualify that business as traditional ecommerce.

We have also excluded renegotiated deals when calculating averages for data points like list/sales prices and multiples. These can skew the numbers and they are a rarity in the first place, making them outliers.

Now that you understand the structure and have an overview of our marketplace sales data, let’s dive into the individual monetization trend data.

Content Category

Content businesses use a variety of business models, such as affiliate, display advertising, and even lead generation. The demand for content businesses is still high, and in 2020, we sold more of them than we did in both 2019 and 2018.

In 2020, we sold 153 content businesses, as compared to 2019, where we sold 143 and 2018, where we sold 151. While the increase in content business sales is a small trend, it is consistent with what we've seen for years.

Content businesses are highly desirable for buyers at all levels and phases of their investing careers. The 153 businesses sold in 2020 represented 51.34% of all deals transacted on the marketplace. We sold more content businesses than any other business model, and we remain the standout leader in this model, as we have been for years.

One of the major reasons why content businesses are so popular is their ease of management; there is no need to fulfil product orders or perform customer service. This obviously makes this model more attractive to buyers just starting out who may feel overwhelmed with all the moving parts involved with, say, a traditional ecommerce store. Content businesses also offer a way for entrepreneurs to build out an addressable audience.

Since most content sites drive traffic through organic SEO methods, this is traffic that requires little to no day-to-day management as opposed to something like paid ads. SEO traffic tends to convert the highest to relevant offers as well when compared to other traffic channels, which makes content sites a prime place to start collecting email addresses.

Savvy entrepreneurs can then leverage that list for a variety of email marketing strategies, promoting more private affiliate offers, or they can even leverage the addressable audience to grow a product-based business like an FBA store or even a SaaS business if it makes sense for the niche the content site is operating in.

Quick Snapshot

Here’s a comparison of a variety of metrics from 2018 to 2020:

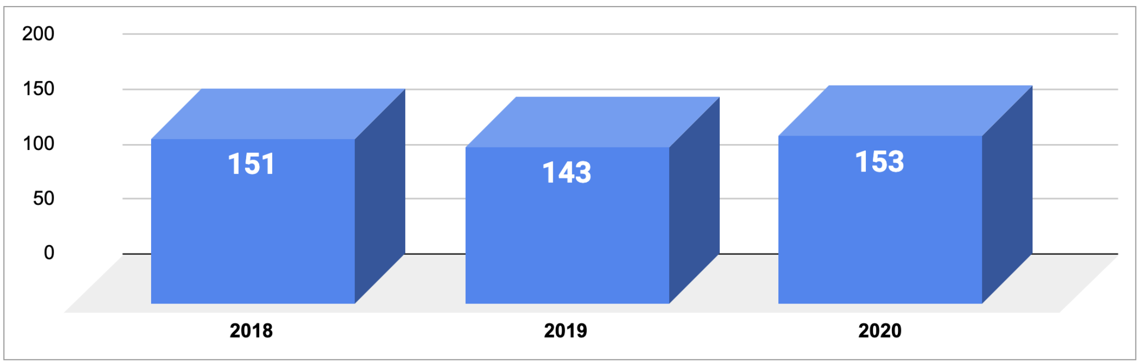
Content Category Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	151	$11,321,005.80	$83,557.04	$76,780.93	29.4	27.6	22
2019	143	$14,063,230.72	$97,204.07	$90,782.69	31.9	29.9	31
2020	153	$13,824,593.61	$101,466.30	$94,419.02	33.8	31.6	30
2019 to 2020	▲ 7%	▼ -2%	▲ 4%	▲ 4%	▲ 6%	▲ 6%	▼ -4%
2018 to 2020	▲ 1%	▲ 22%	▲ 21%	▲ 23%	▲ 15%	▲ 15%	▲ 37%

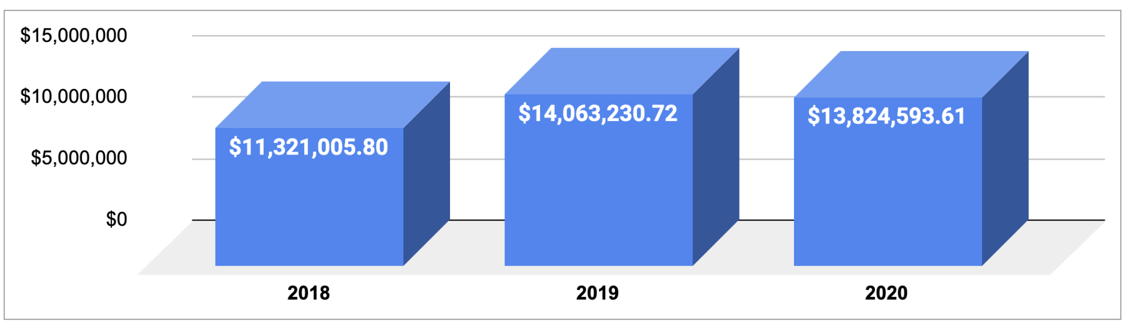
Let’s take a deeper look.

Here’s a breakdown of the number of brokered content businesses from 2018 to 2020 and the total sales:

Content Businesses Sold

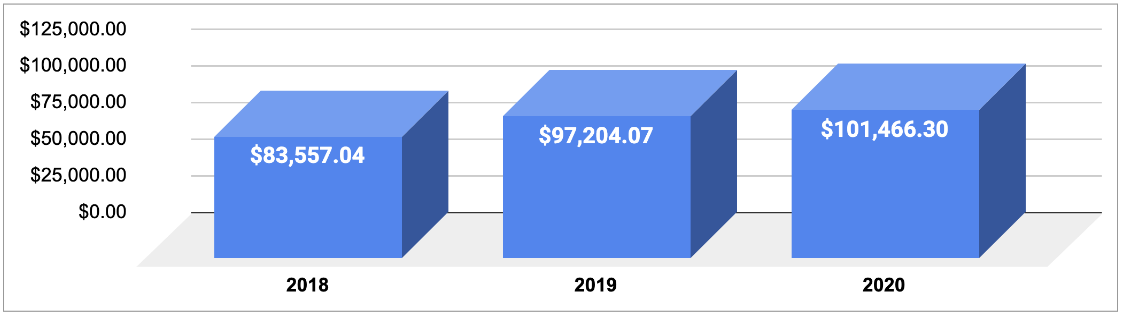


Content Total Sales



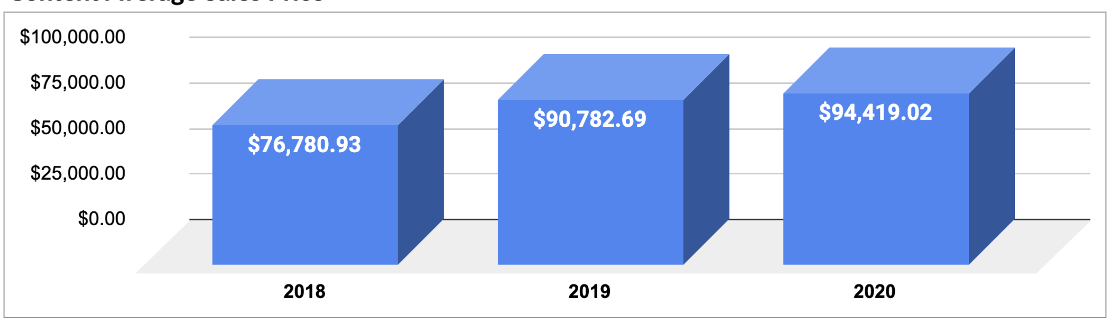
Here’s the average list price from 2018 to 2020:

Content Average List Price



The average list price for content businesses was $101,466.30, which is incredibly close to the average sales price of $94,419.02. Brokering content sites represented $13,824,593.61 in total revenue for our M&A brokerage, and represents a huge chunk of the market in general, allowing us to give you solid insight into how buyers and sellers are interacting with this asset class.

Content Average Sales Price



The average list and sales price both increased by 4% in 2020 as compared to 2019. This metric becomes far more dramatic when you compare the brokered sites in 2020 with 2018, however.

There is a 21% increase in the average list price and a 23% increase in the average sales price in 2020 as compared to 2018.

That is huge.

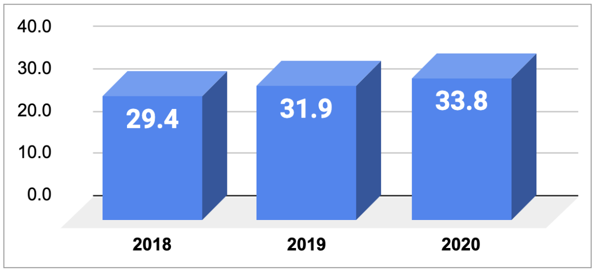
In just two short years, content sites saw a gigantic jump in their actual values. Based on the increase from 2019 to 2020, we might be reaching the top pricing the market will allow for these businesses considering that year-over-year growth.

It is clear that buyer demand rose in 2020, so there may still be room for an increase in price, although the growth will likely be more akin to that between 2019 and 2020 than 2018 and 2020.

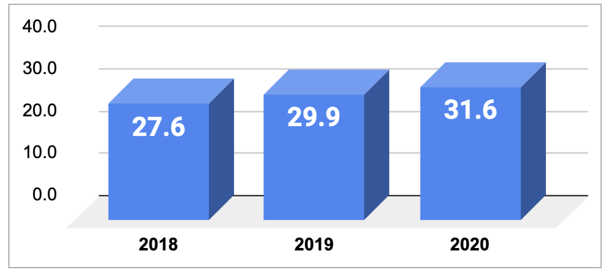
The increase in list and sales prices are also consistent with the increase in the actual list and sales multiples. In 2020, the average list multiple for content business was 33.8x and the average sales price multiple was 31.6x.

This represents a 6% increase in list and sales multiples from 2019 and a 15% increase from 2018.

Content Average List Multiple



Content Average Sales Multiple



So what happened that made these multiples and valuations grow?

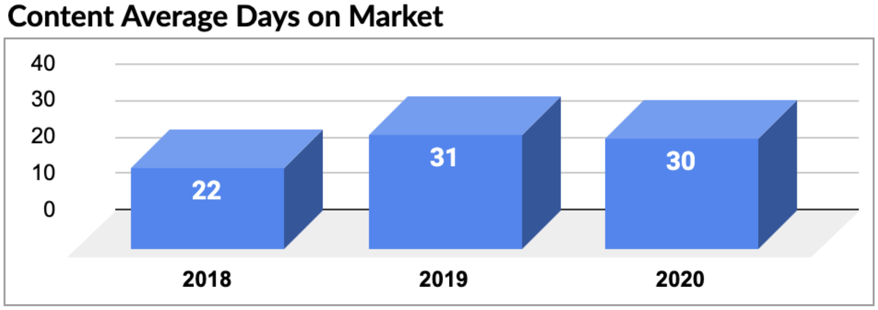
It comes down a variety of different factors happening all at once, including:

- An increase in online shopping in 2020, leading to higher profits for online businesses all around
- An increase in buyer demand for online businesses
- Investors from other asset classes, such as real estate, coming to acquire online businesses
- Larger content sites being sold that are positioned as the “go to” brand in their niche or positioned to become that
- Huge increase to actual content and site quality as more grey hat strategies, such as PBN or low-cost content, start disappearing in favor of more white hat SEO strategies and larger emphasis on expert-driven content

Apart from the drastic increase in valuations for content sites, perhaps one of the more exciting metrics from a seller perspective is the actual number of days it took content sites to sell on the marketplace. In 2020, the average time it took for content sites to sell was just 30 days.

Here is a breakdown of the average number of days on the market from 2018 to 2020:

Content Average Days on Market



It took content businesses 4% less time to sell on the market in 2020 than it took in 2019, though the average days on the market was actually 37% higher in 2020 than it was in 2018.

How could this be? This is likely due to the increase in average sales prices.

The average sales price in 2018 was $76,780.93, as compared to $94,419.02 in 2020. While the increase seems small on the surface, a big portion of this increase in average list price comes from much larger multiple six-figure businesses being listed on the marketplace.

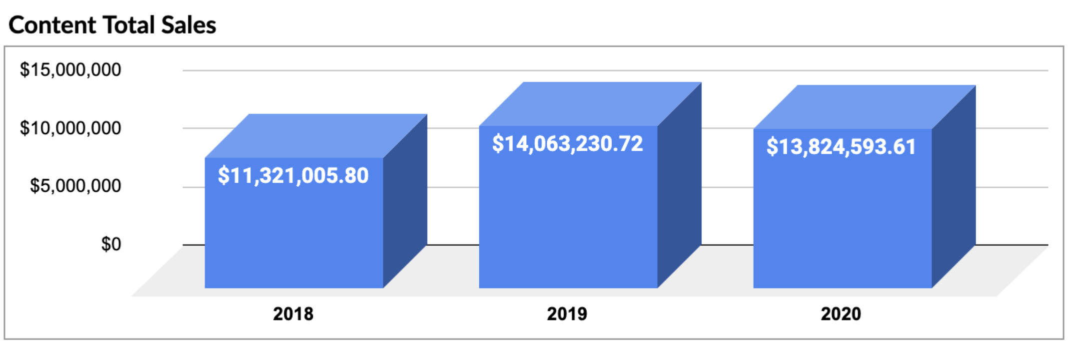
Typically, as the size of the business grows, the longer it will take to sell.

Back in 2018, we sold far fewer high six-figure businesses; in 2019 and 2020, we had a small flood of these larger businesses coming to the marketplace. This means the decrease in days on market from 2019 to 2020 is actually a more reliable indicator of increased speed than comparing 2020 to 2018.

All of this is fantastic news for sellers, and it goes back to the trend identified in this report that we're entering a true seller's market.

Right now, if you are the owner of a content business, it is one of the best times to make a profitable exit.

Content businesses remain a staple for both buyers and sellers. They're an attractive business model that is low maintenance with a very high profit margin. Let's take another look at the overall growth of this model in the sheer sales volumes on our marketplace from 2018 to 2020:



In 2020, we produced $13,824,593.61, which is very close to the 2019 number of $14,063,230.72.

In the last two years, the market overall has stabilized around the $14 million mark, but that is a sizable increase from 2018, when content business sales represented $11,321,005.80 in business sales on the marketplace.

Despite this huge revenue in 2020 and the fact that over 50% of the businesses we sold were content businesses, they represent only 16.93% of our actual sales in 2020.

This is the lowest percentage of the total sales on our marketplace that content sites have had on our marketplace. However, this is not a significant cause for concern for buyers and sellers in this space. As we mentioned above, the actual revenue amount for these transactions is stable if not growing slightly. The reason why content sites represent a much smaller percentage of our marketplace in 2020 has nothing to do with the quantity listed, but rather the explosion of FBA businesses being sold, something we'll discuss further later.

The trends indicate that the content sites being sold are bigger, more profitable, and better equipped in terms of branding than they were in previous years. We believe that these trends are eventually going to lead to content sites that are more rounded in terms of traffic diversity and even revenue diversity. There will likely be brand builders that start incorporating email in a larger and more impactful way. Once email marketing becomes more popular in this business model, it is likely that other traffic channels will start getting tested since the email list will ultimately increase the lifetime value of each visitor, which will allow site owners to build out more expensive traffic channels.

Regardless, it is a certainty that content businesses will remain one of the most popular online business models for both sellers and buyers. We don't see this changing anytime soon, even with other business models exploding in popularity.

As the market grows, with more people than ever before investing in digital assets, content sites will remain a staple of the industry.

***Our Little Disclaimer**

As the largest curated marketplace and M&A brokerage for online businesses in the world, it's important to note that the data above is aggregated across all deals.

Many of the deals incorporated into these statistics have actual sales prices that are less than $200k. It would be easy for a competitor to look at the statistics above and tell you that we only sell "smaller deals" or say, "just look at their average deal size." The truth is that we sell a lot of businesses, both big and small—we just happen to sell the most businesses of any marketplace, which can skew the data.

Here are six businesses whose actual sales prices were far above the average multiple in the content space:

- An Amazon Associate business sold for $29,751.00 at a 47x multiple
- A mixed monetization of affiliate and display advertising sold for $256,007.00 at a 42x multiple
- A mixed monetization affiliate and Amazon Associate business sold for $456,000.00 at a 36x multiple
- A mixed monetization affiliate, Amazon Associates, and display advertising business sold for $1,417,639.00 at a 36x multiple

- A display advertising site sold for $830,000 at a 34x multiple
- A mixed monetization affiliate, Amazon Associates, and display advertising business sold for $175,644.00 at a 42x multiple

Keep in mind that there are plenty of businesses that sold above the average sale and list prices we're reporting. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when the owner decides to sell the business.

Opportunities

The most common opportunities for growth in the content model involve mixing the various forms of monetization within the overall category. If you're looking to acquire an affiliate site, add display ads. If you're buying a display ad site, add review content and affiliate links. This is often one of the fastest ways to grow these businesses.

In addition to mixed monetization, there is often plenty of room to redesign and add conversion rate optimization (CRO) to the website. Many profitable content websites lack effective CRO that can squeeze more revenue out of the same traffic. We have seen content sites increase their monthly net profit by between 15-40% based on CRO tests alone.

The best opportunity for those thinking long term for their content sites is to build an actual brand within the niche. Ideally, the brand should be in a broad enough niche to be able to grow in multiple different ways. Instead of a website called "bestredblenders.com," it is better to have a site branded as something like "kitchenhero.com." This way, when you're done talking about blenders, you can move into other kitchen products and content easily.

Over time, the website's authority grows, which makes ranking for these shoulder niches far easier.

Content businesses looking to grow beyond the multiple six-figure range and into the seven-figure range should invest heavily in email marketing. Email marketing reduces reliance on Google organic, and it can vastly increase the actual revenue for the site by continually bringing subscribers back.

A good email marketing program can also open up other traffic avenues that are typically off limits for a content site. If you know the lifetime value of each subscriber, you may have opportunities to run cold traffic paid media ads to grow an audience far faster than you could with traditional SEO methods.

Ultimately, if you're looking to achieve significant growth for your content site, you should always be exploring new traffic channels that you can add to grow an addressable audience. That addressable audience can then be used to create revenue expansion opportunities. As a website truly becomes a brand and a thought leader in its space, you can expand both the traffic and the revenue in all kinds of creative ways; for example, you could launch a podcast whose audience you grow through your newsletter and then open it up to sponsorship messages as well.

At the end of the day, the most effective business model for content sites is not ranking on Google to direct traffic to the business website and get people to click an affiliate link. Instead, the core of the business model is the ability to create and grow an addressable audience (i.e., an email list, that can grow your profit the fastest.

Risks

The major risk to content businesses remains organic traffic. Any business that gets the majority of its traffic from a single source is in a dangerous position. While organic traffic can remain stable for months or even years, it is ultimately not something you can control as an entrepreneur. A single algorithm update to Google can crush a successful business overnight.

This is why we recommend building an addressable audience to help you grow the business outside of Google organic traffic. The email address acts as a traffic source you can control, and it can help you open the business up to new traffic channels that normally wouldn't be profitable for content businesses.

Another risk is affiliate commission cuts. An affiliate program can cut how much you get paid at a moment's notice, and there is little, if anything, you can do about it. This is why diversifying affiliate programs is also important for long-term stability.

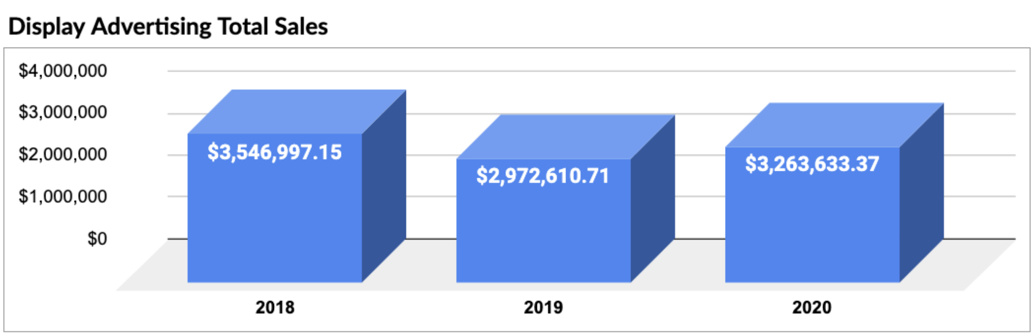
Most risks associated with a content business can be mitigated with solid email marketing and diversification of revenue sources via different affiliate programs and display ads.

Display Advertising

Display advertising remains an effective method for monetizing a content business. The basic premise is a content site with helpful or informative articles, typically driving traffic through Google organic, and having some of the traffic click on the ads displayed throughout the content.

Unlike affiliate sites, display advertising tends to require larger amounts of traffic to make the actual profit worthwhile, as display ads tend to pay much lower than affiliate programs. Still, the content site owner does not need to worry about affiliate links and can often make money using far less competitive keywords than a pure affiliate site would use since the site's focus isn't to sell a specific product but rather to get more of its traffic viewing ads.

Display advertising businesses represented $3,263,633.37 in transactions on our marketplace in 2020.



Let's break down what happened.

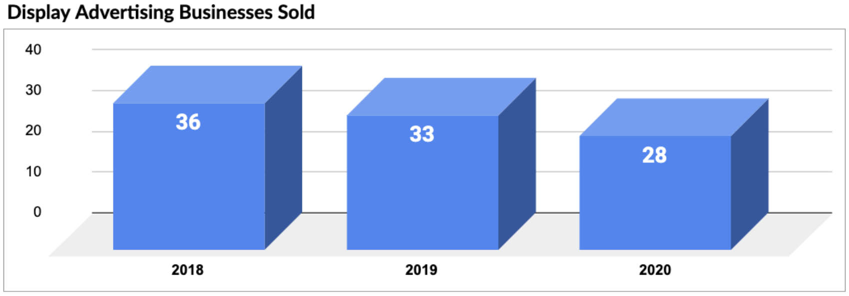
Quick Snapshot

Display Advertising Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	36	$3,546,997.15	$107,027.83	$99,952.00	30.4	28.4	35
2019	33	$2,972,610.71	$92,100.61	$83,352.57	32.8	30.3	37
2020	28	$3,263,633.37	$136,171.09	$129,911.17	34.8	33.2	44
2019 to 2020	▼ -15%	▲ 10%	▲ 48%	▲ 56%	▲ 6%	▲ 10%	▲ 19%
2018 to 2020	▼ -22%	▼ -8%	▲ 27%	▲ 30%	▲ 14%	▲ 17%	▲ 27%

In 2020, we sold 28 businesses monetized through display advertising. That number is 15% less than what we sold in 2019 and 22% less than what we sold in 2018. This is likely due to entrepreneurs holding onto these websites longer and turning the sites into bigger brands than what was selling back in 2018. Even in 2018, this trend towards bigger brands was in full swing.

Display Advertising Businesses Sold

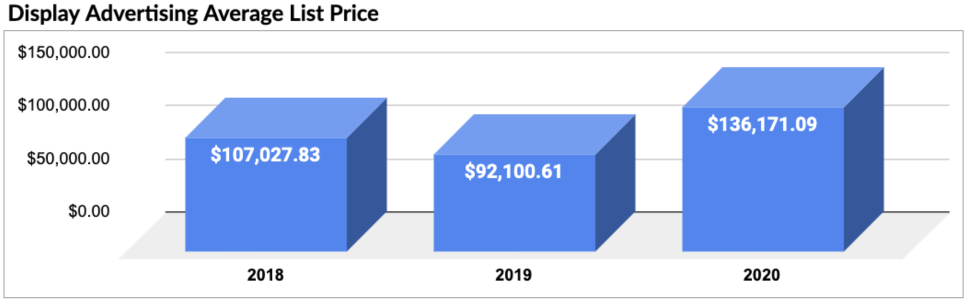


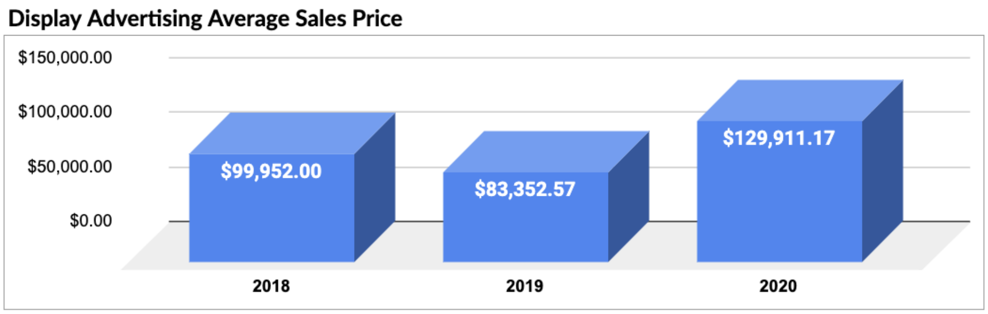
You can see this trend when you look at the actual list and sales price for display advertising businesses.

In 2020, the average list price for these businesses was $136,171.09, and the average sales price was $129,911.17. Those numbers alone show just how close our valuations are to what buyers are willing to pay. And those two metrics show just how much these websites have grown in terms of size.

The average list price increased by 48% in 2020 as compared to 2019 and 27% as compared to 2018. The average sales price also increased by a large percentage, 56%, as compared to 2019 and 30% as compared to 2018.

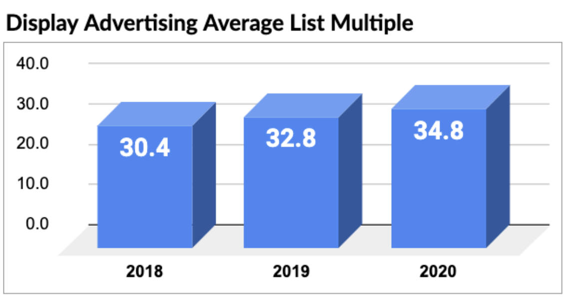
Display Advertising Average List Price

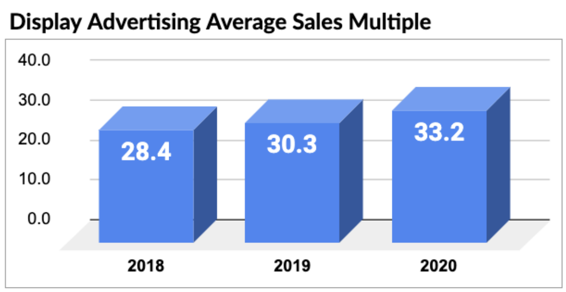




The average list multiple in 2020 was 34.8x, with the actual sales multiple working out to 33.2x. That is a 6% increase in the average list multiple and a 10% increase in the average sales multiple as compared to 2019, and an increase of 14% in the average list multiple and 17% in average sales multiple as compared to 2018.

As you can see, the multiples did move up but not nearly as much as the average list and sales price. This fits the trend for what we've seen in general for content sites—there are still plenty of them out there, sellers are just waiting until their sites are much bigger on average before bringing them to the market.



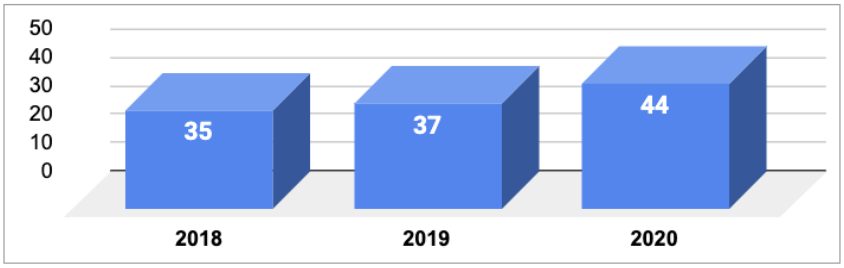


In 2020, it took us an average of 44 days to sell a display advertising business, which is well within the new two-month exclusivity we require when someone decides to sell their business with us.

The trend of sellers waiting until their business is bigger before selling also explains the increase in the time it took to sell these businesses. In 2020, we saw an increase in the average number of days on market of 19% and 27% as compared to 2019 and 2018, respectively.

Bigger sites tend to take longer to sell, and this holds true here in the display advertising category too.

Display Advertising Average Days on Market



Deeper Insights

We decided to further break down monetizations for which we felt we had enough data. The results of that breakdown are displayed below:

Display Advertising Tiered Breakdown

2020	# Sold	Avg. List Price	Avg. Sales Price	Total Sales	Avg. List Multiple	Avg. Sale Multiple	Avg. Days on Marketplace	Earnouts	Avg. Upfront % For Earnout	Avg. List vs. Sale $
T1 Sub $100K	20	$55,185.80	$52,469.53	$1,062,719.37	33.1	31.4	30	0		95.22%
T2 $100–250K	5	$185,426.00	$173,841.20	$869,206.00	38.8	37.0	93	2	79.13%	95.15%
T3 $250–500K	2	$250,854.00	$250,854.00	$501,708.00	36.5	36.5	6	0		100.00%
T4 $500K–1M	1	$875,310.00	$830,000.00	$830,000.00	36.0	34.0	154	1	66.27%	94.82%
T5 $1M+										

Out of the 28 display advertising businesses we sold, only three included an earnout.

