



Episode 07:

Why You Should Focus on Physical Goods Ecommerce

[A transcript of this episode.](#)

Welcome to the Professional Website Investor podcast, the show where we talk about what it takes to successfully buy, operate, scale and sell a thriving eCommerce business. When it comes to doing business online, we believe that buying an existing website is far superior to building one from scratch. If you're a career professional who is looking to become an eCommerce store owner, listening to this show will give you the knowledge, tools and community support you need to be successful.

I'm your host, Ryan Cowden. This week, we're joined by Ian Bond from ProfessionalWebsiteInvestors.com. In this episode of the Professional Website Investor podcast, Ian and I discuss why it's best for you to focus your investments on websites that do physical goods eCommerce. Once you've decided to get involved in website investing, it can be confusing to know what types of websites and markets you should target. There are several types of markets and business models you can search for and several factors to consider. You may be wondering if one model is easier or safer than the others. You may also be considering whether you should focus on one type or diversify your projects.

In this episode, Ian makes the case that you should center your attention on websites that focus on physical goods eCommerce. In Ian's experience, websites with an established presence, buying and selling physical goods are easy to learn, safe to invest in, and have a clear path to profit. In this episode, you'll learn about what the physical goods eCommerce market looks like right now. Second, you'll hear about the main benefits of focusing

on physical goods. We're all online shoppers these days, but we still need physical goods. Many people go online specifically to buy physical goods. This is a wide open market. Third, you should consider finding a niche within the physical goods eCommerce market. Look for one with good profit margins and go specific while many others are going broad. Fourth, you'll hear the problems with other eCommerce models fulfilled by Amazon or FBA and software as a service or SAAS are riskier, less secure and harder models to make a profit with. Finally, you'll hear the importance of finding a mentor to guide your efforts. Don't forget to invest in yourself.

This is an episode you surely won't want to miss. There's a lot of actionable advice in this episode. Grab something to write with because you're going to want to take notes. As always, I'll be back on the other side to wrap up any loose ends. Without any further ado, here's my conversation with Ian Bond.

RYAN: All right. Ian, welcome back to the podcast. How have you been?

IAN: Ryan, it's great to see you.

RYAN: Yeah. It's good to see you too. We're talking about why people should focus on physical goods when they setup their online websites today.

IAN: Absolutely. Yes.

RYAN: Yeah. Let's jump right in here. What kind of physical products are we talking about?

IAN: I have a theory on the retail world. I won't go into the minutia, but where we focus on what we call, high ticket items. That's anything at the very low-end. That's \$500 to, for us, the bulk of the things we sell are between \$1,000 and \$2,500. Our average order is right around \$1,100. If I were to tell you where I would skew towards in the future, I would skew towards even higher prices than that.

RYAN: Okay. Just to give people a framework. We're talking about physical goods.

IAN: Yes.

RYAN: What are we talking about?

IAN: Americans are crazy about their homes.

RYAN: Okay. Yeah.

IAN: Anything that you look around and see in your home ... Let's just back up, okay? Why do we choose high ticket and what are some of the things you should think about. First of all, the dollar margins and high ticket are good and you pay Google dollars, not percentages, when you're buying advertising.

RYAN: Okay.

IAN: If you can earn \$60 or \$100 or \$150 or more on an item when you sell it, that's a very good thing. Your average dollar profit per transaction is what pays the light bills. It's not having great percentage margins. We own and failed at a store that had wonderful margins that's called, trinkets.

RYAN: Okay.

IAN: We want things that have good dollar margins. We want things that people will pull a credit card out readily and buy. People above \$500 to \$2,000 will do that. We want things that are branded but they don't have the brand affinity. It's something like Apple or a brand affinity where you compete with people that define themselves by that brand. If you look around your household, most people wouldn't live or die by the brands of things that they have in their household. We operate almost every room in the household. I can tell you that when something is out of stock, oftentimes, we have a suggestion of something that is in stock and you might imagine that people will switch pretty quickly, their brand affiliation. When they want something, they have a contractor coming and they need it. We could show someone a good reason because of price or functionality or both or whatever, aesthetics, that they should buy something else, they'll switch pretty quickly. They wouldn't do that with an iPhone or something ...

