



## **Buying a Business Versus Starting a Business With Sophie Howard**

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Torn between buying a business vs starting one? Sophie Howard shares her experiences and strategies from building an impressive business portfolio.



**Sophie Howard**

**James:** James Schramko here. Welcome back to my podcast. This is episode 1036. And I'm very, very excited about today's episode, we're chatting with Sophie Howard. Welcome, Sophie.

**Sophie:** Thank you, James. Great to be here.

**James:** Well, we have so many chats that today will be a little bit like eavesdropping in on one of our chats, because we always have this great back and forth. I've been chatting to you for many years now, actually. And I really enjoy it. You are an absolute dynamo, you're one of the most active people I know, and you are so good at everything you touch.

I think this will be a real treat for our audience, because you've got this vast experience. I feel like it's dog years, for every year you do online marketing, it's probably what would take someone 10 years, you're just so fast and prolific. So I'm excited.

**Sophie:** Oh, thank you. Those are very kind words. I do fail on quite a lot of things for the small number that do work out. So I've definitely worked pretty hard and fast on different ideas I have. But yeah, I really, really enjoy this whole world of online business. I've been having a blast for about 10 years doing this now. So lots of war stories, but some really good wins as well.

### **A familiar online presence?**

**James:** Now, some people might think, oh, gosh, I recognize that voice. I've seen that face before. You're definitely all over my YouTube feed. You've been doing a lot of promotions, you've had some partners with various things. From what I can remember of the story, you were doing your own stuff, you had a course or something and then someone tapped you on the shoulder and said, Do you want us to sort of magnify this? And you've been teaching various business models. Should we just start with that, just so that we can pick up from where we've seen you before?

**Sophie:** Yeah, sure. So it was probably 10 years ago, I was selling on Amazon and had a really good run picking good products on FBA, as everyone was doing back in the 2012, 2013 or so. And so, I started a little community where people were picking my brains mainly with the product selection bit, I'm rubbish at the paid ads or the inventory and shipping admin bits. But I was quite good at finding products and building those brands. And I sold one.

So I have been working with that partner ever since. So we've moved on more from straight products and education around that. And they really blew up my little homegrown community into this very lovely machine of really high quality, fully comprehensive training and a whole team of specialist coaches working with me.

So we've done Amazon FBA, and now doing Kindle publishing, which has been really good. And I'm still really busy publishing about a book a week at the moment. So the Kindle game is still going strong. And I've got some great students who are learning the ropes on that strategy. And that's been really good. So we've been doing that for most of eight years now together, and it's been a great relationship.

## **A constantly growing portfolio**

**James:** Great. And you've seen so much and built so many skills in that time. One of our sort of running jokes is every time I see you, I ask you which businesses have you bought lately, right? You're constantly tuning, adding to your portfolio, sifting out the marketplace, as I feel like you've identified a lot of the potential supply.

You've got good filters and metrics in terms of what to buy or not to buy. You plug in your existing team and start growing these businesses. And I think the story here is that instead of starting new things from scratch these days, you seem to be picking up existing businesses and then tuning them. Is that your preference now?

**Sophie:** Yes. So during the lockdown when I was busy publishing nonfiction books, I could see that the people that published fiction books were really, really smashing the sales, and when they do a launch, they sell thousands and thousands and thousands of copies to my hundreds of copies of something. They were like 10 times, if not 100 times more the volume, and I couldn't really unpick it from the outside because I'm not a fiction author.

And so, I bought a fiction business of Empire Flippers to basically inherit a writing team, and to understand these weird and wonderful newsletter swaps they do. And they're such a nerdy, purist, bunch of authors that write the books and do all the creative side. But they've actually built these really clever marketing machines where they will kind of cross promote. And so, I couldn't really build that from scratch from the outside. But I wanted to learn how fiction works and also to see if the fiction marketing stuff could be applied to the nonfiction. They're two completely unrelated communities, even though we both sell lots of books on Amazon.

So I bought this little - well, it wasn't so little, it was quite a big business, it was doing a book a month, had two full time writers who were on Upwork, and it had this lady who coordinated all the swaps with all the other authors with their list of readers. So when everybody launches, you get your turn each month of the year, or each week of the month, where all those readers flood to your new release and give you ranking and reviews - so I bought that more to learn how to run the operations, and to fast track building a fiction team, because I couldn't do it myself.

And so, the cashflow kept cranking. And that was great. But the best thing was, I just suddenly had this whole new business I fully owned, I didn't need to train anyone, I didn't need to recruit anyone, someone just shared a Dropbox folder with all the standard operating procedures, I could see ways to grow it, I could sort of cross pollinate some of the things they were doing with some of the things I was doing.

We kept all the team, and they're still going strong today. They're all still working for me, this is three years ago now. And so, it kicked out more cash. The asking price, I think for that one, was 410K, which was a lot. But I got it for mid twos and negotiated pretty hard. Did a nice, clean handover, and it's been a really good investment.