We broke down the businesses into a variety of pricing tiers and determined that two of the earnouts happened in the $100k–250k range, which is an unusual price range for an earnout. The businesses were purchased with an average of 79% of the sales price paid upfront — one at 80% and the other at 78%.

The next earnout was in the $500k–1 million range, which is a far more common pricing area for an earnout. Here you can see the business sold with just 66% of the sales price paid upfront. As a buyer, it is worth asking for earnouts in this range, as sellers will often agree to one and will effectively allow you to acquire the business using seller financing.

The majority of the display advertising businesses we sold went for less than $100k, meaning there is plenty of opportunity for a buyer who is just starting out to acquire these businesses with minimal capital. The most inexpensive businesses in terms of list prices and sales multiples can be found in this pricing tier.

For buyers who understand how to scale display advertising businesses, this can actually be a good place to start hunting for deals since the businesses can be acquired for lower multiples, and then they can likely be flipped down the road, receiving a much higher multiple as they enter a higher pricing tier.

There is a steep multiple increase once you get out of the under $100k range, with the next pricing tier having a 39x list multiple and a 37x sales multiple. While there is not enough data here to say *too much*, it is interesting that once you get out of the $100k–250k range, multiples decrease slightly.

Considering how close the sales prices of all these businesses were to the list prices, our valuation for these types of businesses remains one of the most authoritative in terms of what the market is willing to pay. If you own a display advertising website, you can get a free valuation estimate here.

***Our Little Disclaimer**

As the largest curated marketplace and M&A brokerage for online businesses in the world, it's important to note that the data above is aggregated across all deals.

Many of the deals incorporated into these statistics have actual sales prices that are below $200k. It would be easy for a competitor to look at the statistics above and tell you that we only sell "smaller deals" or say, "just look at their average deal size." The truth is that we sell a lot of businesses, both big and small—we just happen to sell the most businesses of any marketplace, which can skew the data.

Here are three businesses that sold for far above the average multiple in the display advertising space:

- A display advertising business sold for $256,007.00 at a 42x
- A display advertising business sold for $1,417,639.00 at a 35x
- A display advertising business for sold for $830,000.00 at a 34x

Keep in mind that there are plenty of businesses that sold above the average sale and list prices we're reporting. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when the owner decides to sell the business.

Opportunities

Display advertising businesses remain the most hands-off business model in this entire report. Arguably, it is even more hands-off than affiliate sites since there is no need to manage the affiliate links and make sure they are still connecting to active programs.

These kinds of businesses also lend themselves to scaling into huge websites. After all, you will need far more traffic to make good money than you would need for affiliate offers. However, that doesn't mean you should only be focusing on display ads.

As your site grows, so will your authority, which means adding affiliate content to the site and ranking for those keywords will become easier and a very profitable endeavour. Yet, since you don't need to sell anything and instead just need to generate traffic to the website in hopes of ad clicks, you can also focus on keywords that, in general, have very *low* competition to rank for in Google. This allows you to write content that most affiliate sites just cannot afford to invest in because they have nothing they can reasonably sell to the traffic reaching their site for that content.

Just as with any content site, CRO remains the number one low hanging fruit for increasing your revenue. Testing ad positions, types of ad blocks, and even ad networks are all viable options to increase your revenue significantly in addition to more traditional design-based CRO.

As mentioned in the overall content section, email provides a huge opportunity for display advertising businesses. Not only can it greatly expand your revenue potential outside of display ads, but it can also bring people back to your site to read more articles and hopefully develop a real relationship with the brand you are building.

The more you can treat your website like a media company that acts as a magazine versus a throwaway brochure, the more likely you'll be to build a website that can sell for multiple six-figures or even seven-figures down the road.

As your website gains more traffic, keep hunting for even more premium display advertising networks to use. Most display networks limit who can use them based on certain traffic thresholds. Again, this emphasizes the benefits of growing your website to gain access to better paying ad networks.

Risks

The main risk for display advertising websites is Google's algorithm updates. This is the primary traffic source for a vast majority of these businesses. Again, this is why we strongly recommend focusing on email marketing to help mitigate this risk.

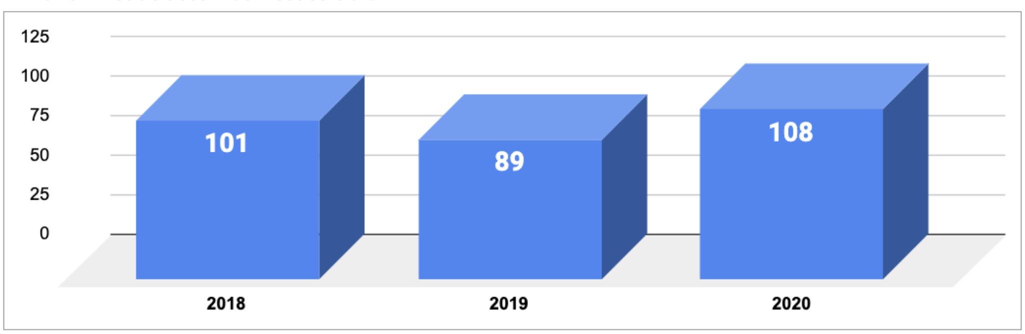
Another risk to display advertising sites is the actual ad networks themselves. While new options have popped up over the years, it's still important to make sure you remain compliant with the ad networks. Most ad networks, minus Google AdSense, tend to provide an account manager or a real human contact you can work through any problems with, so this isn't a terribly big risk. If something does go awry, your account manager can likely intervene and walk you through the process of solving the problem.

Amazon Associates

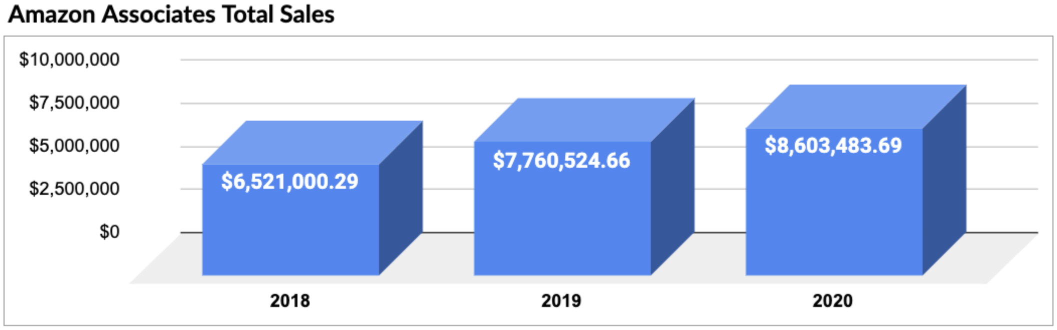
Amazon Associates remains, by and large, the most popular way to monetize a content business. Despite commission cuts earlier in 2020, Amazon Associates finished the year strong as the category with the most content businesses sold and for the highest price.

In 2020, we sold 108 Amazon Associate businesses on our marketplace for a total of $8,603,483.69 in revenue.

Amazon Associates Businesses Sold



Amazon Associates Total Sales



Quick Snapshot

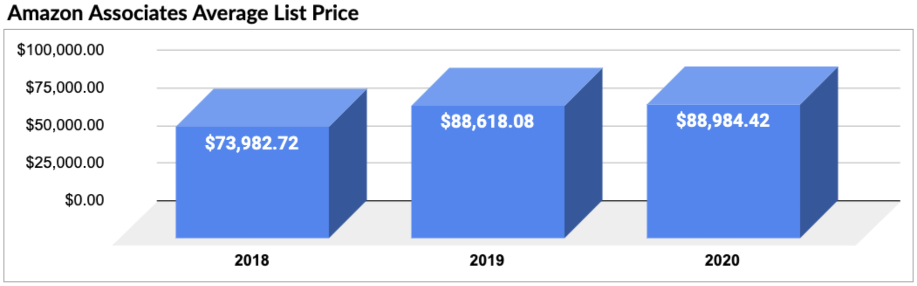
Amazon Associates Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	101	$6,521,000.29	$73,982.72	$67,177.12	28.8	27.0	17
2019	89	$7,760,524.66	$88,618.08	$82,084.47	31.6	29.5	26
2020	108	$8,603,483.69	$88,984.42	$82,453.73	33.6	31.4	27
2019 to 2020	▲ 21%	▲ 11%	▲ 0.41%	▲ 0.45%	▲ 6%	▲ 6%	▲ 4%
2018 to 2020	▲ 7%	▲ 32%	▲ 20%	▲ 23%	▲ 17%	▲ 16%	▲ 63%

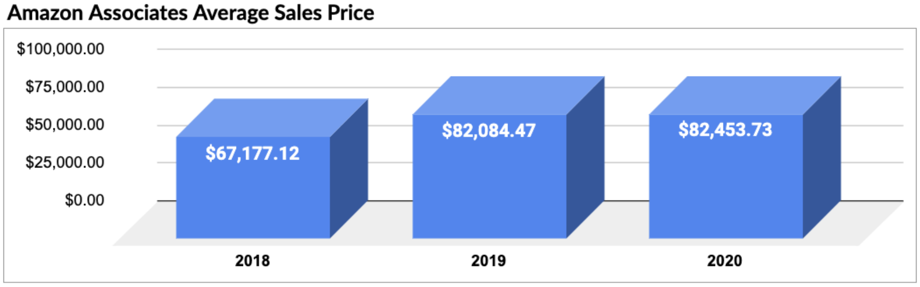
The average list price for Amazon Associates businesses in 2020 was $88,984.42, and the average sales price was $82,453.73. Surprisingly, this represents a less than 1% change in both as compared to 2019, although it is an increase of 20% and 23%, respectively, as compared to 2018. Considering we sold 21% more Amazon Associate businesses in 2020 than we did in 2019 and 7% more than we did in 2018, the less than 1% change compared to the previous year is interesting.

We referenced this earlier in the overview of the content category, but this seems like a solid sign that the actual price ceiling of what the market is willing to pay might have been reached. There will likely still be growth, but it is unlikely the prices for these businesses will go up dramatically further in 2021.

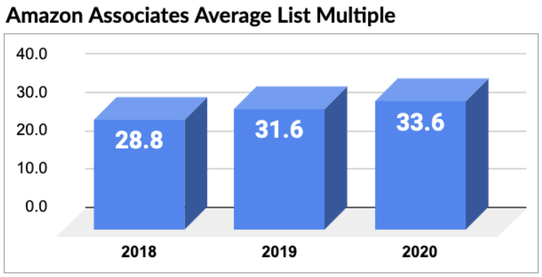
Amazon Associates Average List Price

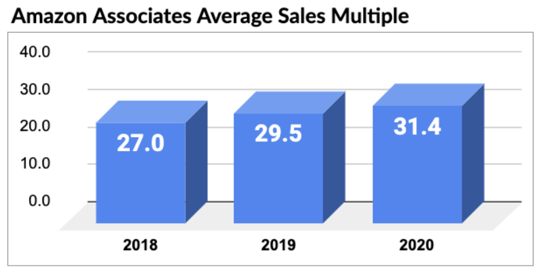


Amazon Associates Average Sales Price



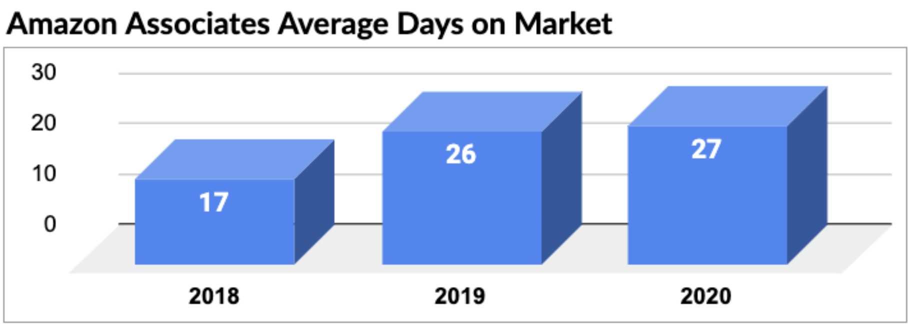
The average list multiple in 2020 was 33.6, and the average sales multiple was 31.4, which was an increase from 2019, though only a slight one. The list and sales multiples were 6% higher in 2020 as compared to 2019. In comparison with 2018, the list multiple was 17% higher and the sales multiple was 16% higher.





The takeaway here is that Amazon Associates started seeing their multiples increase significantly way back in 2019, while they only increased slightly in 2020. This could mean we're closer to the top of what buyers in the market are willing to pay for these businesses considering the two year trend. It is good news for buyers interested in this business model that the prices and multiples for Amazon Associates will most likely stay relatively the same throughout 2021.

The average number of days on the market for Amazon Associate businesses in 2020 was 27 days. This is a slight increase, 4%, from 2019 and a significant increase, 63%, from 2018. Given the rise in prices and multiples that occurred in 2019 and 2020, this all fits with the data. Bigger businesses tend to take longer to sell.



Still, 27 days is one of the shortest durations on the market for any business model we sell. The only business model that really beats Amazon Associates, not just in the content category but in general on our marketplace, is non-Amazon affiliate sites, which stay on the market for an average of 21 days.

Keep in mind that the quantity of non-Amazon affiliate sites was far lower, so it is difficult to compare the two head on as we sold only 17 non-Amazon affiliate sites in 2020.

Deeper Insights

Selling 108 Amazon Associates makes us the most preferred M&A broker for this business model in the entire industry. No other brokerage sold nearly as many as we did. This also allows us to dive a bit deeper into this business model, as we have so much data.

Here's a further breakdown for Amazon Associate businesses:

Amazon Associates Tiered Breakdown

2020	# Sold	Total Sales	Avg. List Price	Avg. Sales Price	Avg. List Multiple	Avg. Sale Multiple	Avg. Days on Marketplace	Earnouts	Avg. Upfront % For Earnout	Avg. List vs. Sale $
T1 Sub $100K	88	$3,875,229.93	$50,202.65	$45,823.82	33.3	31.2	28	3	85.80%	93.13%
T2 $100–250K	15	$2,098,107.76	$152,017.87	$139,873.85	34.1	31.6	26	3	76.86%	92.52%
T3 $250–500K	4	$1,212,507.00	$339,258.33	$302,669.00	39.0	35.7	30	2	84.34%	90.93%
T4 $500K–1M										
T5 $1M+	1	$1,417,639.00	$1,417,639.00	$1,417,639.00	35.0	35.0	18	1	50.08%	100.00%

As you can see, the vast majority of Amazon Associate businesses we sold were less than $100k, and we sold 88 of them. We sold 15 in the $100–250k range, and just 5 businesses above that price range with only 1 in the $1 million and up pricing tier.

In the section on businesses that are less than $100k, we saw that the average list price was $50,202.65 with an average sales price of $45,823.82.

This is great news for people just starting out on their buyer journey who have registered an account with our marketplace to look for this business model.

Given that the multiples are lower in this pricing tier than in others, it represents an excellent opportunity for buyers looking to get a business ready to scale for a potential flip down the road at a much higher multiple, perhaps even as high as a 36x sales multiple, which is 5x more than what the Amazon Associate sites that are less than $100k are being sold at.

This opportunity may also extend into the $100–250k pricing tier since while the list multiple is higher there, the actual sales multiple tends to be about the same.

Once the website gets into the $250k and above pricing tier though, it is possible to sell at a much higher multiple, typically 35.7x.

Across all the pricing tiers, the average number of days on the market was similar, and it even decreased drastically for the single sale in the $1 million and up price category. This shows you just how large buyer demand is for these types of businesses. At almost any level, there is a decent buyer pool ready to help you make a profitable exit.

The data reveals that the sales prices across all tiers were above 90% of the list price, meaning that as a seller, you'll end up getting close to what your valuation is, likely with minimal negotiations considering the simplicity of the business combined with the high buyer demand.

Finally, there were earnouts at every pricing tier for Amazon Associates, though there were a small number compared to the actual quantity of businesses sold.

In the under $100k range, there were only three earnouts, and the average upfront payment was 85.8% of the sales price, meaning the earnout would have been very small, likely with a short timeframe. This is the most difficult category to get earnouts since there is competition with buyers who are prepared to present an all-cash offer.

We saw three earnouts in the $100–250k range, which is a marked increase in the proportion of earnouts relative to the number of businesses sold. The data also shows that on average in this pricing tier, 76.86% of the sales price was paid upfront. This decrease in payment upfront could be the result of buyers who have leveled up from the under $100k tier but still don't possess enough capital to make a full cash offer or pay a higher percentage upfront.

In the $250–500k pricing tier, there were only four businesses sold and two had earnouts. In the $1 million+ category, one business was sold and it used an earnout.

This makes sense, as across our marketplace, we see more earnouts as the actual sales price increases. Since there is no traditional financing offered in our space, buyers tend to get creative with a variety of seller financing earnouts. In the $250–500k range, we saw an average upfront payment of 84.34% of the sales price, and in the case of the deal that was over a million dollars, the upfront payment percentage dropped, with just 50.08% of the total sales price being paid upfront.

While the data is too limited to draw firm conclusions here, it may reveal a potential opportunity for high-end buyers. If you're looking at a seven-figure content site, you might be able to negotiate favorable earnout terms that the seller of the business will agree to. This can be a valuable tool for a buyer, allowing them to, in essence, finance over 50% of their seven-figure purchase.

If you're a buyer in the $500k–$1 million range already, you might be able to use earnouts as a means to work your way into acquiring a content business that's worth a million dollars or above.

The TTM Data

Let's take a look at the TTM data for Amazon Associate businesses.

Amazon Associates		2018			2019			2020		
Tier	**Status**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**
T1 Sub $100K	Decreasing	23	25.9	**24.4**	14	24.6	**22.8**	8	30.1	**30.3**
	Increasing	32	27.3	**36.3**	33	30.8	**42.7**	60	31.0	**43.5**
	Stable	16	27.9	**28.3**	17	30.0	**32.2**	17	31.8	**35.1**
T2 $100–250K	Decreasing	6	25.0	**25.5**	2	28.0	**28.0**	2	30.0	**29.0**
	Increasing	7	30.6	**40.6**	9	32.4	**42.4**	10	31.2	**41.8**
	Stable	2	28.0	**31.0**	2	35.0	**37.0**	3	34.0	**36.0**
T3 $250–500K	Decreasing	2	25.0	**28.0**	1	16.0	**16.0**			
	Increasing				5	32.0	**37.0**	3	37.5	**48.0**
	Stable	1	32.0	**32.0**	2	32.0	**36.0**	1	32.0	**32.0**
T5 $1M+	Increasing							1	35.0	**39.0**
Annual		89*	27.2	**31.3**	85*	29.6	**35.8**	105*	31.3	**40.5**
Pricing Window vs. TTM			▲ 15%			▲ 21%			▲ 29%	

**During each year, some Amazon Associates businesses didn't have enough history to determine the 12-month trajectory.*

We have divided this data into multiple different categories. The first and most obvious category is the sales price. In each tier, we've broken the businesses down into three more categories according to whether they had declining profits, stable profits, or increasing profits. Please note, some Amazon Associates businesses didn't have enough history to determine the 12-month trajectory.

We have also compared our normal average sales multiple with the average adjusted multiple based on the TTM numbers. This is helpful if you want to compare the multiple you'd get [selling with us] to what other brokers are offering since most brokers use a TTM model regardless of the actual pricing window.

For 2018, using the TTM model resulted in a 15% increase in the average sales multiple; for 2019, it resulted in a 21% increase; and in 2020, it resulted in a whopping 29% increase. Keep in mind again that both multiples produce the same actual sales price; one is just using a customized pricing window while the other uses the TTM method. So all the information we covered on increases to sales price still holds true when using the TTM method.

The way in which we broke down the pricing tiers offers deeper insights into the Amazon Associates model.

Let's take a look at each tier, focusing on the 2020 numbers from the graphic above.

The Under $100k Pricing Tier

In 2020, we sold 88 Amazon Associates sites in the under $100k pricing tier. Out of the 88 sales, 8 were businesses in decline, 17 were holding stable, and 60 were growing.

The average TTM multiple for Amazon Associate businesses that were in decline was 30.3x for this tier. For stable businesses, it was 35.1x, and for growing businesses, it was 43.5x. These numbers represent a huge increase across all three categories as compared to 2018, but the growing and stable business numbers are fairly consistent with the 2019 numbers, with an obvious upward trend in total value.

Perhaps more than for other business models, there is opportunity in buying an Amazon Associate business that is declining, fixing it up, and growing it to flip it for major profit. This is true even with 2020's higher average sales multiple in this category. For example, an Amazon Associate business with a 30.3x multiple that is less than $100k might be making $1,000 per month, and you can acquire it for $30,300, grow it so that it is making $2,000 per month, and then sell it for $87,000.

Of course, the potential for each business will be different since valuations are customized based on performance and quality. Still, the opportunity to buy low and sell high remains for Amazon Associates businesses even during the current, historic seller's market.

The difficulty here is finding a business that is declining. Out of all the businesses we sold in this pricing tier, only 8 were declining, and the majority of Amazon Associate businesses in the other pricing tiers were not declining. If your plan is to flip, you will need to be quick to find declining businesses and should ideally be prepared to make full cash offers, as otherwise you'll likely be beaten out by other buyers.

This is also great news in general for people looking to buy and hold, as the equity value you can grow into with these smaller sites is quite large as they move into higher pricing tiers when we look at multiples.

Stable businesses fall almost squarely in the middle of the range of TTM sales multiples, which makes sense, as an affiliate site in growth mode is likely to be more attractive to buyers. When an affiliate site is growing fast, this often means that it has gained a certain amount of traction with Google, and it is thus easier for the new owner to rank more content faster and make more money with affiliate offers.

Interestingly, the 43.5x growth TTM multiple is the second highest of any other pricing tier. There are a few reasons this might be. One of the most important reasons has to do with what we said earlier about a website gaining traction with Google. It is still highly lucrative to buy a profitable website at such a high multiple when there is the opportunity to scale it dramatically in a very short period of time.

You can see that, in general, the TTM multiple differs by quite a large margin from our normal pricing windows, with multiple differences ranging from -0.2x to 12.5x. If you're a seller wondering how our multiples stack up against those offered by other brokers, now you can compare apples to apples by using TTM to see that, on average, we sell Amazon Associates sites for more money than anyone else.

Our vetting process is likely also the most intense of any brokerage in the industry considering that we reject more than 92% of businesses that are submitted to us. If you want to determine whether your Amazon Associate site is eligible to list on our site, you can do so here for free.

The $100k–250k Pricing Tier

In 2020, we sold 15 Amazon Associate businesses in this pricing tier. Out of those, 2 were declining, 3 were stable, and 10 were growing. The average TTM sales multiple for declining businesses was 29x, for stable businesses it was 36x, and for growing businesses it was 41.8x.

This pricing tier had the highest average TTM multiple for declining businesses, although this finding is limited considering there were no declining businesses sold above this pricing tier in 2020.

This tier also had the highest average TTM multiple for stable businesses of any pricing tier, although the average for growing businesses was 1.7 less than it was in the under $100k range. This is likely due to buyer demand. The vast majority of buyers are hunting for acquisitions in the under $100k range, and this fierce competition drives prices up, especially for businesses experiencing growth. This is not so in the $100k–250k range, as there are fewer buyers competing over these businesses due to their high price tags.

Most buyers are solopreneurs or part of very small teams, so acquiring a business this size often means a large capital exposure for them. As businesses get larger, there is often more flexibility in the actual price, so buyers can negotiate a lower final sales multiple. This kind of flexibility doesn't really exist in the under $100k market due to the low capital required to purchase businesses.

The $250k–500k Pricing Tier

In 2020, we sold four Amazon Associate businesses in the $250k–500k range. Of those, zero were declining businesses, one was a stable business, and three were growing businesses.

The average TTM sales multiple for stable businesses was 32x, and for growing businesses, it was a whopping 48x. The average for stable businesses was far less than it was in the previous pricing tier, but the reason why is not clear.

Considering we sold only one business of this size, we don't have the data to draw any conclusions. We can look at average TTM sales multiples from 2019, however, when we sold two stable businesses in this pricing tier, and we get a 36x multiple.

If we had sold more businesses in this category in 2020, it is very likely that the stable multiple would be higher than it was in 2019 given the general spike in value of almost every digital asset in 2020.

The main takeaway here is that there has been a vast increase in value for growing businesses. This pricing tier commanded the largest average TTM sales multiple of any other pricing tier at 48x. This significant increase in value is again likely due to how much traction the website has built.

At this stage for a website, there are many opportunities for buyers to take advantage of a positive SEO power and generate a highly lucrative email list quickly that can monetize traffic in many new ways.

Sellers at this stage are often more diversified too, so while this data is just for Amazon Associates, it is likely that these sites either already have display ads set up or other forms of monetization (or they could easily be set up) that can drive net profit upwards rather quickly.

While there are limited funds for content sites compared to FBA businesses, this is a pricing tier where those funds do start playing in.

It is unlikely that these funds drive up sales values though, as there are just not as many of them. Still, for a group of entrepreneurs or a small business pooling together their capital and hiring teams, these sites represent solid acquisition targets because the sites are often big enough to warrant the cost of a team. Even then, the cost of the team is likely only worthwhile to these funds if the website is showing sustained growth, and hence, traction, with Google.

Considering the large gaps in TTM multiples between stability and growth, and the likely much more significant gap between decline and growth, this pricing tier can make excellent territory for those buyers looking to flip their acquisitions.

If you're a seller with a website just slightly below this tier, it can be worth it to dedicate the time and energy needed to get into this tier. After all, this is one of the most profitable tiers according to TTM multiple data (as long as you can demonstrate the business is growing).

That being said, if you do not yet have the skills to get into this pricing tier, you might be better off selling in a lower pricing tier to infuse your business with the capital you need to either learn or hire out the skills to get into this pricing tier with your next project.

$500k–$1 Million Pricing Tier

There is not much to discuss in this pricing tier, as in 2020, we did not sell any Amazon Associate businesses in this range. Generally, this tends to be one of the hardest pricing tiers to sell your business in because it is just slightly too small for much larger buyers to look at and often too big for the more everyday business buyer.

It is not impossible to sell in this tier—you just need to go into it knowing the sales process will likely take longer than in other pricing tiers due to the awkward valuation stage where your business lands.

$1 Million and Above Pricing Tier

In 2020, we sold just one Amazon Associate site in this pricing tier.

It is extremely rare for content sites to get to this stage in valuation, but those that do are an incredibly powerful asset. Content sites in general can be used as an effective launchpad for business models that can pay far more than what Amazon Associate pays, and the addressable audience you can build with a site like this is magnitudes larger than that which comes with almost any other business model you can build or buy.

In addition, the business we sold was growing and had a TTM sales multiple of 39x.

At this level, it is almost certain that your buyer is going to be some kind of fund or an entrepreneur with vast swathes of experience in the SEO world and who likely has a fully functioning in-house team to manage the project.

While brand aggregators and institutional buyers do not exist in the same quantity in content businesses as they do with FBA businesses, they are starting to appear and will likely increase in numbers in 2021, especially as we market EF Capital, which acts as a marketplace connecting accredited investors with proven operators.

***Our Little Disclaimer**

Empire Flippers is the largest curated marketplace and M&A brokerage in the world for online businesses—therefore, it’s important that you keep in mind that the data above is aggregated across all of our deals.

Many of the deals incorporated into these statistics are below $200k 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, we sell a lot of deals, both big and small—and we just happen to sell the *most* deals, which can skew the data.

Here are three businesses that sold far above the average multiple in theAmazon Associate space:

- An Amazon Associate business sold for $175,644.00 at a 42x multiple
- An Amazon Associate business sold for $256,007.00 at 42x
- An Amazon Associate business for sold for $456,000.00 at 36x

Keep in mind that there are plenty of businesses that sold above the average sales and list prices that we report in this post. This little disclaimer is just a reminder that a high quality business can garner a premium sales price when the owner is ready to sell the business.

Opportunities

Amazon Associate websites still represent a solid opportunity for both buyers and sellers. The business model itself is easy to understand with minimal moving parts, making it an ideal type of business for people just starting out. Veteran entrepreneurs can also take an Amazon Associate site well into the multiple six-figure and even seven-figure territory with enough effort and skill, making for fantastic earning potential.

One of the most lucrative opportunities for a well run Amazon Associate site is simply adding other monetizations that build revenue diversity. The most obvious type of monetization to add is display ads such as AdSense, AdThrive, or Mediavine. The set-up time for these are minimal, and the maintenance time is even less than managing all your affiliate links. There is a common myth among affiliate marketers that adding display ads will take away affiliate revenue, and so many never do it.