RYAN: Okay.

IAN: ... that's really branded.

Ryan: Right.

IAN: We have branded suppliers that are just not of the ilk that the major fashion houses or a lot of electronics folks are at.

RYAN: Okay.

IAN: That's, yes, this reason.

RYAN: Sure. I think this is such a good topic because I think when people think eCommerce, they think, "Well, I need to go super digital or something," but people still need physical goods. They're just buying them online, right?

IAN: Yeah. Yeah. Look, we have a contribution on our side from a friend of the site, Jock Purtle, of Digital Exits. He does an analysis on the one that we published. It's 10 years study. The growth of different monetization models in online business models. Far and away, eCommerce is the largest model out there. It's enormous. As a buyer, as a website investor, you have an enormous opportunity to look at a lot of different things and only by looking at different ideas can you find what Warren Buffett would term that perfect pitch that comes down the plate that you want to take a swing at because you don't have to do anything. Now, that's not true in some of the nichier strategies where you've tweaked your requirements so high that you don't see things very frequently.

RYAN: Okay. Great. Yeah. There's a huge opportunity. Where are the other benefits or positives of focusing on physical goods?

IAN: Well, I think physical goods, we're all online shoppers. I think the one thing that everyone listening to this has as a skillset is the ability to look at a website and say it's pretty or it's not pretty, and I trusted or I don't trust it, or a product description or the collection description is good and helpful or it's not, the advice was good or it was non-existent, and then ultimately, the customer service is good. I think that this is a kin to buying a home or it's a kin to the way people have a natural affinity or natural ability to judge real estate. I think, Ryan, if you and I ... you're in Indiana right now.

RYAN: Mm-hmm (affirmative).

IAN: You and I were parachuted into some foreign city, we could probably figure out the real estate market. It wouldn't take us forever because we've got some skills that not just because we've looked at apartments and homes before. I think that for most people, online shopping is like real estate.

RYAN: When people are looking to get into selling and buying physical goods, do you recommend finding a niche within that market like a specific type of physical good that you focus on or should it be a variety of goods?

IAN: Yeah. Excellent question. The reality is that the way the online world is stratified is that you have the bricks and mortar, people that have an ad ... they have an online presence. Think of Home Depot in the household area. It might be a competitor.

RYAN: Okay.

IAN: Home Depot has grown up as a bricks and mortar place, but their online business, they'd spent a lot of time on it. It's an increasing percentage of their sales and they do that. Then there are specialty online retailers that have been gone to be huge and go to the national kitchen and vast associations and look at who some of the members are. You'll see people that get 5,000 visitors a day and they've been doing this for over 20 years. They have huge reputations, but they are very entrenched and maybe not so specialized. There's one that I skipped in there which is the online only super stores. They sell everything online. Wayfair, for example. There's the Home Depots. There's the Wayfairs. There's this specialty guy. There's the online only guys that are very broad. There's where we operate which is in very specific niches.

We want to provide people with a great selection. We're very relevant for exactly what they're looking for so that they don't get lost on our site looking for being distracted by things that they're not looking for or confused by them, and where we can offer incredible amount of information. Everything from diagrams to videos, have a learning center that's focused on exactly what they'd be interested in and go incredibly deep in something that's very specific as opposed to everybody else that's going very broad. We can be

that destination. We have several tenants that we operate on which we'll talk at another time on how we accomplish that. That's a different conversation, but that's the way the retail world works in a nutshell. That's the opportunity, I think, for investors. You can go buy Home Depot stock, but if you really want to buy an eCommerce website, a physical goods eCommerce website, look for a niche where you could dominate that niche and where the products sell at a very high price and you have really good dollar margins to reinvest in your business. That's the holy grail right there.

RYAN: Okay. Did you know the niche that you were looking for when you got in or did you try some different things and see what worked?

IAN: Well, I think that's the interesting thing about buying a business as opposed to building a business, right?

RYAN: Right.