So it's taught me a lot, it's built a team that's really, really productive. They already knew what they were doing. They've taught me a lot. And so, it wasn't quite set and forget. But it's been very easy to add that income stream to the bottom line of what comes in each month. And then I thought, well, that was really good, went really smoothly, the broker kind of de-risked some of the migration part. And I obviously had to do my own assessment of whether it was a quality business.

But on Amazon, you can see the reviews, you can see the ranking, you can see the size of the email lists and the assets, you can see agreements that the writers are happy to stay on with the new owner. And so, it all went pretty well.

So I bought a newsletter business after that. And that kicks out about 90K profit a year. And I literally do nothing.

I get one Skype notification a week telling me what the weekly profit has been and how many new subscribers we have on the list. And again, I bought that with one lady who runs it, she's 20-something dollars an hour, she lives in New Orleans, she's a writer. This is a newsletter service for authors. And that's been fantastic too.

So that was a pretty chunky investment upfront. But the cash flow has been fantastic. It paid itself off in less than two years. And every month I get a really healthy income stream just flowing on from this one decision I made a couple of years ago. So it's been a really good thing. And then I've done smaller ones, and bigger ones, and different business models. And we always compare notes and chat about the latest deal I've done. I've done about 30 now.

## **The typical reasons people sell good businesses**

**James:** Thirty now. And why do people sell these businesses, if they're producing good cash flow? What are the typical selling reasons?

**Sophie:** Well, that's a good question. Because I mean, people sell a car that's still running well, or people sell a secondhand house, they don't buy a house brand new, some people like to be the architect and build their own home or build their dream home and live in it forever. But other people are sort of transitioning through on a path to somewhere else or moving location.

And I guess for business owners, they're usually moving towards something else and need the cash injection. And so, I've certainly, when I have been a cash buyer, they've been very motivated. And it's sort of sussing out the vendor from the first conversation, how motivated they are, of course, and where their cash will make a difference or whether they're happy to finance it.

But I think mostly people have a short attention span, they get bored of churning out a newsletter, or they get their sights set on some other things. So the guy I just bought a business off, he's English, he's a mad keen cyclist, and I've just bought a book subscription business from him. It sells secondhand books on a monthly subscription service. So it's kind of a physical good, but prepaid and kind of almost dropshipped. It's quite a neat model.

And it was valued by Empire Flippers for \$110,000. And I paid 55 for it. And he wants to order some bike wheels from China and do his high-tech mountain bike wheel building thing and sell them to other mad keen mountain bikers. So he just wanted cash for product for his next project that he was really passionate about. And he'd started this subscription business with his brother.

Sometimes when business partners fall out, they just want to cash out and go. So he was a combination, ready to do something different and also really wanted the cash and was really excited for the next thing, so couldn't get his hands on that money fast enough. So that worked in my favor, and it worked for him too. He got a lump of cash and has ordered his wheels.

**James:** Wow, so they fit into various categories, relationship changes, decided that they're on to the next thing and they're just bored with it or they want out of it, or they need the cash for something else, or maybe they're coming to the end of their business tenure and they just want to get paid multiples of what they've built.

As a business seller, I've certainly enjoyed harnessing value from something I created. It was quite an amazing thing. I liked the idea of building the businesses. And I've also bought businesses that were ongoing and then sold them - there was a whole bunch of domains, it was a couple of 100 domains that I bought once with websites. And I did that a couple of times, actually. And one of the domains, I was able to sell for exactly what I paid for the 200 websites.

**Sophie:** Wow. That's fantastic.

## **The skills you'll need to have**

**James:** Yeah. I wonder what kind of skills would you need if you're going to tackle this kind of business model. Clearly, you're good at this stuff. But there's two main objections that I can think of. One would be, what if you don't have much online experience? And two would be, what if you don't have the cash to plunk down on a cash deal? You did reference that some people will lend you the money. I'm wondering how that looks when you're out there in the marketplace?

**Sophie:** Yeah, so there's a lot of different business models out there. And certainly, the businesses I've bought, I need to really understand how they can work. And I don't ever want to be in some kind of holdup situation with some really techy developer team writing some software and some code I've got no clue about, some language I don't know about, couldn't fix it myself, wouldn't know what to recruit to get help if they did a runner, or, you know, let me down in some way.



So I keep the business models really simple. And I look for opportunity to grow them so that - the last one I bought has a .co.uk. and it's only ever operated in the UK, but I can easily just completely replicate that WordPress site into a US version and just hopefully, you know, hopefully 10X it. We'll see how easy that is. But the product's the same, and the whole workflows are the same.



So I like to make sure - there might be a bit of a team with some different skills, there might be a designer here or an analyst there or a creative person. But as long as all those skills are easy to go out and hire again - so WordPress developers are kind of a commodity, somebody doing any kind of admin level thing is pretty trainable, I make sure I get really good standard operating procedures, when I buy the businesses, and I also look to get in writing that the current team will stay. But if they don't, that's fine. As long as I know I can replace them with the training and know what skill set exactly they've got that's made them good at the job so far.

But luckily, actually, I've been really nice to all the teams I've inherited. And they've all stayed with me, I think only one designer left and she was going back to university. And that was an easy patch to fill. So the tech side, I'm really not techie at all, I'm absolutely hopeless. I don't write a word of the WordPress coding, I don't have a clue about design, I don't write a single email newsletter or anything like that.