After selling hundreds of content businesses, though, we can confidently say that this has never been true from what we have seen. Typically, display ads will increase your overall revenue and will often increase your affiliate earnings as well because traffic tends to trust a website with ads more than a website without ads. The reason why this happens is unclear, but one theory is that some of the biggest, most trusted websites on the internet tend to have display advertising on them too. People visiting your website and seeing display ads may serve as a trust signal to them, which leads to higher conversions across the website.

In addition to display advertising, there is a great opportunity to add non-Amazon affiliate links to your website. Often these programs will pay higher commissions, allowing you to reap significant profits from your traffic. Many buyers proactively look to buy Amazon Associate sites with the intention of switching the affiliate links to other programs.

If the plan is to grow the site into something bigger, then there is a major opportunity to bring email marketing into the mix.

Not only can email marketing help diversify traffic in a meaningful way to not rely 100% on organic traffic on Google, but it can also open up new revenue opportunities with private affiliate programs that will only allow you to promote them via email. The reason the private affiliate programs are so restrictive in the marketing channel is because they don't want you competing with their SEO and paid media efforts.

Email can be an amazing launch pad toward other business models that use your content site as a growth accelerator. We have seen many entrepreneurs use their Amazon Associates report as a kind of research and development tool to find what kind of products they could source to start an Amazon FBA business then use their email newsletter built from their content sites to serve as the initial launch traffic to their FBA listing.

These hybrid models are fantastic and feed each other well in a strategic sense.

If your plan is to grow a content site to the next level, beyond just a brochure-style website where someone visits the site once and never comes back, then email marketing remains the most significant opportunity out there for this business model. This is an opportunity that the vast majority of Amazon Associate business owners never tap into.

Risks

There are two huge risks with Amazon Associate businesses.

The first is Google algorithm updates. The vast majority of these sites get close to 100% of their traffic from organic search engines. This makes SEO a high priority to grow and maintain the business, but a single algorithm update can tank an entire business close to overnight.

While many businesses can recover from these penalties and algorithm changes, it can be a stressful position to be in, as Google updates become harder to predict and the changes they introduce become harder to understand. This gives all the more reason to implement email marketing as a way to partially mitigate this risk.

The other major risk with Amazon Associates is Amazon cutting the commissions of their program.

Mature markets such as the USA have seen slashes to commissions repeatedly over the years, making sites less profitable in general. Meanwhile, other mature markets like the UK have not had the same slashes to earnings.

One way to mitigate this risk is to find private or non-Amazon affiliate programs to replace your Amazon Associate links. While it is unlikely that Amazon would entirely do away with their program, there might come a day where that does happen, or the commissions become so low as to no longer be worthwhile.

Speaking of Amazon eliminating the program, they may also eliminate you as an affiliate.

There have been many waves of Amazon banning associates for vague reasons that are never clearly explained, and this is a constant potential point of critical failure you'll have to face with this business.

Again, this can be mitigated by simply replacing as many of your Amazon Associate links as you can with other affiliate links.

In recent months, Amazon has also started allowing content creators to post their reviews and buyer guides on Amazon itself. This can represent a great opportunity if you're one of the few content creators to join this program, but it could also represent a threat for others who find their articles having to compete with Amazon's content in the search engines.

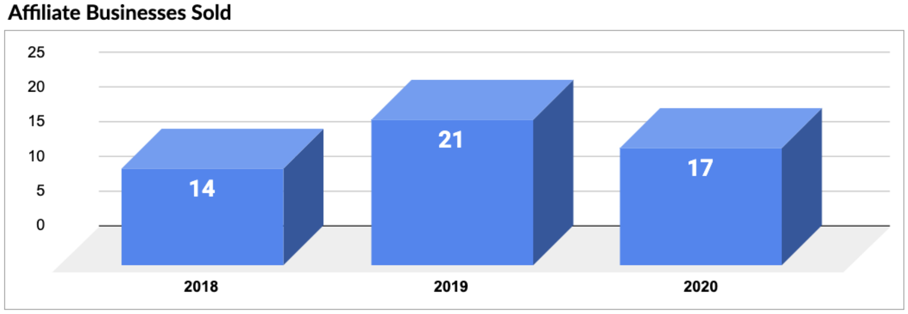
Affiliate Marketing

Affiliate marketing is one of the best ways to monetize a content site.

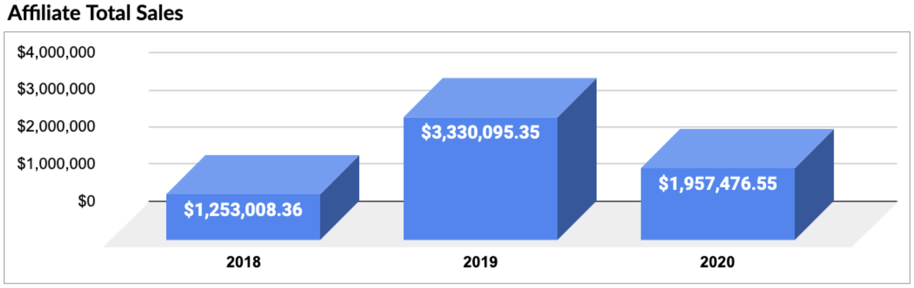
The programs will often pay a high commission, and there is usually room to negotiate for increasing your commission if you can show that you're sending quality traffic to the offer. This style of affiliate marketing works much in the same way as the Amazon Associate's program, but since the programs tend to be smaller, you'll be able to communicate better with the affiliate program owner, which can lead to a plethora of benefits.

In 2020, we sold 17 affiliate sites on the marketplace, representing $1,957,476.55 in transaction volume, or just 2.4% of our total marketplace volume.

Affiliate Businesses Sold



Affiliate Total Sales



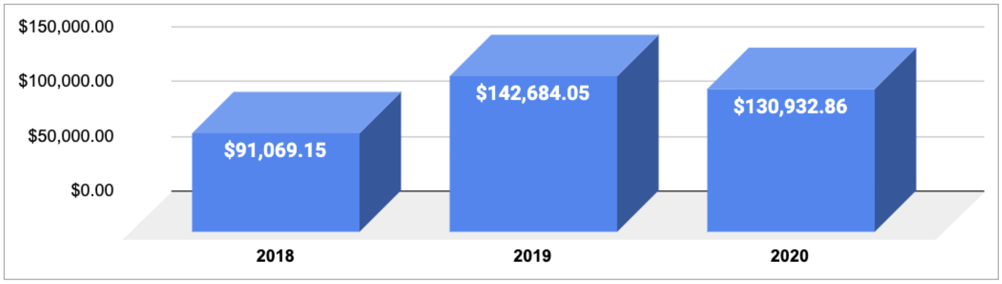
Quick Snapshot

Affiliate Quick Snapshot

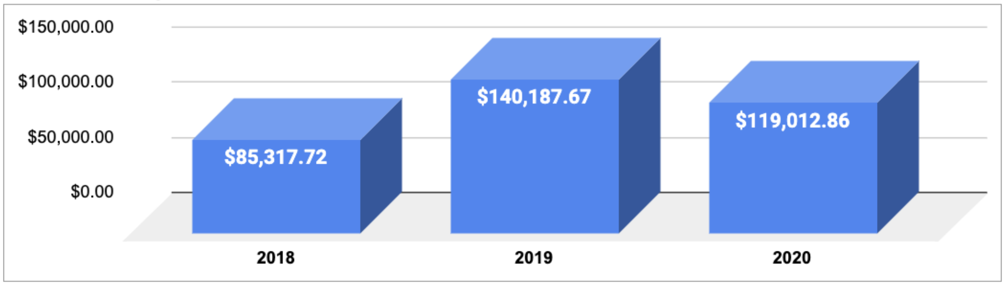
Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	14	$1,253,008.36	$91,069.15	$85,317.72	31.5	29.5	24
2019	21	$3,330,095.35	$142,684.05	$140,187.67	32.1	31.4	42
2020	17	$1,957,476.55	$130,932.86	$119,012.86	33.5	30.6	21
2019 to 2020	▼ -19%	▼ -41%	▼ -8%	▼ -15%	▲ 5%	▼ -2%	▼ -49%
2018 to 2020	▲ 21%	▲ 56%	▲ 44%	▲ 39%	▲ 6%	▲ 4%	▼ -11%

The average list price for affiliate sites in 2020 was $130,932.86, with an average sales price of $119,012.86. As you can see, the value of affiliate sites seems to be larger than the typical Amazon Associate discussed earlier. This is likely due to non-Amazon affiliate programs offering higher payouts and, thus, higher revenues that lead to larger valuations.

Affiliate Average List Price



Affiliate Average Sales Price

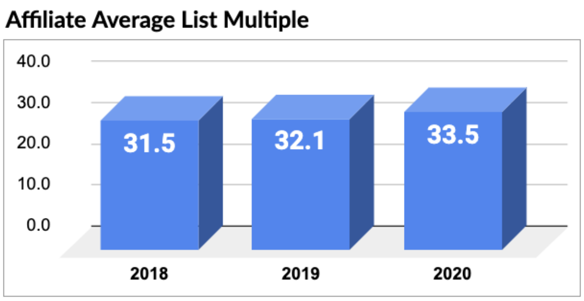


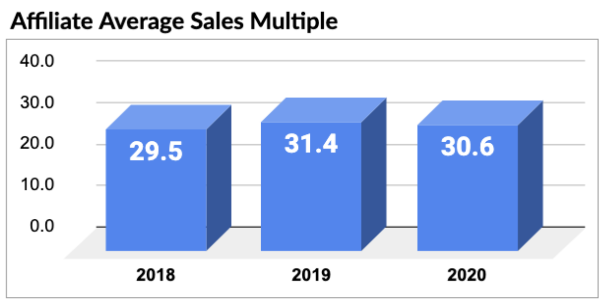
The average list price in 2020 saw an 8% decrease from 2019, when the average list price sat at $142,684.05, but a 44% increase from 2018 numbers, when that same metric sat at $85,317.72. These numbers are also consistent with sales price figures, with 2020 showing a decrease in average sales price of 15% but an increase of 39% when compared to 2018 numbers.

We sold fewer affiliate sites in 2020 than in 2019, but more than in 2018.

In general, affiliate sites remain a monetization that just isn't as common as Amazon Associates, so the quantity of businesses sold doesn't exactly reflect a trend on the popularity of the business model, but it does suggest that non-Amazon affiliate programs are less user friendly to set up, which is probably a big part of why there are far fewer of these sites compared to Amazon Associate sites.

The average list multiple in 2020 was 33.5x, and the average sales multiple was 30.6. When comparing these numbers to 2019 and 2018, we see that multiples have gone up over both years, with increases in list multiples by 5% and 6%, respectively. However, this doesn't hold true with the actual sales multiple: in 2020, compared to 2019, we saw a decrease in the average sales multiple of 2%. This is a fairly low decrease and likely a blip rather than a trend, especially considering the average sales multiple in 2020 increased over 2018 by 4%.



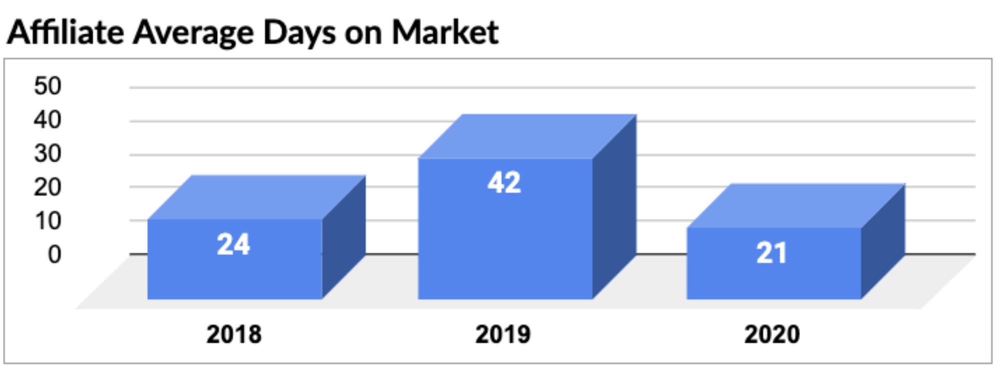


If more affiliate sites were selling in the same quantity as Amazon Associate sites, we think the trends would be very similar, considering how close the two business models are in practice.

The average days on market for affiliate sites in 2020 came out to 21 days, making 2020 the fastest year for selling an affiliate site on the market.

Average number of days on the market decreased in 2020 from 2019 by 49% and decreased by 11% compared to 2018. Considering that in 2018, the average sales price of an affiliate site was much lower, this is a sign that demand for affiliate sites is still growing.

These are valuable assets that investors and entrepreneurs want to acquire.



Out of the 17 affiliate sites we sold, four were sold using an earnout. This is 2 less than 2019, but double the number of affiliate earnouts in 2018.

Affiliate Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	2	57.61%
2019	6	84.48%
2020	4	86.29%
2019 to 2020	▼ -33%	▲ 2%
2018 to 2020	▲ 100%	▲ 50%

There is not much to report on earnouts, other than, on average, 86.29% of the sales price for these businesses was paid upfront, with the remainder paid to the seller over a period of time.

This number is interesting because it represents the highest upfront amount of the last three years. In 2019, the average amount paid upfront in an earnout deal was 84.48%, and in 2018, that number was 57.61%.

What we're seeing here likely has more to do with the marketplace becoming heated than with the affiliate sites themselves. More cash buyers have appeared on the marketplace, making it harder for buyers wanting to do an earnout to get their deal unless they offer higher upfront amounts.

Of course, this number is over a very small data set, so we can't be sure this is the reason why higher upfront amounts were being paid in 2020 versus other years, but it does match what we're seeing in the marketplace as a whole.

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It would be easy for a competitor to look at the statistics above and tell you we only sell "smaller businesses" or "just look at their average deal size." The truth is that we sell a lot of businesses, both big and small—we just also happen to sell the most businesses, which can skew the data.

Here are three businesses that sold on our marketplace far above the average multiple in the affiliate marketing space, listed with their actual sales price:

- An affiliate marketing business sold for $175,644.00 at 42x
- An affiliate marketing business sold for $142,179.00 at 42x

- An affiliate marketing business for sold for $320,000.00 at 32x

Keep in mind that there are plenty of businesses that sold above the average sales and list price reported here. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when owners decide to sell the business.

Opportunities

Affiliate marketing offers several opportunities for both buyers and sellers. Those opportunities are largely the same as the ones for Amazon Associate and display advertising businesses. Mixing monetization methods together, such as implementing display ads, can be a huge win for affiliate sites looking to grow revenue.

Adding Amazon Associates might also make sense. Most affiliate sites tend to focus on a handful of offers, often making the site smaller in scope. By adding Amazon Associates, you can expand into other review- and buying-guide content that your current affiliate programs might not offer.

Finally, email marketing can be a huge engine of growth for the entrepreneur looking to expand to the next level in their business. Email marketing provides both a way to diversify traffic sources and expand revenue opportunities.

Because the affiliate commissions here are often much higher, it pays to have professional conversion rate optimization tests done on your highest earning pages. While this is also useful for Amazon Associates, it can be a huge winner for affiliate marketing, where an increase in conversions can lead to thousands, or tens of thousands, of dollars in new revenue for the site owner.

One big advantage affiliate marketing has over Amazon Associates is that it allows you to communicate with the people that own or are managing the offer. Once you've proven you're sending quality traffic to an offer, you can reach out to the managers and ask for a commission bump. This can be as simple as a single email and can lead to a nice revenue spike.

Also, be willing to test the same affiliate offer but hosted by different affiliate networks, even one that offers to pay lower commissions. We have several clients who have done this and found a network that pays lower commissions but with much higher conversion rates, leading to much more money being created.

Risks

Affiliate sites have the same main risk as display advertising and Amazon Associates, which is that presented by a Google update. The vast majority of affiliate sites get their traffic from Google, and an algorithm update can be catastrophic for a website's traffic.

You can mitigate this traffic risk by building up an email list. Since affiliate commissions tend to be higher than Amazon Associates, you might be able to lessen this risk further by using paid media, such as Facebook ads. This can be a difficult strategy to pull off with the tight margins of an affiliate site, but a successful campaign can be a gigantic boost to revenue. If you use a paid media campaign in conjunction with a solid email-marketing funnel, you may have a campaign that can run for a long time to come.

Of course, this brings us to another risk with affiliate marketing: Offers don't always last a long time. Some offers might only be open to affiliates for a few months or even a few weeks. This means you need to make sure you're not sending traffic to any dead offers. If an offer goes away, there might not be a suitable offer to replace it, which can make a once-very-profitable page become a non-revenue generating piece of content.

Most of this can be avoided if the site is grown into a larger site that features multiple monetizations and traffic sources.

Ecommerce Category

Ecommerce has exploded around the world over the last few years. The ecommerce category has three main business models:

- Traditional ecommerce
- Dropshipping
- FBA

The last business model has taken the industry by storm. In 2020, we sold 114 ecommerce stores, of which 97 were FBA. The ecommerce category made up 38.26% of businesses sold on our marketplace but represented 77.63% of our actual revenue volume for the year. Both the number sold and the amount of money made by selling these businesses on our marketplace has grown year over year.

In 2020, we sold 10% more ecommerce businesses than in 2019 and 23% more than in 2018.

These growth metrics have turned our marketplace into the largest curated marketplace in the world for people looking to [buy an ecommerce business] or looking to [sell an ecommerce store].

Ecommerce, especially FBA, has become a market segment that is bringing institutional-level money to the industry. The reasons are many, but one of the biggest appeals of ecommerce is the scalability when matched with cashed-up buyers. In order to scale an ecommerce store, you need enough available capital to order higher and higher amounts of inventory, allowing you to take advantage of the economies of scale that can be found within the actual manufacturing process and the logistics chain of shipping the products to warehouses that then fulfill orders.

For years, consumer trends have been toward the mass adoption of purchasing items online, and in 2020, that trend accelerated dramatically with the global pandemic forcing everyone to shop online. The pandemic also brought onboard an entire demographic that otherwise might never have adapted to buying goods online—the older demographic. It is unlikely this trend will reverse in any meaningful way once the pandemic is a distant memory. It is far more likely that the mass adoption of ecommerce is here to stay.

This accelerating trend led to many ecommerce store owners having the best year ever, and this increased revenue has led to much larger valuations. In addition to increased revenue, there has been greater demand for these businesses by business buyers, with both brand aggregators that raised acquisition capital and mainstreet buyers looking for new investment opportunities.

Quick Snapshot

Here's a comparison of a variety of metrics from 2018 to 2020:

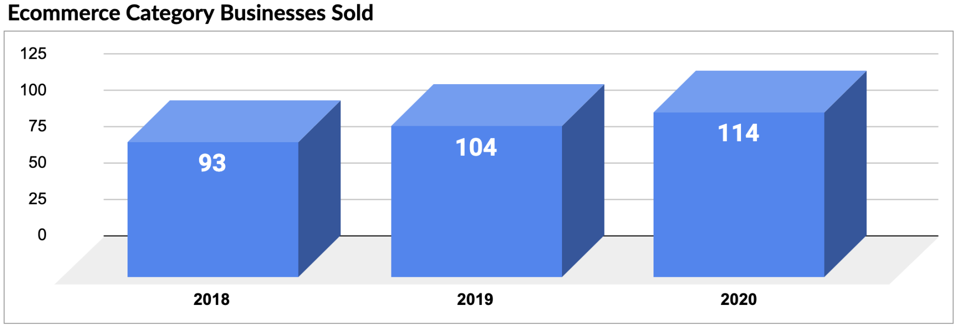
Ecommerce Category Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	93	$18,512,205.32	$210,016.46	$187,027.23	26.5	23.2	71
2019	104	$31,963,085.79	$311,044.60	$257,151.49	28.6	25.2	92
2020	114	$63,377,192.49	$564,217.62	$538,960.08	30.1	28.4	69
2019 to 2020	▲ 10%	▲ 98%	▲ 81%	▲ 110%	▲ 5%	▲ 13%	▼ -26%
2018 to 2020	▲ 23%	▲ 242%	▲ 169%	▲ 188%	▲ 14%	▲ 22%	▼ -3%

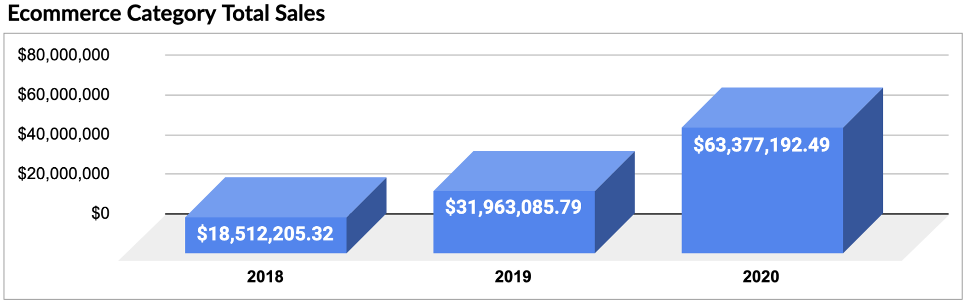
Let's break this down further.

These figures show the breakdown of the number of brokered ecommerce businesses from 2018 to 2020 and total sales:

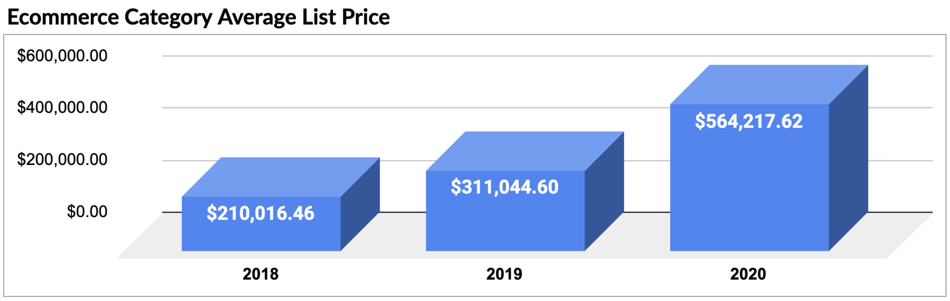
Ecommerce Category Businesses Sold



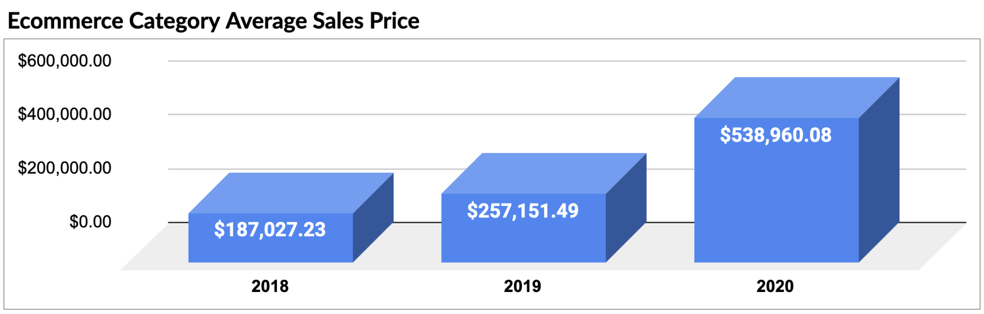
Ecommerce Category Total Sales



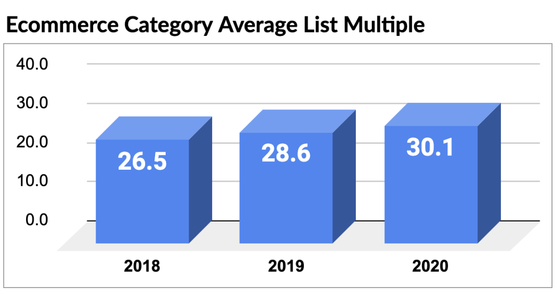
Here's a look at the average list price from 2018 to 2020:

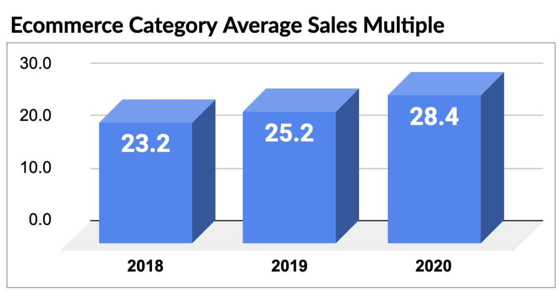


The average list price for ecommerce stores in 2020 was $564,217.62, a huge increase from previous years. This is an 81% increase from 2019 and a 169% increase from 2018. Average sales price follows this same trend, with 2020 having an average sales price of $538,960.08, which is an increase from 2019 of 110% and from 2018 of 188%.



The average list multiple for ecommerce stores in 2020 was 30.1x, and the average sales multiple was 28.4x. The average list multiple increased by 5% from 2019 and 14% from 2018. The average sales multiple increased by 13% from 2019 and 22% from 2018.





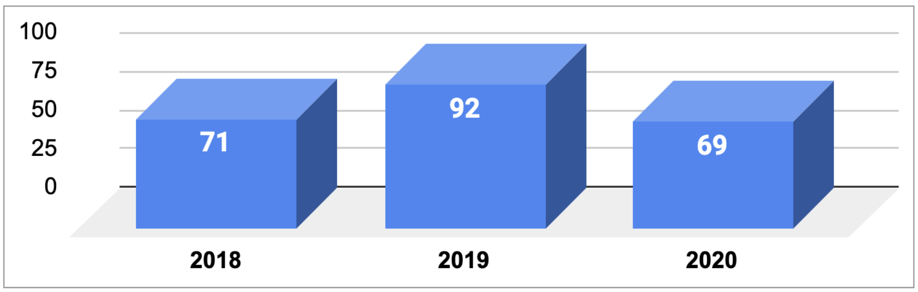
This increase across the board is the result of the increased value of these businesses coupled with a much larger demand from sophisticated buyers. A large portion of this growth happened towards the end of 2020, which means this report doesn't fully capture the massive increase in sales prices and sales multiples. Because of this, we expect 2021 will show a much more impressive picture of growth when compared to 2019 and 2018 levels for this business model.

All of these numbers point to a more general trend across the marketplace—the start of a seller's market.

For years, online businesses have been valued at a lower rate than many other business types, but now, for the first time, they're sitting at multiples similar to those of more traditional offline businesses. That makes the latter part of 2020 and the foreseeable future of 2021 one of the best times in the history of our industry to sell your business.

In 2020, the average number of days on market for ecommerce stores was 69. This seems long, especially when compared to the velocity of content businesses. Yet, this is actually a good number to see. The overall trend for average days on market has been decreasing for the three years we have been recording this data.

Ecommerce Category Average Days on Market



In 2019, the average number of days on market was 92, and in 2018, it was 71. In 2020, we saw a decrease in days on market by 26% compared to 2019 and a 3% decrease from 2018. This tells us that these businesses are being sold faster than ever before.

When you take into account that the businesses in 2020 were far larger than those in 2018, and the knowledge that larger businesses tend to take longer to sell than smaller businesses, the decrease in average days on market becomes significant. You can see these businesses are much larger today than they used to be by simply looking at the average monthly net profit they bring in.

In 2020, the average monthly net profit for an ecommerce store was $16,281.99. That number was much smaller in 2019, when the average monthly net profit sat at $10,071.95, and far smaller back in 2018, when it was $7,596.02.

Part of why this is likely is because the buyer market has become far more savvy and educated on ecommerce businesses. That, combined with Amazon proactively recognizing that people are selling FBA businesses, makes the actual sales and migration process much smoother.

Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	37	69.85%
2019	47	72.69%
2020	43	70.12%
2019 to 2020	▼ -9%	▼ -4%
2018 to 2020	▲ 16%	▲ 0.4%

Out of the 114 ecommerce transactions we brokered in 2020, 43 were earnouts. The average upfront amount paid for each earnout deal was 70.12%. While 2019 saw more earnouts and a higher average amount paid upfront, the 2020 ratio of earnouts to total deals and average amount paid upfront nearly match those from 2018 in this category. The fact that these numbers have stayed pretty consistent over two years while the average deal size has jumped 154% means there is a good chance we'll continue to see this trend.

The lack of financing in our industry means that earnouts are often used by buyers to partially finance the deal they're acquiring. This is a smart strategy from the buyer's perspective, as most of these seller-financed deals are done at 0% interest, effectively acting as free money for the buyer to leverage when acquiring.

We predict that ecommerce is going to continue to explode in 2021 and become a hot seller's market. Most of the multiple growth in 2020 happened towards the latter part of the year, so it is unlikely ecommerce will continue to see massive multiple growths in 2021; it's likely we'll see a more stable, but high, multiple. The buzz around the space will be enticing more first-time buyers than ever before, and more capital-raising funds are coming online every day looking to acquire ecommerce brands in the low seven-figure range up to the eight-figure range.