IAN: People are very passionate also. Americans will pull out their credit card for everything around their house because Americans are crazy for their houses. They're also very passionate about their hobbies, things for their kids and stuff like that. There's a lot of things that people will pull a credit card out very readily for, but the builders would start with the niche selection. Buyers would start with, "Hey, what are the financial characteristics that I'm looking for," okay? "Do I want higher prices or do I want lower prices? Do I want it to be advice intensive or do I want it to sell like a commodity like something might sell on Amazon where you don't really get much ... you're getting no advice, you get some information?"

RYAN: Okay.

IAN: Buyers look for the profile of the target they're looking for and they're most agnostic that ... agnostic for what it'll be. Now, after you've looked at enough sites, you'll start to see some of the same niches over a period of time.

RYAN: Okay.

IAN: I know about a lot of niches that we don't own stores and because I've seen deals in them. I know who might be executing well, who is not executing well. I even know some of the suppliers already, but we don't deal with them because we don't know anything in that space.

RYAN: Okay. Interesting.

IAN: It's a different framework. It's a different way to come at.

RYAN: It is. Yeah. Okay. Great. What kind of shift over to the other side of here? Why are you recommending that people not go into some of these other business models, these other eCommerce models?

IAN: Okay. Specifically, in my world, I get lots of questions on lots of different monetization models. I've mentioned that physical goods eCommerce, the majority was 52% digital exits report, 52% of online businesses that were sold were eCommerce. Now, there's another 7% that are FBA and I get some questions about that, and then there's 12% that were SAAS sites. I get an enormous number of questions about this 12%. Let me just be a little bit controversial ...

RYAN: Okay.

IAN: ... and say where I think I understand high ticket physical goods. I do not think I understand the 1999 to \$79 FBA item that somebody might buy at Amazon or maybe in one of the isles at Walmart. I don't mean to disparage anybody. I just don't understand that. Now, I do know people that have had the knocked off, they've had their listings hijacked. I do know a guy that had Amazon come in and call a supplier and take his FBA product from him, okay? That's not going to happen in my world, okay? None of our suppliers compete with us online, okay?

RYAN: Okay.

IAN: By the way, the old joke in eCommerce world is, no one's ever met an FBA seller who had any money. They're always broke. They're constantly reinvesting in inventory and scaling up until the day they sell. That's a model that's fraught with working capital issues.

RYAN: Okay.

IAN: I look at FBA deals all the time.

RYAN: Okay.

IAN: I would love to add FBA to my portfolio. While I just disparaged it, I'm a deal junkie and want to be involved with Amazon. I believe in it. I've taken the negative side because of the way you framed your question.

RYAN: Okay.

IAN: Now, let me do the same with SAAS sites. The number one question that somebody will ping me and say that they're interested in SAAS sites and I don't say-

RYAN: That's software and as a service?

IAN: Software as a service.

RYAN: Yeah.

IAN: I'll say, "Well, look, unless you're willing to commit a lot of money, you're not going to see a deal and even if you are, you probably not." Now, the bulk of these people have some kind of a technology background or think they do, okay? My problem with that is that you could come to me as me being your potential partner and you could tell me that you understand the tech platform that this SAAS business is built on and you could sell me that all day long and it might be believable, but the real important thing is, what need is the service solving and do you know that, okay?

RYAN: Right.

IAN: I think you have to think about that and not the tech platform. If somebody going to come in and step in front of you, all of your customers are just going to leave. Now, a lot of SAAS sites have a lot of built in pain for people that leave. The users have a lot invested and that is a huge selling point. One of the reasons that people are so positive about SAAS sites, but I

would tell you that there aren't any lower price SAAS businesses for sale. There's an enormous competition. I was on a webinar the other night for a fun that's hoovering up as many that they can find. These deals just don't find themselves, don't find their way onto most of the broker's websites.

If you're early in your career investing, you're just not going to see a deal that you should probably buy, (1). (2) It's probably going to be fairly expensive. (3) You've got this other issue that I've just mentioned, which is, you're going to have to convince me that you understand what the end market is and you should understand it if you're going to buy it. Yeah, that's my problem. Now, let me give you something that I mentioned to SAAS buyers, which I think is highly relevant. There's an author named John Warrillow. He wrote the epic book, *Built to Sell*. He followed that book up with and he said in his foreword to a book called, *The Automatic Customer* that he should have made half a book, *Built to Sell*, about how to convert to a business ... building to selling with the selling in mind, he should have built and the end game is to have as much recurring revenue as possible. That's what people are really looking for than looking for SAAS.