I just buy working businesses and keep the existing teams. And I've got my own little team here in New Zealand. So there's two girls here, who are both kind of part time hours. And they're both way techier than me. So I can say, Here's the UK WordPress site we've got, we need a .com one, can someone make one and tell me when it's done, and make it work?

And then they plug it into [ActiveCampaign](#), and they plug it into the subscription plugins and all these things, I would not have a clue. So if you're not techie, you'll need to either get some tech help, which could be just a simple, pretty versatile VA with a WordPress type background, or a bit of general digital marketing type background.

But some of the businesses I bought, like the newsletter businesses I've bought, you wouldn't need any tech skills. Somebody does the writing, and then it gets pressed. You know, somebody presses the send button once it's written. And there's no tech at all. There's some links from the affiliate products that go out. And that's it. So they don't all need tech.

## **What are the cash requirements?**

And then your second question, which was a good one, about the cash needed to do this. So I was lucky that COVID was quite good to me, because everyone was looking to upskill with online work-from-home type businesses. So I was in a pretty good cash position when I went and bought that first fiction business.

And then I bought some much smaller ones, I bought some little tiny WordPress sites that I could see had potential to grow. And I would just pay an agency to write the content for those each month. So you buy the pay up front and get the income stream straightaway, which is nice, because you've got a meaningful amount coming in. And you can track it and you pay attention to it because it's a bigger deal.

If you buy a smaller one, the return's obviously very small each month. So you might pay a couple of \$1,000 for a starter site on WordPress and maybe it's making, just pick a number, say \$100 a month profit, which is nice, you know, it's working, there's traffic seeing it, all the links working, and the game plan is to grow it, then you would want to work with a content agency who would do some really good thorough SEO, some search engine optimization research, I don't do that myself. And then some really good writing teams.

So the writing side has been interesting lately because of all the AI tools shaking up the world of copywriters, sorry, content writers and copywriters, but my content teams have really sort of split, some are going really purist about doing great human-only copy. And the other half are kind of jumping on the AI hybrid model. And then the ones that didn't either have gone under, actually two companies I know have gone under content agencies.

So I don't do any of the tech myself. And I don't do any of the writing myself. And so, if you start small, you do need to be prepared to set aside some ongoing investment into getting that content written so that over time, you've got more posts on the sites, more good links, and more good keywords.

So it's just getting that volume of Google traffic, seeing the site and clicking on links and seeing adverts, which is ultimately the way most of these websites earn money. So WordPress sites, blog posts, affiliate links, and ads, would be the sort of the simplest model you could do. Or maybe newsletters would be the simple ones that you could start small.

**James:** Would you say some of the vendors will sell it to you and finance some of the sale but you pay more?

**Sophie:** Yes. So the last one I did had a sort of a partial vendor finance, but a pretty hefty lump up front. Definitely, it does get a bit messy on escrow. So when you pay for these businesses, there's like a third party neutral agency in the middle called escrow, which handles your money. So you pay them, they sit on the money, and then they release the funds when you're happy, you've received all the website and all its assets that you were promised.

But when you do a vendor finance one, where the vendor is basically letting you pay in installments, which is very nice for your cash flow, the downside there is usually the domain isn't released till the very end. And if you want to do stuff with the site, it gets a bit messy. So I've always - when I've been able to afford it - preferred to do a clean cash deal, and they're usually pretty motivated to really drop the price.

So the going kind of rate in the market is people will ask approximately, if they've got a broker advising them and if the business is in really good shape, the industry standard is about three times the annual net profit. So if you've got a business making 10K profit a year, the asking price will be 30K. So that's really good. I can't think of any other form of investment where you can have a payback period of three years, or a 30 percent rate of return. It's a fantastic return on investment.

But that's just the asking price. And there's some great data out there showing what the actual paid closed deals pricing was. And it's probably a quarter below that. So if you're paying cash, possibly even half the asking price of a three year multiple, that brings it back down to a payback period of a year and a half or so, maybe two years.

So it's pretty quick to pay it back. And if you grow it, you could maybe pay it back sooner and get back to that breakeven point where every business in your portfolio is then just, you know, producing pure profit. So it depends a little bit on your circumstances and how hands-on you want to be, but the way I'm doing it is not very hands-on at all.

## **Hands-on versus total investor**

And anyone I'm helping do this, I assume they're not techie, they're not writing all the blog posts themselves. And really, the tech help and the writing skills are pretty cheap to outsource, and there's some really, really good and skilled people out there who do actually a better job than I could, even if I sat down and tried to learn WordPress or try to write all those articles myself. I couldn't run a portfolio if I was doing it all myself.

**James:** I think it's important because it's what I really like about your model. I'm a lot like you. Not that technical. Whilst it's true that I did build my websites when I started online about 2005, 2006, it's a long time since I did any of that stuff. And I'm not really up with it. And I don't know if you necessarily need that if you're coming at it more from the investor perspective.