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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 businesses" or "just look at their average deal size." The truth is that we sell a lot of businesses, both big and small—we just also happen to sell the most businesses, which can skew the data.

Here are six businesses that sold far above the average multiple in the ecommerce space, listed with their actual sales price:

- An FBA business sold for $285,471 at 36x
- An FBA business sold for $5,250,000 at 46x
- A dropshipping store sold for $2,200,000 at 49x
- An ecommerce store sold for $195,000 at 29x
- An FBA business sold for $11,800,000.00 at 42x

Keep in mind that there are plenty of businesses that sold above the average sales and list price reported here. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when owners decide to sell the business.

Opportunities

Ecommerce presents a myriad of opportunities thanks to the level of control it gives store owners. For buyers with capital, there is the opportunity to acquire a bootstrapped ecommerce business and use their capital to order large volumes of inventory, thereby taking advantage of economies of scale to immediately increase profit margin per unit sold.

A common missed opportunity for ecommerce stores is using an abandoned cart email. A solid abandoned cart email funnel can lift sales across the store in a dramatic fashion, especially if a retargeted ad campaign is introduced to work with the abandon cart email funnel in tandem.

Email marketing remains a large opportunity for entrepreneurs. A solid email funnel can raise the lifetime value of each customer, which means more paid media options.

While paid media remains the number one way for ecommerce stores to drive business, there is also a large opportunity to take advantage of organic SEO that can drive down the customer acquisition cost (CAC). The savings in CAC that SEO offers can allow an ecommerce store owner to scale aggressively with paid ads to create a larger brand.

One of the largest opportunities for ecommerce is multichannel selling. Instead of having the store hosted only on a website, various marketplaces can be used to sell products, such as Amazon, Walmart, Target, and Houzz.

Multichannel selling is often underutilized, but it can be a great way to grow the business, opening up the brand to customers that would not have been reached otherwise.

For stores hosted on their own website, there is also the opportunity to mix and match monetization to increase revenue. Leveraging dropshipping can be a great way to do this. When someone orders the product you sourced, you offer upsells that relate to the product being sold: these are dropship offers.

Risks

Many of the advantages of ecommerce come from the fact that it gives the owner control over every aspect of the business. Unfortunately, this is also the primary source of risk. Ecommerce, more than almost any business model we sell, has the most moving parts, and these parts have to work in harmony in order for the brand to be successful.

Marketing, logistics, product sourcing, competitive analysis, and customer service are just a few areas that need to be in sync with each other. Having one section off could hurt the business in a significant way. All these moving parts make ecommerce stores a more advanced business model for buyers and sellers to operate in than, say, content sites.

Another large risk for ecommerce store owners is growth itself. Growing an ecommerce brand is a capital-intensive process. As the business levels up in revenue, it is also leveling up in inventory expenses. Poor demand management and inventory forecasting can spell trouble for the business if products go out of stock or too much product is ordered for the demand that exists. This is a fine balancing act, and it can be somewhat mitigated by keeping good records of your sales per product.

Factories manufacturing your product can also be a point of critical failure. If you only have one source and something happens to that factory, such as it shutting down, increasing prices per unit, or some other element outside of your control, your margins could become substantially less. Ecommerce store owners can mitigate this by making sure they have multiple factories that can produce their products, ideally having these different sources compete with each other to offer the entrepreneur the lowest possible pricing for the product.

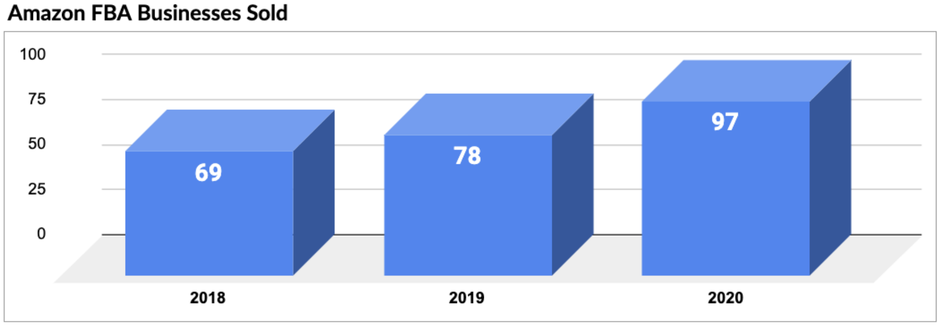
Amazon FBA

The FBA model has exploded in popularity more than any other ecommerce business model and arguably more than any online business models that we sell. This business model is attractive given that it is easily scalable in a way that most other business models aren't.

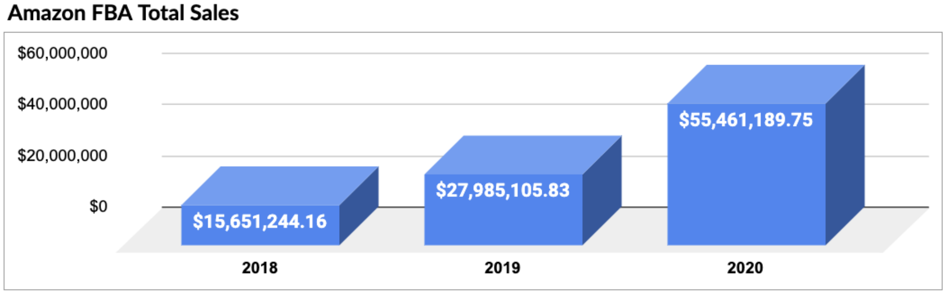
In 2020, we sold 97 FBA businesses for a total of $55,461,189.75, which accounted for 67.94% of all transactions on our marketplace. These are huge numbers, and we see the trend continuing well into 2021.

We sold 24% more FBA businesses in 2020 than in 2019, and 41% imore than in 2018. Our total Amazon FBA sales in 2020 increased by 98% as compared to 2019 and by a massive 254% as compared to 2018.

Amazon FBA Businesses Sold



Amazon FBA Total Sales



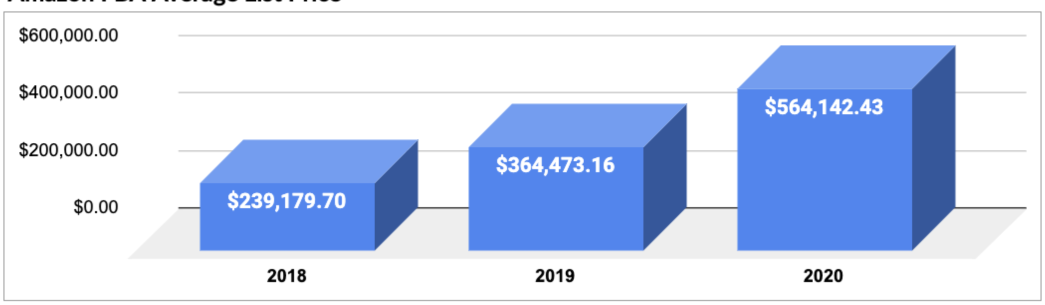
Quick Snapshot

Amazon FBA Quick Snapshot

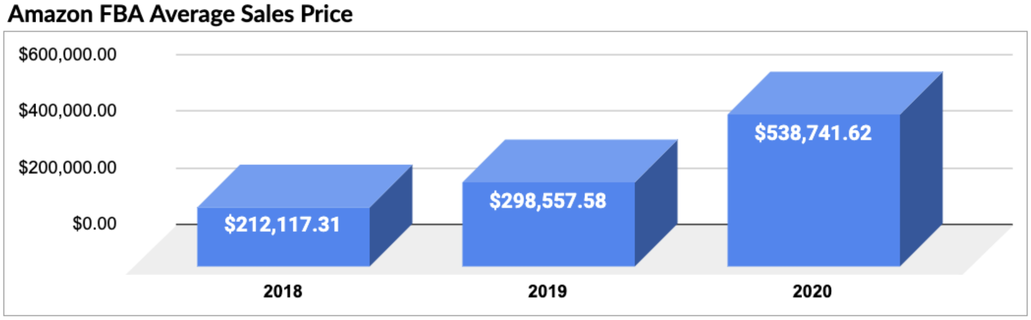
Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	69	$15,651,244.16	$239,179.70	$212,117.31	26.3	23.1	70
2019	78	$27,985,105.83	$364,473.16	$298,557.58	29.1	25.7	85
2020	97	$55,461,189.75	$564,142.43	$538,741.62	30.2	28.5	67
2019 to 2020	▲ 24%	▲ 98%	▲ 55%	▲ 80%	▲ 4%	▲ 11%	▼ -21%
2018 to 2020	▲ 41%	▲ 254%	▲ 136%	▲ 154%	▲ 15%	▲ 23%	▼ -3%

The average list price for FBA businesses in 2020 was $564,142.43, with an average sales price of $538,741.62. Both the list and sales prices have seen a dramatic increase year over year. For 2020, the average list price increased by 55% as compared to 2019 and136% as compared to 2018. In terms of average sales price, there was an 80% increase in 2020 as compared to 2019 and a 154% increase as compared to 2018.

Amazon FBA Average List Price



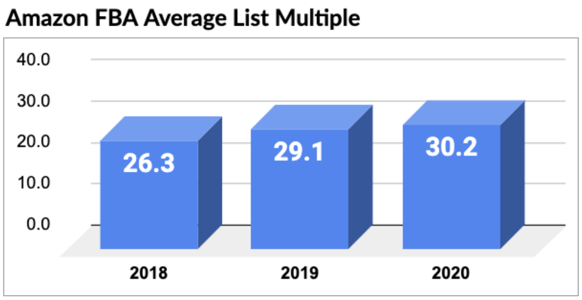
Amazon FBA Average Sales Price

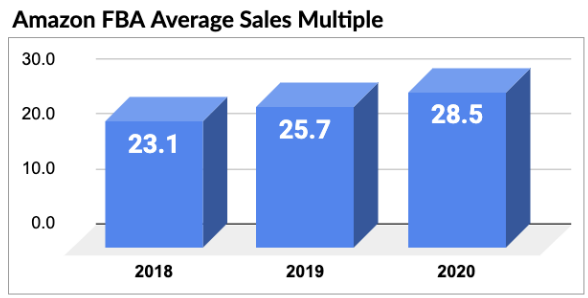


The average list multiple in 2020 was 30.2x, and the average sales multiple was 28.5x. This is a 4% increase in the average list multiple and a 11% increase in the average sales multiple as compared to 2019 and a 15% increase in the list multiple and a 23% increase in the sales multiple as compared to 2018.

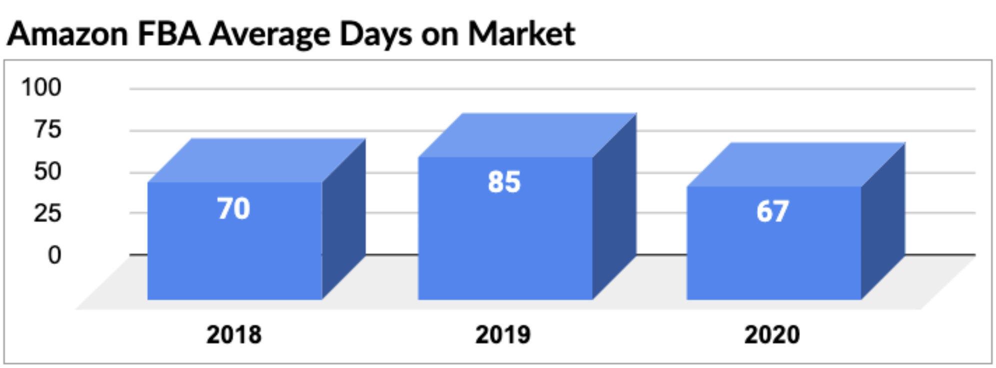
While this is impressive growth, it bears reminding that the majority of these increases to both prices and multiples really took off around Q4 2020. The actual increase in price and multiples going into 2021 is already much bigger than this due to the sharp increase in valuations that happened at the end of 2020. Still, this data reveals an important trend. Buyer demand for FBA businesses has increased more dramatically than any other business model with no sign of slowing down. What does seem to have stabilized are the prices and multiples we have going into 2021; these will likely stay relatively the same for the rest of the year, unless buyer demand goes through another massive increase like it did in 2020.

Again, all of this indicates that we are entering a seller's market, making right now one of the best times ever to sell your Amazon FBA business.





The average number of days on the market for an FBA business was 67 days. This is a 21% decrease from 2019 and a 3% decrease from 2018. Overall, this is a clear sign that FBA business sales have picked up dramatic speed considering that the actual size of the businesses on the market in 2020 were larger by several orders of magnitude. Buyers are becoming more savvy and deploying capital at more efficient rates to acquire FBA brands, and this is reflected in the decrease across the board of average days on the market and is even more dramatic when we take business size into account.



Deeper Insights

Amazon FBA Tiered Breakdown

2020	# Sold	Total Sales	Avg. List Price	Avg. Sales Price	Avg. List Multiple	Avg. Sale Multiple	Avg. Days on Marketplace	Earnouts	Avg. Upfront % For Earnout	Avg. List vs. Sale $
T1 Sub $100K	33	$1,857,628.41	$62,257.45	$57,157.87	28.8	26.6	42	4	56.38%	92.68%
T2 $100–250K	33	$5,297,516.69	$167,219.27	$157,583.89	28.4	26.7	70	8	74.81%	94.07%
T3 $250–500K	11	$3,743,423.00	$364,992.11	$349,158.11	32.8	31.3	73	4	74.74%	95.77%
T4 $500K–1M	8	$5,111,929.00	$702,044.29	$657,860.57	33.0	31.4	116	8	74.26%	95.84%
T5 $1M+	12	$39,450,692.65	$3,393,459.30	$3,262,366.30	35.8	35.2	91	11	65.88%	97.04%

In 2020, 35 FBA businesses were sold using an earnout. That is just a 5% decrease from 2019 and a 21% increase from 2018. This two-year increase makes sense, as the businesses in this category were much larger than any we sold in 2018. Since traditional financing is difficult to obtain in our industry, seller financing through an earnout is often the best form of leverage for buyers looking to make a deal.

The average amount paid upfront for each of these earnouts was 69.76%.

Since we sold so many FBA businesses, we have been able to break down the average upfront payment into pricing tiers to give you a more granular view of these deals.

You can see the most earnouts occurred above the $1 million mark, with 11 of the 12 earnout deals in this pricing tier. The average upfront paid in this tier was 65.88%, the lowest of any of the upper tiers. For the right kind of buyer, this is a useful insight: you may be able to leverage yourself into the bigger businesses at this pricing tier using a proper earnout offer.

In the below $100k range, we saw only four earnout deals out of 33 total deals, which shows that it is unlikely to get an earnout at this price range. Most buyers in this range are all-cash buyers, so if you're looking to make an earnout offer, you will probably lose the deal to one of these buyers. That trend continues in the $100k–250k range, with only eight of the 33 deals in this tier having earnouts. While that is a higher percentage than the bottom tier, it's still less than a quarter of the deals.

Once you get above this pricing tier, an earn out offer is far more likely to help you close deals. As deals get bigger, so does the room for negotiation.

From a selling perspective, you can expect a sizable bump to both your price and your multiple once your business reaches the $250k–500k range. It will probably take marginally longer to actually sell the business than those in the pricing tier just below this one. The boost to the sales price and multiple is more than worth the extra three days on market on average.

Once you reach the $1 million pricing tier, your list price and sales multiple difference becomes almost negligible as the businesses tend to sell very close to the list price, and both list and sales prices receive another strong boost compared to the lower pricing tiers. The average number of days on market shoots up to 91 days, but this is actually fewer days than in the $500k–1m range, where the average days on market is 116.

Why does it take less time to sell a $1m+ business than a $500k–1m business?

The answer has to do with brand aggregators and institutional buyers entering our space. All things being equal, funds that have raised millions in acquisition capital would rather own bigger businesses than smaller ones. Most of these funds are competing in the $1m+ range, which leaves fewer people with the necessary capital shopping in the $500k–1m range.

The $500k–1m range is one of the harder segments in which to sell a business: it is slightly out of reach for most mainstreet investors and slightly too small for institutional money that has eyes on bigger assets. If your business is near the top of the $500k–1m range, you should work to increase its valuation above the $1m mark before you sell.

For buyers other than institutional buyers, the lack of competition means there is solid opportunity in the $500k–1m range. Buyers forge partnerships with each other and pool their money to make attractive offers for sellers in this space, whereas this strategy might not work in pricing tiers with fierce buyer competition.

The Trailing Twelve-Month (TTM) Data

Now let's look at our TTM data on FBA businesses.

Amazon FBA		2018			2019			2020		
Tier	**Status**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**	**# Sold**	**Avg. Pricing Window Sales Multiple**	**Avg. TTM Sales Multiple**
T1 Sub $100K	Decreasing	12	20.6	**17.9**	16	24.4	**22.8**	10	26.6	**26.4**
	Increasing	14	22.6	**23.3**	10	26.9	**32.0**	15	26.3	**30.1**
	Stable	6	22.5	**22.5**	8	22.8	**22.5**	8	27.1	**27.7**
T2 $100–250K	Decreasing	6	20.0	**20.3**	8	27.0	**27.0**	12	25.5	**26.1**
	Increasing	10	23.4	**24.3**	6	27.8	**31.2**	11	26.2	**29.3**
	Stable	2	28.0	**28.0**	4	24.3	**24.7**	10	29.3	**29.3**
T3 $250–500K	Decreasing	4	26.5	**26.5**	2	23.0	**23.0**	5	34.0	**34.0**
	Increasing	3	26.3	**26.3**	4	26.0	**29.0**	5	28.4	**29.4**
	Stable	1	26.0	**37.0**	3	26.7	**25.0**	1	38.0	**38.0**
T4 $500K–1M	Decreasing	1	28.0	**28.0**	3	22.7	**22.7**	3	32.3	**32.3**
	Increasing	2	26.5	**32.0**	4	25.0	**29.7**	3	31.0	**42.0**
	Stable	2	25.5	**25.5**	2	27.5	**27.5**	2	30.5	**30.5**
T5 $1M+	Decreasing				2	22.0	**22.0**	3	28.3	**28.3**
	Increasing	2	28.0	**28.0**	3	33.0	**33.0**	4	31.0	**48.7**
	Stable	1	25.0	**25.0**	3	32.5	**37.0**	5	43.5	**43.8**
Annual		66*	23.1	**23.4**	78	25.7	**26.8**	97	28.5	**30.6**
Pricing Window vs. TTM			▲ 1%			▲ 4%			▲ 7%	

**In 2018, 3 FBA businesses didn't have enough history to determine the 12-month trajectory.*

We have broken down this data into multiple categories. The first and most obvious is sales price. In each pricing tier, we've broken the businesses down into three more categories: those with declining profits, stable profits, and increasing profits. Please note, three businesses in 2018 didn't have enough history to determine their 12-month trajectory.

We also compare our normal average sales multiple against the average adjusted multiple displaying the TTM numbers. Overall, you can see that across all pricing tiers and subcategories, the TTM show that multiples have increased. These figures make it easy to compare selling with us versus other brokers because most brokers use a TTM model regardless of the pricing window.

The TTM difference was a 0.3x bump to the sales multiple in 2018, 1.1x in 2019, and a 2.1x in 2020. Keep in mind again that the average multiple and the average TTM multiple produce the same actual sales price; one just uses a customized pricing window and the other uses the TTM method. All the information we covered on sales price increases still holds true using TTM.

An aspect of the TTM data that offers deeper insight into FBA businesses is how we broke down the pricing tiers. Let’s take a look at each, focusing on the 2020 numbers from the graphic above.

Sub $100k Pricing Tier

In the sub $100k pricing tier in 2020, we sold 33 FBA businesses. Of the 33, ten were declining, eight were stable, and fifteen showed increasing profits.

The average TTM sales multiple for a declining business in this tier was 26.4x. For a stable business, the TTM multiple was 27.7x, and businesses with increasing profits made a large jump to 30.1x. As you might guess, declining businesses take a hit to their TTM sales multiple; this can be a great opportunity for skilled buyers who know how to turn around a business.

For example, if a skilled buyer acquired a declining, sub-$100k FBA business for 26.4x, fixed its problems and got it back to a point where the profits were showing an increasing trendline, they could sell that business for a 30.1x TTM multiple.

If the FBA were making $3,000, as a declining business, its sales price would be around $79,200. If a buyer were able to increase that monthly net profit to $4,000 and show at least some incremental growth over a period of months, it would qualify as a growing business. Effectively, they could take an asset they acquired for $79,200 and sell it for $120,400.

The work needed to make this jump might be minimal, such as tweaking the supply chain by switching from air freight to sea freight, changing the package design and size, and using competitive third-party logistics (3PL) warehouses to lower storage costs even further. Of course, the business might have more insidious issues that need to be fixed to turn it around or unfixable problems, such as a product’s declining popularity. As a buyer, make sure you understand the whole story of a business before you buy, so you can make the most informed decision possible.

$100k–250k Pricing Tier

In 2020, we sold 33 FBA businesses in the $100k–250k pricing tier. We saw that 12 businesses of the 33 were declining, 10 were stable, and 11 were growing.

Similarly to the sub-$100k tier, many reasons a business is declining could require simple fixes, such as an optimized supply chain, effective A/B split testing product listing pages, or better inventory demand forecasting, all of which might have been abandoned by the seller as they moved onto other projects.

Declining businesses in this category had an average TTM sales multiple of 26.1x whereas the average for both stable and growing businesses was 29.3x. This pricing tier and the $250–500k pricing tier both had lower average TTM sales multiples for increasing businesses compared to the sub-$100K tier.

The reason for this isn't conclusive, but it likely has to do with buyer demand. There are plenty of buyers in the $100k–250k range but nowhere close to as many buyers as there are in the sub $100k range. The sheer number of buyers in the sub-$100k range drives up the competition for assets and thus the actual sales price of assets. This means there is likely less of a flipping opportunity than there is in the sub-$100k range in terms of multiple jumps, but still plenty of opportunities, from cashing out on a flip to raising a business's profits before selling it.

$250–500k Pricing Tier

In 2020, we sold 11 FBA businesses in the $250–500k pricing tier. Out of those 11 businesses, five were declining, one was stable, and five were growing. The declining businesses had an average TTM sales multiple of 34x, the stable business sold at 38x, and growing businesses had an average of 29.4x.

This tier likely suffers from the same problem as the previous tier, in that the sellers believe they have done all they can to maximize their business and have moved onto other projects, potentially letting the business fall into disrepair or missing opportunities they didn't see. The lower multiple for growing businesses might be related to buyers' uncertainty about where the business profits will settle when the business enters a more stable phase. Concerns that the business is a fad or that, once growth stops, revenue will be far lower than at the time of sale are always at the forefront of a buyer's mind. Given this perspective, buyers might negotiate lower sales prices.

The most surprising part of this data is that declining businesses had an average multiple of 34x — the highest of any tier.

Why is this? How could a declining asset get such a large multiple?

There are a few reasons why this might be happening. First off, it's important to remember we only sold 5 declining businesses in this category, so it's not a ton of data to drive any conclusions. One thing that might be influencing this large multiple for declining businesses in this pricing tier is the simple fact these Amazon FBA businesses have traction even if they have lost some of their foothold on the market.

They are beyond the starter phase and are making decent profits every single month despite declining. Savvy business buyers might be competing for these businesses on several fronts. A declining business inherently has problems, and problems are often opportunities for buyers that intend on flipping a business or holding long-term with mastery over the required skills needed to fix that declining business.

While the flipping opportunity is lower if you turn the business into a growing business according to our TTM data, it is actually huge when you consider that stable businesses in this category are getting 38x. That is a 4x spread that a flipper can take advantage of and when combined with the increased profits coming from a stabilized business, this can be an incredibly lucrative pricing tier for short term flips.

For the buy and hold crowd there is less attractiveness to a flip in this category. Presumably buy and hold are looking to grow their businesses, which could lead to getting a less competitive TTM multiple in the event of a sale. In order to grow equity in a big way, the buy and hold crowd would want to expand beyond this and the next pricing tier, growing the business into the 7-figure pricing tier to reap major equity rewards when they go to sell the business.

However, this pricing tier could still be quite attractive for short-term buy and hold investors in the sense that even with a larger TTM purchase multiple, the business can be bought at a "discount" versus what it would be valued at if the business was stable or continued growing. This means for investors looking to create a portfolio of revenue streams, they can buy an FBA business in this declining category, fix the problems, and reap the long-term reward via the increased net profit being generated by the business.

$500k–$1 Million Pricing Tier

In 2020, we sold 8 FBA businesses in the $500k–$1 million pricing tier. Out of those 8 businesses, three were declining, two were stable, and three were showing growth. The average TTM sales multiple for declining businesses in this price range was 32.3x, for stable businesses 30.5x, and for growing businesses 42x.

In this tier, we see a *major* jump in the average TTM sales multiple for growing businesses. This jump also applies to the difference between the average TTM sales multiple and our normal pricing windows' sales multiple in this category where we see a 11x difference.

Growing businesses in this range have largely broken through a threshold of value where buyers are willing to pay a premium price to acquire these assets.

As you can see, this pricing tier presents many opportunities for a buyer looking to grow the value of their asset's equity. It has one of the highest spreads of TTM sales multiples across the three subcategories. The difference in the multiple of a declining business and an increasing business here on average was nearly 10x, with 11.5x between a stable and growing business

This means that this pricing tier and the above $1 million tier provide buyers with the greatest potential to dramatically grow the TTM sales multiple depending on whether the business is decreasing, stable, or increasing.

While it is more capital intensive to play in this realm, it is clear the rewards can far outpace other pricing tiers.

This goes back to what we have often said: it is easier to grow a business from $5k per month to $10k per month than from $0 to $1,000 per month. This idea holds even more true as you get into the highest pricing tiers on our marketplace.

Sellers who are just below the $500k–1m range may want to wait before selling. If you can get your business above that $500k mark, you'll likely command a much stronger TTM sales multiple than if you remained below it. Keep in mind that every business will be different, so it is okay if your business is slightly under the average TTM multiple, but if you wait, you might be able to cash out with a much more profitable exit.

Of course, waiting can come with its own dangers, and you may be unable to grow the business to this tier. The tier right before this similarly had just as many declining businesses as it did increasing ones, so it is a gamble you'll need to weigh up if you want to attempt to get to the $500k–1m pricing level.

The safer path might be to sell the business you built in the previous tier and use the realized capital to help your next project reach this tier. Depending where you are in your career, this choice might make more sense then waiting for growth to kick in.

In this pricing tier, we also see brand aggregators and institutional buyers enter the scene. These are buyers who have raised significan capital, sometimes in the hundreds of millions, to acquire FBA businesses. The players at this high level are likely another reason we see this large jump in TTM sales multiples. These kinds of buyers can often offer the best deal and fastest sales process, and if you decide to sell on our marketplace, you can drive the price up further by forcing these institutional buyers to compete against each other for your asset.

$1 Million and Up Pricing Tier

One of the most coveted kinds of exits an entrepreneur can make is one that turns them into a millionaire. As of the time of writing, we have sold more seven-figure businesses than almost any other broker in the industry and have helped create 34 millionaires through our marketplace based on how much they got paid when selling their businesses. These kinds of exits truly are possible when you decide to sell your business on our marketplace, and they can be life changing.

In 2020, we sold 12 FBA businesses in the $1m and up pricing tier. Out of the 12 businesses, three were declining businesses, five were stable, and four were growing. The top two tiers both had the fewest declining businesses compared to the lower three tiers. This is likely due to the nature of the traction these businesses have achieved on the Amazon marketplace. Once your product is selling in huge volumes, you often get access to tools that Amazon does not make available to everyone, plus Amazon will promote your products organically because they know they are winners.

Declining businesses had an average TTM sales multiple of 28.3x, stable businesses of 43.8x, and growing businesses of 48.7x. Similarly to the previous pricing tier, this tier reflects one of the largest multiple differences between TTM and pricing period average sales multiples, ranging from 0.0–17.7x in difference. Keep in mind, though, that TTM multiples and our normal multiples are based on the same sales price; this difference is purely to help sellers understand the multiple they would get with us compared to other brokers.

Just as the $500k–$1 million pricing tier, this tier offers fantastic rewards for someone who is highly skilled in running an FBA business and knows how to turn around declining assets. A business flipper can buy a declining business for a 28.3x TTM multiple and, once they have stabilized the business, sell it for 43.8x. This represents huge gains for the flipper, and for buy-and-hold investors, this represents an immense increase to your business equity.

Stable businesses reached their highest average TTM sales mulitple in this top tier, sitting 5.8x higher than the next best tier's average. Stability is routine and predictable and shows you what you're going to get, barring any major changes to the marketplace or competition. Stability forms a solid foundation upon which entrepreneurs and investors can experiment and grow, and it also offers a glimpse of how the business settles after growth spurts.