He goes through numerous different business models. Everything from product, services to other continuity programs like membership community sites. These all have this very much the same characteristics of SAAS. If you haven't read *The Automatic Customer*, which I'll put a link on the show notes to it, it's a wonderful book. If you haven't read *Built to Sell*, do *Built to Sell* first and then *The Automatic Customer*, but if you're a relatively new buyer and you're looking for SAAS sites, you're not going to find one, okay?

RYAN: Mm-hmm (affirmative).

IAN: I can show you on a weekly basis physical good eCommerce sites and you could say, "Well," and you're out at a loop, guilty as charged, but I can tell you for sure that you can see physical goods eCommerce sites all day long. It's very rare to see a SAAS site. Broaden your horizons out if you're a SAAS fire and start to think about other things that might have continuity income or what exactly it is that you might be able to do. We're looking in our physical goods eCommerce sites of building in continuity income when somebody buys something. When we look at businesses, we say, "What are

the natural things that someone might need on a regular basis?” That’s very attractive. We’re looking for that. They’re hard to find though.

RYAN: Okay. Great. One thing that you mentioned that was really important to you is finding a mentor.

IAN: Well, yeah. Look, your single best investment is in yourself. I bought way too many courses that I’ve never completed, but where I think I’ve gotten something out of them, I’m involved in communities and I have coaches and believe in coaching. This online investing thing, you’re in your head all day long looking at stuff. You don’t have to do this alone. There are great resources out there that you can tap into and that’s the best money that you’ll spend. Whether that is attending conferences, whether that is defining mentor or whether that is to be in a community, my courses, all of these things are things that you should be doing but there really is no substitute for having this kind of conversation like you and I are having.

Finding someone where you go, “You know what, I think that that person is speaking from the place that I come from.” I could use some coaching. I currently have two coaches that I work with. It keeps me accountable and absolutely shortens the whole process for me on anything that I’m thinking about. I actually will be working on something for one of those coaches tomorrow because quite frankly, I’ve been caught up doing other things for two or three weeks and I’m behind. I know I’m accountable and I know that I’m also going to see that velvet that’s going to come in because I pay monthly. I won’t give up my slot, that’s for sure. I want to keep that guy.

RYAN: Yeah. That’s great. It’s also good hearing, I think we tend to think of mentoring as vertical and you join these communities. There’s a lot of horizontal mentoring that can happen too.

IAN: Yeah. Yeah. I always describe it as, when you join a community, you’re a lurker. You’ll watch what’s going on in there, and then occasionally, you contribute. Most of these communities have leader boards, then you become one of these studs that’s on the leader board. You’ve gotten the most points for the week or the month or something like that. You’re never going to find me there, but I can tell you that what it cost to join a

community, I don't care if it's \$49 a month or \$69 a month, one good piece of advice, one good referral pays for all of that forever, okay?

RYAN: Right.

IAN: Don't be one of these people that ... when you can join a community and you've got people that are diverse and they're doing this and they live and breathe it, maybe there are people that are just ahead of you and there are people way ahead of you. Nothing but upside. Nothing but upside.

RYAN: Right. Right. All right. That's about all the time we have. Thank you so much, Ian. That was really great.

IAN: That was exciting. Thanks so much for the time. I think it's a great topic. Hopefully, we'll get some kind of time. Thanks.

RYAN: Okay. All right.

IAN: See you around.

RYAN: You too. All right, folks. There you have it. That wraps up my conversation with Ian Bond of Professional Website Investors. He shared a ton of valuable insights and advice today on why you should focus on physical goods eCommerce websites. We also shared some tools and resources, which will all be linked at the show notes at ProfessionalWebsiteInvestors.com. I hope you enjoyed this conversation. Please consider subscribing, sharing with a friend or leaving us a review in your favorite podcast directory. Until next time, best of luck in all that you do. We look forward to seeing you on the next episode of the Professional Website Investor podcast.

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