I think you've talked about this before, there's the complete do-it-yourselfer who's hands-on with everything. There's the total investor who knows nothing about the tech. Both of them have their strengths, but they also have massive weaknesses. Because the do-it-yourself hands-on person that was me at the beginning. And I didn't pay for courses, I didn't pay anyone else to do stuff. I just tried to learn everything myself. It took me much longer than it needed to.

Then the investor types who are completely oblivious of the tech, they really wouldn't know if the wool's been pulled over them. They wouldn't know how to do due diligence. They wouldn't know how to hire, train, recruit, or manage a team and assemble the mechanics of running this investment. Sounds like you're that sweet spot in the middle of the Venn diagram.

**Sophie:** Yeah, it's definitely a Venn diagram of investors and entrepreneurs. And I think you do naturally need to have a little bit of both to be happy in the middle, because you're putting some serious cash out for a big business. It's a big decision and you've got to sleep at night and not have mortgaged your house.

In fact, another thing is, with these online businesses, you usually can't borrow to buy because there's not enough security for a traditional bank. And I certainly would never recommend anyone goes and stacks up credit cards or takes a loan out against the personal stuff to do this.

**James:** Oh gosh, that's pretty much the MO of most people teaching acquire business model, is to max out their credit cards. It sounds horrifically dangerous.

**Sophie:** Yeah, a lot can go wrong. I'm not going to, you know, mask that.

### **Has anything ever gone wrong?**

**James:** Can you tell us about one that's gone wrong, like, that didn't work out the way you thought it would?

**Sophie:** Oh, I've not had any disasters. I've had a few...

**James:** [laughs] So out of your 30 for 30.

**Sophie:** [laughs] No shockers, everything's on track now.

**James:** Why is that? What are you doing that's different to your average punter? Because I imagine a lot of people, they go off to the marketplace, you've mentioned a couple of resources already, they'll go off there, halfway through the podcast, plunk down a couple of \$1,000. They'll be looking for their couple \$100 a month, and then the thing will just get incinerated. What can go wrong?

**Sophie:** Oh, many things. So this is my favorite subject, because this is what I like, thrive on. If I take my eye off this stuff, I'm going to buy an absolute lemon of a business. So what I'm looking for is something quality with that kind of X factor that's hard to copy. And there's some business models I love and some that I won't touch.

So despite being a big fan of building on Amazon, I will not buy an Amazon FBA business or a Shopify site. I don't like e-commerce. I don't mind a digital product on Shopify, but not physical goods. I've just had too many years of inventory and shipping and warehouses, and a lot of those ones for sale that might be a problem you can't identify.

You don't have good enough tracking on an Amazon FBA business to know, Oh nice, there's 10K profit, but you can't see they've spent a million dollars on Facebook ads to get that. So there's too many gaps in the flow of data on an Amazon business. So I don't buy those. I don't buy anything that's younger than a year old. So I'd like at least one full season of Christmas spikes and summer doldrums and all the cycles of seasons of business.

I don't like anything that will have just had a great streak because of COVID and lock downs. You know, it's a three-year-old business and everybody was buying some fitness app or, you know, learn how to do such and such course. So I keep clear of those. And I love online education. I like sort of evergreen subjects that I have a personal interest in.

So I've bought some sites that have performed really well. I've got one on how to play the guitar, and it costs about 75K. But it's the one of the bigger brokers it was, you know, checked out, it works like a dream. I've added some stuff to it. But I'm not a musician. I can see a guitar in your backdrop there.

**James:** Yeah, it's not mine, just in full disclosure. I don't know how to play more than a couple of chords. But I coach a lot of people in the music industry. And they'll be tuning in real hard to this part, because they've all played gigs, they've all recorded in studios, they've had to do the coaching or sub coaching. And they're very hands on the product side. And they'd be very interested in the business mechanics of how you can do it, not being a guitar teacher.

**Sophie:** Yeah, well, I've hired this amazing guy, a Sicilian, Pietro, who I found on Upwork. And he's done an audio book, he wrote a book for me to add on to that. So the site I bought was a WordPress site that just reviews guitars, it's called the guitarjunkie.com. So it reviews guitars, it's really commercial.

And so, what I'm doing now is rebalancing that pure commercial content to sort of 80% of it now going to be educational teaching people. So because I know about book publishing, I've whipped up a book that's on Amazon - well, Pietro, the guitar teacher has whipped up the book. And he's in lots of bands. And he's a teacher. And he's really passionate about teaching. I mean, you couldn't hire someone who's not passionate to do this stuff.

So he's done a great job of the book. And he's then recorded it as an audiobook. So it's going to be on Audible. And then we can break down those lessons and put those on the site and people could pay a membership, say \$30 a month to access the ongoing lessons, and maybe submit their chords or their songs and get feedback from the coach.

So that's what I bought recently that was sort of growing. But what I learned on that one was that because I'm not that into guitars, and I don't have a clue about the subject, it's harder for me to be creative with ways to grow it, it doesn't quite get to the top of the to-do list because I'm not personally so excited about it.