It is in this pricing tier that brand aggregators really play. As you can see, the rewards of taking over a declining seven-figure business and improving it far outpace the rewards offered by other pricing tiers in TTM multiples alone. Combining that growth with the actual net profit increases paints a dramatic picture of what is possible.

For sellers, this is one of the best categories to be in for obvious reasons. The potential for a seven-figure exit is high, even likely, with so much money in the space seeking high-yield assets like yours. One of the best things you can do as a seller is to use a marketplace to sell the business.

We're not saying so because it's how we make our money (although it doesn't hurt us to point this out) but rather because you'll be able to use an M&A brokerage like ours to bring these brand aggregators to the table all at once. They all work to create private deal flows, but they also hunt for deals using M&A brokerages like ours to supplement their deal flow or as their primary source of deal flow, depending what stage they are at.

By forcing them all to compete, you'll command a higher sales price, and using a broker that has solid relationships with these brand aggregators often gives you an advantage in negotiations because a broker's fiscal responsibility is ultimately to you as the seller.

If your business is making over $35,000 monthly net profit on average over the last 12 months, it is likely to be in the seven-figure valuation range. One of the best next steps for you would be to schedule an exit planning call with us or get the selling process started here to take advantage of the current seller's market.

***Our Little Disclaimer**

As the largest curated marketplace and M&A brokerage in the world for online businesses, it's important to keep in mind the data above is the aggregate across all deals.

Many of the deals incorporated into these statistics had sales prices below $200k. It would be easy for a competitor to look at the statistics above and tell you we make only “smaller deals” or say, “just look at their average deal size.” The truth is that we make a lot of deals, both big and small—we just happen to sell the most deals, and there are more small ones than big ones, which can skew the data.

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

- An FBA business sold for $1,100,000 at 54x
- An FBA business sold for $5,000,000 at 48x
- An FBA business sold for $1,827,029 at 47x
- An FBA business sold for $5,250,000 at 46x
- An FBA business sold for $4,000,000.00 at 43x
- An FBA business sold for $11,800,000 at 42x

Plenty of businesses sold above the average sales and list prices we’re reporting on. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when the owner decides to sell the business.

Opportunities

FBA businesses present several large opportunities by which entrepreneurs can grow their revenue. One of the easier paths to revenue expansion for an FBA business is to simply get your products onto other marketplaces within the Amazon ecosystem. We have seen many clients start with the USA market, enter into Canada and Mexico, and then proceed to expand across Europe. Amazon makes it far easier than most other ecommerce solutions to expand into new markets.

Another major opportunity is to review the supply chain side of the business. There are often a plethora of processes within a supply chain that can be optimized and can effectively grow your margin per unit sold. Businesses relying heavily on air freight can implement better inventory demand forecasting to switch to sea freight, drastically reducing freight costs.

Package design can also play a role in reducing supply chain costs. Designing smaller, more lightweight packaging for your products can save on warehouse fees. At certain scales, especially in the $1m+ range, savings on warehouse fees can recoup huge amounts of revenue.

If you are not using a 3PL warehouse for your FBA business, we highly recommend switching to one. A 3PL warehouse will often have lower warehouse fees, which make it worth your while to have the 3PL warehouse send inventory on to Amazon's warehouse as needed.

Outside the supply chain, there is great opportunity in the use of multichannel selling. Most FBA businesses sell products strictly on Amazon's marketplace. Some might have created a separate ecommerce store site, but very few ever drive more than 1-5% of their revenue from this external site. Creating an external store can open up all kinds of new marketing avenues and can help you create an email list filled with customers, something that remains notoriously hard for FBA entrepreneurs to do. In addition to your own site, you can place your products on marketplaces like Walmart, Houzz, Target, and specialized retailers that sell in niches related to your product.

Creating external traffic sources that drive people to buy your product on Amazon can also greatly increase your exposure in Amazon's organic search engine. Most FBA entrepreneurs are running Facebook ads to achieve this exposure at launch, but you can pursue other opportunities that require less maintenance. One easy way to create consistent external traffic to your Amazon product listing is to Google your product category and look for content sites reviewing products similar to yours. These sites are already getting targeted buyer traffic to your type of product. You can reach out to them and offer them a nominal fee to rank your product first in their roundup reviews, and you can give them free product and have them do a full video walkthrough, then take advantage of the organic traffic they built without ever having to do the SEO work. This often works well because, from the reviewer's perspective, they have had to make no changes to their site other than changing a link and writing a short article about your product instead of your competitors, for which they received a one-time fee. Most of these sites are already set up with an Amazon Associates account, so it is relatively painless for them to start sending their traffic to your product listing.

If you want to take this strategy to the next level, you can look at buying or building Amazon Associate sites in your own space. This can double dip on both your FBA product profit margin and the Amazon Associate's affiliate earnings. You'll then get access to the Amazon Associates report that will show you what kind of items your site is selling through Amazon's affiliate program. This information can be fantastic free product market research on the next product you decide to source and launch as you'll know some ballpark sales figures for the product before spending any money on inventory.

Perhaps the biggest opportunity is to proactively build a powerful email list. An email list can be used to build lookalikes and will likely increase your conversion rate. It is difficult to build an email list for an FBA business, which is why building a content site or your own store can be a huge boon in creating a lucrative email list. Every time you launch a new product on Amazon, you can tap into this traffic source you've nurtured, creating external sales that will help Amazon raise your product in their organic ranking system.

Risks

The biggest point of critical failure for FBA businesses is Amazon itself. Amazon could shut down or change the FBA program at any time. They are unlikely to do either of these things in any meaningful way, but it could happen. If it did and you had not pursued any multichannel selling, you could find yourself without a business.

We were introduced to another, relatively new risk in 2020. If Amazon decides again that only essential goods are allowed into their warehouse, you might be left with too little product in the warehouse to meet customer demand and have no way to actually sell your product. This risk, too, can be mitigated through effective multichannel selling and the use of a 3PL warehouse.

Depending on the product you're selling, you also run into the risk of competing against Amazon themselves. Over the years, Amazon have launched their own ecommerce products onto their marketplace, typically in product categories that most people consider to be basic commodities—things like office supplies.

In addition to competition from Amazon, all the normal ecommerce risks are present too. You still need to make sure you have multiple manufacturers to secure product sourcing, and all departments of your business, from marketing to customer service, must work in sync with each other. While there are fewer moving parts in an FBA business compared to a traditional ecommerce store, there are still more elements to actively manage than in a content business, for example.

Most Amazon-related risks can be mitigated somewhat by building a separate site dedicated to your brand, which can also act as a hub that generates newsletter subscribers. You can send these subscribers back to Amazon or other places where they can buy your products.

Traditional Ecommerce

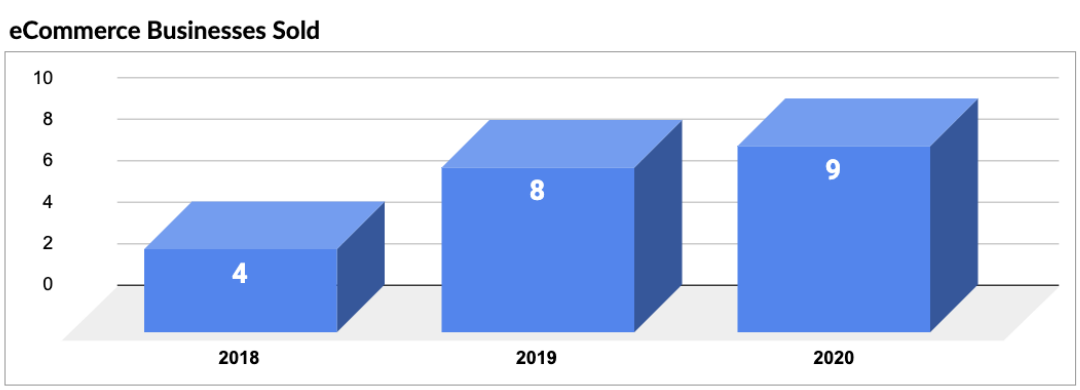
Traditional ecommerce is defined as having your own website through which you sell products you've sourced yourself. This is the oldest form of ecommerce, and it gives you the greatest possible control over all aspects of the business. Of course, with greater control comes more moving parts, which can make this kind of business a more advanced one to build or buy.

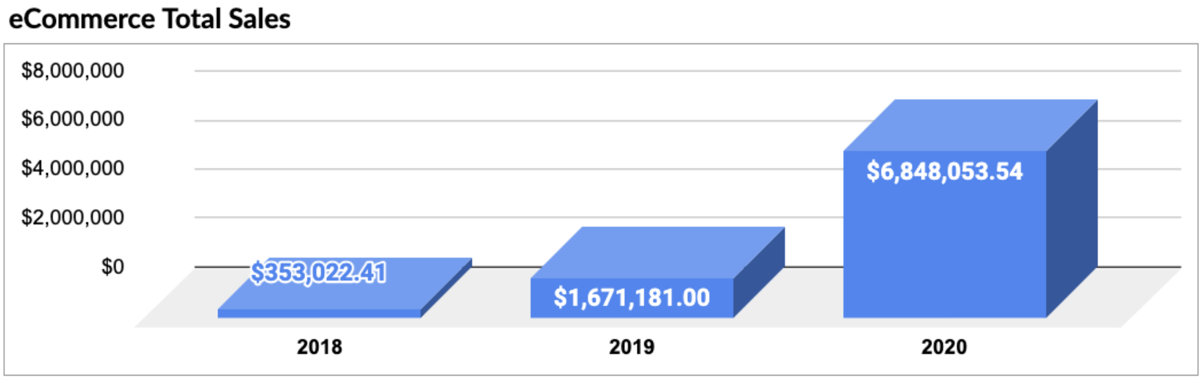
In 2020, we sold nine ecommerce stores for a total of $6,848,053.54, representing 3.02% of all businesses sold and 8.39% of our total marketplace revenue for the year.

We sold 13% more ecommerce stores in 2020 than we did in 2019 and 125% more than in 2018. When we look at our total sales volume, these percentages went way up. In 2020, our revenue sales volume from ecommerce stores increased by 310% compared to 2019 and by a staggering 1,840% compared to 2018.

While the deal quantity numbers are small, we're forecasting that we'll be selling more traditional ecommerce stores considering the success we've had with FBA businesses in 2021.

There are many similarities in the way these businesses are sold, and the market for traditional ecommerce is vast—we have only tapped the surface of it.



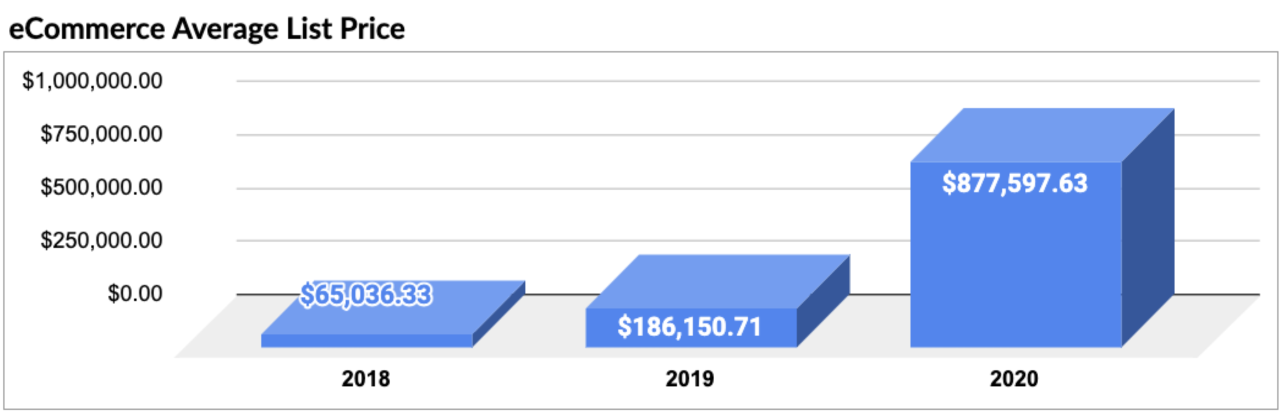


Quick Snapshot

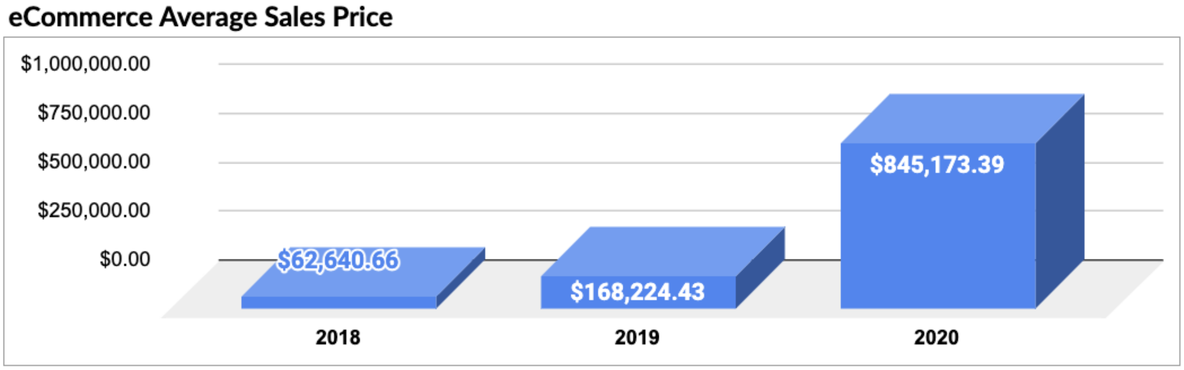
eCommerce Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	4	$353,022.41	$65,036.33	$62,640.66	27.0	26.0	98
2019	8	$1,671,181.00	$186,150.71	$168,224.43	25.4	23.0	79
2020	9	$6,848,053.54	$877,597.63	$845,173.39	31.6	29.5	96
2019 to 2020	▲ 13%	▲ 310%	▲ 371%	▲ 402%	▲ 24%	▲ 28%	▲ 21%
2018 to 2020	▲ 125%	▲ 1840%	▲ 1249%	▲ 1249%	▲ 17%	▲ 13%	▼ -2%

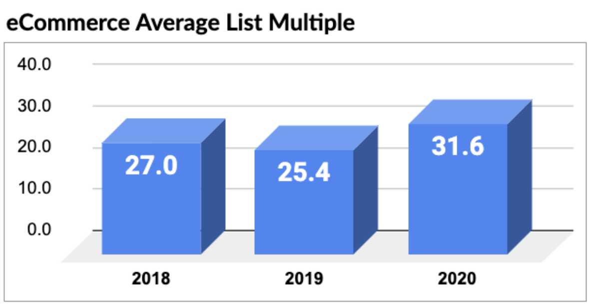
The average list price for ecommerce stores in 2020 was $877,597.63, and the average sales price was $845,173.39. Both these numbers represent huge increases from previous years. In 2020, the average list price increased by 371% compared to 2019 and by 1,249% compared to 2018.

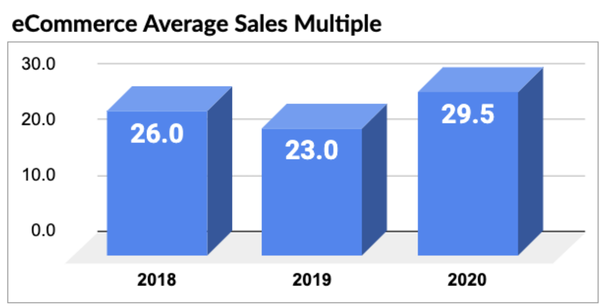


Average sales price in 2020 increased by 402% compared to 2019 and 1,249% compared to 2018.



The average list multiple for ecommerce stores in 2020 was 31.6x, and the average sales multiple was 29.5x. This means the average list multiple increased by 24% compared to 2019 and by 17% compared to 2018. The average sales multiple also increased by 28% compared to 2019 and 13% compared to 2018.





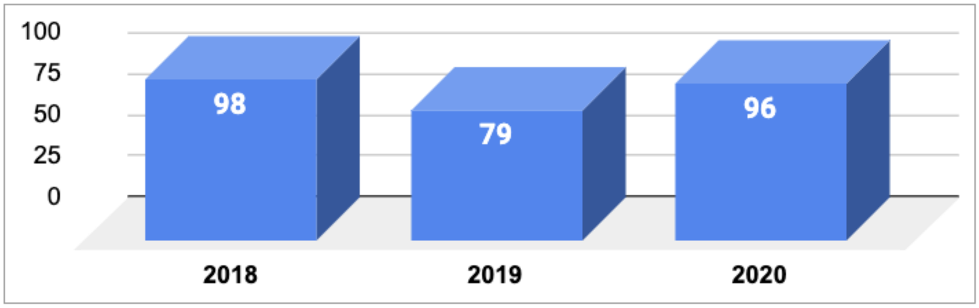
Because of the low volume of deals, it is hard to say concretely that ecommerce businesses have grown in value based on this data alone. However, we are confident that they have. If you look across our entire marketplace, our valuations for digital assets have increased, and this is especially true for FBA businesses, which are similar to traditional ecommerce in this regard.

Investors and buyers love the freedom and control ecommerce stores offer, so demand for these has likely gone up even though they represent a smaller portion of our marketplace. As more FBA businesses transition into multichannel selling, our marketplace will probably feature more and more traditional ecommerce stores for sale.

The average number of days on the market for an ecommerce store was 96 in 2020. The average days on the market actually increased from 2019 by 21% but decreased from 2018 by 2%. Unfortunately, this means ecommerce stores take longer to sell than many other business models.

Ecommerce stores have far more moving parts than even FBA businesses. This means everything in the sales process takes longer. Due diligence can be a lengthier process and negotiations more complicated than for something like an FBA business.

eCommerce Average Days on Market



In 2020, we had four traditional ecommerce deals use an earnout structure with an average of 77.78% paid upfront. Compared to Amazon FBA, this is a higher ratio of traditional ecommerce businesses using an earnout, but the average amount paid upfront is about 8% higher than the average FBA earnout.

eCommerce Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	3	62.47%
2019	3	73.93%
2020	4	77.78%
2019 to 2020	▲ 33%	▲ 5%
2018 to 2020	▲ 33%	▲ 25%

***Our Little Disclaimer**

As we are the largest curated marketplace and M&A brokerage for online businesses in the world, it's important to keep in mind that the data above is the aggregate across all deals.

Many of the deals incorporated into these statistics had sales prices below $200k. It would be easy for a competitor to look at the statistics above and tell you we only make "smaller deals" or say, "just look at their average deal size." The truth is that we make many deals, both big and small—we just happen to make the most deals of anyone, which can skew the data.

Here are two businesses that sold above the average multiple in the ecommerce space, along with their actual sales price:

- An ecommerce store sold for $130,308.00 at 47x
- An ecommerce store sold for $60,725.00 at 31x

Keep in mind, plenty of businesses sold above the average sales and list prices we're reporting. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when its owner decides to sell the business.

Opportunities

Since an ecommerce owner controls almost every aspect of their business, there are multiple areas in which optimizations that will ultimately increase your profit margin can be performed.

One big area to focus on is the supply chain side. Working with several manufacturers makes them compete to supply your product, which can lower the cost to source it. During this process, it can be worth your while to find ways to shrink the size and weight of the package your products come in, which would lower your storage fees with your 3PL warehouse. If you are still using air freight for most of your products, it is a good idea to spend time on demand forecasting, so you can switch from air freight to sea freight. When you combine all these changes, you can end up with huge savings, increasing your net profit per unit in big ways at scale.

The next big opportunity is marketplaces. Most traditional ecommerce stores are focused just on their own website. This ignores the real opportunity to put your products up on Amazon, Walmart, Target, and other large online retailers. By doing this, you can tap into a segment of your target market you may have never reached through other marketing methods. You're already dealing with all aspects of the supply chain, so diverting some product to these other warehouses for fulfillment should be relatively easy. Once you do, make sure to use some of your marketing power to drive external traffic to these marketplaces and help you rank organically in their search engines.

Perhaps one of the most underutilized traffic sources for ecommerce stores is SEO. Organic traffic from Google is often high-intent traffic, meaning that more of these visitors are interested in buying your products than those from most other marketing media. While traffic from Google is more difficult to scale, the actual cost per conversion is astronomically lower than with paid media once you set up a good system. This can bring your overall customer acquisition cost (CAC) down, which will also allow you to invest more aggressively in paid advertising to grow the brand.

Speaking of underutilization, we see almost no traditional ecommerce stores take advantage of affiliate programs. If you have a solid product and solid profit margins, setting up an affiliate program and recruiting content creators to be affiliates can be a huge boon to your revenue. Plenty out-of-the-box solutions, such as Refersion, make this relatively easy to do.

Affiliates are always looking for high-quality products to promote, and private affiliate programs, especially those run by a single store like yours, can be highly attractive to them. Most affiliates cannot talk or work with the creators of affiliate programs to improve the program, so this can be an excellent opportunity for you on multiple fronts.

Once you have affiliates promoting your products, and as long as you make their payout similar to what you already spend on marketing to acquire a customer, you should see increased profits. Second, affiliate marketers are some of the best in the industry due to their ability to create profit on a smaller commission—in other words, they often have to be much better at marketing than a typical ecommerce store owner if they're going to turn a profit, especially if they're using paid advertising.

Since your affiliate program would likely be small and you'd interact with the affiliates on a more regular basis, they can become a treasure trove of marketing conversion tips that you can implement to improve your program. A better program will earn more for the affiliates and for you, and all marketing you do outside of the affiliate program will benefit from these conversion insights too.

Outside of affiliate programs, a focus on solid email marketing is a must to grow an ecommerce store meaningfully. You should set up a variety of email audience segments and, especially, a powerful abandon cart email sequence. Ideally, you should run a retargeting campaign in sync with the abandon cart email campaign. Between nurturing prospects into customers to using that list to build lookalike audiences for other advertising platforms, your email list has amazing potential to help your brand grow. Every quarter, you should revisit the effectiveness of your email funnels, as this will likely have the biggest, most long-term impact on revenue growth for your store.

Risks

The risks of ecommerce stores are also what make them so powerful. You have direct control over almost every aspect of the business. This direct control means no one does the heavy lifting for you. It is up to you to source, shipp, and market products and perform customer service efficiently and profitably. This means a traditional ecommerce store has way more moving parts than almost any other business model.

Manufacturers also pose a risk; this is especially true if you have only one source for your products. In an ideal situation, you should have several backup manufacturers that can be called upon in times of need, such as if your original manufacturer shuts down or is overwhelmed with other orders, making them late in delivering yours.

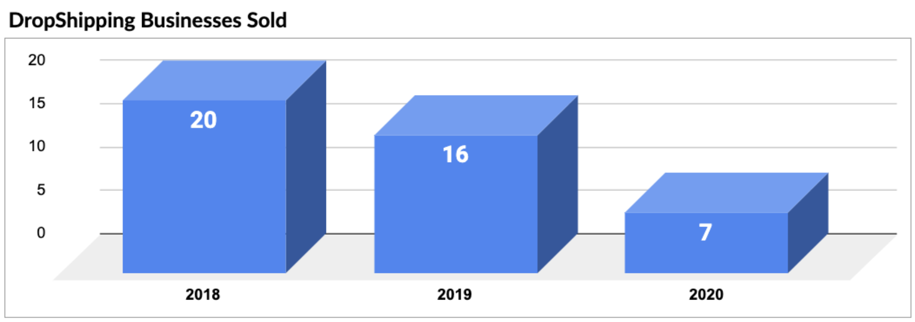
Building and scaling an ecommerce store is capital intensive. Poor capital management might lead to lacking the money to order more inventory or to compete on advertising channels if they increase in cost.

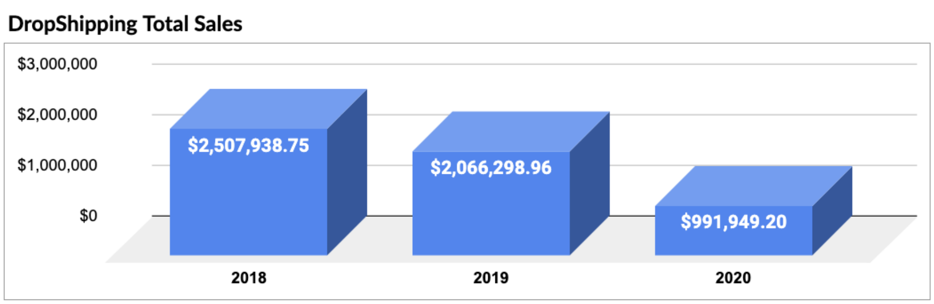
Most ecommerce stores generate the vast majority of their traffic from a single source, usually Facebook ads. It is important to mitigate this potentially critical point of failure by having well-diversified traffic. The easiest place to start that has long-term benefits for the business is usually email marketing. Of course, using paid media to drive revenue today and using SEO to invest in long-term revenue makes sense if you plan to grow the brand and make it more impervious to marketing conditions.

Dropshipping

Dropshipping has been a popular online business model for years. It has many of the same benefits of a traditional ecommerce store without the heavy startup costs associated with ordering inventory. Dropshipping is ecommerce on training wheels in that you can focus mainly on marketing and customer service without worrying about sourcing and supply chain issues. These training wheels often make dropshipping an attractive business model for people just starting out. Those who master marketing can turn these stores into highly lucrative ventures.

In 2020, we sold seven dropshipping stores for a total of $991,949.20, representing 2.35% of all the businesses we sold and just 1.22% of our total marketplace revenue. This is a decrease compared to previous years.





We sold 56% fewer dropshipping stores in 2020 than in 2019 and 65% less than in 2018. Total sales for dropshipping businesses were down by 52% compared to 2019 and 60% compared to 2018. All the trends point to the decreasing popularity of dropshipping stores as digital assets among investors.

There is some truth to this. In general, dropshipping is the most difficult form of ecommerce with which to retain value that is attractive to a buyer. Dropshipping stores are easy to set up, which makes it easy for competitors to copy them. This makes them poor assets compared to traditional ecommerce and FBA businesses.

However, a major reason for these big drops in dropshipping sales versus previous years is almost divorced from the actual popularity of dropshipping. Over the years, we have tightened our criteria for sellable dropshipping stores, which has screened out stores submitted to us to sell.

Dropshipping stores can still be valuable assets as long as they have strong, defensible “moats” that make them hard for competitors to reproduce. For example, a store might have exclusive relationships with its vendors or have built a highly engaging brand that would be difficult for a competitor to copy.

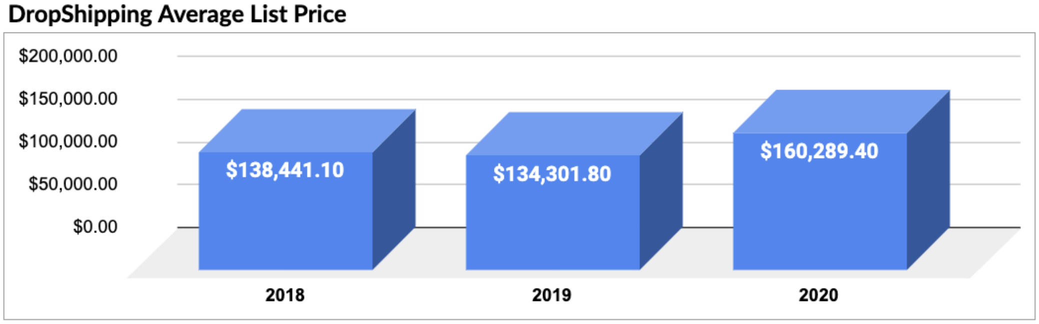
Quick Snapshot

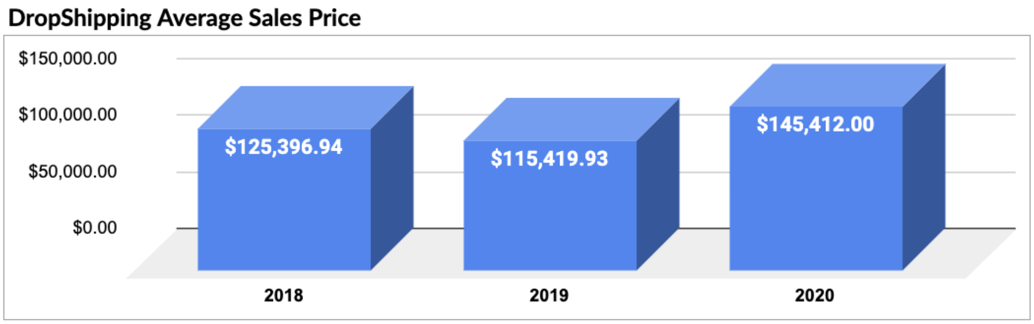
DropShipping Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	20	$2,507,938.75	$138,441.10	$125,396.94	26.9	23.2	69
2019	16	$2,066,298.96	$134,301.80	$115,419.93	27.6	24.1	131
2020	7	$991,949.20	$160,289.40	$145,412.00	25.8	25.0	58
2019 to 2020	▼ -56%	▼ -52%	▲ 19%	▲ 26%	▼ -7%	▲ 4%	▼ -56%
2018 to 2020	▼ -65%	▼ -60%	▲ 16%	▲ 16%	▼ -4%	▲ 8%	▼ -16%

The average list price for dropshipping stores in 2020 was $160,289.40, and the average sales price was $145,412.00. The average list price increased by 19% from 2019 and 16% from 2018. Similarly, the average sales price increased by 26% from 2019 and 16% from 2018.