But the very last one I bought is an online education one, and that I do care about a lot, and I can see such easy wins. I mean, my ability to spot opportunities for that one is so much better. And I know what a good job looks like, if I outsource something. You know, I can't really tell if Pietro's lesson really does teach that chord brilliantly or not. I mean, I have to trust him. And he's got the track record. But it's not close enough to me for me really to do a great job and the quality control.

So there'll be feedback from users no doubt, but that's early days. But I really think from now on, I'm only going to stick to subjects I'm personally really, really interested in. So I'm doing a little content site on discipline for entrepreneurs called dynamic discipline. So that's where I'm sort of growing from a smaller starting base. And then I bought quite a big one, this was the biggest one I've done, this was half a million dollars, whew, New Zealand dollars, a few weeks ago, and this is a big online one.

**James:** It's like \$20,000 US. No, I'm just kidding. [laughs]

**Sophie:** Zealand rubles. Economy's a bit sad right now. [laughs] Yes, the exchange rate was not in my favor for buying. But the good thing is, because the exchange rate is so horrible, you know, if I start earning in US dollars and live here in New Zealand, then things get very rosy very quickly, which is nice.

But yeah, it's actually really a good thing to be detached from the local economy. I just can, I've got this UK income, and then the US. So I feel quite sort of robust with this portfolio. I'm not exposed to one big Amazon account.

**James:** Well, you know, you're singing from the same hymn book as me. I like having diverse pillars of income. I have a global marketplace that I'm participating in. That's why I went .com US dollar from day one.

**Sophie:** Yeah. Me, too.

**James:** And also, I like having a portfolio. Even though I'm doing some slightly different stuff with the rev share deals, I have a portfolio of partners in different industries, in different locations. And together, that's power.

## **Building on your passion**

I'm also - just want to tie back to your passion level thing - for me, my surfing site is that. When I do board reviews, I actually, because I am a surfer and I do own the boards and surf them, I can talk with authority that is authentic, and I know the content is good. And I'm inspired when I make a YouTube video or something on the side and the shaper gets in touch with me, and says, Oh, I love that review you did of the board, maybe it's all your podcasting skills or whatever. And I feel like that was special. Because if those people accept that it's legit, then a surfer's got nothing to complain about.

**Sophie:** Yeah, it's great for the person about to buy the board. It's also really good from a business point of view. Because as Google has to battle all this just junky, AI-generated content, the real people with real opinions with a real product in their hand and a real video are going to just be the ones still standing when everything else is just, bluetooth speaker reviews.



**James:** A hundred percent. This is how we navigate this era. I'm so bold about this that I've made the whole positioning of my own coaching now is the mentoring aspect. It's the human experience that I've had that I'm helping with the people coming through, the mentees are going to be able to gain knowledge from that experience.

It's not typing in a chat pad or a question bot. And I also feel that maybe training and courses may be a little less special, because I think you can teach yourself a lot of things with AI now. But it's hard to get that guide or that extra person. So I imagine, with each of your business models, there'll be elements, that X factor you're looking for sometimes might involve components that are beyond just an eBook, I suppose.

**Sophie:** Yeah, yeah, I've definitely like that video content. I like having it on - I like selling through platforms where I'm not sort of over a barrel with that big platform. So if I'm reliant on Facebook ads...

**James:** Oh, [Own The Racecourse](#). I agree.

**Sophie:** I don't have anything that's sold through Facebook ads. I don't do any social media at all, actually, on any of my businesses. I love a newsletter.

## **The stuff that's working**

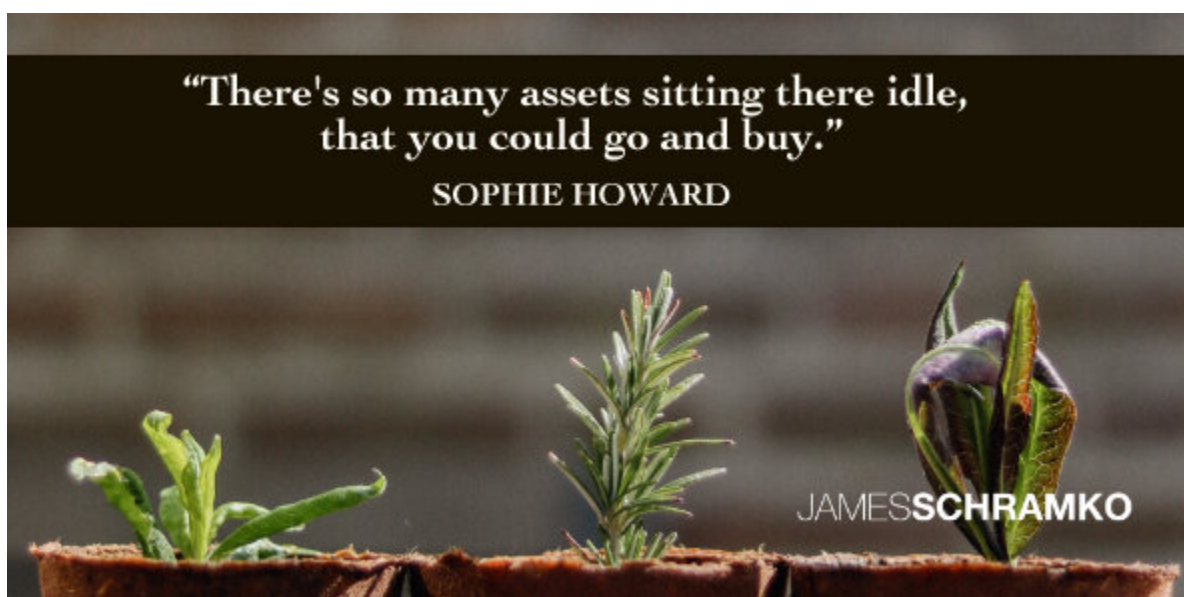
**James:** So you're very strong with SEO, right? You're SEO first, is that your...