DropShipping Average List Price

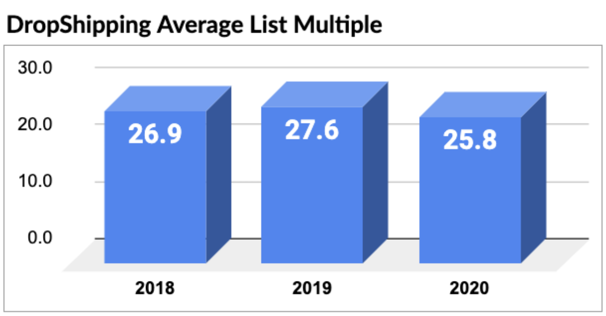


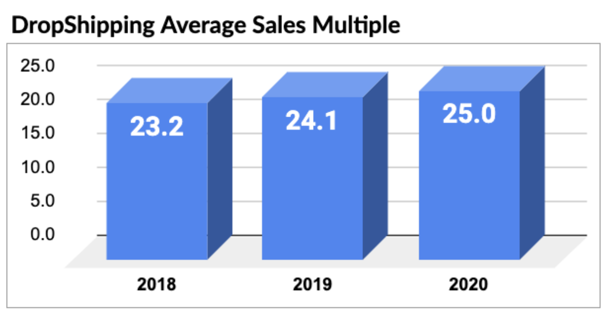


The average list multiple for dropshipping stores in 2020 was 25.8x, and the average sales multiple was 25x. Interestingly, the list multiple has decreased by 7% from 2019 and 4% from 2018. However, this downward trend does not hold true for the sales multiple, which is arguably the more important metric for dropship store entrepreneurs looking to make an exit.

The average sales multiple increased by 4% from 2019 and 8% from 2018. So while list multiples have fallen, the actual sales multiples have risen. This is likely due to the more stringent criteria that entrepreneurs must follow to sell with us. Because the stores on our marketplace are now of higher quality, they sell for more than they did when we had looser criteria for dropshipping stores.

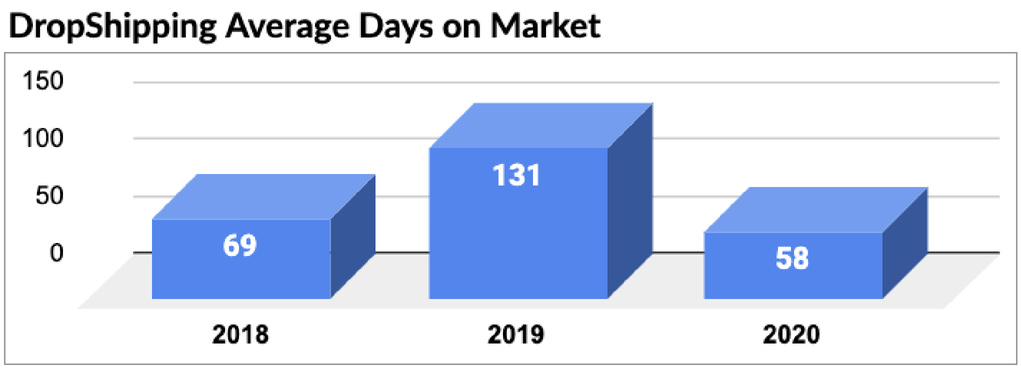
Dropshipping has grown the least in value of any ecommerce business model. This is rooted in the fact that it is hard to build inherent value into dropshipping stores. If you are building a dropship store, seriously consider how to build a defensible moat that makes your business difficult to copy, otherwise you will find it difficult to sell the business when you want to make an exit.





The average number of days on the market for a dropshipping store in 2020 was 58. This is a 56% decrease from 2019 and a 16% decrease from 2018. The huge drop in days on the market is, again, likely related to our more stringent criteria. On average, these businesses are of higher quality than those we've sold in years past, so buyers are quicker to pull the trigger and acquire them. You'll notice that the average days on the market of dropshipping stores is shorter than for both FBA businesses and ecommerce stores, which is likely due to the lower number of moving parts of a dropshipping store, in addition to the fact that dropshipping store owners have no inventory capital to worry about.

All this combined makes it quick to sell a dropshipping store in many cases. So, while you may not get as much value from a dropshipping business as from an FBA one, you may be able to sell and recoup the exit capital more quickly. Again, this all depends on building a high-quality dropshipping store, which is not easy to do in this business model.



Out of the seven dropshipping stores we sold, four used earnouts to get the deal done. The average amount paid upfront for each earnout deal was 65.61%. It's not surprising that in previous years when we sold far more dropshipping stores, there were more earnouts, with 7 in 2019 and 5 in 2018.

DropShipping Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	5	54.65%
2019	7	67.96%
2020	4	65.61%
2019 to 2020	▼ -43%	▼ -3%
2018 to 2020	▼ -20%	▲ 20%

Of all the ecommerce business models, dropshipping stores have the lowest average upfront payment for earnout deals. While the average upfront amount has increased 20% since 2018, it did fall 3% compared to 2019.

This isn't great news for sellers but could be an excellent opportunity for buyers. A buyer looking to spend minimal capital to acquire a digital business might find the low upfront payment potential of acquiring a dropshipping store attractive, especially if they have solid growth plans to turn the store into a more traditional ecommerce brand.

***Our Little Disclaimer**

As the largest curated marketplace and M&A brokerage in the world for online businesses, 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 had sale prices below $200k. It would be easy for a competitor to look at the statistics above and tell you we make only "smaller deals" or say, "just look at their average deal size." The truth is that we make many deals, both big and small—we just happen to make the most deals, which can skew the data.

Here are three businesses that sold above the average multiple in the ecommerce space along with their actual sales price:

- A dropshipping store sold for $52,158.00 at 28x
- A dropshipping store sold for $48,954.00 at 27x
- A dropshipping store sold for $243,528.00 at 27x

Keep in mind, plenty of businesses sold above the average sales and list prices we're reporting. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when the owner decides to sell the business.

Opportunities

Most opportunities within a dropshipping business will lie in marketing. However, a big, often-missed opportunity is to develop exclusive relationships with vendors. Exclusive relationships can help create a less competitive marketplace because only you or a handful of people can sell that product. If you can make sure this exclusivity will be transferred to a new owner, then this is an excellent way to create a valuable to sell.

Dropshipping stores tend to have far lower profits per unit sale than ecommerce stores, so it is important to optimize your marketing. Performing regular CRO tests on important pages, engaging customers through high-quality email marketing, and implementing abandon cart sequences are vital to taking your business to the next level with minimal increases in traffic.

Similarly to traditional ecommerce, few dropshipping store owners ever use SEO. SEO can massively boost to your sales and, more importantly, can increase your dropshipping store's value during a sale, as competitors won't be able to use a Facebook ad to rank #1 in Google for the buyer keywords you are ranking for like they otherwise could ad.

Perhaps the biggest opportunity for dropshipping stores, though, is to actually pivot away from this business model.

A huge benefit of dropshipping is that you pay no upfront capital for inventory. Instead, you pay for advertising. All the advertising you do and sales you make can act as a kind of research and development branch of your business. You can sell the dropship product, see what its conversion rates are, find out what complaints customers have about the product, and you do all of this at a profit if the business is successful.

Once you have collected enough data, you can turn your dropshipping store into a traditional ecommerce store. You've already done the majority of the work required to go this route; now, you just need to source your own products. Using the data from your dropshipping store, you can decide which products would be the most profitable to source. If you have effective customer service in place, you can learn what customers haven't liked about the product, so you can source one without those negative traits.

As you make this pivot to traditional ecommerce, you can continue to use dropshipping offers to test upsells, downsells, and crossells. This will not just increase your average order value, but also enable continuous product research for the products you want to source next.

This research and development idea combined with the use of an earnout deal to acquire a dropshipping store with a low upfront payment could represent a real opportunity for buyers. The buyer gets the business for a lower price and has all the data needed to decide which products to source.

Risks

One of the big risks of dropshipping stores is that your vendor could close, change their pricing, or fail to deliver the product in a timely manner. Delayed shipping is a common problem even when the business is running well, as the time it takes to ship a product will often be much longer than what Amazon and traditional ecommerce stores can manage. Obviously, this creates an extra challenge in actually marketing the product for sale.

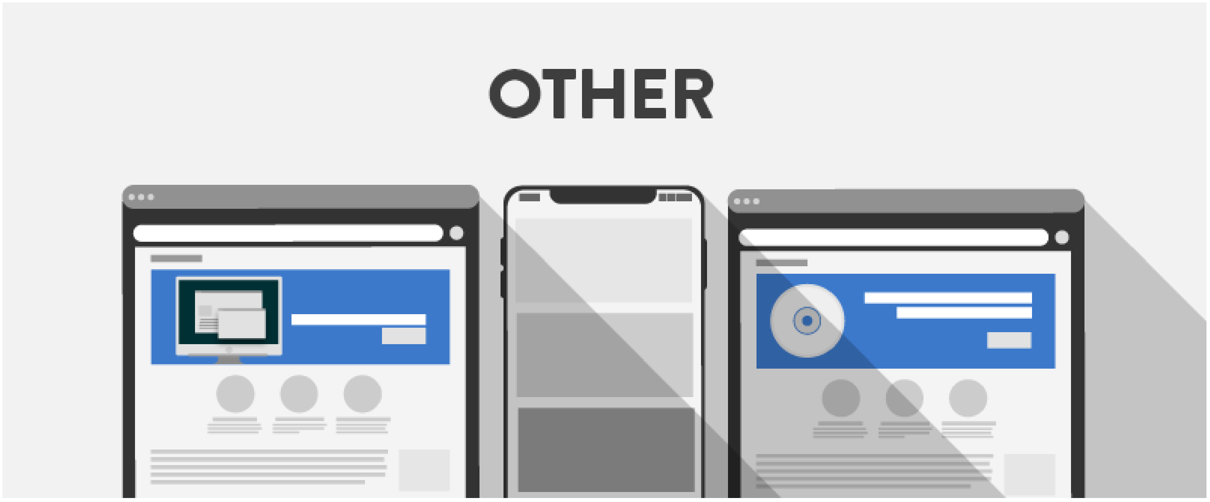
Since most dropshipping stores operate on a smaller profit per unit than ecommerce stores, owners should pay extra attention to marketing costs. Paid ads could become more expensive and eventually price you out of the market.

Perhaps the biggest risk for dropshipping stores, though, is the process of actually selling the business.

As we have mentioned throughout this section, dropshipping stores are hard to sell because it is inherently harder to retain their asset value than with other ecommerce business models. You can mitigate this with exclusive contracts and, especially, with SEO traffic, which is difficult to duplicate.

As you build your dropshipping store, always look for ways to create a greater competitive edge. If your store is so similar to competitors that you are having difficulty answering this question, that is a good sign you should rethink the business. Of course, this is only a real issue if you decide to sell the business; if you're running the business just to create a cash flow, this is less of a problem.

However, we always advise to build a business in such a way that you could sell it, so you have multiple exit strategies when you decide to move on to other projects. Building a business as if to sell it will help you create a more efficient, more profitable business in the long run, plus it will give you the opportunity to make a life changing exit if you do sell it.



Other Category

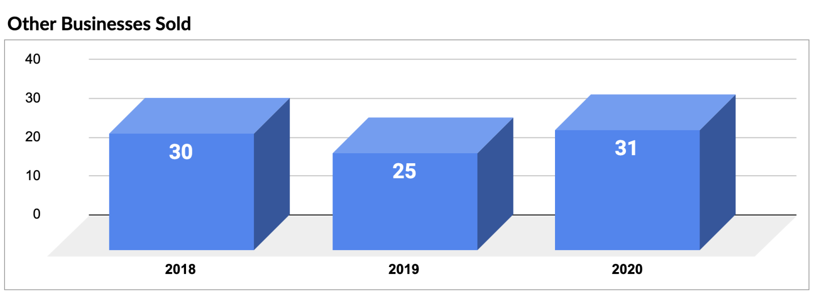
The Other category of online businesses consists of SaaS businesses and others that we don't sell often or that are esoteric and don't fit in either the content or ecommerce categories.

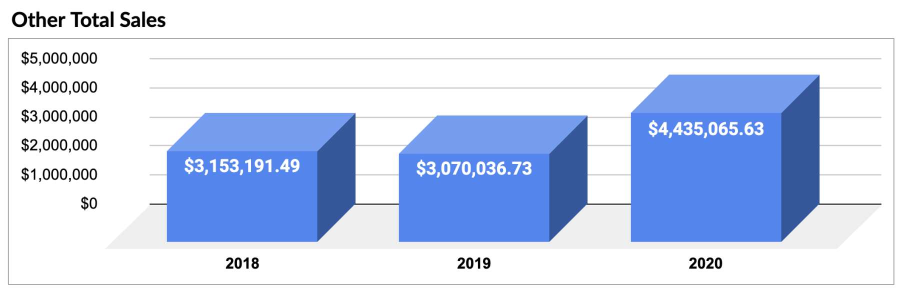
Because the business models in this section differ quite widely, this overview section is not as helpful as those above. Still, it shows the general trends for digital assets, regardless of the business model.

Other Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	30	$3,153,191.49	$120,201.40	$105,106.38	28.8	26.4	51
2019	25	$3,070,036.73	$128,160.05	$118,345.28	31.4	28.7	65
2020	31	$4,435,065.63	$154,640.75	$132,596.29	32.4	29.8	64
2019 to 2020	▲ 24%	▲ 44%	▲ 21%	▲ 12%	▲ 3%	▲ 4%	▼ -1%
2018 to 2020	▲ 3%	▲ 41%	▲ 29%	▲ 26%	▲ 12%	▲ 13%	▲ 26%

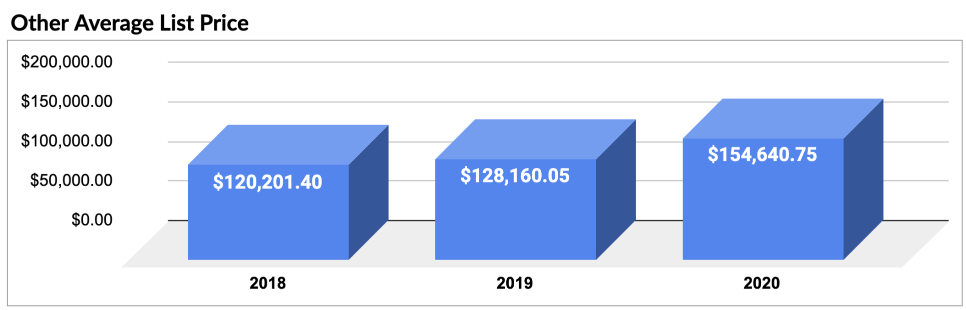
In 2020, we sold 31 businesses in this category for a total of $4,435,065.63, making up 5.43% of the total revenue transacted on the marketplace. That's a 44% increase from 2019 and a 41% increase from 2018. These are huge overall gains, which is in keeping with everything we've reported in the content and ecommerce sections of this report.

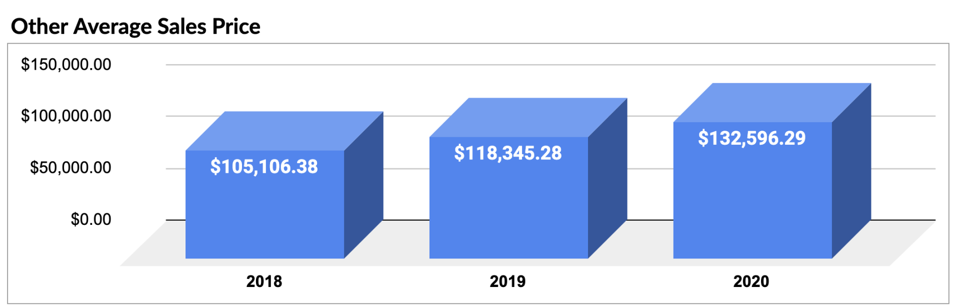




We sold 24% more businesses in the Other category in 2020 than in 2019 and 3% more than in 2018. While we reported only a little growth from 2018, it is interesting to note that the trend for bigger businesses seen in content and ecommerce holds true in the Other category.

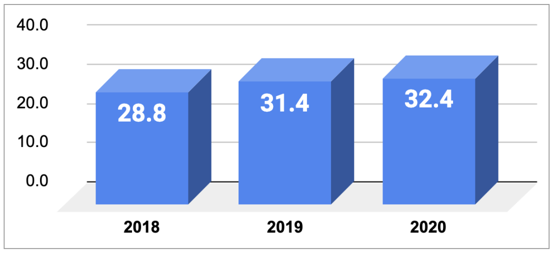
The average business in this category in 2020 had a list price of $154,640.75 and a sales price of $132,596.29. This is a 21% increase to the list price from 2019 and a 29% increase from 2018. For sales price, we saw a 12% increase from 2019 and a 26% increase from 2018.



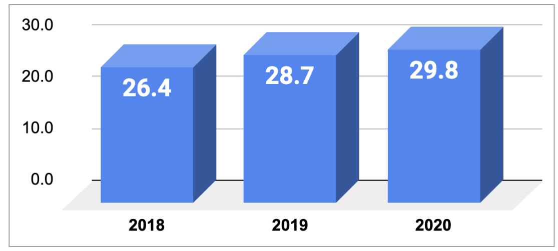


While business sizes grew, multiples didn't grow as much in this category as in others. In 2020, the average list multiple was 32.4x, with an average sales multiple of 29.8x. This is an increase in list multiple of 3% from 2019 and 12% from 2018. The sales multiple increased by 4% from 2019 and 13% from 2018. Both of these trends are much lower than the growth we saw in content and ecommerce stores. Despite the smaller growth, the trends are consistent with both of those categories.

Other Average List Multiple

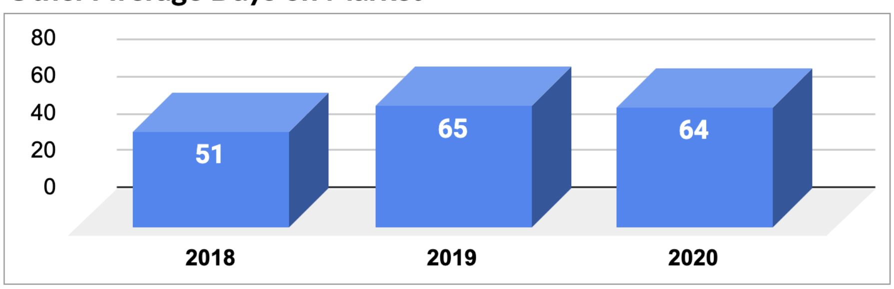


Other Average Sales Multiple



The average number of days on the market for businesses with these less common models was 64. This is shorter than the average days on market for the ecommerce section. The average deal size in the Other category is much smaller than in the ecommerce section and is close to the average deal size for content businesses. The reason these business models take so long to sell is likely that they are not well known by entrepreneurs and investors in digital assets, so they take more due diligence and a greater leap of faith to acquire than content or ecommerce businesses.

Other Average Days on Market



The average days on the market in 2020 decreased by 1% from 2019 and increased by 26% from 2018. The large increase from 2018 is probably because we sold far larger businesses, which are more of a risk when the business model is less well known, though this does not explain the 2019 numbers. Another potential factor is that in 2018, business investors may have been looking at all business models, while in 2020 there was a more concentrated effort to acquire pure content and ecommerce businesses as funds rose up to buy these specific types of business models.

Earnouts

Year	Earnouts	Avg. Upfront % For Earnout
2018	9	71.69%
2019	9	77.13%
2020	7	75.21%
2019 to 2020	▼ -22%	▼ -2%
2018 to 2020	▼ -22%	▲ 5%

Out of the 31 deals we sold in the Other category, seven were made using earnouts — the lowest number we've seen over the past 3 years. On average, 75.21% of the sales price was paid upfront, which falls between the averages for content sites and ecommerce stores.

Now that we have explored the overall trends for this category, let's take a deeper dive into the individual business models. Most of these business models differ greatly in principle, so if you are looking to acquire a business in this category, we recommend checking out the relevant section.

SaaS

Software-as-a-service (SaaS) rem ains a popular online business model, though SaaS businesses appear infrequently on our marketplace. This may be because many SaaS sellers value their businesses differently than, say, ecommerce or content business owners. Often, a zero-profit SaaS can still sell for a solid price based on pure speculation for its potential, something we have traditionally avoided valuing businesses on.

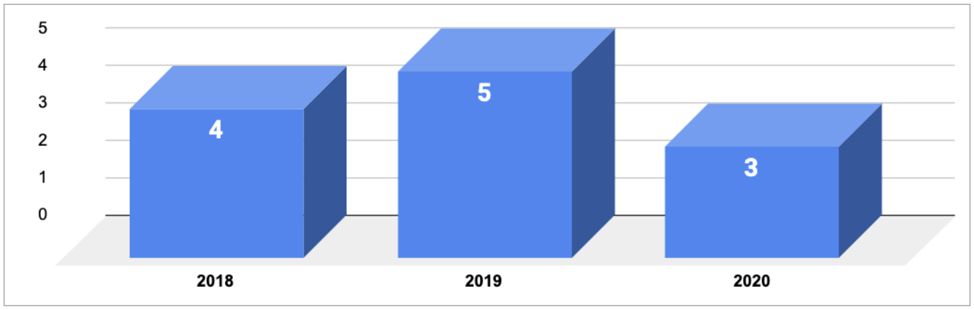
SaaS is typically a business-to-business (B2B) service offering some sort of solution to problems that businesses face. Good examples of SaaS businesses would be Hubspot, Salesforce, and Ahrefs. One of the most attractive aspects of a SaaS business is their monthly recurring revenue (MRR). Not only does the M RR allow you to make a fair estimate of future revenue, but it empowers you to be more aggressive with your marketing plan as you better understand the average lifetime value of a customer. If a customer stays with your SaaS for eight months, then you know pretty accurately how much you can spend on a loss leader-style marketing campaign to get a new user in your system.

The other aspect of SaaS that has a huge advantage over business models like ecommerce is that, when you scale the profits of the business, you're not also scaling its expenses. In ecommerce, you must order more inventory to meet heightened demand. The cost of goods for a SaaS business, in contrast, remains so small per extra customer that it is almost negligible.

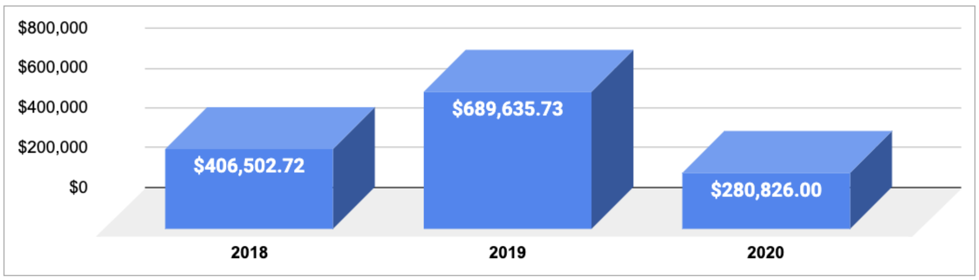
These advantages can make SaaS a very attractive business model with high cash flow potential. Of course, there are also plenty of pitfalls to the business model, which we'll get into.

In 2020, we sold three SaaS businesses for $280,826.00 in total, representing just 0.34% of our total marketplace transaction volume. While we sold fewer SaaS businesses in 2020, the difference was not a huge amount, as we sold five in 2019 and four in 2018.

SaaS Businesses Sold



SaaS Total Sales



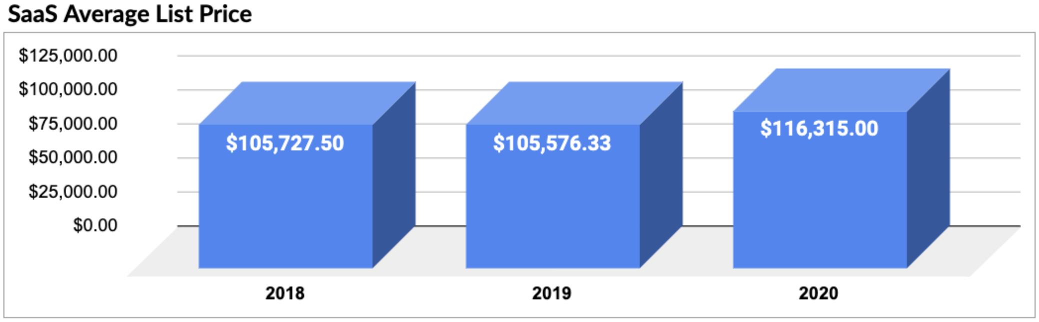
Quick Snapshot

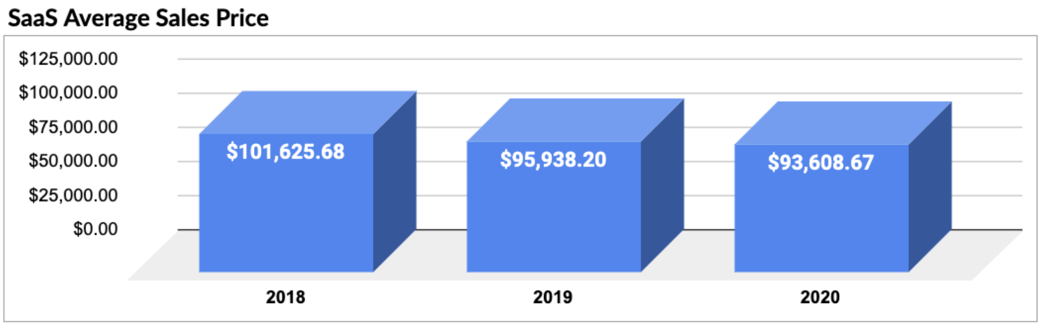
SaaS Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	4	$406,502.72	$105,727.50	$101,625.68	30.8	30.3	37
2019	5	$689,635.73	$105,576.33	$95,938.20	43.0	40.3	79
2020	3	$280,826.00	$116,315.00	$93,608.67	49.3	43.0	47
2019 to 2020	▼ -40%	▼ -59%	▲ 10%	▼ -2%	▲ 15%	▲ 7%	▼ -40%
2018 to 2020	▼ -25%	▼ -31%	▲ 10%	▼ -8%	▲ 60%	▲ 42%	▲ 27%

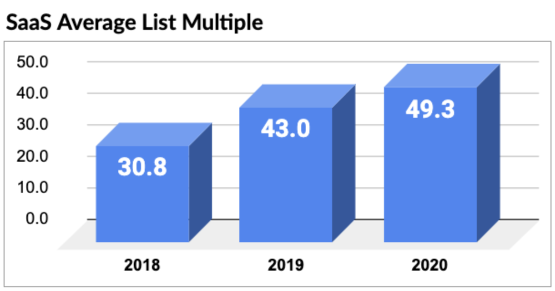
In 2020, the average list price for a SaaS was $116,315.00, and the average sales price was $93,608.67. This is a 10% increase from both the 2019 and 2018 list prices, but we saw decreases in actual sales prices over the same period. We had a 2% decrease in the sales price from 2019 and an 8% decrease from 2018.

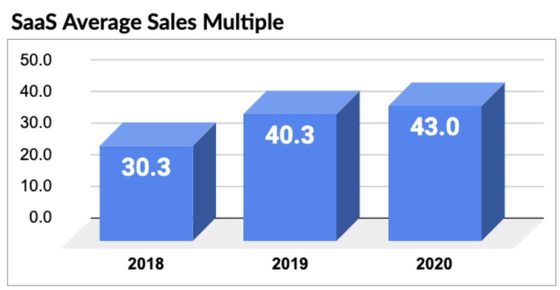
SaaS Average List Price





The average list multiple in 2020 for SaaS businesses was 49.3x, and the average sales multiple was 43x, both of which represent increases from previous years. List multiples saw an increase of 15% from 2019 and 60% from 2018. Sales multiples saw an increase of 7% from 2019 and 42% from 2018.