**Sophie:** Possibly email list. So probably the best deal I've done was the newsletter that makes that 90K a year, it paid itself off in less than two years. It's so passive. It's so low tech. I've got access to all those reader's inboxes every day. So that's a good one. But yeah, the WordPress sites with just good ranking.

So quality articles that have been kept up to date, and I can continue keeping them up to date because I'm genuinely interested in the subject. They're really good ones for me, and I'll do a YouTube channel just sort of as a backup for it. But I certainly don't want to be paying for Facebook ads or doing TikTok videos. I can't think of anything worse.

**James:** Well, I just did a video about [why I'm not on TikTok](#). It's hitting a nerve with a few people. Because I think there's a lot of people like us, I'm not going to be doing floss dancing videos on TikTok anytime soon. Well, I'd have to install it on my phone for that.

But the real lesson here is you're leaning to your strengths and the things you know. And if someone was very strong with social media, very outgoing and they were really good with Facebook ads, could they plug in businesses and take them to the next stage using those techniques?



**Sophie:** Oh, absolutely. There's so many sort of abandoned social media channels that have been started but not properly monetized. If you've got that Venn Diagram of social media background and commercially savvy, you're away. There's so many assets sitting there idle, that you could go and buy.

## Navigating the big platforms

So while I buy a lot of stuff through the commercial broker sites, I've also bought whole big Facebook communities and email lists just by approaching the people that run whichever communities they are, that maybe they're a bit tired of it and would love a cash injection.

**James:** And technically, they're not supposed to sell those things?

**Sophie:** I think it's okay. I think, I'm not quite sure. I've never had any issues doing it. I've certainly taken over a few Facebook communities.

**James:** Certainly, most social platforms don't like users selling their position. But I know for a fact it's massive. It's a huge thing. And also, I've heard about this one where you approach a YouTube channel, and you can pay to have your link put in their description.

**Sophie:** Oh, right.

**James:** Yeah, and they'll put a description link to your program or product. Basically, you can sponsor their description box.

**Sophie:** Nice. So that's cool. And I mean, Amazon says you're not allowed to sell Amazon accounts. I've sold a seven-figure Amazon account. And there's a whole industry there. Thrasio raised billions to buy and merge and roll together, do big roll ups of Amazon accounts. So what happens in practice and what these platforms say don't seem to quite work out.

**James:** Exactly. And to be clear, I'm not saying you should or you shouldn't do it, I'm not giving any advice. I'm just pointing out that, look, the reason that we don't want to be over a barrel is because these big platforms have a habit of making massive changes. And it doesn't suit everybody.

Right now, we've seen Twitter become X. And I posted a bit of a stir in the mud post recently about, how's your Threads working out for you? And some people said they love it, because it's better than what Twitter was, or it's the old Twitter, etc. And it just shows, if you were very, very strong on Twitter, and then it became X, it might not have suited you. And if that's the source of all your income, it's a bit dangerous, because you can't really control that. You've got much richer, more powerful people in control of your destiny.

## **Diversification and protecting the downside**

**Sophie:** Yep. Certainly what I've learned from reading up lots about investing is, you know, the people in it for the long haul, the Warren Buffetts and the Ray Dalios, they're always just much more worried about that downside risk, so they're looking to protect the downside, and that's how I've approached this buying online businesses really seriously.

And then, you know, have the diversification. So you've got one that's on WordPress with Google, one that's maybe, you know, newsletter with a big email list, one that's got a YouTube channel or something, and you just spread out a bit more. But if one breaks, they're not all going to break. Or if there's a glitch or just some tech problem, everything's fixable.

**James:** Well, with 30 in your portfolio, I imagine two things. One is you're fairly protected against changes in the market, because you must be in fingers in different pies. But secondly, there must be some consolidation or economy of scale, you know, where you're doing certain admin features or back-end office stuff, or email sending, etc. could be consolidated across the businesses?

**Sophie:** Yeah. And it gives you good purchasing power as well. So we've got everything hosted on Kinsta, for example. So we just got a really good deal and really good service for all our hosting. And then for the content agencies, we sort of shopped around a bit, and we found some that we really like. And we order a million words at a time. And it can be delivered over two years, but they take our account really seriously.

So we've been really well looked after by service providers by having a bit of scale. My team, if we buy something that's not on WordPress, they'll move it on to WordPress. So everything's on the same theme, as we use the same plugins, we have the same security stuff. But it's actually quite efficient. And efficiency doesn't really come naturally to me, I'm not really a systems person.

But this lady who works for me in New Zealand, who's sort of Chief Operating Officer of the whole portfolio, basically, she is really systems thinking, and she's techie. And she just sets up everything the same. She runs everything in notion, and everything's just organized. And so, she gets the overheads right down by just whipping everything into shape, the second we inherit it. So that saves me a lot of hassle and time and exposure on things going wrong. And she just stays up to date with the things she needs to know about. And I go out and look for more businesses to buy.

**James:** I love it. Well, that's not the only thing you've been doing. Of course, being an educator, you couldn't help yourself, and now you're teaching other people how to do this. It just makes sense. You're so excited about it. You're so passionate, and you've gone and discovered all of these resources. You've done a stack of courses about this all around the world to find out the different ways people approach it. The proof is in your own portfolio, I suppose.

### **Any thoughts of retiring?**

I've got a very important question. This is something I've still not been able to fully solve. How do you describe what you do to your parents?

**Sophie:** Oh. [laughs] That's a tricky one. Well, I think they think I just write a lot of books because I sell all these books on Amazon. I think that's what they think I do. But they do know I buy businesses, but my family is very entrepreneurial. So they actually think I'm a bit of a loser because I'm in my 40s now, I'm the first person in our family in the 40s to still be working. They were all retired at 40. Everyone ever has been retired at 40 in my family. [laughs]

**James:** Wow. Do you think you'll retire?

**Sophie:** I've got a younger brother and sister, and they're still working, but they're catching up pretty quick.

**James:** You are literally the most active person in my Mentor program.

**Sophie:** Oh, really?

**James:** Yes. The most prolific, the most active. I can't see you retiring, anytime in the next few weeks.

**Sophie:** No, I don't really dream of retiring, I'm just being silly.

**James:** You love it, don't you? You literally love it.

**Sophie:** Yeah, yeah, I love playing with the ideas. I'm definitely much more on the creative side than the creating order. And, you know, somebody says, now it's time to optimize that ad campaign, I'm gone, you know, checked out, bored. So I've got quite a short attention span.



The only thing I don't get bored of is learning. And so, I'm in your program, and we have these great calls every week. And then I read a lot of books about business and about philosophy and about history or whatever, you know, I just follow so many different podcasts.

**James:** Well you did AI and programming, all sorts of stuff.

**Sophie:** Yeah, I think we can make the most of that. So last year, I was just total girly SWAT and went off to this MIT course on artificial intelligence and did all these assignments. And then when it actually hit the market as a commercial thing, I was sort of over it. I was like, Well, the big boys are going to do big boys stuff, you know, these huge platforms, I can't create one of those.

**James:** But it would help you spot blind spots and see which businesses might be replaced. A lot of university courses now are for jobs that probably won't be around, let's face it.

**Sophie:** Yeah, I think it has served two things that helped me future proof the things I've already got, where, you know, this was time to switch this content writing strategy to that one or something, but also just that FOMO, you know, I could just sit back and go, right, you know, actually, Amazon wants quality books, not somebody presses some buttons and publishes some junk, and they can be more prolific, but there's no quality, they want quality. So I've kind of got my game plan for each business model. Updated now, I've done that course.

### **If you want to do what Sophie does...**

**James:** Nice. So you've got a website where you're doing some free training, you've got a book there, case studies, etc. I'll definitely put a link up at [JamesSchramko.com/Sophie](https://JamesSchramko.com/Sophie), it is Sophie with an I-E, but we'll put a redirect for the Y, just in case. And so, what's the name of the website?

**Sophie:** It's [aspiringentrepreneurs.com](https://aspiringentrepreneurs.com). And the course is for this particular thing for buying online businesses. I started out assuming, (A) you're not techie, and (B) you don't have thousands and thousands of dollars to throw to business as a speculative exercise. But you'd like to learn how to invest in online businesses.

So it assumes you're going to outsource the day-to-day operations of tech stuff and writing stuff, building links, all that kind of thing. And it also assumes that you're not coming into this with like, a Wall Street, tricky finance background, there's people that do that. That's not my style at all. So I think a lot of the financial instruments just would never apply to these online businesses.

**James:** I see the videos of the lawyers and the M&A people. And they're all very clever and tricky. But there's something not right about that for me. It's not every day translatable.

**Sophie:** No. And their tricks would not have worked for the size of businesses I've bought. So I've bought sort of four-figure, five-figure, and a few six-figure businesses, and the six-figure ones have really made me really do my homework before I bought them. And then the extra work I've done figuring out which ones of those are good, make the smaller ones not so scary.

**James:** And you're basically sharing your lessons, lessons learned along the way.

**Sophie:** Yeah. But I'm not teaching you code or how to build them from scratch.

**James:** By the way, I tell people, don't bother learning how to do that. I'm strong about that. There are so many other things that you should be putting your attention on. And learning how to build an outdated website system that's highly commoditized is not one of those things.

**Sophie:** No, it's never been an easier time to hire good online help for those tech skills. I mean, they're all out there. And they're pretty competitively priced. And you get someone that you like, and you stick with them, and that's your team. So all my team are freelancers apart from two, and in fact, they're still contractors as well, but we've got, you know, someone we go to for UX or someone we go to for a new logo and build up that little black book over time.