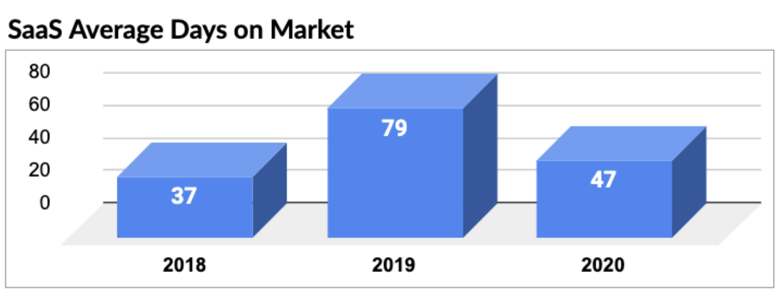




Those are big increases to the average multiple, but this is less a case of SaaS trending upwards and more of our marketplace catching up to SaaS valuations. Because we do not value business based on speculation and potential, we have often had difficulty valuing SaaS businesses. Many young SaaS businesses are producing revenue but very little net profit, and our M&A brokerage values a business based on profit.

Our multiples align with the way profitable SaaS business should be valued. We predict that if more profitable SaaS owners sold their businesses with us, we'd see these multiples grow. Unless more such businesses come onto the marketplace though, our multiples will likely be right around here in 2021, which can still provide an amazing exit for a young SaaS startup.

The average days on the market for SaaS businesses in 2020 was 47. This is a 40% decrease from 2019 and a 27% increase from 2018. The low number of SaaS businesses sold means that this doesn't tell us a whole lot about the appetite of SaaS buyers.



From our buyer network of well over $1 billion in verified funds, we know anecdotally that buyers are hungry for SaaS businesses. There is a booming market of SaaS businesses, but they aren't popping up on our marketplace. This makes sense considering our method of valuation; put simply, we have not made a ton of effort to attract SaaS businesses considering our massive explosion of revenue from the popularity of FBA businesses.

Opportunities

SaaS represents many opportunities, not least their ability to scale profit without scaling expenses. The MRR aspect of these businesses makes them some of the most predictable to run in terms of future revenue. This predictability also helps you to better plan your capital because you have solid metrics showing how much runway you truly have to operate the business at a loss.

One of the best aspects of this business model is the ability to focus on a myriad of online marketing methods. SaaS businesses can perform well with content marketing, paid media marketing, and even event sponsorships, such as industry conferences. The LTV each customer represents makes most marketing channels worthwhile for a SaaS business.

Still, the most important marketing channel for a SaaS will likely be email. Unlike ecommerce or content businesses, a SaaS business will often need to educate their traffic to turn them into paying customers. Their customers tend to be more savvy about their problems as well, which means a SaaS brand needs to develop an intimate relationship with their target market. Email is one of the best channels through which to build that relationship.

A solid email funnel with predictable metrics can open a floodgate of traffic from any marketing channel.

Outside of marketing, SaaS businesses can reap massive dividends by lowering their churn rate. The longer you can keep your customers, the better. At scale, even a small decrease to churn can be a massive boost to MRR. In order to reduce churn you will need to first find out why customers are churning. Reducing churn could be as simple as improving your onboarding process or finding out a particular key feature your SaaS is missing that your customers want.

While reducing churn sounds like an enticing place to begin, we'd still advise you devote the most effort to finding new customers, as this will tend to be more profitable in the long run.

Depending on the complexity of your SaaS, you may need to focus heavily on product marketing. Showing a variety of use cases and providing testimonials about these various use cases can expand your appeal within the target market.

Additionally, look for ways to expand revenue. Revenue expansion is typically the lowest hanging fruit for a SaaS business looking to supercharge their revenue. It can be achieved by offering different pricing for higher level plans or related services to your user base.

Avoid offering lifetime deals for your SaaS business. It is almost always better to offer discounted annual plans or discounted monthly plans than lifetime deals. If you decide to sell an

SaaS business, most buyers will see lifetime users as a burden they must take on; many dislike even annual plan pricing plans. You are always better off focusing on increasing MRR rather than annual recurring revenue or ARR if your plan is to one day exit the business. MRR is considered more predictable than ARR, and most investors will not enjoy the potentially wild revenue swings that ARR represents to your SaaS.

Risks

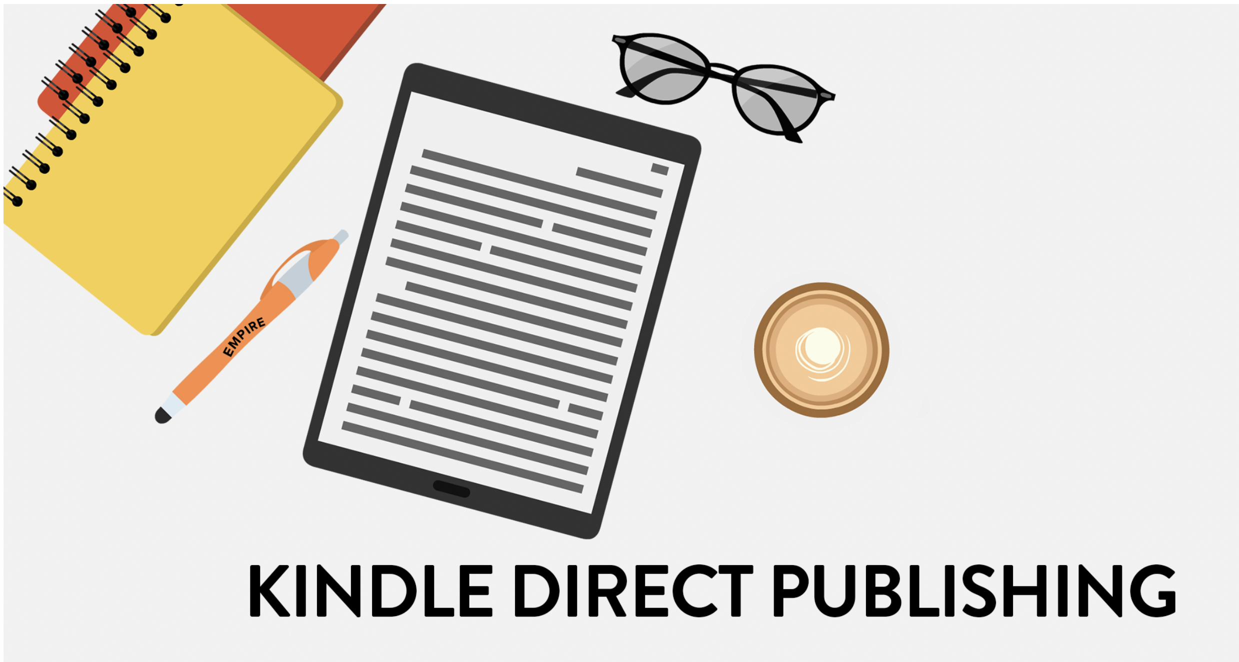
While SaaS presents multiple opportunities to entrepreneurs, it is not without risk.

SaaS is wildly popular among bootstrap entrepreneurs, but it is also popular among capital-heavy private equity and venture capital firms. This means competition to get a SaaS business up and running can be fierce. You might launch a successful startup only to find a few months in that a well-funded competitor is driving up your marketing costs and you have no way to truly compete against them. In many scenarios, the well-funded competitor's plan is to outspend you until your market share diminishes and your runway vanishes, forcing you to drop out of the market altogether.

While this can happen in other business models, it is exceedingly rare compared to the fast-paced SaaS business model.

In addition to well-funded competitors, there is a major risk that your startup's technology and the problem it solves will become irrelevant. The internet is littered with the bright beacons of profitable startups that found themselves to be completely obsolete within a few years.

The concept of MRR sounds fantastic, but the shadow of irrelevancy within 24–36 months that threatens that MRR can make the prospect of spending time building a SaaS feel far riskier than other business models.



Amazon Kindle Direct Publishing (KDP)

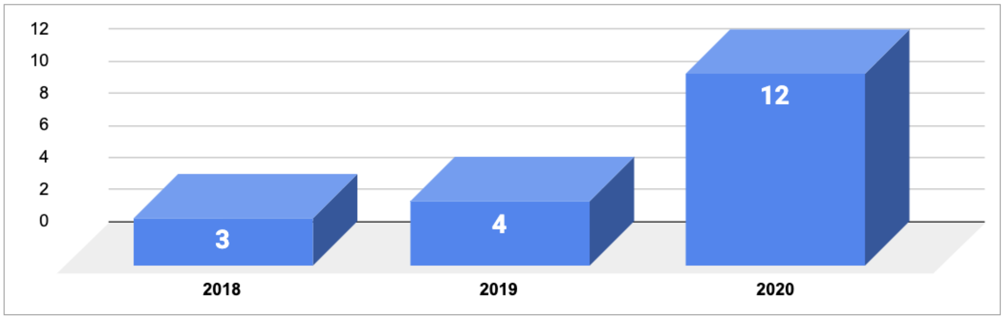
As a business model, Amazon kindle direct publishing (KDP) operates similarly to a publishing house. Typically, you'll promote multiple writers, titles, and maybe genres using Amazon's Kindle platform. Some KDP businesses focus on building the backlist of a single pen name, with dozens of writers contributing to the fiction or nonfiction titles. While one could "go wide" and publish their books on platforms outside of Amazon, such as Kobo, Google Play, or Apple Books, most of these businesses focus on Amazon as their marketplace of choice to take advantage of Amazon's Kindle Unlimited program.

In 2020, we sold 12 Amazon KDP businesses for a total of $2,344,238.43, representing 2.87% of our total transaction volume on the marketplace. This is quite an increase from years before, which may indicate either that this business model is becoming more popular or the entrepreneurs running them have just realized they can sell these as assets.

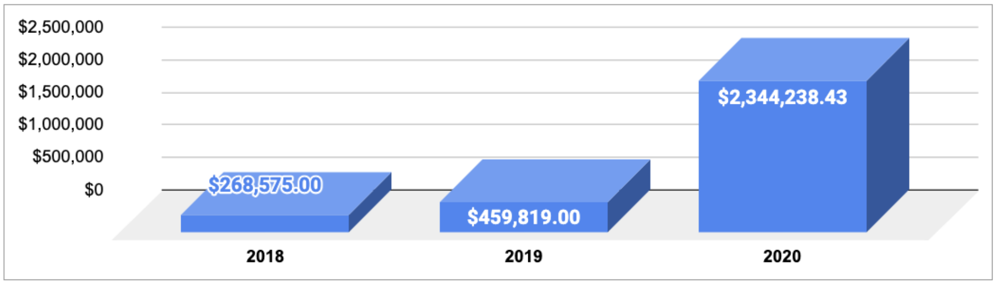
We saw a 200% increase in the number of KDP businesses sold from 2019 and a 300% increase from 2018. The size of these businesses has grown dramatically as well from previous years, which our total sales volume hints at.

The total sales volume for KDP grew by 410% from 2019 and 773% from 2018.

Amazon KDP Businesses Sold



Amazon KDP Total Sales



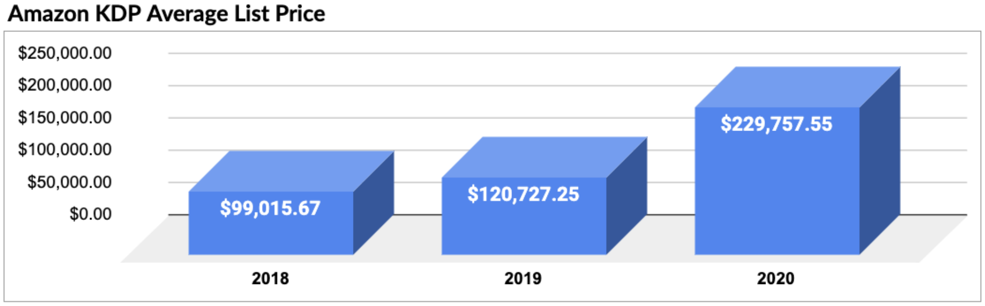
Quick Snapshot

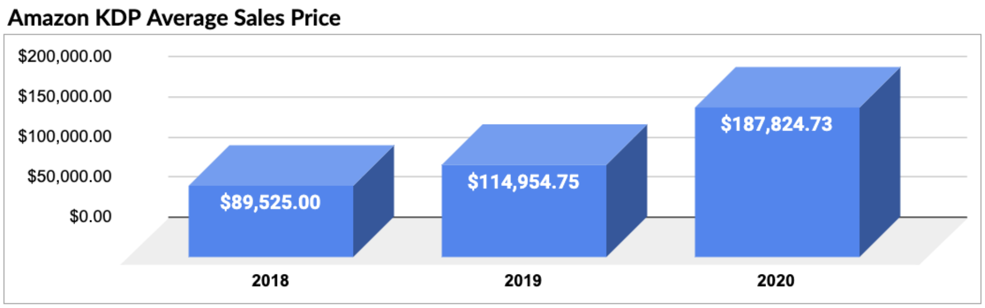
Amazon KDP Quick Snapshot

Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	3	$268,575.00	$99,015.67	$89,525.00	27.7	25.0	34
2019	4	$459,819.00	$120,727.25	$114,954.75	27.3	26.0	48
2020	12	$2,344,238.43	$229,757.55	$187,824.73	30.0	26.8	60
2019 to 2020	▲ 200%	▲ 410%	▲ 90%	▲ 63%	▲ 10%	▲ 3%	▲ 26%
2018 to 2020	▲ 300%	▲ 773%	▲ 132%	▲ 110%	▲ 8%	▲ 7%	▲ 76%

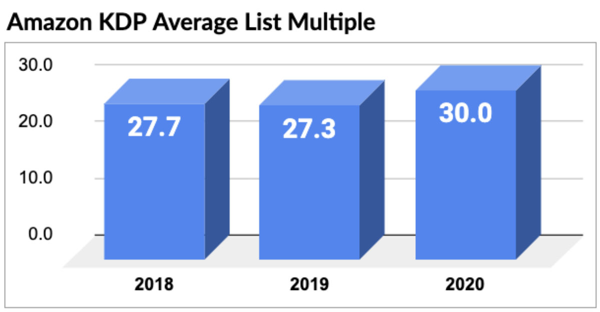
The average list price for KDP businesses was $229,757.55, and the average sales price was $187,824.73. The average list price increased by 90% in 2020 from 2019 and 132% from 2018, while the average sales price increased by 63% from 2019 and 110% from 2018.

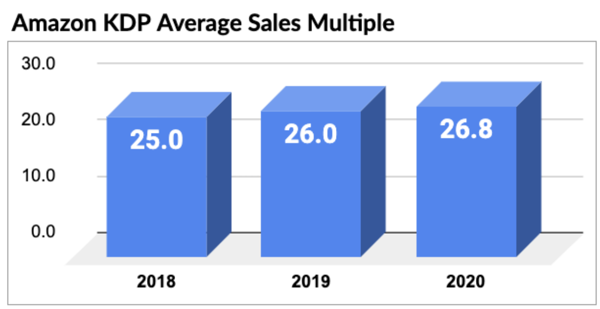
Amazon KDP Average List Price





The average list multiple for KDP businesses in 2020 was 30x, and the average sales multiple was 26.8x. The average list multiple increased by 10% from 2019 and 8% from 2018, while the average sales multiple increased by 3% from 2019 and 7% from 2018.





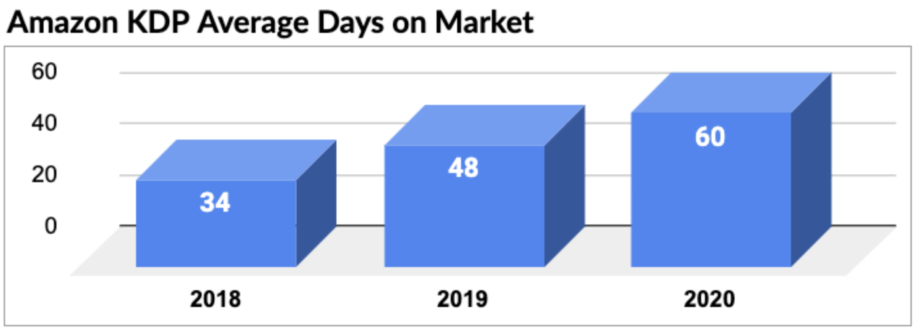
As we can see, multiples for this business model have grown over the years, but not by leaps and bounds as in other business models. What really grew for KDP businesses is their sheer size and the number of businesses actively on the marketplace.

Again, these businesses are probably not actually growing bigger or more valuable; rather, KDP entrepreneurs are realizing that they've built sellable assets that investors will spend money to acquire.

It is difficult to know whether this trend will continue into 2021, as most business models in the Other category tend to hit our marketplace in sporadic bursts. However, the KDP business model has stood the test of time now, for many more years than we've tracked on in our annual report.

It is possible that others running KDP businesses will hear about the profitable exits of the entrepreneurs on our marketplace and decide to put their own digital publishing houses up for sale. If that happens, we expect the multiples to stay relatively similar to those we saw in 2020, though the actual deal sizes could fluctuate.

The average days on the market for a KDP business in 2020 was 60. This is an increase of 26% from 2019 and 76% from 2018. The increase here is not of great concern and likely isn't a trend for KDP businesses. The businesses sold in 2020 were far larger than those in previous years, and there were far more KDP businesses for buyers to choose from. Due diligence takes longer with the less common business models, which also contributes to the high number of days on the market.



Out of the 12 deals we did in 2020, three were made with earnouts. No earnout deals were done on KDP businesses in 2019 or 2018, so this was a bit of a departure. Considering the increased size of these businesses, though, earnouts certainly make sense. The average amount paid upfront in the earnout deals was 82.38% of the sales price.

***Our Little Disclaimer**

As the largest curated marketplace and M&A brokerage in the world for online businesses, 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 had sales prices below $200k. It would be easy for a competitor to look at the statistics above and tell you we only make "smaller deals" or say, "just look at their average deal size." The truth is that we make a lot of deals, both big and small—we just happen to make the most deals, which can skew the data.

Here are two businesses that sold above the average multiple in the ecommerce space with their actual sales price:

- An Amazon KDP business sold for $61,465.00 for 40x
- An Amazon KDP business sold for $59,024 at 34x
- An Amazon KDP business sold for $74,919.00 at 33x

Keep in mind, plenty of businesses sold above the average sales and list prices we're reporting. This little disclaimer is just a reminder that a high-quality business can garner a premium sales price when the owner decides to sell the business.

Opportunities

The opportunities for a KDP business are similar to those of a publishing house. However, unlike a publishing house, a KDP owner usually holds 100% of the royalties for every book published instead of paying a portion of the royalties to a writer. Typically, in this business model, all writers will be ghostwriters paid on a per-project or per-word basis and don't earn any long term royalties.

One of the biggest opportunities is to enter a segment of the book market with voracious readers and scale your stable of writers. Romance and thriller are genres that tend to have the most voracious readers, who are used to and even want to read formulaic novels similar to the one they have just finished reading. This means you can create an effective outlining and plot system that hits the same emotional beats every time, and your writers can be trained to write effectively the same story in a singular voice with different contexts. By creating a stable of highly productive writers, you will be able to scale your book catalog to this voracious group of readers.

Another major opportunity for KDP entrepreneurs to explore marketplaces outside of Amazon. There are many digital book stores, and each can bring new audiences that may not have found you if you had stayed with just Amazon. For instance, in 2020, Apple Books became a major revenue driver for many indie writers and publishers, competing even with Amazon.

Focus on building catalogs of books based around a single, well-reviewed pen name to build a solid core audience. Once you have enough books in the catalog, you can use several tricks of the trade to grow your revenue. The easiest of these tricks is simply to write a series and offer the first book for free to drive the series' readership. Another is to sell similar stories or books in a series as a bundle.

For KDP entrepreneurs who are doing a high volume of sales, it is likely worthwhile to expand into audiobooks and even print books. Audiobooks are trending upwards in popularity, offering a solid revenue opportunity. Print books tend to be too expensive and low profit for most writers who use a print-on-demand solution like Createspace. However, there is nothing stopping an ambitious KDP entrepreneur from finding the factories that traditional publishing houses use to print books and printing their own books. Several indie writers have done this, effectively creating an FBA business out of their novels this way, with far more handsome margins than they would achieve with a print-on-demand service.

If you find a particular pen name doing extraordinarily well with a ravenous fan base, consider expanding into merch related to the books or selling limited print editions of the highest selling books.

Finally, consider selling your books directly on your website to obtain the highest possible royalties. Keep in mind that this will create a lot of extra work, as you will not benefit from the marketing aid that other marketplaces give you. However, you will keep almost 100% of the sales price of the books. This can be an excellent opportunity if you have built and retained a strong email newsletter.

Risks

The biggest risk to Amazon KDP is that Amazon could remove the program, ban your account, or lower the royalties they pay out to publishers. It is unlikely that Amazon would ever remove the Kindle program, considering that Kindle fits into their family of devices and that Amazon has invested heavily in creating a book publishing arm. However, it could happen.

More likely are tweaks to how much you get paid. Amazon has been steadfast in the royalty percentages they pay writers, but what has changed over the years is how their Kindle Unlimited (KU) program changed commissions from simple royalties paid on the sale of a book, to also allowing you to earn money based on how many pages people read if you're using the KU program. Amazon could launch other new changes or features that change the economics of running a KDP business.

The best way to mitigate Amazon's changeability is twofold: going wide and email marketing. If you decide to sell on marketplaces outside of Amazon (going wide), then you can mitigate potential risk of changes Amazon makes. Of course, this brings the tradeoff of being able to participate in the Kindle Unlimited program.

Email marketing, as has been a theme throughout this report, can also mitigate this risk. By building a solid email newsletter to send to fans of your books, you will be able to cultivate your own traffic. Not only can a newsletter mitigate potential risks, such as diminishing organic traffic from Amazon to your books, but it can also spur growth for your book business if you do decide to go wide or start selling your books directly from your website.

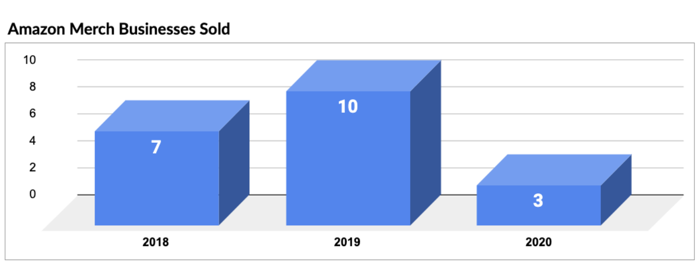
Amazon Merch

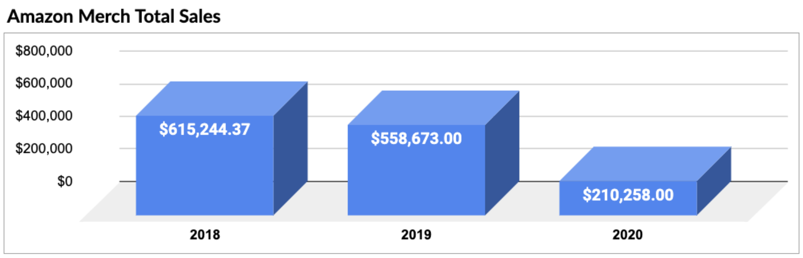
Amazon Merch is Amazon's print-on-demand service for a variety of products, though primarily for t-shirts. An entrepreneur can create a design, upload it to their Merch account, and, every time someone buys the shirt, Amazon prints the shirt from their factory and fulfills the order on behalf of the entrepreneur.

Amazon Merch originally began as a way for game designers and artists to cash in on their intellectual property by selling merch to their fans. It soon evolved to entrepreneurs creating general designs unrelated to any game or other piece of intellectual property, and many entrepreneurs have used this program to build full-blown businesses.

In 2020, we sold three Amazon Merch businesses for a total of $210,258.00, representing just 0.26% of our marketplace. This is a decrease of 73% in the number of businesses sold from 2019 and 25% from 2018. The total sales decreased by 62% from 2019 and 66% from 2018.

This decrease doesn't have to do with the popularity of the business model but rather the difficulty of setting up an account. Amazon has limited who can be approved for a Merch account due to overwhelming demand, which meant that they couldn't keep up with the entrepreneurs creating the designs. Because of this, fewer entrepreneurs are building out new Merch businesses every year, which of course translates to fewer opportunities to buy or sell a Merch business.



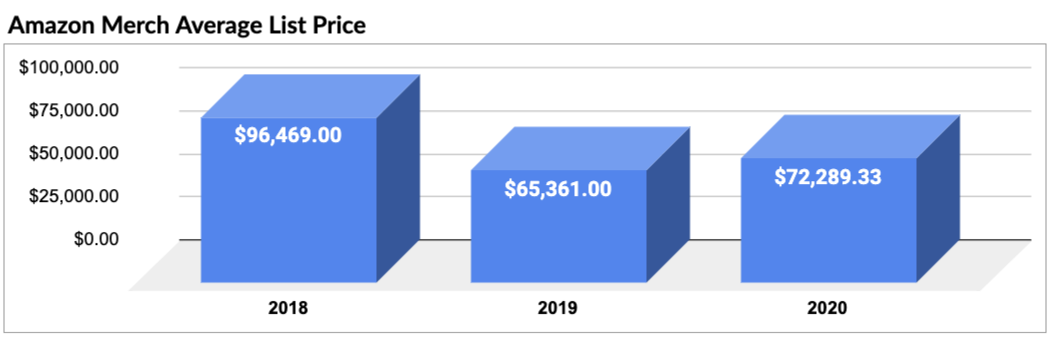


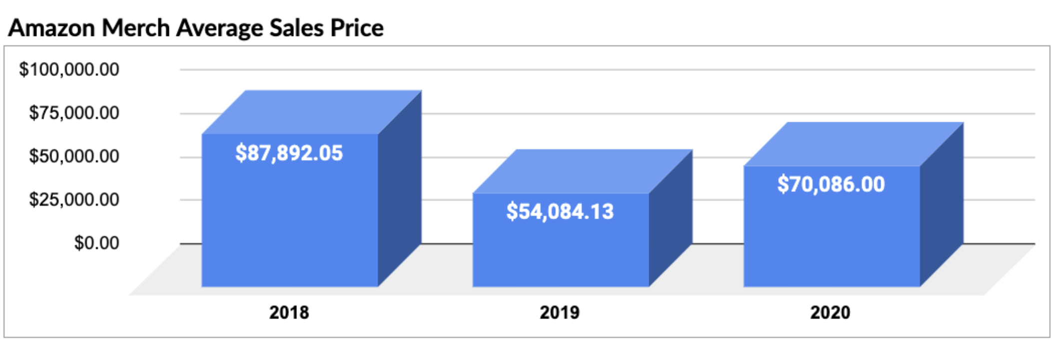
Quick Snapshot

Amazon Merch Quick Snapshot

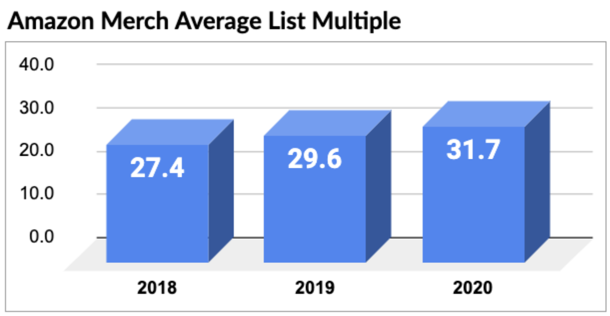
Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	7	$615,244.37	$96,469.00	$87,892.05	27.4	26.0	36
2019	10	$558,673.00	$65,361.00	$54,084.13	29.6	26.0	54
2020	3	$210,258.00	$72,289.33	$70,086.00	31.7	30.3	138
2019 to 2020	▼ -70%	▼ -62%	▲ 11%	▲ 30%	▲ 7%	▲ 17%	▲ 154%
2018 to 2020	▼ -57%	▼ -66%	▼ -25%	▼ -20%	▲ 15%	▲ 17%	▲ 285%

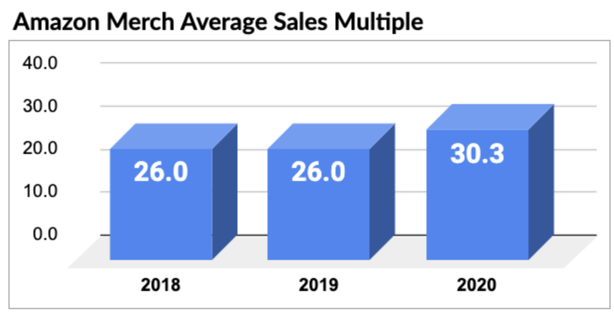
The average list price for Amazon Merch businesses in 2020 was $72,289.33, and the average sales price was $70,086.00. The average list price grew by 11% from 2019 and decreased by 25% from 2018. The average sales price grew by 30% and decreased by 20% from 2018.





The average list multiple in 2020 was 31.7x, and the average sales multiple was 30.3x. The average list multiple increased by 7% from 2019 and by 15% from 2018, and the average sales multiple increased by 17% from 2019 and 2018.

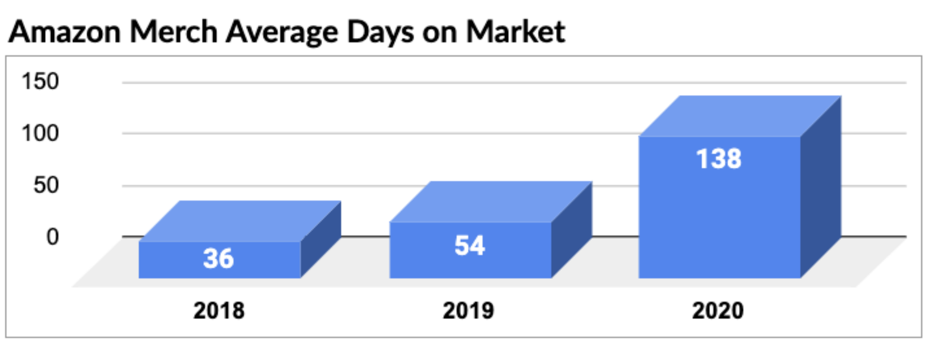




Considering how difficult it can be to set up a Merch account in 2020, it is not terribly surprising to see the actual sales multiple grow so much. If Amazon's gatekeeping on new Merch accounts remains strict, multiples could grow further for Amazon Merch due to restricted supply.

We may see much bigger Merch businesses come onto the marketplace in 2021, but more likely, the Merch businesses will remain of a similar size. Many Merch entrepreneurs use this as a side hustle rather than making it their main business, so they typically do not get the same amount of attention from buyers as Amazon Associates or Amazon FBA businesses.

The average days on market for Merch businesses in 2020 was 138 days. This is a 154% increase from 2019 and a 285% increase from 2018. This huge rise in time on market is likely due to Merch's dwindling popularity. Merch became a fairly popular business model for a brief moment around 2017–2018. It was right around the end of 2018 when Amazon started restricting new accounts in a bigger way, which stemmed Merch's popularity from growing in leaps and bounds.



This means that by 2020, Merch had become more of an esoteric business model that not many people knew much about. As with many other businesses in the Other category, this leads to longer sales cycles as buyers increase their time spent conducting due diligence on the business. Because it is not as well known as others, many buyers simply never search the marketplace for this style of business and instead stick to the more popular business models like FBA and content sites.

However, there is also a chance that because we only had three of these businesses in 2020, there may have been other reasons more individual to each business that brought up this average as well.

Of the three Merch deals we did in 2020, one of them had an earnout that had 83.85% of the upfront sales price paid by the buyer.

Opportunities

Because Merch works with a tiered system, where you need to create a certain amount of sales in order to have extra design slots (i.e., more products you can sell), there is a solid opportunity to buy a Merch account that is already built up to the maximum tiers. In some cases, this can be the difference of being able to sell from 10 to over 500 different designs, and Merch accounts that are high-volume sellers will often get early access to new features of the Merch program.

Many Merch businesses rely on Amazon organic traffic to drive almost 100% of their sales. They do this by focusing on long-tail keywords to find a market already searching for what they are selling. It is often the keyword research that dictates the type of design the entrepreneur will pursue. Overall, this is a great strategy for a more passive, hands-off income generator.

Merch can be an excellent side hustle or extra revenue stream for other types of businesses with solid brands. If you are building out an ecommerce store or even a content site and have cultivated an engaged audience that loves what you're doing, then there is a solid chance to use Merch to create custom designs centered on your brand and market this to your audience to increase revenue. This can work with content, ecommerce, or even KDP businesses.

Testing new designs on a weekly or monthly basis is an excellent way to grow your monthly income. If a design isn't selling within 7–10 days, then it would be a good idea to take down and fill that design slot with a brand new design. Creating a systematic process to do this can help you maximize your Merch revenue.

Risks

The biggest critical point of failure for Merch is Amazon itself. It is very difficult to mitigate Amazon's risk by moving this type of business off of Amazon considering it is Amazon creating and fulfilling the actual products. Amazon will almost always play a central role. You could export the designs to other print-on-demand merch services, but those will be so different from Merch as to be a different business model completely.

Unlike with Amazon FBA, there is a far greater risk that Amazon will change the Merch program dramatically or even shut it down. This is a very small arm of Amazon that is still in its infancy. The chance of them closing shop or making it not as lucrative as it once was is a real risk. We have already seen them clamp down hard when they made getting a new Merch account so difficult a couple years ago. Of course, they did this because the program grew too popular too quick for Amazon to keep up, but it shows that they are more willing to make dramatic changes to this arm of their business than many others such as KDP or the FBA programs.

It is difficult to mitigate any of these risks because of the inherent reliance on Amazon without expanding into a different business model using your designs.

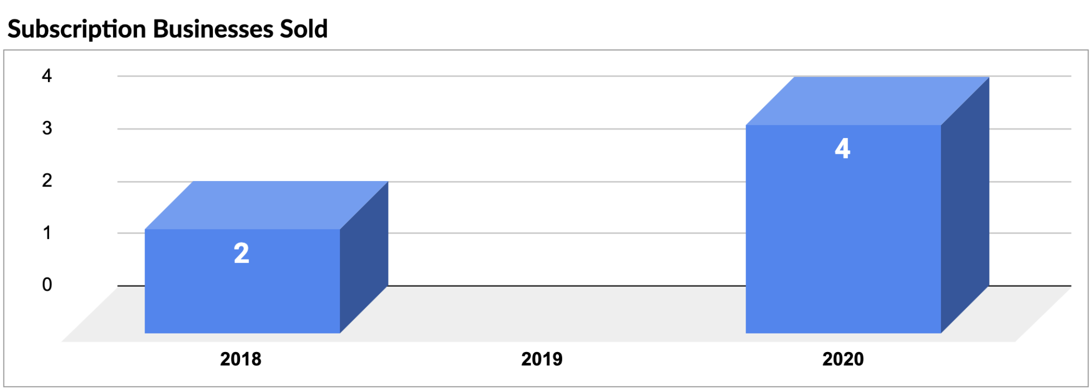
Subscription

A subscription business is where a customer subscribes and pays for a product or service on a monthly basis. Unlike SaaS, this is usually a B2C rather than a B2B company. There is often a crossover with ecommerce in this business model due to the majority of subscription businesses being packaged goods that get sent to the customer once per month, such as specialty wine, razor blades, or some other consumable item.

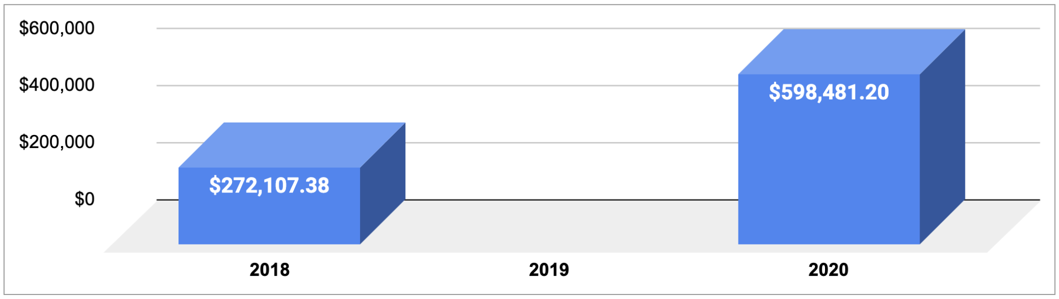
We may eventually move the subscription business model into the ecommerce category if we see this trend continuing, but there are subscription businesses without physical components as well that serve digital products.

In 2020, we sold four subscription businesses for a total of $598,481.20, representing 0.73% of our total sales amount.

As you can see, this is a fairly rare type of business for us to sell; we sold none of them in 2019. Therefore, we will only compare 2020 and 2018.



Subscription Total Sales



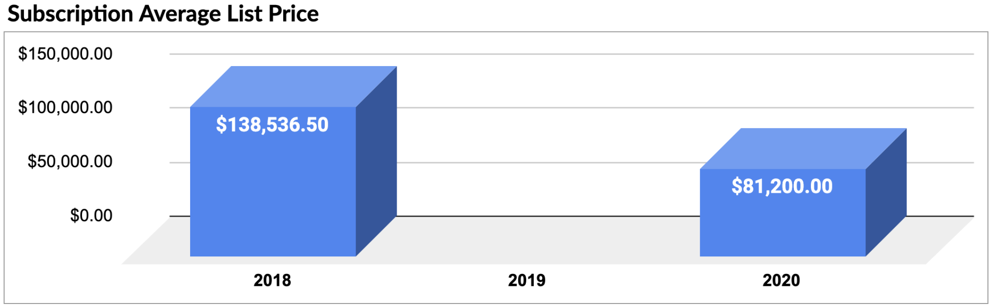
Quick Snapshot

Subscription Quick Snapshot

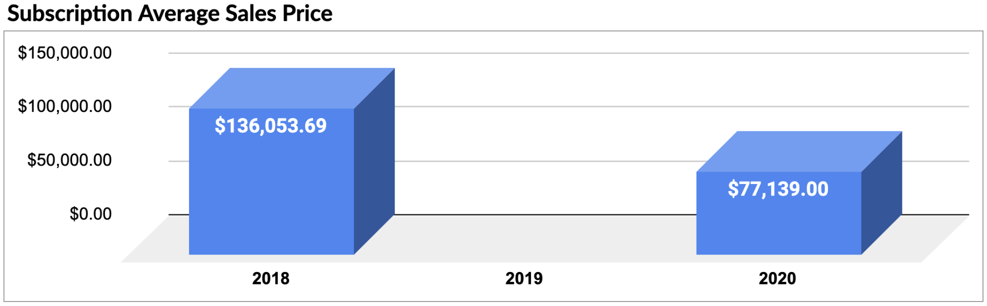
Year	# Sold	Total Sales	Avg. List Price	Avg. Sale Price	Avg. List Multiple	Avg. Sales Multiple	Avg. Days on Market
2018	2	$272,107.38	$138,536.50	$136,053.69	28.0	26.5	65
2019							
2020	4	$598,481.20	$81,200.00	$77,139.00	30.0	29.0	61
2019 to 2020							
2018 to 2020	▲ 100%	▲ 120%	▼ -41%	▼ -43%	▲ 7%	▲ 9%	▼ -7%

The average list price for the subscription business model was $81,200.00 and the average sales price was $77,139.00 in 2020. The average list price decreased by 41% and average sales price decreased by 43% from 2018.

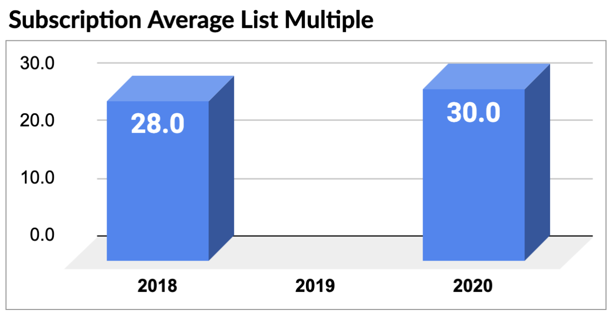
Subscription Average List Price

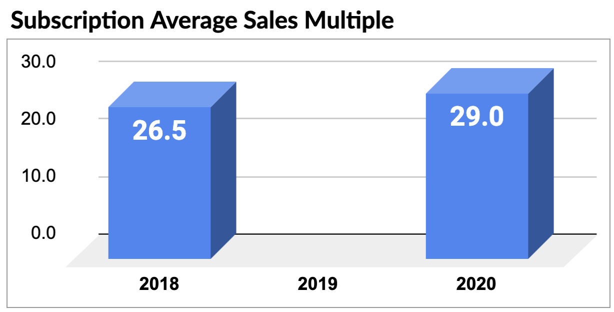


Subscription Average Sales Price



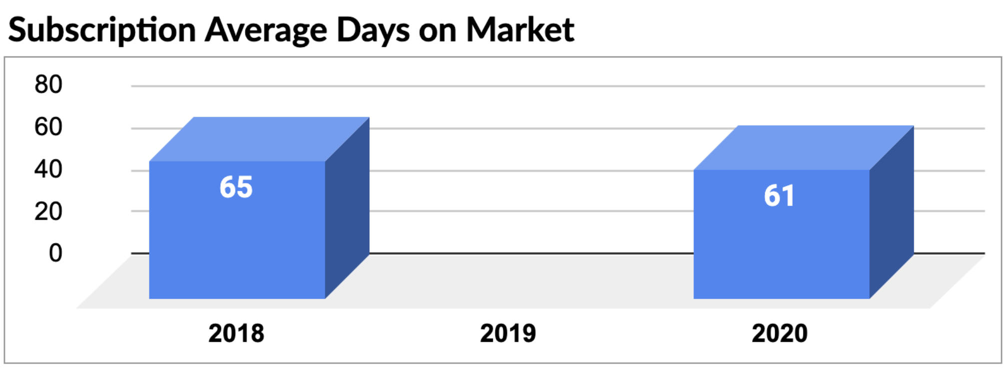
The average list multiple in 2020 was 30x, and the average sales multiple was 29x. The average list multiple increased by 7% and the sales multiple by 9% from 2018.





While multiples increased in accordance with the general trend of digital asset valuations increasing, the actual size of these businesses decreased. Subscription businesses can be notoriously hard to scale. What looks like a fantastic monthly recurring revenue (MRR) producing business from the outside might become a business with customers constantly churning depending on the product you're delivering to them. Because of this high churn, it can be quite difficult to scale the business in meaningful ways.

The average days on the marketplace for this business model was 61 days.This is a 7% decrease from 2018, though the sample size of businesses is small. Subscription businesses, especially ones featuring ecommerce aspects, have many moving parts and thus can take longer to sell.



In 2020, out of the four businesses we sold, one of them had an earnout with just 45.45% of the sales price paid upfront. This is due to these businesses tending to be a bit unstable with high churn; the savvy buyer likely did earnout using milestone payments and other terms to help protect their capital expenditure while taking over the business.

Opportunities

The biggest opportunity of this type of business, but also the most challenging to accomplish, is reducing the churn of your customers. This can be a struggle and will likely involve different things for different businesses. A business sending out specialty wine, for instance, will likely need to take a different tactic than, say, a business sending out cheap razor blades every month.

One opportunity that may exist here is expanding the products you offer and allowing for more traditional ecommerce operations to take place with these items rather than selling them on a subscription basis. Considering that typically only consumable products work with a subscription, this can be a solid way to increase the LTV of your customers via upsells on one-time only purchases.

As with most business models, your email marketing should be a top priority. You will want to double down on nurturing an authentic relationship with your target audience so that they want to continue their subscription with you. Split testing pricing can also become an important part of the equation. You want the pricing to be just right—where it provides a solid profit margin for you, feels like a good deal to the customer, and is ideally low enough for the consumer to find it more of a hassle to cancel the subscription than to simply keep receiving something they like every month.

Risks

The biggest risk to this type of business is the churn. Most consumable products are commodities easily obtained at a variety of stores. You will find that people who are dedicated to buying something every month are in the minority of consumers, and so your target audience is likely smaller than that of running a more traditional ecommerce store selling the same product. Because of the commodity aspect, you will have steep competition with all the other stores that sell similar products.

If you go for a more artisanal approach, where your subscription box provides an experience to the consumer, then you run the risk of simply running out of experiences to offer them. You need to keep this fresh and engaging, which can be a major task in of itself to make sure the subscribers still think the service is worthwhile rather than growing tired of it after the novelty has worn off.

Section 3: Buying and Selling Myths Debunked

Now that we've reviewed our general report, it's time to introduce the 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 apply to a specific business model rather than all business models. Still, this should help you better understand the M&A online business landscape, whether you're planning to become a seller or a buyer.

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

Brokers Only Send Emails 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 driven due to a few companies trying to disrupt the industry with "new" buying and selling schemes that have actually been around for years in some shape or form.

In 2020, we saw one of these schemes involving marketing ploys to tear down the value of an M&A broker by offering "no commissions" paid by the seller. Instead, these schemes charged buyers a variety of fees. This business model quickly broke down, as we expected it to, and ironically most of them turned into a broker charging sellers commissions.

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

While we want to succeed and be #1, we also genuinely want everyone to succeed, and we think there is plenty of room for competition. Still, new schemes like what we saw in 2020 might pop up again, and they worry us. We aren't worried from a competition perspective but rather for new buyers and sellers, as they could experience some nightmarish outcomes if they're unfortunate when using these new companies, as these types of setups don't usually have all the safety measures more reputable M&A brokers have in place.

These kinds of companies tend to be short-lived or, once they experience the difficulty of brokering a business, they become more traditional brokerages. They often take shortcuts with legal processes and other aspects of selling a business, which can lead to some bad consequences for people starting out as a first-time buyer or first-time seller. There can also be good outcomes here for a buyer or seller; we just caution you to be extra careful when dealing with these types of 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. 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, 7-figure, or 8-figure business like [we do on our marketplace.] Such trust isn't usually built through 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 get a high-networth individual to trust your brand enough to pull the trigger on buying a multiple seven-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 for the subscriber to actually become 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 use their email list to drive initial interest in a business for sale, it is worth considering the investment that goes into building the value of that list. Considering we get from 100–180 new businesses wanting to sell on our marketplace per week, and well over 700 people every week unlocking 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 and hoping 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. You should 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 or buying a business. You can do it yourself, of course, and you could even use the schemes mentioned earlier to avoid paying a commission completely. Our only advice here is that if you do decide to go the non-broker route, 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 well-oiled deal selling machine we've built, 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.

Alternatively, you can register for a free Empire Flippers marketplace account here if you're interested in acquiring businesses.

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 big-picture tasks, such as SEO outreach campaigns or building your marketing automation.

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

Reddit.com

Reddit is a vast online forum. It also has subforums, 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 one or more subreddits that pertain to your niche. Here, you can reach out to the mod of a subreddit to post a job and likely find quite a few passionate writers.

ProBlogger.com and 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 isn't available 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 very active with passionate people in just 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.

While this is especially relevant for content businesses, the idea of needing to be an expert in a niche holds up in other business models as well. Whether you're acquiring an FBA business or something else, niche knowledge usually is not going to make or break your business. Of course, having some knowledge can be helpful and will allow you to spot more opportunities than someone without that knowledge. However, rather than being obsessed over a niche, it is often better to be passionate about the systems and processes related to the business model you've chosen to work in.

Mastering the frameworks of running the business model puts you in a good position to acquire, run, and potentially scale the businesses in your portfolio even with minimal knowledge of the niche itself.

There are some exceptions to this rule of course, such as with SaaS or most B2B businesses. In this case, it can be very helpful to know and understand the niche, as these products tend to have more complex sales cycles than, say, a traditional ecommerce or content business.

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 decide against it because they feel like they don't have a good enough grasp of the business model. However, 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 significant number 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 the business works.

If you want to feel extra comfortable before buying a business, then we suggest taking a course relevant to that business model. You could take a course about SEO, Amazon FBA, or whichever specific part of the online business that is the root of these doubts.

As you delve deeper into digital assets, you'll quickly realize 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 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.

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 be valued at. Even when you have all the same cursory statistics across two different businesses, such as revenue or traffic, those businesses 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 make your business more attractive to potential buyers and get a better valuation.

If you are comparing multiples across brokerages, keep in mind that we price most things based on a monthly EBITDA. Other brokers will be using the TTM. If you convert all of our pricing windows to the TTM formula, you will find that not only are we a more competitive broker than our competition, but we also tend to price things so there are minimal differences between your sales and list price. This report is quite long, so you might have skipped over it, but if you are wondering what our TTM valuations look like across all business models, just go back up to Section 2. We have a graphic that shows the TTM for all business models in a single snapshot and explains TTM in more depth there.

Thinking Price is the Only Way to Identify 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 identify an undervalued business.

As a savvy buyer, you need to consider multiple facets of the deal, not just the sales price. These various elements tell 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

Knowing that one of these elements has 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 has never been used, that deal might be significantly better because there is so much growth to go after.

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: 2021 Industry Predictions

It is always difficult to say where things might be going.

This is especially true when it comes to online business that, by its very nature, changes quicker than most other industries. Internet marketing, online commerce, and so on are constantly evolving and, thus, any prediction is aiming at a fast-moving target.

Still, it’s fun to dust off the old crystal ball and take a look.

That is exactly what this section is all about. But before we get into the predictions for the future, let’s see how well we predicted the last year.

Here are the predictions we made for 2020

Seller Market Multiples Continue to Rise

It is funny that last year we viewed the increase to multiples as a sign that we had entered a seller’s market. When you compare the vast increase to multiples in 2020, it makes 2019 seem like an amazing buyer’s market.

But this prediction was absolutely correct because we saw multiples rise in staggering ways in 2020.

One interesting note here is that our original 2019 prediction suggested that rising multiples would be reliant on the economy staying strong.

In this aspect, we were pretty wrong.

The pandemic that has stalked the world for the last year and even now has damaged economies across the globe. The nature of the pandemic itself, however, accelerated the online business world in massive ways. In a sense, we experienced an industry-specific K-shaped recovery. As local brick-and-mortar businesses shuttered, ecommerce stores flourished to never-before-seen heights.

We have a prediction for 2021 that is related to this that we’ll get into below, but first, it is without a shadow of a doubt the best time ever to sell a business. If you want to take advantage of selling your business during this hot market, click here to sell your business.

More Investment Funds Failing and Succeeding in the Space

We predicted there would be far more investment fund entrepreneurs pooling capital or companies raising money to acquire online businesses.

This prediction was 100% accurate.

One interesting note here is that we thought we'd see more of these companies succeed but we also thought we'd see more fail too.

Now, we are likely in a biased position here because we sell businesses to successful funds all the time and probably aren't selling much to ones that aren't successful. Still, we had assumed that at least some of the funds we worked with would fail in some way.

We saw these failures in 2018 and 2019, when there was a ton of hype and chatter about newly formed funds that amounted to almost nothing in the long term. A lot of these initial funds bogged themselves down with complex financing structures and often doomed themselves to failure.

Fortunately, it appears the industry as a whole has learned from these initial and very loud mistakes and has reinvented how investment funds are done. Most successful funds are companies whose entire mission is acquisition, and instead of raising money from individual investors, they target mainly private equity, family offices, and venture capital to get their hands on all the capital they need.

There were some funds that popped up in 2020 that appealed to the individual investor, but our experience is that this is the less common way for funds to operate.

More SaaS Businesses Being Sold on the Marketplace

This was one prediction where we were wrong.

At the end of 2019, we geared up our marketplace and marketing to attract more SaaS entrepreneurs to use our brokerage. Alas, we actually sold fewer SaaS businesses in 2020 than in 2019, despite the effort.

Part of this was likely caused by the difficulty of breaking into this market; there are already many brokers that specialize only in SaaS and have deep connections within the industry. The other issue is that many SaaS founders want valuations that consider selling a business based on potential rather than what profits (if any) they're actually producing. This has been a difficult sort of valuation for us to do, as it is foreign to us to value a business based not on the profit it is generating but on its potential to generate profit.

We are considering looking deeper into revenue-based and pre-revenue valuations vs profit-based for SaaS, but this is still a distant goal and may never happen, meaning SaaS businesses may never become a bigger part of our brokerage until we retool how we approach SaaS valuations.

We still have a massive buyer network for SaaS businesses, and a quality SaaS business is looking to get a 43–65x valuation if they decide to sell with us. Of course, that valuation will be based primarily on net profit, as that is the way we are currently set up.

While we want SaaS entrepreneurs to sell with us, and we believe we can give them an amazing life-changing exit, we are also heavily focused on content and ecommerce, as we are the biggest broker in the world for these businesses.

Our 2021 Predictions

Now, let's look at what we think will happen in 2021.

The Seller's Market Will Continue as Multiples Level Out

The last part of 2020 saw a massive rise in multiples for online businesses, and this has ushered in a seller's market. Right now is the best time there has ever been to sell a profitable online business.

Our prediction is that 2021 will continue to be a seller's market. However, we don't think multiples will grow by leaps and bounds in 2021 like they did in 2020. There might be a slight rise or even a slight decrease as the year progresses. If there is a decrease, it is unlikely the decrease will represent anything close to where multiples were at the start of 2020 or before.

In many ways, this is just online businesses catching up with more traditional brick-and-mortar businesses. Years ago, the two types of businesses had much wider valuation discrepancies, but as we get into 2021 we're seeing this gap closing.

High multiples are here to stay, and the sellers that take advantage of that are going to get paid in dividends.

An Explosion in Ecommerce

Ecommerce has already exploded in dramatic ways within the FBA category. This will continue into 2021 and likely beyond. We think other forms of ecommerce stores will start heating up in a big way too, such as entrepreneurs selling their products via a Shopify or Woocommerce store.

In 2020, many people were forced to pivot their businesses to be primarily online, and many local retailers moved into becoming full-fledged ecommerce stores. Many people founded brand new companies because of the pandemic, and many of these companies are or will become ecommerce brands. By the end of 2021, many of these brands will be able to show enough profit to become sellable assets in their own right.

Another trend here is that very successful FBA businesses are starting to explore more multichannel selling. While most of this exploration is in the Amazon marketplaces of other countries or other large retail marketplaces like Walmart or Target, many of these businesses are starting up a more traditional ecommerce website to sell their products. This is a wise decision as it helps mitigate the risk of being a business built entirely on a single marketplace.

We predict we will see more of these hybrid ecommerce brands leveraging both marketplaces and their own stores and, in general, will see even greater numbers of ecommerce businesses being sold in 2021.

More Eight-Figure Businesses on the Marketplace

In 2020, we sold our first eight-figure business on the marketplace. M&A firms like us face a chicken and egg problem at each price threshold: An entrepreneur wants to sell a business using a broker that has already sold a business similar to theirs. A proven track record goes a long way in convincing an entrepreneur to go with an M&A firm.

It took us eight months to sell our first seven-figure business years ago, and since then, the floodgates have opened up in a big way. Now, it is not uncommon to sell a seven-figure business within one to two months on our marketplace or have them locked up in offers that are about to finish within that time frame. The moment we sold that first seven-figure business, other seven-figure sellers realized we could help them and our buyer network started to rapidly expand their appetite for these businesses.

At the time of this writing, we have more seven-figure businesses live on the marketplace than ever before, and we managed more seven-figure deals than any other online business brokerage in 2020.

Now that we've passed another threshold by selling our first eight-figure business, it is our prediction that we will see more eight-figure businesses in our marketplace. Each one we sell will make selling the next easier, as we refine the process and as our buyer network grows with acquirers seeking businesses of this size.

Influx of New Money

In the past, people buying online businesses tended to be entrepreneurs already running an online business. There have always been newcomers to the space, but most buyers had some kind of experience or background in digital marketing or online business.

In 2020, we saw this change slightly as people started looking for new ways to make money that didn't require leaving their home. We also saw new funds raising immense amounts of capital, sometimes well into the hundreds of millions, to acquire businesses.

In 2021, we think this trend will continue, but there will also be an influx of savvy investors from other sectors, such as real estate, entering our space. Many investors are seeking yield in alternative investments that are resilient against the forces of the pandemic, and 2020 has proven beyond a shadow of a doubt that digital assets are *quite resilient.*

The influx of new money will make buying businesses more competitive than they were in the past and could help slightly increase multiples, depending on how fast this influx happens. Sales multiples might be affected, but we are even more confident that earnouts will be affected.

Earnouts are an incredibly useful tool, but only if you're not up against cash buyers. For the last two years, anything in the $200k range (and sometimes even the $300k range) has been highly competitive, with many all-cash buyers. It is exceedingly rare to get a seller to agree to an earnout on anything below $100k, and you'll most likely lose out on the deal due to someone willing to pay full price.

The influx of new money may lift the "no earnout zone" firmly into the $300k and under range, depending on the influx we see.

This is great news to sellers, as they'll be able to field more offers looking to acquire their brands. However, this will also mean buyers will have to become more savvy in terms of how they structure deals. Earnouts could become less common in the smaller price ranges for businesses, and the total amount of earnout you can do may also decrease even in the higher priced businesses in the $300k–700k range.

There's Only One Thing Left to Do…

You've read the entire report!

Hopefully, you've found a lot of valuable 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…

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

We can help you plan your exit or plan your acquisition through one of our criteria discovery calls. Or both, if you want to be a seller and a buyer.

These calls are performed by our team of top-notch business advisers who are in the day-to-day trenches of buying and selling businesses. We've had many friends who found these calls 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 Discovery Call

Click Here to Schedule an Exit Planning Call

If you thought this report was valuable, we'd love it if you'd share it with your peers.

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Feel free to email your peers, share on social media, and tell us your thoughts on where the industry is going.

If you want to share on social media, you can also click one of the icons below to make it easier:

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That’s a wrap!

Here’s to another amazing year. Hopefully, this year will be your best one yet, regardless of your goals. When you are ready to buy or sell a business, we’ll be ready to help you every step of the way.

All the best,

Gregory Elfrink
Director of Marketing
EmpireFlippers.com