Yeah. So I teach people strategy that assumes you're starting small and you learn the ropes on a smaller scale, but you're really looking quite seriously as a, it's more like an alternative investment strategy rather than being an online business builder. So the return on investment should absolutely leave any property or stock market or anything like that absolutely standing in terms of return on investment. And it's not speculation like crypto or buying a racehorse.



So it's sort of in that middle. There's certainly risk, and you need to know what you're doing. But there's some really, really good deals, there's fantastic opportunities for serious buyers, there's far more businesses for sale than there are serious buyers. When I've first engaged with each vendor for a business for sale and sort of explained what I'm wanting to do and they take me seriously, we get to a really good deal really quickly, and they haven't had any other serious offers or serious people with sensible questions.

And so, anyone I'm teaching, I'm teaching from that very first, how would you position yourself? How would you reach out to the owner? What's your first question or your intro? What do you need to accomplish in the first call? Which is not what's your asking price, but you know, figuring out where they're at, what they've done that's worked with the business, and what they're trying to do themselves.



So a lot of that softer stuff is what I teach as much as the crunching the data on the WordPress site. But you know, building rapport, negotiation skills are far more powerful. I'd rather have a great business, you know, and pay a fair price for it, and have goodwill from the vendor and ongoing ideas and a great handover, than you know, buy some broken business or somebody's idea for some software thing that they've never monetized, I want to buy something that's already up and running, going great, really easy. Everything's done, and just take it over. That's a nice deal.

### **Before you do your first deal...**

**James:** Such a good approach. So any words of wisdom for someone who's about to do their first deal?

**Sophie:** Oh, well, good luck, because it is very exciting. And you should definitely put some really detailed work into the assessment of it and the due diligence. Don't make any mistakes. There's no need to make any mistakes, you can do this really carefully. You really want to go carefully, this isn't a thing to throw lots of money about or borrow money for, just pay what you can afford, and have a plan to grow it when you take it over.

And just channel that entrepreneurial side to see the opportunities for growth and to expand on it, you know, can you take this platform here and put it on another platform as well? Or can you add an online course or an affiliate link to another related product or service off the back? So I think the platforms like Flippa make it really easy, because they actually vet and screen all the Google Analytics and they verify it. So they don't list a load of junk.

There's a few rogue Facebook groups out there with small businesses for sale. So the bigger platforms insulate you from a lot of the risks because their brokers do a really thorough check. I've sold big businesses through the brokers, and oh my goodness, they double check everything you do, video walkthroughs of your Stripe accounts, your PayPal payouts, your proof of everything, you know, the metrics on every single part of your business.

So Flippa's a really good one. That's a nice Australian company, F-L-I-P-P-A.com. And then there's Empire Flippers tend to get all the Amazon type sites and slightly bigger ones, and then Quiet Light do some really big business sales as well. So start small and learn the ropes. And then the process is actually the same when the deals get bigger.

I actually feel a bit scared about going in another level up from what I'm doing, I think I'm really happy with what I've got at the moment. And that size deal's really sweet. You know, there's enough return that you could actually live off it if it was your only business. But you put them in a portfolio, and you've got a really nice income stream. You don't have 1000 little rats and mice-sized ones. And you don't have one, seven-figure one that if it breaks, you're absolutely screwed.

So I think that portfolio approach, buy and hold, don't flip them, just hold them, grow and keep them and sell them. And take a long view and just keep upskilling with all the ways that you can enhance the customer experience and stay in touch with what the big platforms like Google are correcting with each update so you don't get caught out.

**James:** I love that philosophy. Something really wise about what you just said. It's about knowing what your level is. I've done that with my own business. I've kept it at a level that's significant enough to be rewarding, working with the right people, but I've never been tempted to take it too far up. Because almost everyone I know with an eight-figure business has a whole world of pain and problems and stress that I don't want. So I don't make the choices that would allow me to have those.

And so, you've got that perfect little portfolio ticking along nicely. Everything's running smoothly. I get to see from the inside that this is actual, and it's happening, and how you do it, and I just love what you're doing. That's why I really wanted to share this. And thank you so much for all this information. We'll definitely put a link to your free training. [JamesSchramko.com/sophie](https://JamesSchramko.com/sophie). Your website, if you want to go directly is called...

**Sophie:** [Aspiringentrepreneurs.com](https://Aspiringentrepreneurs.com). So there's free training there and a free copy of the book. And so, you can get a feel for whether this is something that might suit you. It's definitely not for everyone, it's probably not the first thing you've done in business to go and buy one, I'd say, either have worked in a sort of a senior role or started your own businesses or done something entrepreneurial up till now, but it's certainly a fast track to that endpoint of having the successful profitable business rather than building it yourself. So when time is of the essence, you know, it gets you straight to the finish line of having the business right there straightaway, two clicks of a button, and get the password and it's yours, which is pretty cool.

**James:** Amazing. Sophie Howard, thank you very much.

**Sophie:** Thank you, James.

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